

NACA PRE-PURCHASE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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. 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. For a 1099 employee, what is essential to estimate qualifying income accurately?**
 - A. Only the current year income
 - B. Averaging the last two years' tax returns
 - C. Utilizing current benchmarking data
 - D. Only previous independent contractor income
- 2. What can a Member do at Credit Access?**
 - A. Increase the loan amount
 - B. Decide not to pay for title insurance
 - C. Buy-down the interest rate
 - D. Eliminate closing costs
- 3. What additional documentation must self-employed members provide beyond tax returns?**
 - A. Pay stubs from the last month
 - B. Business references from current customers
 - C. Proof of employment with another company
 - D. Completion of a financial literacy course
- 4. For medical collection accounts, under what condition must they be paid?**
 - A. When the balance exceeds \$1000
 - B. When the balance exceeds \$1500
 - C. When the balance exceeds \$2000
 - D. Medical collections do not need to be paid
- 5. What is the maximum percentage of depreciation that can be added back for income calculations?**
 - A. 10%
 - B. 15%
 - C. 20%
 - D. 25%

- 6. Which action does NOT contribute to increasing Payment Shock Savings (PSS) bank account balances?**
- A. Taking new loans
 - B. Moving funds between accounts
 - C. Stopping retirement savings
 - D. Borrowing money from friends/family
- 7. How can one determine the income needed for a desired PITI calculation?**
- A. Desired PITI/40%
 - B. Desired PITI/30%
 - C. Desired PITI/33%
 - D. Desired PITI/50%
- 8. What is the minimum number of months for PSS if the member is paying their own rent?**
- A. 3 months
 - B. 6 months
 - C. 9 months
 - D. 12 months
- 9. Are members allowed to sell or refinance their NACA-purchased properties at any time?**
- A. Yes
 - B. No
 - C. Only with NACA's approval
 - D. Only after 10 years
- 10. To qualify for NACA, how far back must members demonstrate a history of responsible financial behavior?**
- A. 12 months
 - B. 18 months
 - C. 24 months
 - D. 36 months

Answers

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

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Explanations

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1. For a 1099 employee, what is essential to estimate qualifying income accurately?

- A. Only the current year income
- B. Averaging the last two years' tax returns**
- C. Utilizing current benchmarking data
- D. Only previous independent contractor income

To accurately estimate qualifying income for a 1099 employee, averaging the last two years' tax returns is essential because it reflects a more stable and holistic view of the individual's income over time. This approach accounts for fluctuations and variations in income that can occur from year to year, which is particularly relevant for independent contractors whose earnings may not be consistent annually. Using information from two years provides a better representation of earnings, especially if the individual has experienced increased or decreased income in the current year compared to previous years. This historical perspective enables lenders to evaluate the consistent earning potential of the individual rather than relying solely on the income from a single year, which might be an anomaly, or current income that may not be sustainable in the future. This method accounts for the variability that can occur with 1099 employees since they often engage in project-based work, which can lead to fluctuations in earnings. By averaging the past two years, it ensures that the evaluation of income is grounded in actual historical performance rather than a snapshot that may not fully capture the person's financial situation.

2. What can a Member do at Credit Access?

- A. Increase the loan amount
- B. Decide not to pay for title insurance
- C. Buy-down the interest rate**
- D. Eliminate closing costs

A member can buy down the interest rate at Credit Access, which involves paying an upfront fee to reduce the overall interest rate on a loan. This can make monthly payments more affordable and decrease the amount paid over the life of the loan. By opting for this strategy, members can save money in the long run, as lower interest rates lead to reduced interest expenses. In contrast, increasing the loan amount may not be directly facilitated by Credit Access, and decisions regarding title insurance are usually specified by the lender's requirements, often making it essential rather than optional. Additionally, closing costs typically involve various fees that are standard in transactions, and while some fees may be negotiable, they cannot generally be completely eliminated through Credit Access.

3. What additional documentation must self-employed members provide beyond tax returns?

- A. Pay stubs from the last month
- B. Business references from current customers**
- C. Proof of employment with another company
- D. Completion of a financial literacy course

Self-employed individuals often have unique documentation requirements when applying for loans or mortgages, as their income verification involves more than just standard pay stubs. In addition to tax returns, providing business references from current customers is important because it can help demonstrate the stability and reliability of the business. These references serve as testimonials of the business's performance and quality of service, which can help lenders assess the borrower's ability to maintain consistent income and manage their business effectively. The other documentation options listed, such as pay stubs, proof of employment with another company, or proof of completing a financial literacy course, do not typically apply to self-employed individuals, as they do not receive traditional wages or income from an employer. Self-employed borrowers rely on their business income and its sustainability, which is why business references can be a critical part of their documentation package for lenders. Having solid testimonials or references not only supports their income claims but also adds credibility to their business operations.

4. For medical collection accounts, under what condition must they be paid?

- A. When the balance exceeds \$1000
- B. When the balance exceeds \$1500
- C. When the balance exceeds \$2000**
- D. Medical collections do not need to be paid

The correct choice reflects the guidelines that medical collection accounts have a unique set of rules compared to other types of debt. It is established that if a medical collection account exceeds a specified threshold, such as \$2000, payment is required. This is largely due to the impact that larger medical debts can have on an individual's credit report, as they can be reported to credit bureaus which can negatively affect credit scores. Moreover, medical collections are often treated differently from other debt collections, which leads to regulations regarding when they must be addressed to avoid consequences. The law specifies that larger debts might require more immediate action on behalf of the debtor to maintain good standing. Thus, this condition serves to protect consumers from accumulating unmanageable debts which could hinder their financial stability. Smaller amounts may not trigger the same level of urgency, which is why the thresholds of \$1000 and \$1500 are not applicable in this context. Therefore, the emphasis on a balance exceeding \$2000 sets the standard for when action on medical collections must be considered crucial.

5. What is the maximum percentage of depreciation that can be added back for income calculations?

- A. 10%**
- B. 15%
- C. 20%
- D. 25%

The correct percentage of depreciation that can typically be added back for income calculations is 10%. This figure is important in the context of analyzing a business's financial performance and assessing its cash flow. Depreciation is a non-cash expense that reflects the wear and tear on tangible assets over time. When evaluating a business's income for financing purposes, lenders often add back a portion of depreciation to provide a clearer picture of the cash available for servicing debt. This is because depreciation, while it reduces taxable income, does not represent an actual outflow of cash during the period. Adding back 10% allows for a conservative adjustment, ensuring that cash flow estimates remain realistic and financial assessments are prudent. Additionally, this percentage is commonly referenced in financial principles and standards related to loan underwriting and income evaluations. The percentage chosen needs to balance providing a reflection of cash availability while not inflating the business's actual cash generation capability, which is why 10% is often deemed suitable for these calculations.

6. Which action does NOT contribute to increasing Payment Shock Savings (PSS) bank account balances?

- A. Taking new loans
- B. Moving funds between accounts
- C. Stopping retirement savings
- D. Borrowing money from friends/family**

The correct choice indicates that borrowing money from friends or family does not contribute to increasing Payment Shock Savings (PSS) bank account balances. The rationale behind this is that borrowing does not result in an influx of cash to your own bank account. Instead, it represents a temporary measure that may provide needed funds without genuinely increasing your savings or financial stability. In contrast, taking new loans can impact savings by increasing monthly obligations, thereby affecting cash flow. Moving funds between accounts typically does not generate new savings as it is just reallocating existing resources. Stopping retirement savings diverts money away from long-term savings channels, potentially reducing total available funds for future emergencies or payment shocks. Therefore, these actions can either diminish available savings or have no effect on increasing the actual savings balance, unlike borrowing from friends or family, which does not add directly to your PSS balance.

7. How can one determine the income needed for a desired PITI calculation?

- A. Desired PITI/40%
- B. Desired PITI/30%
- C. Desired PITI/33%
- D. Desired PITI/50%

To determine the income needed for a desired PITI (Principal, Interest, Taxes, and Insurance) calculation, the factor that is commonly used in the industry is 33%. This percentage reflects the general guideline suggesting that your monthly housing costs, including PITI, should not exceed one-third of your gross monthly income. By dividing the desired PITI by 33%, you can estimate the gross monthly income required to comfortably afford those housing expenses without overstressing your budget. This methodology helps potential homebuyers assess their financial capabilities relative to their desired housing payments. The choice of 33% aligns with financial best practices for managing homeownership costs and is widely accepted in lending criteria and affordability assessments.

8. What is the minimum number of months for PSS if the member is paying their own rent?

- A. 3 months
- B. 6 months
- C. 9 months
- D. 12 months

The minimum number of months for PSS (Payment Shock Standard) when a member is paying their own rent is typically established at three months. This rule is designed to assess the member's ability to manage their rental expenses over a short term, ensuring that they have a record of consistent payment behavior. It's an essential aspect of evaluating a member's financial stability and capacity to handle ongoing housing costs. A three-month timeline allows for a sufficient snapshot of the member's current rent payment pattern without requiring an excessively long observation period.

9. Are members allowed to sell or refinance their NACA-purchased properties at any time?

- A. Yes
- B. No
- C. Only with NACA's approval
- D. Only after 10 years

The unique aspect of NACA (Neighborhood Assistance Corporation of America) is to promote homeownership among low- and moderate-income individuals and communities, which means flexibility in how members can manage their properties is vital. Members are indeed allowed to sell or refinance their NACA-purchased properties at any time. This encourages homeownership stability and allows members to capitalize on their equity, supporting financial growth and liquidity. Though options exist that imply restrictions or conditions, the freedom to transact on the property without waiting for a specific period or needing approval is empowering for homeowners. This policy illustrates NACA's commitment to enabling members to respond to changing personal circumstances or market conditions as they see fit, thereby fostering sustainable homeownership.

10. To qualify for NACA, how far back must members demonstrate a history of responsible financial behavior?

- A. 12 months
- B. 18 months
- C. 24 months**
- D. 36 months

To qualify for NACA, members must demonstrate a history of responsible financial behavior for a period of 24 months. This timeframe is significant because it allows the organization to assess a person's financial habits, such as their payment history, debt management, and overall financial stability. By reviewing a two-year history, NACA can better ensure that applicants have maintained consistent and responsible financial practices, which is essential for successful homeownership. This requirement is designed to help identify candidates who are likely to manage their mortgage obligations effectively, thereby reducing the risk of defaults and promoting long-term stability for both borrowers and the community.

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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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