

National and UST Mortgage 1 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

- 1. What does a pre-approval signify in the mortgage process?**
 - A. A final loan approval**
 - B. A lender's conditional commitment to provide a loan**
 - C. A guarantee of funds**
 - D. A maximum loan amount**
- 2. Which document replaces the HUD-1 Settlement Statement and the final TIL Disclosure?**
 - A. The Loan Estimate**
 - B. The Closing Disclosure**
 - C. The Affiliated Business Arrangement Disclosure Statement**
 - D. The Mortgage Servicing Disclosure Statement**
- 3. For an organization to be exempt from the licensing requirements of the S.A.F.E. Act, which condition must NOT apply?**
 - A. It possesses tax-exempt status**
 - B. Its employee compensation doesn't favor self-interest**
 - C. It promotes affordable housing**
 - D. It may engage in for-profit activities**
- 4. What is the first step in the mortgage loan process?**
 - A. Undergoing a home appraisal**
 - B. Completing a loan application**
 - C. Signing the closing documents**
 - D. Choosing a real estate agent**
- 5. What does a property title do?**
 - A. Establishes creditworthiness for a loan application**
 - B. Documents the physical condition of a property**
 - C. Establishes legal ownership of a property**
 - D. Provides information on property taxes owed**

- 6. What factor does "margin" represent in an adjustable-rate mortgage?**
- A. A. The profit added to the index rate**
 - B. B. The adjustment frequency**
 - C. C. The minimum required payment**
 - D. D. The loan's entire cost**
- 7. What does Fannie Mae's minimum requirement for hazard insurance coverage ensure?**
- A. Coverage of the property's sale price**
 - B. Coverage of all improvements made**
 - C. Coverage sufficient to rebuild the home**
 - D. Coverage equal to the total mortgage amount**
- 8. What does it typically mean if a borrower has a high loan-to-value (LTV) ratio?**
- A. The borrower may be a higher credit risk**
 - B. The property is heavily mortgaged**
 - C. The borrower is likely to pay off the mortgage early**
 - D. The property has appreciated significantly in value**
- 9. What is a lien?**
- A. A legal obligation that a borrower has to the lender**
 - B. A legal right or interest a lender has in a borrower's property**
 - C. A financial statement detailing a borrower's assets**
 - D. An agreement between two parties regarding property ownership**
- 10. What requirement must be met to qualify for a VA loan?**
- A. The borrower must have a minimum credit score of 700**
 - B. The borrower must be a qualified veteran or active-duty military member**
 - C. The borrower must provide a down payment of at least 10%**
 - D. The borrower must have private mortgage insurance**

Answers

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

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Explanations

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1. What does a pre-approval signify in the mortgage process?

- A. A final loan approval
- B. A lender's conditional commitment to provide a loan**
- C. A guarantee of funds
- D. A maximum loan amount

A pre-approval signifies a lender's conditional commitment to provide a loan, which means that the lender has reviewed the borrower's financial information, such as credit score, income, and debt-to-income ratio, and has determined that the borrower meets the criteria for a mortgage up to a certain amount, pending a final approval after an appraisal and underwriting process. This process gives the borrower an idea of how much they can potentially borrow and can strengthen their position when making an offer on a property, as sellers often prefer buyers who have been pre-approved. Importantly, it is not a final loan approval, as that comes later in the mortgage process after all conditions have been met. It also does not guarantee funds in a way that allows the borrower to act without limitations or assures them of receiving the maximum loan amount without further assessment.

2. Which document replaces the HUD-1 Settlement Statement and the final TIL Disclosure?

- A. The Loan Estimate
- B. The Closing Disclosure**
- C. The Affiliated Business Arrangement Disclosure Statement
- D. The Mortgage Servicing Disclosure Statement

The Closing Disclosure serves as the document that replaces both the HUD-1 Settlement Statement and the final Truth in Lending (TIL) Disclosure. This change was implemented as part of the TILA-RESPA Integrated Disclosure (TRID) rule, which aimed to streamline the home buying process by combining these separate documents into one comprehensive disclosure. The Closing Disclosure provides detailed information about the loan terms, projected monthly payments, and all closing costs associated with the mortgage transaction. Its design helps borrowers better understand their financial obligations before finalizing their mortgage, ensuring transparency and accuracy in the lending process. Additionally, the timing of the Closing Disclosure is crucial, as it must be provided to the borrower at least three business days prior to closing, allowing ample time for review.

3. For an organization to be exempt from the licensing requirements of the S.A.F.E. Act, which condition must NOT apply?

- A. It possesses tax-exempt status**
- B. Its employee compensation doesn't favor self-interest**
- C. It promotes affordable housing**
- D. It may engage in for-profit activities**

The correct choice highlights that an organization must not engage in for-profit activities to be exempt from the licensing requirements of the S.A.F.E. Act. The S.A.F.E. Act, which stands for Secure and Fair Enforcement for Mortgage Licensing Act, was designed to enhance consumer protection and reduce fraud by establishing minimum standards for licensing mortgage loan originators. For an organization to qualify for an exemption, it typically operates in a manner that aligns with non-profit principles, focusing on promoting community benefits rather than generating profit. Engaging in for-profit activities indicates an organization's primary intent is commercial gain, which is contrary to the public-oriented mission required for exemption under the S.A.F.E. Act. In contrast, possessing tax-exempt status and promoting affordable housing are conditions that align well with the non-profit nature required for exemption. Similarly, having employee compensation structures that do not favor self-interest also suggests adherence to a non-profit model, reflecting a commitment to serving the community rather than prioritizing personal financial gain. These factors support the notion that the organization is operating for public good, which aligns with the spirit of the S.A.F.E. Act exemptions.

4. What is the first step in the mortgage loan process?

- A. Undergoing a home appraisal**
- B. Completing a loan application**
- C. Signing the closing documents**
- D. Choosing a real estate agent**

Completing a loan application is indeed the first step in the mortgage loan process. At this stage, potential borrowers gather their financial information and provide details about their personal and employment history, income, assets, debts, and the desired loan amount. This information helps lenders assess the borrower's creditworthiness and financial situation, which is crucial for deciding whether to approve the loan. Submitting the loan application initiates the formal lending process. It allows loan officers to begin reviewing the borrower's financial profile and determine the types of mortgage products available. This step also sets the groundwork for subsequent stages in the mortgage process, including obtaining a home appraisal, underwriting the loan, and eventually signing closing documents. Understanding this sequence is critical for anyone involved in real estate and mortgage lending, as it outlines the foundational steps necessary to secure financing for a home purchase.

5. What does a property title do?

- A. Establishes creditworthiness for a loan application
- B. Documents the physical condition of a property
- C. Establishes legal ownership of a property**
- D. Provides information on property taxes owed

A property title serves a critical function in real estate transactions by establishing legal ownership of a property. It is a legal document that identifies who has the rights to own and use the property, confirming that the individual or entity holds the property rights. The title includes important details such as the property's description, any liens against the property, and the history of ownership transfers. Establishing legal ownership is essential for protecting property rights, allowing the owner to sell, lease, or otherwise use the property as they see fit. This function is fundamental to real estate law, as it ensures that buyers know they are purchasing from the rightful owner, thus preventing disputes over ownership in the future. Understanding how titles work is crucial for anyone involved in real estate, including buyers, sellers, and lenders.

6. What factor does "margin" represent in an adjustable-rate mortgage?

- A. A. The profit added to the index rate**
- B. B. The adjustment frequency
- C. C. The minimum required payment
- D. D. The loan's entire cost

In the context of an adjustable-rate mortgage, "margin" refers to the amount that is added to the index rate to determine the new interest rate on the loan at each adjustment period. The index rate is typically a benchmark interest rate that fluctuates based on market conditions, while the margin is a fixed percentage that remains constant for the duration of the loan. This relationship between the margin and the index rate is crucial because it impacts the overall interest expense for the borrower. For instance, if the index is at 2% and the margin is 2.5%, the new interest rate for the borrower would be 4.5% at the time of adjustment. Understanding the margin helps borrowers anticipate how their payments might change over time as the index rate varies, making it an essential component in evaluating the overall affordability and long-term cost of an adjustable-rate mortgage.

7. What does Fannie Mae's minimum requirement for hazard insurance coverage ensure?

- A. Coverage of the property's sale price**
- B. Coverage of all improvements made**
- C. Coverage sufficient to rebuild the home**
- D. Coverage equal to the total mortgage amount**

Fannie Mae's minimum requirement for hazard insurance coverage is designed to ensure that the coverage is sufficient to rebuild the home in the event of a total loss. This is crucial because it protects both the homeowner and the lender. The requirement means that, in the case of catastrophic events such as fires or natural disasters, the insurance will cover the costs associated with reconstructing the property back to its original state. This level of coverage helps to maintain the property's integrity and ensures that the lender's investment is safeguarded, as they would want to recover the value of the home should anything happen to it. Therefore, aligning the coverage with the potential rebuilding costs is essential for effective risk management in mortgage lending.

8. What does it typically mean if a borrower has a high loan-to-value (LTV) ratio?

- A. The borrower may be a higher credit risk**
- B. The property is heavily mortgaged**
- C. The borrower is likely to pay off the mortgage early**
- D. The property has appreciated significantly in value**

A high loan-to-value (LTV) ratio generally indicates that the borrower has financed a large portion of the property's value with debt. This situation can often lead to the borrower being viewed as a higher credit risk. Lenders assess the LTV ratio as an important factor because a high ratio suggests that the borrower has invested less of their own money (equity) into the property relative to the amount they have borrowed. When the LTV is high, it can mean that the borrower does not have a significant cushion of equity to protect against declines in property value. If property values drop, borrowers with high LTV ratios may find themselves owing more than their property is worth, which can lead to increased chances of default. Therefore, lenders may require higher interest rates or mortgage insurance on loans with high LTV ratios to mitigate the perceived risk of lending to such borrowers.

9. What is a lien?

- A. A legal obligation that a borrower has to the lender
- B. A legal right or interest a lender has in a borrower's property**
- C. A financial statement detailing a borrower's assets
- D. An agreement between two parties regarding property ownership

A lien is a legal right or interest that a lender has in a borrower's property, which serves as collateral for a debt. This means that if the borrower fails to meet their repayment obligations, the lender has the right to take possession of the property to satisfy the debt. Liens are crucial in real estate transactions as they protect the lender's investment by ensuring there is a claim on the property until the loan is paid off. Understanding this concept is essential in the realm of mortgages and lending, as it outlines the security interest that lenders maintain over the property associated with the mortgage. This security is fundamental to the lending process, as it reassures lenders about the recovery of funds in the event of default. The other options describe different aspects of financial obligations and agreements but do not accurately reflect the specific nature of a lien.

10. What requirement must be met to qualify for a VA loan?

- A. The borrower must have a minimum credit score of 700
- B. The borrower must be a qualified veteran or active-duty military member**
- C. The borrower must provide a down payment of at least 10%
- D. The borrower must have private mortgage insurance

To qualify for a VA loan, a crucial requirement is that the borrower must be a qualified veteran or active-duty military member. VA loans are specifically designed to support those who have served in the military, providing them with access to favorable loan terms and conditions that are not typically available with conventional loans. This benefit is part of the government's commitment to honor and support veterans and active service members as they acquire homes and build their futures. The program includes various advantages such as competitive interest rates, no down payment requirements in most cases, and no need for private mortgage insurance, which are particularly beneficial for borrowers with military backgrounds. Meeting this eligibility criterion is essential for accessing the unique benefits offered by the VA loan program.

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://nationalustmortgage1.examzify.com>

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