

Loan Signing and Real Estate Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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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. What form is filled out by the VA to establish borrower's eligibility for an FHA VA loan?**
 - A. Certificate of Eligibility**
 - B. Certificate of Reasonable Value**
 - C. Certificate of Veteran Status**
 - D. Certificate of Title**
- 2. Why might someone incur a Tax Service Fee?**
 - A. For the preparation of tax returns**
 - B. To cover the costs of monitoring tax payment on their property**
 - C. To pay off tax liens**
 - D. For conducting a title search**
- 3. What does the Federal Reserve Board oversee?**
 - A. Mortgage underwriting guidelines.**
 - B. Federal housing policy.**
 - C. Federal Reserve Banks and monetary policy.**
 - D. The sale of Fannie Mae bonds.**
- 4. What kind of records are examined during a Title Search?**
 - A. National tax records**
 - B. Local real estate records**
 - C. Personal financial statements**
 - D. Historical property tax documents**
- 5. What is meant by prepayment in loan agreements?**
 - A. Repayment of interest only**
 - B. Full or partial repayment of principal before the due date**
 - C. Payment of outstanding fees on the loan**
 - D. Payment made after the due date with penalties**
- 6. What constitutes a lien in property terms?**
 - A. A formal agreement between two property owners**
 - B. A legal claim on a property for debt security**
 - C. A document stating ownership of property**
 - D. An insurance policy covering property damage**

- 7. What is a fixed-rate mortgage?**
- A. A loan where the interest rate can change over time**
 - B. A loan with variable payments based on the borrower's income**
 - C. A loan where the interest rate remains the same throughout its term**
 - D. A loan with a shorter repayment term than typical mortgages**
- 8. What is generally required to avoid PMI on a conventional loan?**
- A. A down payment of at least 10%**
 - B. A down payment of at least 20%**
 - C. A co-signer for the loan**
 - D. To have a long credit history**
- 9. What happens to payments after a buy-down period expires?**
- A. Payments decrease significantly**
 - B. Payments remain the same**
 - C. Payments increase**
 - D. Payments are forgiven**
- 10. Which of the following best describes a credit report?**
- A. A summary of all loans a consumer has applied for**
 - B. A list of public records and financial transactions**
 - C. A detailed history of a borrower's creditworthiness**
 - D. A document listing current credit card balances**

Answers

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

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Explanations

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1. What form is filled out by the VA to establish borrower's eligibility for an FHA VA loan?

- A. Certificate of Eligibility**
- B. Certificate of Reasonable Value**
- C. Certificate of Veteran Status**
- D. Certificate of Title**

The form that is utilized by the Department of Veterans Affairs (VA) to assess a borrower's eligibility for a VA loan is known as the Certificate of Eligibility. This document serves as verification of the borrower's service in the military, qualifying them for specific loan benefits available to veterans. The Certificate of Eligibility provides important details such as the borrower's entitlement amount, which plays a crucial role in determining how much the veteran can borrow without the need for a down payment or private mortgage insurance. It is essential for anyone seeking a VA loan, as it confirms their eligibility and allows lenders to process their applications effectively. The other options—including the Certificate of Reasonable Value, which relates to appraisals in determining property value for VA loans; the Certificate of Veteran Status, which is not a standard form used in the VA loan process; and the Certificate of Title, which pertains to property ownership and does not establish loan eligibility—do not apply to the eligibility verification process for VA loans.

2. Why might someone incur a Tax Service Fee?

- A. For the preparation of tax returns**
- B. To cover the costs of monitoring tax payment on their property**
- C. To pay off tax liens**
- D. For conducting a title search**

A Tax Service Fee is typically incurred to cover the costs associated with monitoring tax payments on a property. This service ensures that the lender is informed about the status of property taxes, helping to avoid any potential tax liens or foreclosure resulting from unpaid property taxes. When a property is under mortgage, lenders often require ongoing assurance that taxes are being paid timely, as unpaid property taxes can pose a significant risk to their investment. Monitoring tax payments allows lenders to maintain updated records and take preventative action if necessary. This fee is an essential part of ensuring compliance with property tax obligations, thereby protecting both the borrower and the lender from financial repercussions related to unpaid property taxes. In contrast, the other options do not directly pertain to the monitoring of tax payments. Preparing tax returns, paying off tax liens, and conducting title searches all serve different financial or legal purposes outside the scope of this particular service associated with Tax Service Fees.

3. What does the Federal Reserve Board oversee?

- A. Mortgage underwriting guidelines.
- B. Federal housing policy.
- C. Federal Reserve Banks and monetary policy.**
- D. The sale of Fannie Mae bonds.

The Federal Reserve Board primarily oversees Federal Reserve Banks and the formulation and implementation of monetary policy. This includes controlling inflation, managing employment levels, and stabilizing the financial system through various tools such as setting interest rates and regulating the money supply. By influencing monetary conditions, the Board aims to promote a healthy economy, making its role central to the financial system in the United States. In contrast, mortgage underwriting guidelines and federal housing policy are typically overseen by other regulatory bodies and agencies, such as the Federal Housing Administration or the Consumer Financial Protection Bureau, rather than the Federal Reserve. The sale of Fannie Mae bonds relates to mortgage-backed securities and is managed by the Federal National Mortgage Association (Fannie Mae) itself, not the Federal Reserve directly. Therefore, the Board's focus on monetary policy and the federal banking system distinguishes it from other areas mentioned in the options.

4. What kind of records are examined during a Title Search?

- A. National tax records
- B. Local real estate records**
- C. Personal financial statements
- D. Historical property tax documents

During a Title Search, local real estate records are the primary focus. This examination involves a detailed investigation of the property's history to establish ownership and identify any encumbrances or liens that may affect the property's title. Local real estate records typically include information about previous ownership, mortgages, easements, and any legal claims against the property. The title search is crucial for ensuring that the property can be sold without legal issues and that the buyer can receive clear title to the property. Understanding who has owned the property, any outstanding debts tied to it, and other pertinent legal matters is central to this process. The other options, while they may contain information related to the property in a broader context, do not directly pertain to the specific records used in a title search. National tax records and historical property tax documents may provide additional context about tax obligations and assessments but do not replace the focused scrutiny of local real estate records necessary to establish a clear title. Personal financial statements are not relevant in this context, as the title search is concerned only with the property's public ownership history and legal standing.

5. What is meant by prepayment in loan agreements?

- A. Repayment of interest only
- B. Full or partial repayment of principal before the due date**
- C. Payment of outstanding fees on the loan
- D. Payment made after the due date with penalties

Prepayment in loan agreements refers to the ability of a borrower to repay the full or part of the principal amount before the scheduled due date. This feature is significant because it allows borrowers to pay off their loans faster, potentially reducing the amount of interest paid over the life of the loan. By making additional payments towards the principal, a borrower can decrease their overall debt and become free of the obligation sooner. This flexibility can be particularly beneficial in a low-interest rate environment where borrowers may wish to capitalize on favorable conditions. The other options do not accurately capture the concept of prepayment. Repayment of interest only does not constitute prepayment, as it does not reduce the principal. Payment of outstanding fees relates to additional costs associated with the loan rather than reducing the principal balance. Finally, late payments with penalties do not reflect the borrower's intention or ability to pay down their loan early, as prepayment is typically associated with making payments ahead of schedule and usually without penalties.

6. What constitutes a lien in property terms?

- A. A formal agreement between two property owners
- B. A legal claim on a property for debt security**
- C. A document stating ownership of property
- D. An insurance policy covering property damage

A lien is defined as a legal claim or right against a property, typically used as a means to secure a debt. This means that if the debt is not paid, the lienholder has the right to take legal action to satisfy the debt, often through the sale of the property. This process ensures that creditors have a recourse to protect their interests when money is owed. Liens can arise from various situations such as mortgages, tax debts, or unpaid contractor bills, making them an essential aspect of property finance and security interests. The other choices do not accurately describe a lien. A formal agreement between two property owners pertains to contracts or joint ownership, but it doesn't involve securing a debt. A document stating ownership of property relates to title deeds, which confirm ownership rather than a claim for debt. An insurance policy covering property damage is related to risk management and does not involve a financial claim against the property itself. Thus, the option identifying a lien as a legal claim on property for the purpose of securing a debt is clearly the most accurate definition.

7. What is a fixed-rate mortgage?

- A. A loan where the interest rate can change over time
- B. A loan with variable payments based on the borrower's income
- C. A loan where the interest rate remains the same throughout its term**
- D. A loan with a shorter repayment term than typical mortgages

A fixed-rate mortgage is characterized by an interest rate that remains constant throughout the entire duration of the loan. This stability in interest rates allows borrowers to predict their monthly mortgage payments, making budgeting easier. Unlike loans with adjustable rates or those tied to fluctuations in income or economic conditions, a fixed-rate mortgage provides consistent payment amounts over time, which is particularly advantageous for long-term financial planning. This predictability is often appealing to homeowners who prefer security in their financial commitments and want to avoid the risks associated with potential interest rate hikes.

8. What is generally required to avoid PMI on a conventional loan?

- A. A down payment of at least 10%
- B. A down payment of at least 20%**
- C. A co-signer for the loan
- D. To have a long credit history

To avoid Private Mortgage Insurance (PMI) on a conventional loan, a borrower typically must make a down payment of at least 20%. PMI is a type of insurance that lenders require from homebuyers who obtain mortgages that are more than 80% of the property's value, meaning they have less than a 20% equity stake in the home. When the borrower makes a down payment of 20% or more, it reduces the lender's risk, as the borrower has more equity in the property at the outset. Therefore, the requirement of a 20% down payment eliminates the need for PMI, allowing the borrower to save money on monthly payments and avoid the additional costs associated with this insurance. While a down payment of at least 10% might reduce the necessity for PMI in some specific cases or with certain lenders, it does not universally eliminate it, which is why a 20% down payment is the standard requirement to avoid PMI. Other options such as having a co-signer or maintaining a long credit history do not directly influence the requirement for PMI in the same way. A co-signer may help with approval or interest rates, and a long credit history can improve creditworthiness, but they do not affect the PMI obligation tied

9. What happens to payments after a buy-down period expires?

- A. Payments decrease significantly**
- B. Payments remain the same**
- C. Payments increase**
- D. Payments are forgiven**

When a buy-down period expires, payments typically increase. A buy-down is a financing technique where the borrower pays an upfront fee to reduce the interest rate for a specified period, often resulting in lower monthly payments during that time. Once the buy-down period ends, the mortgage returns to the original, higher interest rate, leading to an increase in the monthly payment amount. During the buy-down period, the lower rate means that the borrower enjoys reduced payments, which can help with budget management at the start of the mortgage. However, it's essential to understand that this temporary relief is designed to phase out, and once the agreed period is over, the payment reverts to the level associated with the full loan amount at the standard interest rate. Consequently, borrowers often face higher payments once the buy-down period is no longer in effect. This increase reflects the return to the loan's original terms, which were adjusted during the buy-down phase.

10. Which of the following best describes a credit report?

- A. A summary of all loans a consumer has applied for**
- B. A list of public records and financial transactions**
- C. A detailed history of a borrower's creditworthiness**
- D. A document listing current credit card balances**

A credit report is a comprehensive document that provides a detailed history of a borrower's creditworthiness. It includes information about the consumer's credit accounts, payment history, outstanding debts, and any negative information such as bankruptcies or late payments. This thorough overview enables lenders to assess the risk of lending to an individual and is crucial for determining creditworthiness when someone applies for loans or credit cards. The other options, while they might include elements found in a credit report, do not fully encapsulate what a credit report represents. A summary of loans applied for could be a part of the report, but it does not address the broader scope of credit activity and history that the report covers. A list of public records and financial transactions may also be included, but again, it doesn't capture the in-depth analysis of credit behavior. Finally, a document listing current credit card balances is too narrow, focusing only on a specific type of credit account without providing the full background of the borrower's financial habits and reliability. Thus, the correct choice accurately reflects the essence of what a credit report is intended to convey.

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://loansigningrealestate.examzify.com>

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