

LOAN SIGNING AND REAL ESTATE PRACTICE TEST (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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

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- 1. What does the Compliance Agreement inform the borrower about?**
 - A. The loan will automatically fund after signing
 - B. Additional actions may be required before funding
 - C. The interest rate is finalized at signing
 - D. The borrower can refuse further documentation requests
- 2. What document provides evidence of a borrower's financial stability to lenders?**
 - A. Transfer tax documentation
 - B. Verification of Deposit (VOD)
 - C. Walk-through checklist
 - D. Contract for sale
- 3. 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
- 4. What is the primary function of a lien?**
 - A. A form of security interest to secure the payment of a debt
 - B. A way to increase property taxes annually
 - C. A method for the government to repossess property
 - D. A mechanism to guarantee insurance payouts
- 5. What is the purpose of an acceleration clause in a mortgage?**
 - A. To allow for adjustments in interest rates
 - B. To enable the lender to demand full payment upon default
 - C. To clarify the payment structure of the loan
 - D. To increase the loan amount
- 6. What is the significance of the per diem interest in loan funding?**
 - A. It defines the total interest over the loan term
 - B. It specifies the interest to be paid for each day after the loan is funded
 - C. It outlines the impact of early loan repayment
 - D. It indicates the annual percentage rate adjustments

7. Which act is associated with the Fair Lending Notice?

- A. Truth in Lending Act
- B. Housing Financial Discrimination Act of 1977
- C. Equal Credit Opportunity Act
- D. Real Estate Settlement Procedures Act

8. Why is it important for escrow to have the original purchase contract?

- A. To initiate the transfer of ownership
- B. To provide evidence that both parties agreed to the sale terms
- C. To facilitate the payment for real estate taxes
- D. To allow the buyer to obtain future financing

9. What is a proof of deposit in a real estate transaction?

- A. A receipt showing the buyer's intent to purchase
- B. A record of the seller's earnings from the sale
- C. A document showing the property's appreciation value
- D. A summary of the loan terms provided by the lender

10. What is the defining feature of joint tenancy in property ownership?

- A. A form of ownership giving each person equal interest and rights of survivorship
- B. A form of ownership where all tenants have unequal shares of interest
- C. Ownership shared solely between family members
- D. A temporary form of leasing property

Answers

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

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Explanations

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1. What does the Compliance Agreement inform the borrower about?

- A. The loan will automatically fund after signing
- B. Additional actions may be required before funding**
- C. The interest rate is finalized at signing
- D. The borrower can refuse further documentation requests

The Compliance Agreement informs the borrower that additional actions may be required before funding. This is an important aspect of the borrowing process, as it ensures that the borrower is aware that simply signing the documents does not necessarily mean that the loan will be funded immediately. There are often further steps involved, such as verifying information, ensuring that all paperwork is correctly filled out, or complying with any legal or lender-specific requirements. This understanding is crucial for the borrower, as it helps set realistic expectations about the timeline for receiving funds. Each lender has specific compliance procedures that must be followed, and acknowledging the potential for additional actions helps prevent misunderstandings regarding the funding process. Consequently, being informed encourages borrowers to stay engaged and responsive throughout the loan approval process, facilitating a smoother transaction.

2. What document provides evidence of a borrower's financial stability to lenders?

- A. Transfer tax documentation
- B. Verification of Deposit (VOD)**
- C. Walk-through checklist
- D. Contract for sale

A Verification of Deposit (VOD) is a crucial document used in the lending process as it provides official confirmation of a borrower's financial stability. This document is typically completed by a financial institution and includes information regarding the borrower's account balances and financial history, allowing lenders to assess the borrower's assets and their ability to make down payments or handle mortgage payments. This evidentiary documentation enables lenders to make informed decisions about the risk associated with lending to the borrower, and whether the borrower meets the necessary financial requirements to qualify for a loan. Other options, while relevant in different contexts, do not directly serve as evidence of a borrower's financial stability. Transfer tax documentation pertains to taxes related to property transfers, a walk-through checklist is used to verify property condition during a home inspection, and a contract for sale outlines the terms of a property sale but does not provide insights into the buyer's financial health. Thus, the Verification of Deposit is the definitive choice when evaluating a borrower's financial standing.

3. 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.

4. What is the primary function of a lien?

- A. A form of security interest to secure the payment of a debt**
- B. A way to increase property taxes annually
- C. A method for the government to repossess property
- D. A mechanism to guarantee insurance payouts

A lien serves as a legal claim against an asset, typically real estate, that acts as a form of security interest to ensure the payment of a debt. This means that if the borrower fails to meet the obligations outlined in the debt agreement, the lien gives the lender the right to take possession of the property to satisfy the outstanding debt. For instance, when a homeowner takes out a mortgage, the lender places a lien on the property. This ensures that the lender has a claim to the property until the mortgage loan is paid off in full. It essentially protects the lender's financial interest and provides a legal framework through which they can recover their funds if necessary. The other options do not accurately define a lien's primary function. Increasing property taxes is unrelated to the purpose of a lien, and governmental actions regarding property repossession often involve specific processes like foreclosure, which is distinct from a lien itself. Similarly, liens do not guarantee insurance payouts; that function is typically managed through insurance contracts and policies.

5. What is the purpose of an acceleration clause in a mortgage?

- A. To allow for adjustments in interest rates
- B. To enable the lender to demand full payment upon default**
- C. To clarify the payment structure of the loan
- D. To increase the loan amount

An acceleration clause in a mortgage serves the critical function of enabling the lender to demand full repayment of the loan if the borrower defaults on their payment obligations. This clause provides the lender with a mechanism for protecting their financial interests in the event of non-payment. Essentially, if a borrower misses a specified number of payments or otherwise breaches the terms of the mortgage, the acceleration clause allows the lender to expedite the repayment process, requiring the entire outstanding balance to be paid immediately. This is particularly important in lending situations where timely payment is crucial for the lender's risk management. By having an acceleration clause in place, lenders can take action more swiftly to recover amounts owed, potentially minimizing losses that might occur due to prolonged defaults. The other options do not accurately capture the function of the acceleration clause. Adjustments in interest rates pertain to variable-rate loans but are not connected to default rights. Similarly, clarifying the payment structure of the loan relates more to the amortization and repayment terms, while increasing the loan amount does not involve the consequences of default outlined by the acceleration clause.

6. What is the significance of the per diem interest in loan funding?

- A. It defines the total interest over the loan term
- B. It specifies the interest to be paid for each day after the loan is funded**
- C. It outlines the impact of early loan repayment
- D. It indicates the annual percentage rate adjustments

The significance of per diem interest in loan funding lies in its role in specifying the interest that accrues daily on the loan amount. Once a loan is funded, interest begins to accumulate on a daily basis, and the per diem interest represents the cost of borrowing for each individual day after the loan is disbursed. This concept is particularly important in scenarios where the date of funding does not coincide with the repayment schedule, as it ensures that borrowers understand how much interest they will owe based on the actual time the loan is outstanding. By knowing the per diem interest, borrowers can better manage their payments and anticipate the total interest owed if they decide to pay off the loan early or if they are calculating interest for a specific period of time. This understanding is crucial for effective financial planning and managing loan obligations.

7. Which act is associated with the Fair Lending Notice?

- A. Truth in Lending Act
- B. Housing Financial Discrimination Act of 1977**
- C. Equal Credit Opportunity Act
- D. Real Estate Settlement Procedures Act

The Fair Lending Notice is primarily associated with the Housing Financial Discrimination Act of 1977. This act was implemented to promote fair lending practices and to combat discrimination in the housing market. The Housing Financial Discrimination Act specifically addresses issues related to discriminatory lending practices based on race, color, religion, sex, marital status, national origin, or ancestry. By establishing guidelines that require lenders to communicate their lending terms and practices transparently, this act helps ensure that all potential borrowers are treated equally and fairly. It also provides consumers with protection and recourse in cases of discriminatory lending practices. Understanding this act is crucial for anyone involved in real estate or loan signing, as it helps maintain integrity and compliance in mortgage lending processes. In contrast, although the other acts mentioned also relate to lending, they address different aspects of lending regulations. The Truth in Lending Act focuses on ensuring that consumers receive clear and concise information regarding loan terms, while the Equal Credit Opportunity Act aims to prevent discrimination in credit transactions. The Real Estate Settlement Procedures Act deals with providing information about the costs involved in settling real estate transactions. Each of these acts plays a significant role, but it is the Housing Financial Discrimination Act of 1977 that is specifically associated with the Fair Lending Notice

8. Why is it important for escrow to have the original purchase contract?

- A. To initiate the transfer of ownership
- B. To provide evidence that both parties agreed to the sale terms**
- C. To facilitate the payment for real estate taxes
- D. To allow the buyer to obtain future financing

The significance of having the original purchase contract in escrow primarily revolves around providing evidence that both parties have agreed to the terms of the sale. The purchase contract serves as a legal document that outlines the specific conditions agreed upon by the buyer and seller, including the sale price, contingencies, and other critical details. This agreement protects the interests of both parties throughout the transaction process. Having the original contract in escrow ensures that there is a clear, enforceable document that defines the rights and obligations of each party. It also acts as a reference point for escrow agents to manage the transaction accurately. In the event of any disputes or misunderstandings, the original contract serves as proof of what both parties consented to, helping to resolve issues effectively. The other options, while they relate to important aspects of the real estate transaction, do not encapsulate the primary reason for needing the original purchase contract in escrow. Initiating the transfer of ownership, facilitating payment for real estate taxes, and allowing future financing are processes that may follow the agreement stated in the purchase contract, but they do not directly hinge on the contract's presence the way that confirming mutual agreement does.

9. What is a proof of deposit in a real estate transaction?

- A. A receipt showing the buyer's intent to purchase**
- B. A record of the seller's earnings from the sale
- C. A document showing the property's appreciation value
- D. A summary of the loan terms provided by the lender

A proof of deposit in a real estate transaction is a document that confirms the buyer has made a financial commitment towards the purchase of a property, typically by providing a deposit or earnest money. This deposit serves as a sign of good faith, demonstrating the buyer's intent to move forward with the transaction. It is usually submitted alongside an offer for the property and helps reassure the seller that the buyer is serious. The context surrounding the other options clarifies why they do not accurately define a proof of deposit. For instance, the record of the seller's earnings from the sale pertains to their financial gains and is unrelated to the buyer's deposit. Similarly, a document showing the property's appreciation value focuses on the increase in the property's market value over time, which does not provide evidence of the buyer's financial commitment. Lastly, a summary of the loan terms provided by the lender outlines the specifics of the financing arrangement but is distinctly different from a proof of deposit, as it does not indicate the buyer's immediate financial actions or intentions regarding the purchase.

10. What is the defining feature of joint tenancy in property ownership?

- A. A form of ownership giving each person equal interest and rights of survivorship**
- B. A form of ownership where all tenants have unequal shares of interest
- C. Ownership shared solely between family members
- D. A temporary form of leasing property

Joint tenancy is characterized primarily by the equal ownership interest it provides to all parties involved, along with the right of survivorship. This means that each owner has an identical share in the property, and if one owner passes away, their share automatically transfers to the surviving joint tenants. This feature ensures that the property does not go through probate upon the death of a co-owner, simplifying the transfer of ownership. The concept of equal interest is fundamental to joint tenancy, as it distinguishes this form of ownership from others, such as tenancy in common, where interests can be unequal. Additionally, the right of survivorship is a critical element that defines the legal implications of joint tenancy, making it a popular choice for couples and individuals who wish to ensure that property is passed directly to surviving owners without complications. In contrast to the other options, this defining feature encapsulates the essence of joint tenancy clearly and comprehensively.

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!

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