

# Nationwide Mortgage Licensing System and Registry (NMLS) 20 Hour SAFE Act Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

**Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.**

**ALL RIGHTS RESERVED.**

**No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.**

**Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.**

**SAMPLE**

# Table of Contents

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

SAMPLE

# 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

SAMPLE

- 1. HOEPA does not apply to which of the following loan types?**
  - A. Home equity loans**
  - B. Bridge loans with terms of 12 months or less**
  - C. Fixed-rate mortgages**
  - D. Adjustable-rate mortgages**
  
- 2. A buyer makes an offer for \$235,000 on a home valued at \$230,000 with a 90% LTV loan. What will be the required down payment?**
  - A. \$23,000**
  - B. \$23,500**
  - C. \$28,000**
  - D. \$28,500**
  
- 3. What is the maximum fine for an individual who violates the SAFE Act?**
  - A. \$10,000**
  - B. \$50,000**
  - C. \$100,000**
  - D. \$250,000**
  
- 4. Which loan is less common and typically has fluctuating payments throughout the loan period?**
  - A. Fixed-rate mortgage**
  - B. Adjustable-rate mortgage**
  - C. Conventional mortgage**
  - D. Hybrid mortgage**
  
- 5. Which of the following acts does NOT pertain to the regulation of mortgage lending?**
  - A. REAL ESTATE SETTLEMENT PROCEDURES ACT**
  - B. TRUTH IN LENDING ACT**
  - C. GRANT LOAN ACT**
  - D. EQUAL CREDIT OPPORTUNITY ACT**

- 6. Which type of loan is appropriate for borrowers who cannot document some or all of their income?**
- A. FHA loans**
  - B. Nonconforming loans**
  - C. Alt-A loans**
  - D. Reverse mortgages**
- 7. What is the typical maximum tax-deductible limit on interest paid for a home equity loan?**
- A. Up to \$50,000**
  - B. Up to \$100,000**
  - C. Up to \$1 million**
  - D. No deductible limit**
- 8. A partially amortized loan will typically include what type of payment structure?**
- A. Balloon payment**
  - B. Interest-only payment**
  - C. Payment cap**
  - D. Rate cap**
- 9. Which federal law allows borrowers the right to cancel Private Mortgage Insurance premiums?**
- A. The Real Estate Settlement Procedures Act**
  - B. The Homeowners Protection Act**
  - C. The Truth-in-Lending Act**
  - D. The Equal Credit Opportunity Act**
- 10. What federal law is violated if a loan originator carelessly leaves a customer's sensitive information unattended?**
- A. RESPA**
  - B. HMDA**
  - C. FACT Act**
  - D. ECOA**

## Answers

SAMPLE

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

SAMPLE

## **Explanations**

SAMPLE

1. HOEPA does not apply to which of the following loan types?
- A. Home equity loans
  - B. Bridge loans with terms of 12 months or less**
  - C. Fixed-rate mortgages
  - D. Adjustable-rate mortgages

The Home Ownership and Equity Protection Act (HOEPA) provides protections for borrowers by establishing certain disclosure requirements and prohibitions on unfair lending practices, primarily focusing on high-cost mortgage loans. HOEPA's coverage is designed to target loans that pose a higher risk to consumers. Bridge loans, which are short-term loans intended to bridge the gap between the sale of one property and the purchase of another, typically have terms of 12 months or less. Due to their short duration and the purpose they serve, bridge loans are generally not considered to be high-cost loans under HOEPA's guidelines. Therefore, they fall outside the scope of HOEPA's regulations. Home equity loans, fixed-rate mortgages, and adjustable-rate mortgages can all potentially be subject to HOEPA's requirements if they meet certain conditions, such as having high annual percentage rates (APRs) or high fees. Thus, they remain within the purview of HOEPA, while the short-term nature of bridge loans exempts them from this regulation.

2. A buyer makes an offer for \$235,000 on a home valued at \$230,000 with a 90% LTV loan. What will be the required down payment?
- A. \$23,000
  - B. \$23,500
  - C. \$28,000**
  - D. \$28,500

To determine the required down payment on a home purchase with a loan-to-value (LTV) ratio of 90%, we first need to calculate the loan amount based on the home's appraised value. The loan amount can be found by multiplying the appraised value by the LTV ratio. Here, the home is valued at \$230,000. A 90% LTV means the lender will finance 90% of the appraised value. Therefore, the loan amount would be:  $\text{Loan Amount} = \text{Appraised Value} \times \text{LTV} = 230,000 \times 0.90 = 207,000$  To find the down payment, we subtract this loan amount from the total offer amount of \$235,000. The down payment is calculated as follows:  $\text{Total Offer} = \$235,000$   $\text{Down Payment} = \text{Total Offer} - \text{Loan Amount} = 235,000 - 207,000 = 28,000$  This calculation shows that the required down payment would be \$28,000. Thus, the selection of \$28,000 is correct, as it accurately reflects the difference needed after accounting for the 90% financing based on the home's appraised

**3. What is the maximum fine for an individual who violates the SAFE Act?**

- A. \$10,000
- B. \$50,000
- C. \$100,000**
- D. \$250,000

The maximum fine for an individual who violates the SAFE Act is indeed \$100,000. This monetary penalty underscores the seriousness of compliance with the regulations governing the mortgage industry. The SAFE Act, which stands for the Secure and Fair Enforcement for Mortgage Licensing Act, was established to enhance the integrity and transparency of the mortgage lending process. It requires mortgage professionals to be licensed and meet specific standards. When violations occur—whether through misconduct or non-compliance with the rules—significant financial penalties can be imposed to deter such actions and ensure adherence to the law. Hence, the \$100,000 fine serves as both a punitive measure and a means of promoting responsible practices among mortgage professionals. This is a critical aspect of maintaining accountability in the financial services sector.

**4. Which loan is less common and typically has fluctuating payments throughout the loan period?**

- A. Fixed-rate mortgage
- B. Adjustable-rate mortgage**
- C. Conventional mortgage
- D. Hybrid mortgage

The adjustable-rate mortgage is the correct choice because it is characterized by interest rates that can fluctuate at specific intervals throughout the loan term. Unlike fixed-rate mortgages, which have a static interest rate and consistent monthly payments, adjustable-rate mortgages start with a lower interest rate that is often fixed for an initial period before adjusting at predetermined intervals based on market conditions. This means that the monthly payments can vary significantly after the initial fixed period as the interest rate changes, making them less predictable for borrowers. Comparatively, fixed-rate mortgages offer stability with fixed payments throughout the loan's duration. Conventional and hybrid mortgages may have fixed or adjustable components, but they typically do not exhibit the same degree of fluctuation in payments as seen in adjustable-rate mortgages, especially after the fixed-rate phase in hybrids. Thus, while options like fixed-rate and conventional mortgages are more common and predictable in their payment structure, adjustable-rate mortgages are known for their variability, leading to fluctuation in payments.

**5. Which of the following acts does NOT pertain to the regulation of mortgage lending?**

- A. REAL ESTATE SETTLEMENT PROCEDURES ACT**
- B. TRUTH IN LENDING ACT**
- C. GRANT LOAN ACT**
- D. EQUAL CREDIT OPPORTUNITY ACT**

The Grant Loan Act is not directly related to the regulation of mortgage lending in the same way the other options are. The Real Estate Settlement Procedures Act (RESPA) focuses on the transparency of settlement costs related to the buying of a home, while the Truth in Lending Act (TILA) ensures that consumers are informed about the costs of borrowing, allowing them to compare different loan offers easily. The Equal Credit Opportunity Act (ECOA) prohibits discrimination in lending, ensuring that all consumers have fair access to credit. In contrast, the Grant Loan Act does not specifically regulate mortgage lending practices or consumer protections in the same comprehensive manner as the other acts mentioned.

**6. Which type of loan is appropriate for borrowers who cannot document some or all of their income?**

- A. FHA loans**
- B. Nonconforming loans**
- C. Alt-A loans**
- D. Reverse mortgages**

The correct choice is Alt-A loans, which are specifically designed for borrowers who may not meet the full documentation requirements typically associated with conventional loans, such as proving all of their income. These loans often cater to self-employed individuals or those with irregular income streams who may find it challenging to meet stringent documentation standards. Alt-A loans offer more flexible underwriting standards compared to conforming loans, allowing borrowers to qualify based on factors other than full income documentation. This can include assets, creditworthiness, and other compensating factors, making them suitable for individuals who cannot fully document their earnings. In contrast, FHA loans generally require some form of income documentation as part of the underwriting process, making them less suitable for borrowers with income that cannot be fully verified. Nonconforming loans may not have specific requirements related to income documentation, but they are often riskier and not tailored to this unique set of borrowers. Reverse mortgages, on the other hand, are designed for seniors and allow them to borrow against their home equity, but they do not fit the scenario of those unable to document income.

**7. What is the typical maximum tax-deductible limit on interest paid for a home equity loan?**

- A. Up to \$50,000**
- B. Up to \$100,000**
- C. Up to \$1 million**
- D. No deductible limit**

The typical maximum tax-deductible limit on interest paid for a home equity loan is up to \$100,000. This limit applies to the interest on a home equity loan or line of credit, allowing taxpayers to deduct the interest paid on the loan from their taxable income, provided the loan is used to buy, build, or substantially improve the home that secures the loan. This deduction limit is important because it provides a financial incentive for homeowners to use home equity loans in ways that enhance the value of their property, like renovations or expansions. By maintaining this threshold, the tax code helps ensure that homeowners can benefit from the lower interest rates associated with home equity loans without overly complicating the tax benefits. The alternative choices may lead to misinterpretations regarding limits that do not reflect the current tax code and its application to home equity loans.

**8. A partially amortized loan will typically include what type of payment structure?**

- A. Balloon payment**
- B. Interest-only payment**
- C. Payment cap**
- D. Rate cap**

A partially amortized loan typically includes a balloon payment as part of its payment structure. This type of loan generally involves regular monthly payments that cover interest and a portion of the principal over a set term, but the loan is not fully amortized by the end of that term. As a result, the remaining balance becomes due in one large payment at the end of the loan period, known as the balloon payment. In this structure, borrowers benefit from lower monthly payments during the term because the payments do not fully pay off the loan before the balloon payment is due. This feature can be advantageous for borrowers who expect to refinance, sell the property, or receive a lump sum of money before the balloon payment comes due. Understanding this payment structure is crucial for anyone dealing with loan agreements as it highlights the potential financial implications and planning needed when the balloon payment becomes due.

**9. Which federal law allows borrowers the right to cancel Private Mortgage Insurance premiums?**

- A. The Real Estate Settlement Procedures Act**
- B. The Homeowners Protection Act**
- C. The Truth-in-Lending Act**
- D. The Equal Credit Opportunity Act**

The Homeowners Protection Act (HPA) is the federal law that provides borrowers with the right to cancel Private Mortgage Insurance (PMI) premiums under certain conditions. This law was enacted to help homeowners reduce the costs associated with mortgage insurance, which can be significant, especially when a loan is backed by PMI due to a smaller down payment. Under the Homeowners Protection Act, borrowers are allowed to request the cancellation of PMI once their equity in the home reaches 20%, based on the original purchase price or the appraised value of the home. Additionally, the HPA mandates that mortgage lenders automatically terminate PMI when the equity reaches 22%, provided the borrower is current on their mortgage payments. This legislation aims to promote financial fairness and transparency for homeowners, ensuring they do not continue to pay for insurance protection when it is no longer necessary. The other laws listed have different purposes: The Real Estate Settlement Procedures Act focuses on disclosures and practices regarding settling real estate transactions; the Truth-in-Lending Act addresses the disclosure of credit terms and costs of borrowing; and the Equal Credit Opportunity Act prohibits discrimination in lending. Thus, while each law plays a significant role in the broader landscape of mortgage and lending, it is the Homeowners Protection Act specifically that addresses the issue

**10. What federal law is violated if a loan originator carelessly leaves a customer's sensitive information unattended?**

- A. RESPA**
- B. HMDA**
- C. FACT Act**
- D. ECOA**

The FACT Act, or Fair and Accurate Credit Transactions Act, is designed to protect consumers from identity theft and ensure the accuracy and privacy of their credit information. Under this act, financial institutions and individuals are required to properly safeguard sensitive information to prevent unauthorized access and misuse. If a loan originator carelessly leaves a customer's sensitive information unattended, this would violate the provisions set forth by the FACT Act, which mandates that institutions take reasonable measures to protect consumer data. In contrast, while RESPA (Real Estate Settlement Procedures Act) primarily deals with disclosures related to settlement services and prohibits kickbacks, HMDA (Home Mortgage Disclosure Act) focuses on reporting demographic information related to loans for fair lending purposes, and ECOA (Equal Credit Opportunity Act) addresses discrimination in lending practices, none specifically target the safeguarding of consumer data in the same way that the FACT Act does. Thus, the situational context relating to handling sensitive information aligns closely with the requirements laid out in the FACT Act.

## 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://nmls20hrsafexamzify.com>**

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

SAMPLE