

National and UST Mortgage 1 Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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

- 1. What does the term "escrow account" refer to?**
 - A. An account where funds for property taxes and insurance are held until needed**
 - B. A savings account specifically for home down payments**
 - C. An account that tracks mortgage interest rates**
 - D. An emergency fund for unexpected property repairs**
- 2. In what circumstances can a borrower avoid PMI?**
 - A. When taking out a government loan**
 - B. With a credit score above 720**
 - C. When making a down payment of 20% or more on a conventional loan**
 - D. When refinancing an existing mortgage**
- 3. In the Closing Disclosure, what question must the loan originator answer regarding items in the Loan Terms table?**
 - A. A. "Has this information been verified?"**
 - B. B. "Can this amount increase after closing?"**
 - C. C. "Is this payment subject to a late fee?"**
 - D. D. "Has this information changed from the Loan Estimate?"**
- 4. What is the purpose of a loan estimate form?**
 - A. To summarize mortgage market trends**
 - B. To provide consumers with loan terms and costs**
 - C. To outline property inspection results**
 - D. To detail loan approval processes**
- 5. A mortgage which is amortized for a longer period than the actual term of the loan is best described as what type?**
 - A. Balloon mortgage**
 - B. Hybrid ARM**
 - C. Graduated Payment Mortgage (GPM)**
 - D. Fixed period ARM**

- 6. Which government entity is responsible for facilitating home ownership in the U.S.?**
- A. Fannie Mae**
 - B. Freddie Mac**
 - C. Ginnie Mae**
 - D. Georgie Mac**
- 7. What does RESPA stand for?**
- A. Real Estate Settlement Procedures Act**
 - B. Real Estate Standard Price Agreement**
 - C. Residential Equity Settlement Pricing Act**
 - D. Residential Estate Sale Procedures Agreement**
- 8. Which regulation prohibits discrimination based on race, color, religion, sex, marital status, or national origin in credit transactions?**
- A. Regulation C**
 - B. Regulation B**
 - C. Regulation Z**
 - D. Regulation G**
- 9. What is a common reason for borrowers to refinance their mortgage?**
- A. To consolidate debt into one payment**
 - B. To access home equity for improvements**
 - C. To obtain a lower interest rate**
 - D. All of the above**
- 10. Under HOEPA, a high-cost loan may have a balloon payment under which circumstance?**
- A. The loan satisfies the requirements of a balloon payment qualified mortgage**
 - B. A nine-month bridge loan is obtained for the construction of the borrower's primary dwelling**
 - C. The borrower's income is seasonal**
 - D. The borrower signs a waiver consenting to the balloon payment**

Answers

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

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Explanations

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1. What does the term "escrow account" refer to?

- A. An account where funds for property taxes and insurance are held until needed**
- B. A savings account specifically for home down payments**
- C. An account that tracks mortgage interest rates**
- D. An emergency fund for unexpected property repairs**

The term "escrow account" refers to an account where funds for property taxes and insurance are held until those payments are needed. This type of account is often established by lenders to ensure that property tax and homeowners insurance premiums are paid on time, helping to protect their investment in the property. Homeowners typically make monthly payments into the escrow account as part of their mortgage payment, and then the lender uses those funds to pay the relevant expenses when they are due. This arrangement provides homeowners with a more manageable way to budget for these large, periodic payments, as the costs are spread out over the course of the year. In contrast, a savings account for down payments focuses specifically on accumulating funds to purchase a home, and it does not serve the purpose of managing insurance or tax payments. An account tracking mortgage interest rates is unrelated to escrow accounts, as it serves more of an informational role rather than managing funds. An emergency fund for repairs also addresses a different financial necessity, aimed at covering unexpected costs rather than managing scheduled payments like taxes and insurance. Thus, the definition of an escrow account is specific to the collection and disbursement of funds for necessary expense obligations related to property ownership.

2. In what circumstances can a borrower avoid PMI?

- A. When taking out a government loan**
- B. With a credit score above 720**
- C. When making a down payment of 20% or more on a conventional loan**
- D. When refinancing an existing mortgage**

A borrower can avoid Private Mortgage Insurance (PMI) when making a down payment of 20% or more on a conventional loan. PMI is typically required by lenders when the down payment on a conventional loan is less than 20%. This insurance protects the lender in case the borrower defaults on the loan. By putting down 20% or more, the borrower demonstrates a significant investment in the property, which reduces the lender's risk. While there are other scenarios where PMI might not be applicable, such as certain government loans where PMI is not required or possibly through refinancing, these do not directly pertain to conventional loans in the same way that a substantial down payment does. Additionally, while a high credit score may be beneficial in securing better loan terms or rates, it does not directly eliminate the need for PMI on its own. Thus, placing a large down payment is the most straightforward action a borrower can take within conventional loan parameters to avoid PMI.

3. In the Closing Disclosure, what question must the loan originator answer regarding items in the Loan Terms table?

A. A. "Has this information been verified?"

B. B. "Can this amount increase after closing?"

C. C. "Is this payment subject to a late fee?"

D. D. "Has this information changed from the Loan Estimate?"

In the Closing Disclosure, it is essential for the loan originator to inform borrowers whether the loan terms include any potential increases in amounts after closing. This is vital information for borrowers to understand the long-term implications of their loan agreement, as it directly affects their financial planning and future budget. For instance, some loans may have interest rates or payment amounts that can adjust after closing based on certain conditions, such as adjustable-rate mortgages (ARMs). By confirming whether the amount can increase, the loan originator helps ensure that borrowers are fully aware of their obligations and any associated risks that could arise from their mortgage terms. Other questions regarding verification, late fees, or changes from the Loan Estimate may be relevant, but they do not specifically address the potential for changes in loan amounts after the loan's closing, which is the key concern in the Loan Terms table.

4. What is the purpose of a loan estimate form?

A. To summarize mortgage market trends

B. To provide consumers with loan terms and costs

C. To outline property inspection results

D. To detail loan approval processes

The loan estimate form is specifically designed to provide consumers with clear and concise information regarding the terms and costs associated with a mortgage loan. This document outlines key elements such as the loan amount, interest rate, monthly payments, and various closing costs. By presenting this information in a standardized format, the loan estimate helps borrowers understand the financial implications of the mortgage they are considering, enabling them to make informed decisions. It is essential for fostering transparency in the mortgage process and allows consumers to compare offers from different lenders effectively. This focus on clarity and disclosure is a critical aspect of ensuring that borrowers are well-informed before proceeding with a loan application.

5. A mortgage which is amortized for a longer period than the actual term of the loan is best described as what type?

A. Balloon mortgage

B. Hybrid ARM

C. Graduated Payment Mortgage (GPM)

D. Fixed period ARM

A mortgage that is amortized over a longer period than its actual term is best described as a balloon mortgage. In this type of mortgage, the borrower makes payments based on the amortization schedule, which could be 30 years, for instance, but the loan itself is due in a shorter time frame, such as 5 or 7 years. At the end of the loan term, a lump-sum payment, or "balloon," is required to pay off the remaining balance. This structure is appealing to borrowers who may not intend to stay in the home for the entire term, or who expect to refinance before the balloon payment is due. The payments are typically lower than they would be in a fully amortizing loan for the same interest rate and term, as they're based on the longer amortization schedule. The other options, while they represent various mortgage structures, do not share this specific attribute of a shorter loan term with a longer amortization schedule. A hybrid ARM combines features of fixed-rate and adjustable-rate mortgages, a graduated payment mortgage has increasing payments over time, and a fixed period ARM refers to an adjustable-rate mortgage that maintains its rate for a set period before adjusting.

6. Which government entity is responsible for facilitating home ownership in the U.S.?

A. Fannie Mae

B. Freddie Mac

C. Ginnie Mae

D. Georgie Mac

The correct answer is Ginnie Mae because it is the government entity primarily focused on facilitating homeownership by ensuring the liquidity, stability, and affordability of the U.S. housing market. It achieves this by guaranteeing mortgage-backed securities (MBS) that are backed by federally insured or guaranteed loans, such as those from FHA, VA, and USDA. This backing provides investors with the confidence to purchase these securities, which in turn helps lower mortgage rates and increase access to home financing for consumers. Fannie Mae and Freddie Mac also play significant roles in the housing finance system, but their primary functions involve buying loans from lenders and securitizing those loans rather than directly guaranteeing loans like Ginnie Mae does. Georgie Mac is not a recognized entity in this context, and it seems to be a fictional option rather than a real entity in the U.S. housing finance system. Thus, Ginnie Mae's specific mandate of supporting homeownership through government-backed securities makes it the correct answer.

7. What does RESPA stand for?

- A. Real Estate Settlement Procedures Act**
- B. Real Estate Standard Price Agreement**
- C. Residential Equity Settlement Pricing Act**
- D. Residential Estate Sale Procedures Agreement**

RESPA stands for the Real Estate Settlement Procedures Act. This federal law was enacted to ensure transparency in the real estate settlement process by requiring disclosures about the costs of closing a mortgage. It aims to protect consumers by prohibiting kickbacks and referral fees that can increase the cost of settlement services. RESPA mandates that lenders provide borrowers with a Good Faith Estimate of the closing costs and requires them to provide a HUD-1 Settlement Statement at closing, detailing all the costs involved in the transaction. This legislation helps consumers to understand their mortgage and closing costs, thereby making informed decisions. The other options do not accurately reflect this essential federal law and its focus on real estate transactions.

8. Which regulation prohibits discrimination based on race, color, religion, sex, marital status, or national origin in credit transactions?

- A. Regulation C**
- B. Regulation B**
- C. Regulation Z**
- D. Regulation G**

The correct answer is Regulation B, which implements the Equal Credit Opportunity Act (ECOA). This regulation specifically prohibits discrimination in any aspect of a credit transaction based on race, color, religion, sex, marital status, or national origin. It promotes fair and equal access to credit for all applicants, ensuring that lending decisions are made based on objective criteria rather than biased factors. Regulation C, on the other hand, primarily deals with the Home Mortgage Disclosure Act (HMDA) and focuses on data collection and reporting related to mortgage lending practices, particularly regarding whether institutions are serving the housing needs of their communities. Regulation Z is primarily concerned with the Truth in Lending Act (TILA), which requires clear disclosure of credit terms to protect consumers from deceptive lending practices. Regulation G relates to the registered entities under the SAFE Act and does not address discrimination in credit transactions. Understanding Regulation B is crucial for ensuring compliance with fair lending laws and protecting consumer rights in financial transactions.

9. What is a common reason for borrowers to refinance their mortgage?

- A. To consolidate debt into one payment**
- B. To access home equity for improvements**
- C. To obtain a lower interest rate**
- D. All of the above**

Refinancing a mortgage is a strategic financial move that can serve multiple purposes, making it a common choice among borrowers. One prominent reason is to obtain a lower interest rate. When market conditions change and rates drop, borrowers may refinance to secure a more favorable rate, which can lower their monthly payments and reduce the total interest paid over the life of the loan. Another reason borrowers choose to refinance is to consolidate debt into one payment. By taking equity from their home through a cash-out refinance, they can pay off high-interest debts, such as credit cards or personal loans, simplifying their finances to a single monthly payment that may also carry a lower interest rate than their previous debts. Additionally, homeowners often seek to access their home equity for funding improvements or renovations. This not only allows them to upgrade their living space but can also increase the property's value, which can provide greater long-term financial benefits. Each of these reasons demonstrates the flexibility and potential advantages of refinancing, which can lead to significant savings and improved financial stability for borrowers. Since all of these options represent common motivations for refinancing, the comprehensive choice captures the variety of benefits related to this financial strategy.

10. Under HOEPA, a high-cost loan may have a balloon payment under which circumstance?

- A. The loan satisfies the requirements of a balloon payment qualified mortgage**
- B. A nine-month bridge loan is obtained for the construction of the borrower's primary dwelling**
- C. The borrower's income is seasonal**
- D. The borrower signs a waiver consenting to the balloon payment**

Under the Home Ownership and Equity Protection Act (HOEPA), a high-cost loan can indeed have a balloon payment if it is classified as a short-term bridge loan that is necessary for the construction of a primary dwelling. This situation is typically illustrated by the example of a nine-month bridge loan. Such loans are specifically designed to provide temporary financing that allows a borrower to complete building their primary home before securing a more permanent financing arrangement. In this context, the nature of a bridge loan is that it is intended to be short-term and specifically for construction purposes. As a result, it can legally include a balloon payment, which may otherwise be restricted under HOEPA for other loan types. This unique circumstance recognizes the financial needs of borrowers engaged in home construction, allowing them the flexibility to manage cash flow during this transitional period. Other scenarios presented do not provide sufficient justification for allowing balloon payments under HOEPA guidelines. For instance, satisfying the requirements of a balloon payment qualified mortgage involves specific regulatory criteria that go beyond simply meeting the balloon structure. Seasonal income doesn't inherently qualify a borrower for balloon payments, as it does not address the repayment terms outlined by HOEPA. Additionally, obtaining a waiver does not exempt a high-cost loan from compliance with regulatory requirements regarding balloon payments.

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!