

# Manitoba Mortgage Salesperson Practice Exam (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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# 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!**

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## **Questions**

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- 1. Which term refers to an obvious damage that must be replaced for a property to be habitable?**
  - A. Hidden defect**
  - B. Latent defect**
  - C. Patent defect**
  - D. Material defect**
  
- 2. What does the Debt Service Coverage Ratio evaluate?**
  - A. The borrower's income relative to housing costs**
  - B. The ratio of a loan to the value of an asset**
  - C. Cash available to pay current debt obligations**
  - D. The total debt owed by a borrower**
  
- 3. Which valuation method determines property value based on its size in square feet?**
  - A. Cost approach**
  - B. Community approach**
  - C. Square footage approach**
  - D. Direct Comparison Approach**
  
- 4. What does the Gross Debt Service Ratio measure?**
  - A. The percentage of income that goes towards all debts**
  - B. The percentage of income that goes towards housing costs**
  - C. The total income from all employment**
  - D. The value of property owned by the borrower**
  
- 5. Which type of income generated from investments is generally accepted by lenders as eligible income?**
  - A. Salary income**
  - B. Investment income**
  - C. Social assistance income**
  - D. Rental income**

- 6. What is the monthly payment for a \$750,000 mortgage with a 25-year amortization at 5.70% compounded semi-annually?**
- A. \$4,599.75
  - B. \$4,502.13
  - C. \$4,345.67
  - D. \$4,712.10
- 7. What is the purpose of mortgage default insurance?**
- A. To protect the borrower from foreclosure
  - B. To assist in qualifying for a loan
  - C. To protect the lender from loss due to default
  - D. To lower interest rates on mortgages
- 8. Which term describes an ownership type that allows a person to use the property during their lifetime, but does not allow it to pass to heirs?**
- A. Willed estate
  - B. Life interest
  - C. Leasehold
  - D. Tenancy in common
- 9. Identify the mortgage type that has an interest rate which changes in accordance with market interest rates.**
- A. Fixed Rate Mortgage
  - B. Variable rate mortgage
  - C. Convertible Mortgage
  - D. Shared Appreciation Mortgage
- 10. What does making a simple referral to a Mortgage Broker mean?**
- A. Loan Agreement
  - B. Referral to a Mortgage Broker
  - C. Mortgage Closing
  - D. Broker License Transfer

## **Answers**

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

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## **Explanations**

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**1. Which term refers to an obvious damage that must be replaced for a property to be habitable?**

- A. Hidden defect**
- B. Latent defect**
- C. Patent defect**
- D. Material defect**

The term that describes an obvious defect requiring replacement for a property to be habitable is known as a patent defect. This type of defect is visually apparent and can be easily discovered upon inspection. For example, significant roof damage or a broken plumbing system that is readily observable would fall under this category. In the context of real estate and property transactions, recognizing patent defects is crucial because these issues can directly impact the usability and livability of a property. Buyers are typically not liable for unnoticed defects; rather, they are expected to identify and address those that are clearly visible. Understanding this distinction helps both buyers and sellers navigate real estate transactions more effectively, ensuring that properties meet the necessary standards for habitation.

**2. What does the Debt Service Coverage Ratio evaluate?**

- A. The borrower's income relative to housing costs**
- B. The ratio of a loan to the value of an asset**
- C. Cash available to pay current debt obligations**
- D. The total debt owed by a borrower**

The Debt Service Coverage Ratio (DSCR) primarily evaluates the cash available to meet current debt obligations. It is a financial metric used to assess a borrower's ability to generate enough income to cover their debt payments, including interest and principal. By calculating DSCR, lenders can determine whether a borrower produces sufficient income from their operations or personal finances to comfortably meet their debt obligations without overextending themselves. A higher DSCR indicates that the borrower has a strong ability to pay their debts, while a lower ratio can signal a higher risk that the borrower may struggle to meet their payments. This makes the DSCR a critical tool for lenders in making informed lending decisions, as it reflects the financial health of the borrower concerning their debt responsibilities. The other options refer to different financial metrics or ratios. For example, the first option talks about the borrower's income related to housing costs, which is more about affordability and does not reflect overall debt service capabilities. The second choice pertains to loan-to-value ratios that measure the risk of lending against an asset's value. Lastly, the total debt owed by a borrower is more of a straightforward count of liabilities rather than an evaluation of the cash flow necessary to service those debts.

**3. Which valuation method determines property value based on its size in square feet?**

- A. Cost approach**
- B. Community approach**
- C. Square footage approach**
- D. Direct Comparison Approach**

The square footage approach is a valuation method that calculates the value of a property primarily based on its size measured in square feet. This method establishes a price per square foot for comparable properties in the same area, allowing for an estimate of value for the property in question. It is particularly useful in situations where the property being valued has similar characteristics to recently sold properties, making it easier to determine an appropriate market value based on its size. This approach is favored when there is a sufficient amount of data available on comparable properties, as it allows for a straightforward calculation of value and provides a clear metric for assessment. By emphasizing size, this method can be beneficial in residential real estate markets where consistent sizes and features exist among properties, making comparisons simpler. In contrast, other approaches, such as the cost approach, focus on the cost to reproduce or replace a property rather than solely on its size. Similarly, the direct comparison approach considers various factors including recent sales of similar properties but does not designate size as the sole determining factor. The community approach, which is not a standard term in property valuation, lacks the specificity required for effective appraisal practice. Thus, the square footage approach is the most relevant method for determining property value based specifically on its size in square feet.

**4. What does the Gross Debt Service Ratio measure?**

- A. The percentage of income that goes towards all debts**
- B. The percentage of income that goes towards housing costs**
- C. The total income from all employment**
- D. The value of property owned by the borrower**

The Gross Debt Service (GDS) Ratio specifically measures the percentage of a borrower's gross income that is allocated towards housing costs. This includes expenses such as mortgage payments, property taxes, heating costs, and any fees related to the property. Lenders utilize the GDS Ratio to assess whether a borrower's income is sufficient to manage their housing expenses comfortably. A lower GDS Ratio indicates that a borrower has a manageable level of housing debt in relation to their overall income, which is a crucial factor in determining their ability to make mortgage payments without financial strain. This aspect of the GDS Ratio is vital in mortgage lending as it directly guides lenders in making informed decisions on loan approvals.

**5. Which type of income generated from investments is generally accepted by lenders as eligible income?**

- A. Salary income**
- B. Investment income**
- C. Social assistance income**
- D. Rental income**

Investment income is often considered eligible income by lenders because it is associated with financial assets that may generate regular cash flow. This type of income can include dividends, interest, or profits from the sale of investment assets. Lenders assess this income to determine an individual's ability to meet mortgage obligations. The stability and reliability of investment income are factors in how lenders evaluate a borrower's overall financial health. While salary income, social assistance income, and rental income can be considered for mortgage eligibility, investment income stands out as a specific category that inherently signifies the potential for ongoing revenue due to ownership of financial assets. This context makes investment income a crucial consideration in the mortgage underwriting process, as it reflects an applicant's broader financial portfolio rather than just their earned wages or spectrum of assistance.

**6. What is the monthly payment for a \$750,000 mortgage with a 25-year amortization at 5.70% compounded semi-annually?**

- A. \$4,599.75**
- B. \$4,502.13**
- C. \$4,345.67**
- D. \$4,712.10**

To determine the monthly payment for a \$750,000 mortgage with a 25-year amortization at an interest rate of 5.70% compounded semi-annually, it's important to first convert the semi-annual interest rate to a monthly interest rate, since mortgage payments are typically calculated on a monthly basis. The nominal interest rate of 5.70% compounded semi-annually needs to be adjusted to reflect a monthly payment schedule. To do this, the effective monthly interest rate is calculated as follows: 1. Divide the annual rate by 2 to find the semi-annual rate:  $5.70\% / 2 = 2.85\%$ . 2. Convert the semi-annual rate to an effective monthly rate using the formula for effective interest rate conversion:  $-(1 + \text{semi-annual rate})^{(1/6)} - 1$ . This results in an approximate monthly interest rate of 0.473268%. Now, using the effective interest rate, we can apply the mortgage payment formula:  $M = P \frac{r(1+r)^n}{(1+r)^n - 1}$ . Where: - M is the total monthly mortgage payment - P is the principal loan amount (\$

## 7. What is the purpose of mortgage default insurance?

- A. To protect the borrower from foreclosure
- B. To assist in qualifying for a loan
- C. To protect the lender from loss due to default**
- D. To lower interest rates on mortgages

The purpose of mortgage default insurance is to protect the lender from financial loss that may occur if a borrower fails to make their mortgage payments and ultimately defaults on the loan. This type of insurance provides coverage to the lender, allowing them to recover a significant portion of the outstanding loan amount in the event of default. The need for mortgage default insurance often arises when a borrower makes a down payment that is less than 20% of the home's purchase price, which increases the lender's risk. By obtaining this insurance, lenders are more willing to finance loans for borrowers who have lower equity in their property, extending credit to a broader group of homebuyers. In contrast, while other options might suggest benefits or roles in the mortgage process, such as assisting in qualifying for a loan or lowering interest rates, these do not accurately reflect the primary purpose of mortgage default insurance. The insurance is fundamentally designed to protect the lender's financial interests, making option C the most accurate answer.

## 8. Which term describes an ownership type that allows a person to use the property during their lifetime, but does not allow it to pass to heirs?

- A. Willed estate
- B. Life interest**
- C. Leasehold
- D. Tenancy in common

The term that describes an ownership type allowing a person to use the property during their lifetime, but preventing it from passing to heirs, is a life interest. In a life interest arrangement, the individual (known as the life tenant) enjoys the rights to use and benefit from the property for their lifetime. However, upon their death, the ownership does not transfer to their heirs; instead, it typically reverts to another party, often the original grantor or their heirs, depending on the terms of the agreement. This unique arrangement creates a temporary interest in the property based on the duration of the life tenant's existence, distinguishing it from full ownership types that allow for inheritance or transfer of property rights after death. Other options, such as a willed estate, leasehold, or tenancy in common, do not fit this definition as they encompass different rights and conditions regarding property ownership and inheritance.

**9. Identify the mortgage type that has an interest rate which changes in accordance with market interest rates.**

- A. Fixed Rate Mortgage**
- B. Variable rate mortgage**
- C. Convertible Mortgage**
- D. Shared Appreciation Mortgage**

A variable rate mortgage is characterized by an interest rate that fluctuates with market interest rates. This means that as the market rates rise or fall, the interest rate on the mortgage adjusts accordingly. Homeowners with this type of mortgage can benefit from lower initial rates when market rates are low, and they may face higher payments over time if interest rates increase. This mortgage type is appealing for borrowers who may want to take advantage of potential decreases in interest rates, but it also comes with the risk of rising payments if rates go up. In contrast, a fixed-rate mortgage maintains a constant interest rate throughout the life of the loan, providing stability in payments but not allowing for adjustments based on market conditions. The convertible mortgage allows for potential adjustments to the mortgage type after a certain period but does not inherently adjust interest rates in accordance with the market. A shared appreciation mortgage involves sharing the appreciation of property value rather than directly linking interest rates to market fluctuations. Therefore, the unique aspect of a variable rate mortgage is its direct connection to market interest movements, making it the correct answer in this context.

**10. What does making a simple referral to a Mortgage Broker mean?**

- A. Loan Agreement**
- B. Referral to a Mortgage Broker**
- C. Mortgage Closing**
- D. Broker License Transfer**

Making a simple referral to a Mortgage Broker means connecting a potential borrower with a professional who specializes in mortgage products and services. This typically involves providing the borrower's information or general inquiry to a mortgage broker who can then assist them in navigating the mortgage application process, finding suitable loan options, and guiding them through lender choices. A simple referral does not involve any formal agreements or underwriting processes; instead, it serves as an introduction or recommendation to a qualified individual who can meet the borrower's needs. Understanding the nature of this referral is important for anyone working in the mortgage industry, as it lays the foundation for client relationships and the subsequent steps in the mortgage process. The other options listed (Loan Agreement, Mortgage Closing, and Broker License Transfer) refer to specific transactional or regulatory aspects within mortgage transactions, rather than the act of making a referral itself.

# 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://manitobamortgagesales.examzify.com>**

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

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