

NATIONAL AND UST MORTGAGE 1 PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

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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	15

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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. What does the annual percentage rate (APR) represent in mortgage lending?**
 - A. Only the interest rate applied
 - B. The total cost of borrowing including interest and fees
 - C. A fixed rate for the life of the loan
 - D. The monthly payment amount only
- 2. What does the Loan Estimate replace for most transactions?**
 - A. It should only be used for reverse mortgages
 - B. It replaces the HUD-1 Settlement Statement and the final TIL Disclosure
 - C. It replaces the GFE and the early TIL Disclosure for most transactions
 - D. It is always identical to the Closing Disclosure
- 3. What does PMI stand for in the context of mortgages?**
 - A. Private Mortgage Insurance
 - B. Primary Mortgage Investment
 - C. Property Market Indicator
 - D. Public Mortgage Insurance
- 4. What is the purpose of a loan origination fee?**
 - A. To cover appraisal costs
 - B. To cover the costs associated with processing a new loan application
 - C. To reduce interest rates
 - D. To fund real estate agency commissions
- 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. Which type of loan might require the borrower to pay interest only during a specific period?**
- A. Fixed-rate mortgage
 - B. Adjustable-rate mortgage
 - C. Interest-only mortgage
 - D. Conventional loan
- 7. What does UST stand for in the context of mortgage exams?**
- A. United States Territory
 - B. Universal Standard Test
 - C. Uniform State Test
 - D. Unified System of Trading
- 8. When can a lender charge an appraisal fee following a Loan Estimate?**
- A. Only after the loan is funded
 - B. When the Loan Estimate is mailed
 - C. After the borrower indicates they wish to proceed
 - D. When the loan application is submitted
- 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 does the term "escrow" refer to in the mortgage process?**
- A. The account where a borrower deposits their monthly payments
 - B. The process of collecting property taxes only
 - C. Funds held by a third party until conditions of a contract are met
 - D. The closing of a loan transaction

Answers

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

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Explanations

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1. What does the annual percentage rate (APR) represent in mortgage lending?

- A. Only the interest rate applied
- B. The total cost of borrowing including interest and fees**
- C. A fixed rate for the life of the loan
- D. The monthly payment amount only

The annual percentage rate (APR) is a comprehensive measure that reflects the total cost of borrowing. It includes not only the interest rate applied to the loan but also incorporates various fees and additional costs associated with obtaining the mortgage, such as origination fees, discount points, and other closing costs. By providing a more complete picture of the cost of borrowing, the APR allows borrowers to compare different loan offers more effectively. Understanding the APR is crucial for borrowers because it provides a clearer sense of the long-term financial commitment they are entering into, rather than just focusing solely on the nominal interest rate. This holistic view enables consumers to make more informed decisions when evaluating mortgage products. In contrast to the correct answer, the other options do not capture the full scope of what the APR represents. For instance, stating that it refers only to the interest rate applied ignores the additional costs that borrowers incur. Describing it as a fixed rate for the life of the loan or limiting it to the monthly payment amount fails to recognize that the APR encompasses varied expenses that contribute to the total borrowing cost.

2. What does the Loan Estimate replace for most transactions?

- A. It should only be used for reverse mortgages
- B. It replaces the HUD-1 Settlement Statement and the final TIL Disclosure
- C. It replaces the GFE and the early TIL Disclosure for most transactions**
- D. It is always identical to the Closing Disclosure

The Loan Estimate is designed to provide borrowers with clear and concise information about the terms of a loan, including estimated monthly payments, fees, and other important loan details. This document replaces the Good Faith Estimate (GFE) and the early Truth in Lending (TIL) Disclosure for most transactions. The GFE was previously used to give borrowers estimates of the closing costs associated with a mortgage loan, while the early TIL Disclosure provided important information about the costs and terms of the loan, such as APR and finance charges. By combining these two documents into the Loan Estimate, the Consumer Financial Protection Bureau (CFPB) aimed to simplify the information provided to borrowers, making it easier for them to compare loan offers from different lenders. This change also enhances transparency and helps to foster a better understanding of the loan terms, which is crucial for consumers in making informed decisions about their mortgage options. The other options do not correctly identify the primary function of the Loan Estimate in the context of most transactions.

3. What does PMI stand for in the context of mortgages?

- A. Private Mortgage Insurance**
- B. Primary Mortgage Investment
- C. Property Market Indicator
- D. Public Mortgage Insurance

In the context of mortgages, PMI stands for Private Mortgage Insurance. This type of insurance is typically required by lenders when a borrower is unable to make a down payment of at least 20% of the home's purchase price. PMI protects the lender in the event that the borrower defaults on the loan. By adding PMI to the mortgage, lenders can mitigate their risk and make loans available to borrowers who otherwise might not qualify due to a smaller down payment. Private Mortgage Insurance can be a significant expense for homeowners, but it also allows them to purchase homes sooner rather than saving for a larger down payment. Once the homeowner has built up enough equity in the property, they can usually request the cancellation of PMI. This term specifically reflects the private insurance element; other options refer to concepts that do not relate directly to the requirements and practices surrounding mortgage insurance. For instance, primary mortgage investments and property market indicators deal with investment and real estate valuation aspects rather than insurance, while public mortgage insurance does not accurately classify the private insurance model that PMI represents.

4. What is the purpose of a loan origination fee?

- A. To cover appraisal costs
- B. To cover the costs associated with processing a new loan application**
- C. To reduce interest rates
- D. To fund real estate agency commissions

The purpose of a loan origination fee is to cover the costs associated with processing a new loan application. This fee is typically assessed by the lender and helps to pay for the various administrative tasks required to evaluate and underwrite a mortgage loan. These tasks can include credit checks, the preparation of necessary documentation, and other overhead costs associated with setting up a loan. It's important for borrowers to understand that the loan origination fee does not directly go towards originating the loan itself in a tangible manner but instead facilitates the behind-the-scenes work that allows for the loan to be executed properly. By paying this fee, borrowers enable lenders to handle the initial steps that are essential for getting the mortgage approved.

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. Which type of loan might require the borrower to pay interest only during a specific period?

- A. Fixed-rate mortgage
- B. Adjustable-rate mortgage
- C. Interest-only mortgage**
- D. Conventional loan

An interest-only mortgage is designed specifically for borrowers who wish to pay only the interest on the loan for a certain period, typically ranging from 5 to 10 years. During this initial phase, the principal balance remains unchanged, which can help borrowers manage their cash flow and increase purchasing power in the short term. After the interest-only period ends, the borrower begins to pay both principal and interest, often resulting in higher payments. This type of loan can be appealing for those who expect their income to increase or those who are investing in properties that may appreciate in value before they need to start repaying the principal. Understanding this structure is crucial for borrowers to ensure it aligns with their financial strategies and future plans.

7. What does UST stand for in the context of mortgage exams?

- A. United States Territory
- B. Universal Standard Test
- C. Uniform State Test**
- D. Unified System of Trading

The term UST in the context of mortgage exams stands for Uniform State Test. This test is a key component of the licensing process for mortgage loan originators and is designed to ensure a consistent level of knowledge and understanding across state lines. The UST provides a standardized assessment that covers relevant federal laws and regulations, as well as aspects of state-specific regulations. By utilizing a uniform approach, the UST helps maintain a high standard of professionalism within the mortgage industry and enhances consumer protection. The significance of the Uniform State Test lies in its role in promoting uniformity across states, thereby eliminating discrepancies in the knowledge base of mortgage professionals. This aspect is crucial for fostering trust and accountability within the mortgage sector, ensuring that individuals involved in the financing process have the requisite expertise to serve consumers effectively.

8. When can a lender charge an appraisal fee following a Loan Estimate?

- A. Only after the loan is funded
- B. When the Loan Estimate is mailed
- C. After the borrower indicates they wish to proceed**
- D. When the loan application is submitted

The correct timing for a lender to charge an appraisal fee is after the borrower indicates they wish to proceed with the loan application. This is significant because the lender cannot collect fees for services not yet performed prior to the borrower expressing intent to move forward. The Loan Estimate provides essential details about the loan terms, fees, and estimated closing costs. However, the key point is that an appraisal is typically ordered and the fee can be collected only when the borrower has given clear intent to proceed with the application. This policy helps protect borrowers from being charged fees before they have committed to the loan process, ensuring that charges are relevant to the ongoing transaction. While other options may suggest alternative timings for charging appraisal fees, they do not acknowledge the requirement for borrower intent, which is legally mandated to prevent lenders from imposing costs prematurely. For example, merely submitting a loan application may not indicate a full commitment, and sending the Loan Estimate does not imply acceptance to proceed on the part of the borrower.

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 does the term "escrow" refer to in the mortgage process?

- A. The account where a borrower deposits their monthly payments
- B. The process of collecting property taxes only
- C. Funds held by a third party until conditions of a contract are met**
- D. The closing of a loan transaction

In the mortgage process, the term "escrow" specifically refers to funds that are held by a third party until the conditions outlined in a contract are satisfied. This arrangement provides security for all parties involved in a transaction. In a typical real estate transaction, for example, the buyer and seller will agree to certain terms, and the escrow agent will hold funds—usually the buyer's earnest money deposit—until the transaction is completed based on the established conditions. This process helps ensure that the buyer's money is protected while the seller fulfills their obligations, such as delivering clear title to the property. In addition to real estate transactions, escrow can also apply to mortgage payments, where part of a borrower's payment might be set aside in an escrow account to cover property taxes and insurance. However, its principal definition revolves around the holding of funds by a third party until contractual obligations are fulfilled, making this the correct answer.

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!

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