

# Federal Mortgage-Related Laws Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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**SAMPLE**

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## **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.**

## **7. Use Other Tools**

**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!**

SAMPLE

## **Questions**

- 1. How does federal law define "demographic information" in mortgage applications?**
  - A. Information about the household income**
  - B. Details such as race, ethnicity, and gender**
  - C. Information about employment history**
  - D. Data regarding previous homeownership**
- 2. Which of the following is NOT a requirement when applying for a loan over the phone?**
  - A. The application must be completed within 5 minutes**
  - B. A confirmation of receipt must be sent within three days**
  - C. Borrowers must receive a Good Faith Estimate within three days**
  - D. A valid license must be verified for the lender**
- 3. RESPA does not apply to which type of loan?**
  - A. Federally related mortgage loans**
  - B. Loans for business, commercial, and agricultural purposes**
  - C. Loans secured by a lien on a principal dwelling**
  - D. Subprime mortgage loans**
- 4. What types of transactions did the revised HOEPA provisions extend to as a result of the Dodd-Frank Act?**
  - A. Open-end transactions and purchase money mortgages**
  - B. Closed-end transactions only**
  - C. Only reverse mortgages**
  - D. Closed-end and open-end transactions**
- 5. Under TILA, what must lenders disclose about variable-rate loans?**
  - A. Fixed payment amounts for the entire loan term**
  - B. The terms of the variability and potential payment increases**
  - C. Only the interest rate and loan length**
  - D. The credit score of the borrower**



- 6. How do predatory loans typically differ from conventional loans?**
- A. They have lower interest rates and fewer fees**
  - B. They often feature high-interest rates and additional fees**
  - C. They are regulated by federal law**
  - D. They require no credit history**
- 7. Which of the following terms describes the amount a borrower must pay to close a loan?**
- A. Down payment**
  - B. Closing costs**
  - C. Loan-to-value ratio**
  - D. Prepayment penalty**
- 8. What does the term "servicing" refer to in mortgage finance?**
- A. Management of borrower relationships**
  - B. Management of mortgage loans**
  - C. Assessment of property values**
  - D. Collection of credit scores**
- 9. What must a lender provide to a borrower concerning the loan terms after they complete a loan application?**
- A. A pre-approval letter**
  - B. A credit report**
  - C. A disclosure of the APR**
  - D. A loan payoff statement**
- 10. On what factor can a lender legally deny an applicant credit?**
- A. The applicant receives public assistance**
  - B. The applicant has participated in a consumer credit counseling program**
  - C. The applicant lacks income stability**
  - D. The applicant is divorced**

## **Answers**

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

**SAMPLE**

## **Explanations**

**1. How does federal law define "demographic information" in mortgage applications?**

**A. Information about the household income**

**B. Details such as race, ethnicity, and gender**

**C. Information about employment history**

**D. Data regarding previous homeownership**

The definition of "demographic information" in the context of mortgage applications refers to specific characteristics that can help identify social or cultural aspects of applicants. This typically includes details such as race, ethnicity, and gender. This information is collected primarily to promote equal opportunity in housing, monitor underlying patterns of discrimination, and ensure compliance with fair lending laws. By gathering this type of data, regulatory agencies can analyze trends and take necessary actions to foster inclusive lending practices. In contrast, household income, employment history, or data regarding previous homeownership are not included under demographic information as per federal law. These aspects are generally more focused on financial status and ability to repay a loan, which falls outside the realm of demographic identifiers.

**2. Which of the following is NOT a requirement when applying for a loan over the phone?**

**A. The application must be completed within 5 minutes**

**B. A confirmation of receipt must be sent within three days**

**C. Borrowers must receive a Good Faith Estimate within three days**

**D. A valid license must be verified for the lender**

When applying for a loan over the phone, there are specific regulatory requirements that lenders must adhere to, aimed at ensuring transparency and protection for the borrower. The requirement stating that a confirmation of receipt of the application must be sent within three days is mandated by federal law, ensuring that the borrower is acknowledged and informed about their application status. Additionally, borrowers must receive a Good Faith Estimate within three days of their application, which is a critical document that outlines the expected costs associated with the loan. This requirement helps borrowers understand the terms of their mortgage and any associated fees before moving forward. The verification of the lender's valid license is also essential, as it ensures that the lender is authorized to operate and lend in the specific jurisdiction, contributing to fair lending practices. However, there is no federal requirement dictating that the application must be completed within a specific timeframe, such as five minutes. This means that while it may speed up the process for efficiency, there is no obligation to finalize the application within that time frame, making it the correct response for this question.

### 3. RESPA does not apply to which type of loan?

- A. Federally related mortgage loans
- B. Loans for business, commercial, and agricultural purposes**
- C. Loans secured by a lien on a principal dwelling
- D. Subprime mortgage loans

The correct choice indicates that RESPA (Real Estate Settlement Procedures Act) does not apply to loans made for business, commercial, and agricultural purposes. RESPA is specifically designed to protect consumers in residential mortgage transactions by requiring transparency and providing consumers with pertinent information regarding settlement services and costs associated with their loans. RESPA primarily governs federally related mortgage loans, which are loans made with the purpose of purchasing or refinancing a home where the property serves as a borrower's principal residence. It ensures that borrowers are informed about the costs and settlement services they will encounter throughout the mortgage process in the residential sector. In contrast, business, commercial, and agricultural loans typically fall outside the scope of RESPA because these types of transactions do not involve residential properties where consumers often benefit from the protections intended by RESPA. This distinction is crucial, as the act's focus is on consumer protection in personal dwelling loans rather than business or investment-related loans.

### 4. What types of transactions did the revised HOEPA provisions extend to as a result of the Dodd-Frank Act?

- A. Open-end transactions and purchase money mortgages**
- B. Closed-end transactions only
- C. Only reverse mortgages
- D. Closed-end and open-end transactions

The revised Home Ownership and Equity Protection Act (HOEPA) provisions, as a result of the Dodd-Frank Act, significantly expanded the types of transactions subject to its regulations. This included both open-end transactions, such as home equity lines of credit, and purchase money mortgages, where financing is used specifically for purchasing a home. The inclusion of open-end transactions reflects a broader regulatory scope, allowing for more comprehensive consumer protections. This was part of the Dodd-Frank Act's overarching goal to enhance consumer protections in the mortgage lending sector, addressing issues that contributed to the financial crisis. Therefore, recognizing that HOEPA now applies to both open-end and purchase money mortgage transactions explains why this answer correctly aligns with the intent of the legislation. By contrast, the other options fail to recognize the full range of transactions affected by the revised provisions, limiting the scope either to closed-end transactions alone or to reverse mortgages, which do not capture the comprehensive changes introduced by the Dodd-Frank Act regarding consumer protection in mortgage lending. This understanding is crucial for anyone navigating mortgage-related laws, as it underscores the expanded protections available to consumers.

**5. Under TILA, what must lenders disclose about variable-rate loans?**

- A. Fixed payment amounts for the entire loan term**
- B. The terms of the variability and potential payment increases**
- C. Only the interest rate and loan length**
- D. The credit score of the borrower**

The requirement for lenders to disclose the terms of variability and potential payment increases for variable-rate loans is crucial for ensuring transparency and protecting borrowers. This disclosure allows the borrower to understand how the interest rate can change over time and the impact it can have on their repayment obligations. By detailing how often the rate can adjust, the index to which the rate is tied, and the potential caps on adjustments, lenders provide borrowers with essential information to make informed decisions about the loan. This is particularly important in the context of variable-rate loans, where payments can increase significantly due to changes in the interest rate, potentially leading to affordability issues for the borrower. In contrast, other options do not align with TILA's requirements for disclosures regarding variable-rate loans. Fixed payment amounts for the entire loan term are not applicable for variable-rate loans, as those payments can fluctuate. Similarly, simply disclosing the interest rate and loan length does not convey the essential details about variability that could affect the borrower's financial planning. Additionally, the credit score of the borrower is not relevant in the context of specific loan features and payment variability, as it relates more to creditworthiness than to the terms of the loan itself.

**6. How do predatory loans typically differ from conventional loans?**

- A. They have lower interest rates and fewer fees**
- B. They often feature high-interest rates and additional fees**
- C. They are regulated by federal law**
- D. They require no credit history**

Predatory loans typically differ from conventional loans in that they often feature high-interest rates and additional fees. This is a hallmark of predatory lending practices, where lenders target vulnerable borrowers or those with less negotiating power and impose loan terms that are much more burdensome than standard loans. In contrast to conventional loans, which generally aim to provide fair and reasonable terms based on the borrower's creditworthiness and financial situation, predatory loans exploit borrowers' circumstances. This can include exorbitant interest rates that far exceed the market average, as well as hidden fees that can significantly increase the overall cost of the loan, making it difficult for the borrower to keep up with repayments. The other options describe characteristics that do not align with the nature of predatory loans. For example, predatory loans are often unregulated or inadequately regulated rather than being well-governed by federal law. They can also require varying credit histories, as predatory lenders may not always disregard creditworthiness entirely. Thus, understanding these key differences highlights the predatory aspects that can lead to financial distress for borrowers.

**7. Which of the following terms describes the amount a borrower must pay to close a loan?**

- A. Down payment**
- B. Closing costs**
- C. Loan-to-value ratio**
- D. Prepayment penalty**

The correct term to describe the amount a borrower must pay to close a loan is closing costs. Closing costs encompass a variety of fees that are incurred during the closing of a real estate transaction. These can include appraisal fees, title insurance, credit report fees, and various other disbursements necessary to finalize the loan. These costs are typically outlined in the Loan Estimate and Closing Disclosure documents, which detail all financial obligations associated with obtaining the loan. In contrast, a down payment refers to the portion of the purchase price that the borrower must pay upfront and is typically expressed as a percentage of the total loan amount. The loan-to-value ratio is a financial term used to assess the risk of lending in real estate, comparing the amount of the loan to the appraised value of the property. Lastly, a prepayment penalty is a fee that a borrower might incur for paying off their loan earlier than agreed, which does not pertain to the costs associated with closing the mortgage. Understanding these distinctions helps clarify the financial aspects of acquiring a mortgage.

**8. What does the term "servicing" refer to in mortgage finance?**

- A. Management of borrower relationships**
- B. Management of mortgage loans**
- C. Assessment of property values**
- D. Collection of credit scores**

In mortgage finance, the term "servicing" primarily refers to the management of mortgage loans. This encompasses a variety of tasks that are essential to overseeing a loan after it has been originated. Tasks include collecting monthly mortgage payments from borrowers, ensuring those payments are properly applied to the loan, managing escrow accounts for property taxes and insurance, providing timely account statements, handling customer service inquiries, and managing the loan's status (including any defaults). Servicing is critical because it ensures that the loan is maintained correctly over its duration, thereby protecting the interests of both the borrower and the lender. Effective servicing also involves keeping track of payment schedules and providing borrowers with necessary information regarding their loans. By focusing on the management of mortgage loans, servicing plays a pivotal role in the overall mortgage process and impacts the financial stability of both the borrower and the mortgage holder.



**9. What must a lender provide to a borrower concerning the loan terms after they complete a loan application?**

- A. A pre-approval letter**
- B. A credit report**
- C. A disclosure of the APR**
- D. A loan payoff statement**

The lender is required to provide a disclosure of the Annual Percentage Rate (APR) to the borrower after they complete a loan application. This requirement is rooted in the Truth in Lending Act (TILA), which mandates that lenders disclose clear and accurate information about the cost of credit. The APR is a critical figure because it represents the total cost of borrowing on an annual basis, including both the interest rate and any associated fees. Providing this information allows borrowers to make informed comparisons between different loan offers and understand the true cost of financing. The APR is designed to provide a more complete picture of what a borrower can expect to pay over the life of the loan, beyond just the nominal interest rate. This transparency enhances consumer protection in the lending process and fosters informed decision-making by borrowers. In contrast, while pre-approval letters, credit reports, and loan payoff statements are relevant financial documents in the lending process, they do not specifically fulfill the requirement set forth by TILA regarding post-application disclosures related to loan terms.

**10. On what factor can a lender legally deny an applicant credit?**

- A. The applicant receives public assistance**
- B. The applicant has participated in a consumer credit counseling program**
- C. The applicant lacks income stability**
- D. The applicant is divorced**

A lender can legally deny an applicant credit based on income stability, as it is a key factor in assessing an applicant's ability to repay a loan. Lenders are required to evaluate the creditworthiness of applicants, which includes looking at their income, employment history, and overall financial situation. Lack of income stability may indicate that the applicant could struggle to make consistent mortgage payments, prompting lenders to consider them a higher risk. In contrast, factors such as receiving public assistance, participating in a consumer credit counseling program, or being divorced cannot be solely relied upon to deny credit under federal laws. These aspects do not directly reflect an applicant's ability to repay a mortgage and are often protected by regulations that forbid discrimination based on socioeconomic status or life circumstances. Therefore, focusing on income stability as a basis for denial aligns with the lender's responsibility to ensure they are issuing credit to individuals who have a realistic chance of fulfilling their financial obligations.

## 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](mailto:hello@examzify.com).**

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

**<https://fedmortgagerelatedlaws.examzify.com>**

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