Certificate in Mortgage Advice and Practice (CeMAP) Module 3 Practice Exam (Sample)

Study Guide

Everything you need from our exam experts!

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- **Practice answering questions under realistic conditions,**
- **Improve accuracy and speed,**
- **Review explanations to strengthen weak areas, and**
- **Approach the exam with greater confidence.**

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here’s how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don’t just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There’s no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

1. **How much does a 'basis point' equate to in percentage terms?**
   - A. One per cent
   - B. One-hundredth of one per cent
   - C. Ten per cent
   - D. Zero point five per cent

2. **What deposit is required for Help to Buy equity?**
   - A. 5% only
   - B. 20% only
   - C. 10% and 15%
   - D. 5% and 20%

3. **If a homeowner takes out a home reversion plan on 100% of the property, which statement is true?**
   - A. The planholder will retain ownership of the property
   - B. The planholder can choose to receive cash or income, but not both
   - C. The planholder will not benefit financially from any improvements made to the property
   - D. Interest will be rolled up but the debt cannot exceed the value of the property

4. **Which legislation governs lease extensions under the Commonhold and Leasehold Reform Act 2002?**
   - A. Landlord and Tenant Act 1954
   - B. Commonhold and Leasehold Reform Act 2002
   - C. Housing Act 1988
   - D. Mortgage Reforms Act 2000

5. **Can you carry a higher lending charge to a new mortgage?**
   - A. Yes, higher lending charges can be carried to a new mortgage.
   - B. No, higher lending charges are specific to a particular mortgage and cannot be carried over.
   - C. Only if the loan-to-value stays under 75%.
   - D. Remortgage would require no new charge provided the lender agrees.

6. **Which of the following best describes the effect of a standard lease extension on the lease duration?**
   - **A. The extension doubles the current term.**
   - **B. The extension replaces the term with 90 years.**
   - **C. The extension shortens the term.**
   - **D. The extension adds 90 years to the term.**

7. **What is the maximum number of direct debit requests a lender can process in a calendar month if the borrower has a payment shortfall?**
   - **A. 2**
   - **B. 1**
   - **C. 3**
   - **D. 4**

8. **Which condition would prevent it being classified as a regulated lifetime mortgage?**
   - **A. The capital must be repaid in equal instalments over the term.**
   - **B. It is an interest-only mortgage.**
   - **C. It is only available to borrowers over the age of 60.**
   - **D. The capital is only repayable on death or move into residential care.**

9. **For Andrew's request for a further advance to build an extension to the front of his house, which evidence must the lender require?**
   - **A. confirm that it will be a permitted development.**
   - **B. see evidence that the planned work has planning consent and meets building regulations.**
   - **C. confirm that it will be exempt from building regulations.**
   - **D. see evidence of planning consent within 28 days of advancing the funds.**

10. In a scenario where the property value is £180,000 and the mortgage loan sought is £140,000, with a 5% higher lending charge on the portion above 75% LTV, what is the charge?

A. £100

B. £250

C. £350

D. £500

Answers

1. B
2. D
3. C
4. B
5. B
6. D
7. A
8. D
9. B
10. B

Explanations

1. How much does a 'basis point' equate to in percentage terms?

A. One per cent

B. One-hundredth of one per cent

C. Ten per cent

D. Zero point five per cent

The main idea is understanding what a basis point represents. A basis point is one hundredth of a percent, which is 0.01%. There are 100 basis points in 1 percent, so 100 basis points equal 1%. That's why the correct choice is the one that says one-hundredth of one percent. It matches the definition used in finance for small changes in rates, fees, or yields. For context, 25 basis points would be 0.25%, and 100 basis points would be 1%. The other options correspond to larger values: 1% (100 basis points), 10% (1000 basis points), and 0.5% (50 basis points).

2. What deposit is required for Help to Buy equity?

A. 5% only

B. 20% only

C. 10% and 15%

D. 5% and 20%

Understanding how Help to Buy equity works: you fund the purchase with a small cash deposit plus a government equity loan, with the rest covered by a mortgage. The buyer typically provides a 5% deposit from their own funds, and the government contributes up to a 20% equity loan. The remaining 75% is financed by a mortgage from a lender. So the upfront funding involves both 5% of your money and a 20% government loan, which is why the option combining 5% and 20% is the correct choice. The other options miss either the personal deposit or the government equity element.

3. If a homeowner takes out a home reversion plan on 100% of the property, which statement is true?

A. The planholder will retain ownership of the property

B. The planholder can choose to receive cash or income, but not both

C. The planholder will not benefit financially from any improvements made to the property

D. Interest will be rolled up but the debt cannot exceed the value of the property

With a home reversion plan, you sell all (100%) of your property to the plan provider in exchange for cash or an income, while you may still have the right to live there for life. The crucial point is ownership. If you surrender the entire title, you no longer own the home and therefore don't share in any increase in its value from improvements. Any improvements become part of the provider's asset base, not yours, so you don't financially benefit from those enhancements. The other statements don't fit because: - You would not retain ownership if the plan covers 100% of the property. - You can usually choose cash, income, or a combination in many reversion products; the notion that you can't have both isn't universally true. - The concept of interest being rolled up and a no-negative-equity cap applies to lifetime mortgages, not to a 100% home reversion.

4. Which legislation governs lease extensions under the Commonhold and Leasehold Reform Act 2002?

A. Landlord and Tenant Act 1954

B. Commonhold and Leasehold Reform Act 2002

C. Housing Act 1988

D. Mortgage Reforms Act 2000

The framework for extending residential leases is set by the Commonhold and Leasehold Reform Act 2002, which provides the statutory route and rules for lease extensions and enfranchisement. This Act updates and consolidates how premiums are calculated, the notices required, and the terms offered when a lease is extended, making it the primary source for lease extension rights in this context. The other acts listed cover different areas—such as business tenancies under the Landlord and Tenant Act 1954 or general tenancy protections under the Housing Act 1988—and do not govern residential lease extensions within this framework. Therefore, the legislation that governs lease extensions under the Commonhold and Leasehold Reform Act 2002 is the Commonhold and Leasehold Reform Act 2002 itself.

5. Can you carry a higher lending charge to a new mortgage?

A. Yes, higher lending charges can be carried to a new mortgage.

B. No, higher lending charges are specific to a particular mortgage and cannot be carried over.

C. Only if the loan-to-value stays under 75%.

D. Remortgage would require no new charge provided the lender agrees.

Higher lending charge is a fee tied to the specific mortgage deal and the risk profile of that particular loan. It forms part of the contract you enter into when you take out that loan, and it isn't an amount that can be carried over or ported to a new mortgage. When you remortgage, you're entering a new agreement with a lender (or a new product with the same lender), which means pricing and any applicable fees are determined again for the new deal. The old higher lending charge simply doesn't transfer to the new arrangement. So, even if you'd prefer to keep the same lender or hope to avoid extra costs, the charge isn't portable; you'd face a fresh assessment and any new fees that apply to the new mortgage.

6. Which of the following best describes the effect of a standard lease extension on the lease duration?

A. The extension doubles the current term.

B. The extension replaces the term with 90 years.

C. The extension shortens the term.

D. The extension adds 90 years to the term.

A standard lease extension increases the lease term by adding 90 years to what remains. It doesn't replace the entire term with a new fixed length, nor does it shorten or simply double the duration. The new unexpired term equals the current remaining years plus 90. For example, if you have 60 years left, after the extension you'd have 150 years remaining (60 + 90). This makes the lease longer and generally more attractive to lenders and buyers.

7. What is the maximum number of direct debit requests a lender can process in a calendar month if the borrower has a payment shortfall?

A. 2

B. 1

C. 3

D. 4

When a borrower has a payment shortfall, there is a limit on how often a lender can attempt to collect via direct debit in a single calendar month. The rule is two attempts per month. This cap helps balance recovering arrears with treating the borrower fairly and avoiding pressurising them with repeated debits. If the shortfall persists after two attempts, the lender should pause direct debit requests and explore other options or arrangements with the borrower. So, the maximum number of direct debit requests is two.

8. **Which condition would prevent it being classified as a regulated lifetime mortgage?**

   A. **The capital must be repaid in equal instalments over the term.**

   B. **It is an interest-only mortgage.**

   C. **It is only available to borrowers over the age of 60.**

   D. **The capital is only repayable on death or move into residential care.**

Lifetime mortgages are equity-release loans secured on your home that are designed to be repaid when you die or move into long-term care, with interest often rolling up and no regular capital repayments during the borrower's lifetime. The key feature that signals this product is a repayment event tied to death or care, rather than ongoing monthly capital repayments. If the loan required the capital to be repaid in equal instalments over a fixed term, that would be a standard amortising loan rather than a lifetime mortgage. Regular instalments mean you're repaying the principal over time, which is characteristic of a typical mortgage rather than an equity-release product, so that structure would prevent it from being classified as a regulated lifetime mortgage. The other scenarios don't in themselves remove the lifetime mortgage classification: paying only interest can still be part of a lifetime mortgage, age restrictions don't determine whether it's a lifetime mortgage, and the capital repayable only on death or moving into care is precisely what defines the lifetime mortgage structure.

9. **For Andrew's request for a further advance to build an extension to the front of his house, which evidence must the lender require?**

   A. **confirm that it will be a permitted development.**

   B. **see evidence that the planned work has planning consent and meets building regulations.**

   C. **confirm that it will be exempt from building regulations.**

   D. **see evidence of planning consent within 28 days of advancing the funds.**

The main idea is that a lender will only release funds for a new extension if the project has formal approvals and will meet essential standards. Evidence that planning consent has been granted shows the local planning authority has approved the design and its use, while proof that the work meets building regulations confirms the construction will be safe, structurally sound, and compliant with required technical standards (including fire safety and energy performance). Without planning consent, the local authority could require changes or removal, potentially reducing the property's value and the loan's security. Without building regulations approval, the extension could be unsafe or non-compliant, again risking the loan. Merely relying on the idea that the work is permitted development or claiming it would be exempt from building regulations does not provide the necessary certainty, and the timing of consent (such as a 28-day window) is not what lenders require to advance funds.

10. In a scenario where the property value is £180,000 and the mortgage loan sought is £140,000, with a 5% higher lending charge on the portion above 75% LTV, what is the charge?

A. £100

B. £250

C. £350

D. £500

Higher lending charges are applied only to the portion of the loan that pushes the loan-to-value above 75%. Start by calculating the LTV: 140,000 divided by 180,000 equals about 77.8%, which is above 75%. Next determine the amount of the loan that sits above the 75% threshold. 75% of the property value is 0.75 × 180,000 = 135,000. The loan is 140,000, so the excess above the threshold is 140,000 − 135,000 = 5,000. The charge is 5% of that excess amount: 0.05 × 5,000 = 250. So the higher lending charge is £250. If the loan had been 75% or less, there would be no charge.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we’d love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://cemapmodule3.examzify.com

We wish you the very best on your exam journey. You've got this!