

NACA Pre-Purchase Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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. Which factor does NOT affect a member's eligibility to purchase another property through NACA after closing on their previous mortgage?**
 - A. Living in the property**
 - B. Number of late payments**
 - C. Holding an investment property**
 - D. Participation in activities**

- 2. What is the maximum Debt to Income Ratio (DTI) for standard members in the NACA program?**
 - A. 35%**
 - B. 40%**
 - C. 43%**
 - D. 45%**

- 3. How is the interest rate affected by a buy-down of 1.5% of the loan amount?**
 - A. Increases interest rate**
 - B. Reduces interest rate by 0.25%**
 - C. Permanently reduces interest rate by 0.167%**
 - D. Has no effect on the interest rate**

- 4. How many stages are included in the intake sessions?**
 - A. 5**
 - B. 8**
 - C. 10**
 - D. 9**

- 5. What does NACA's team include?**
 - A. Only mortgage counselors**
 - B. Operations, Mortgage, and Real Estate Depts**
 - C. Members who are paying their dues**
 - D. Local real estate agents**

- 6. How does the member need to have conducted their activity while holding a NACA mortgage?**
- A. Only while working full-time**
 - B. Must participate in five activities a year**
 - C. Must have multiple income streams**
 - D. Only during the first year of mortgage**
- 7. What must a property do for a member to be eligible for a rehab loan?**
- A. Be located in a desirable neighborhood**
 - B. Appraise at the purchase price**
 - C. Have low property taxes**
 - D. Require minimal repairs**
- 8. Which group is involved in economic justice issues as part of the Advocacy Department?**
- A. Service Representatives**
 - B. MAP Advocates**
 - C. Nationwide organizers**
 - D. Real Estate Brokers**
- 9. Which tax schedule reports the share of income for each shareholder/partner in a business?**
- A. Schedule A**
 - B. Schedule B**
 - C. Schedule E**
 - D. Schedule K-1**
- 10. What is the annual fee that every NACA member must pay?**
- A. \$25 per month per household**
 - B. \$25 per calendar year per household**
 - C. \$50 per month per individual**
 - D. No fee required**

Answers

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

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Explanations

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1. Which factor does NOT affect a member's eligibility to purchase another property through NACA after closing on their previous mortgage?

- A. Living in the property
- B. Number of late payments
- C. Holding an investment property**
- D. Participation in activities

The factor that does not affect a member's eligibility to purchase another property through NACA after closing on their previous mortgage is holding an investment property. NACA is focused on providing access to homeownership for primary residences and tends to consider a member's overall financial behavior, creditworthiness, and commitment to using NACA programs effectively. Having an investment property typically does not automatically disqualify a member from purchasing another property through NACA, as long as they still meet the organization's eligibility criteria and are in good standing with their current obligations. Instead, NACA prioritizes factors like the member's ability to live in the property as their primary residence, the impact of late payments on their financial history, and their overall participation in NACA's programs and activities, which reflect their commitment to responsibly managing homeownership.

2. What is the maximum Debt to Income Ratio (DTI) for standard members in the NACA program?

- A. 35%
- B. 40%**
- C. 43%
- D. 45%

In the NACA program, the maximum Debt to Income Ratio (DTI) for standard members is set at 40%. This means that when assessing a borrower's ability to repay their loan, their monthly debt obligations—including the projected mortgage payment—should not exceed 40% of their gross monthly income. A DTI of 40% is considered a balance that allows for responsible borrowing while ensuring that borrowers are not over-leveraged. Such a ratio helps in promoting sustainable homeownership by requiring that members maintain enough income for other essential expenses and living costs. Ensuring affordability is crucial for the long-term success of homeowners in the NACA program, which is designed to assist low to moderate-income individuals in achieving homeownership without falling into financial distress. This focus on a lower DTI is part of NACA's mission to empower community members with the means to secure housing while ensuring they can manage their financial responsibilities effectively.

3. How is the interest rate affected by a buy-down of 1.5% of the loan amount?

- A. Increases interest rate**
- B. Reduces interest rate by 0.25%**
- C. Permanently reduces interest rate by 0.167%**
- D. Has no effect on the interest rate**

A buy-down refers to a financing option where a borrower pays additional upfront points to lower the interest rate on their mortgage loan. In this case, if 1.5% of the loan amount is used for the buy-down, it typically results in a permanent reduction in the interest rate over the life of the loan. When calculating the impact of a buy-down, industry standards often indicate that each point (1% of the loan amount) can lower the interest rate by about 0.25%. Therefore, using 1.5% for the buy-down can lead to a reduction of approximately 0.167% in the interest rate. This calculation considers the incremental effect of the amount being used to buy down the rate. This means that if a borrower invests 1.5% of the loan amount into the buy-down, it effectively provides a consistent lower interest rate for the duration of the loan term, thus making the answer correct. Other choices may not accurately reflect the mechanics of how a buy-down works, as they incorrectly suggest that the rate would increase or remain unchanged, which would not align with the expected outcome of applying a buy-down.

4. How many stages are included in the intake sessions?

- A. 5**
- B. 8**
- C. 10**
- D. 9**

The intake sessions are structured to include nine distinct stages. This comprehensive process ensures that all aspects of a client's needs and circumstances are thoroughly analyzed and addressed. Each stage serves a specific purpose, allowing for a systematic approach to gather necessary information, assess the client's situation, and develop an appropriate action plan. Understanding this when preparing for assessments or exams is vital since the number of stages can significantly impact the effectiveness of the intake process. Being familiar with the structure helps in navigating the intake sessions more efficiently and can enhance the overall experience for both the counselor and the client.

5. What does NACA's team include?

- A. Only mortgage counselors
- B. Operations, Mortgage, and Real Estate Depts**
- C. Members who are paying their dues
- D. Local real estate agents

NACA's team consists of various departments essential for providing a comprehensive approach to homeownership. The inclusion of operations, mortgage, and real estate departments signifies a multifaceted structure that allows NACA to support potential homeowners effectively. Operations handle the administrative and logistical aspects, ensuring everything runs smoothly; the mortgage department is focused on financing options and facilitating loans; while the real estate team is equipped to guide clients through the purchasing process and connect them with properties. This integrated approach maximizes the resources available to clients, helping them navigate the complexities of buying a home more efficiently. The other options focus on narrowed perspectives. Having only mortgage counselors would limit the breadth of services offered, while members paying their dues do not constitute a professional team. Local real estate agents could provide assistance, but they typically work in collaboration with NACA, rather than being a part of the NACA team itself. Thus, the structure outlined in the correct choice provides the most robust framework for supporting clients in their journey to homeownership.

6. How does the member need to have conducted their activity while holding a NACA mortgage?

- A. Only while working full-time
- B. Must participate in five activities a year**
- C. Must have multiple income streams
- D. Only during the first year of mortgage

The requirement for members holding a NACA mortgage is that they must actively participate in five activities each year. This engagement helps to ensure that homeowners remain connected to the community and the NACA program. These activities can include attending workshops, participating in advocacy efforts, volunteering for NACA events, or being involved in their local neighborhood or housing initiatives. This engagement not only fosters a sense of community and accountability but also helps members to stay informed about resources available to them and encourages a more active role in their own financial health and the larger mission of NACA. The expectation of participation is designed to promote ongoing education and involvement, which may ultimately empower members to improve their financial situations and maintain their mortgages successfully over time. This requirement aligns with NACA's mission of helping low-to-moderate income individuals achieve homeownership while being involved in their community.

7. What must a property do for a member to be eligible for a rehab loan?

- A. Be located in a desirable neighborhood**
- B. Appraise at the purchase price**
- C. Have low property taxes**
- D. Require minimal repairs**

For a member to be eligible for a rehab loan, the property must appraise at the purchase price. This requirement is crucial because the lender needs to ensure that the loan amount does not exceed the market value of the property after the repairs are completed. The appraisal determines the current market value based on the condition of the property and various factors such as location, comparable sales, and the state of the real estate market. If the property does not appraise at the purchase price, it indicates that the member might be overpaying for the property, which could put the lender at risk. A successful appraisal helps protect both the lender's investment and the buyer's interest, ensuring that the amount borrowed is justified by the property's value. The other options do not specifically pertain to eligibility for a rehab loan. While a desirable neighborhood can influence the property's value, it doesn't guarantee loan eligibility. Low property taxes are not a determining factor for loan approval, nor is the requirement for minimal repairs, as rehab loans often cater to properties needing significant work. The primary focus remains on the property's appraised value in relation to the loan amount sought.

8. Which group is involved in economic justice issues as part of the Advocacy Department?

- A. Service Representatives**
- B. MAP Advocates**
- C. Nationwide organizers**
- D. Real Estate Brokers**

The correct choice is the group of nationwide organizers, as they are specifically tasked with addressing economic justice issues within the Advocacy Department. These organizers play a crucial role in mobilizing communities, raising awareness, and advocating for policies that promote equality and economic empowerment. They work to ensure that the voices of underserved populations are heard and that systemic barriers are challenged. By engaging with various stakeholders and fostering collaboration across different sectors, nationwide organizers can effectively address economic disparities and support initiatives that aim to create more equitable opportunities for all. Other groups, such as service representatives, MAP advocates, and real estate brokers, may focus on distinct roles within the organization, but their primary responsibilities do not encompass the broader scope of economic justice advocacy that nationwide organizers focus on.

9. Which tax schedule reports the share of income for each shareholder/partner in a business?

- A. Schedule A**
- B. Schedule B**
- C. Schedule E**
- D. Schedule K-1**

Schedule K-1 is specifically designed to report each partner's or shareholder's share of income, deductions, and credits from partnerships or S corporations. This schedule is essential for both the entity and the individual partners/shareholders, as it provides the necessary details that individuals need to report their income accurately on their personal tax returns. When a partnership or S corporation files its tax return, it uses Schedule K-1 to allocate its income (or losses) to its partners or shareholders. This allocation is crucial because it ensures that each partner or shareholder can properly represent their share of the business's tax situation on their individual tax returns. The importance of Schedule K-1 in reporting income cannot be overstated, as it is the primary source of information for individuals involved in pass-through entities. It allows them to track their share of the business's financial performance without any ambiguity. In contrast, other schedules such as Schedule A and Schedule B serve different purposes, such as itemizing deductions or reporting interest and dividend income, which do not pertain to the income sharing in partnerships or S corporations. Schedule E is used for supplemental income and loss but doesn't specifically report the detailed allocation to each partner or shareholder. Thus, Schedule K-1 is the correct choice for

10. What is the annual fee that every NACA member must pay?

- A. \$25 per month per household**
- B. \$25 per calendar year per household**
- C. \$50 per month per individual**
- D. No fee required**

Every NACA member is required to pay an annual fee of \$25 per calendar year per household. This fee supports the organization's programs and services aimed at promoting homeownership and community engagement. The structure of this fee ensures that it is accessible and manageable for households, allowing more members to participate in NACA's initiatives. This annual fee not only contributes to the operational costs but also reinforces the commitment to fostering affordable housing opportunities. By establishing a household-based fee, NACA encourages participation from families and individuals alike, promoting an inclusive environment for all members seeking assistance with homeownership.

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://nacaprepurchase.examzify.com>

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

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