

NATIONWIDE MORTGAGE LICENSING SYSTEM AND REGISTRY (NMLS) 20 HOUR SAFE ACT PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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. Which loan type is specifically designed to assist senior citizens with converting home equity into cash?**
 - A. Reverse Mortgage
 - B. Bridge Loan
 - C. Conventional Mortgage
 - D. Hard Money Loan

- 2. Which advertisement would trigger the disclosure of all finance charges and the true APR under Regulation Z?**
 - A. Interest rates at an all-time low
 - B. Monthly payments under \$700
 - C. Stop paying rent
 - D. No money down

- 3. What does HMDA stand for?**
 - A. Home Mortgage Disclosure Act
 - B. Homeowner's Mortgage Data Act
 - C. Housing Market Disclosure Act
 - D. Homeowner's Loan Data Act

- 4. A primary market is defined as the market where what occurs?**
 - A. All mortgages are sold
 - B. Loans are applied for and originated
 - C. Mortgages are securitized
 - D. Loans are pooled

- 5. Which of the following is the most common type of FHA loan?**
 - A. 203(k)
 - B. Home Equity Conversion Mortgage
 - C. 203(b)
 - D. Energy Efficient Mortgage

- 6. Which of the following is NOT a protected class under the Fair Housing Act?**
- A. Race
 - B. Color
 - C. Religion
 - D. Marital status
- 7. What is a yield spread premium?**
- A. A discount on the closing costs
 - B. A type of loan fee paid upfront
 - C. A higher interest rate for lower closing costs
 - D. A payment from the borrower to the lender
- 8. In an FHA loan, what percentage of the purchase price can the seller contribute to the buyer's down payment?**
- A. 0%
 - B. 3%
 - C. 5%
 - D. 6%
- 9. If the initial interest rate on an ARM is 4% below its fully-indexed rate, how is this rate best described?**
- A. Teaser rate
 - B. Discounted rate
 - C. Bait rate
 - D. Margin rate
- 10. What data is a lender NOT required to record to comply with the Home Mortgage Disclosure Act (HMDA)?**
- A. HOEPA status
 - B. Familial status
 - C. Loan decision
 - D. Applicant gross income

Answers

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

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Explanations

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1. Which loan type is specifically designed to assist senior citizens with converting home equity into cash?

- A. Reverse Mortgage**
- B. Bridge Loan
- C. Conventional Mortgage
- D. Hard Money Loan

The loan type specifically designed to assist senior citizens with converting home equity into cash is the reverse mortgage. This financial product enables homeowners, typically aged 62 and older, to access a portion of their home's equity without the obligation to make monthly mortgage payments. Instead, the loan is repaid when the borrower sells the home, moves out, or passes away. Reverse mortgages can provide seniors with additional income during retirement, allowing them to cover living expenses or healthcare costs without needing to sell their homes. This way, they can maintain ownership of their property while still benefiting from its value. In contrast, other loan types like a bridge loan are short-term loans meant to bridge the gap between the sale of one property and the purchase of another. A conventional mortgage is a standard home loan that requires regular monthly payments and is not tailored for equity conversion. Hard money loans are asset-based loans where the borrower receives funds secured by real estate collateral, typically used for short-term financing needs rather than for converting home equity for seniors.

2. Which advertisement would trigger the disclosure of all finance charges and the true APR under Regulation Z?

- A. Interest rates at an all-time low
- B. Monthly payments under \$700**
- C. Stop paying rent
- D. No money down

The correct answer describes a scenario that falls under the requirements of the Truth in Lending Act, specifically Regulation Z. When an advertisement mentions specific credit terms, such as a monthly payment amount, it creates a trigger for the lender to disclose all finance charges and the true Annual Percentage Rate (APR). In this case, stating "monthly payments under \$700" communicates a specific term of credit, which necessitates clear and conspicuous disclosure of the total cost of financing. This requirement ensures that consumers have access to all relevant information when considering loan options, helping them understand the true cost of the borrowing. On the other hand, advertisements that do not reference specific credit terms, such as general statements about interest rates, incentives to stop paying rent, or offers that highlight no down payment, do not trigger the same disclosure requirements. While they may suggest conditions that could be attractive to consumers, they do not provide the specificity needed to activate Regulation Z's disclosure provisions.

3. What does HMDA stand for?

- A. Home Mortgage Disclosure Act
- B. Homeowner's Mortgage Data Act
- C. Housing Market Disclosure Act
- D. Homeowner's Loan Data Act

The correct answer is Home Mortgage Disclosure Act, which is commonly referred to by its acronym, HMDA. This federal law was enacted to promote transparency in the mortgage lending process and to ensure that lending practices are equitable and fair. It requires financial institutions to collect, report, and disclose certain information regarding mortgage applications. By tracking this data, HMDA aims to reveal whether lenders are serving the housing needs of their communities and to help identify discriminatory lending practices. The act plays a critical role in evaluating lending patterns and ensuring compliance with fair lending laws. It facilitates the analysis of trends related to home lending, identifying any disparities based on race, ethnicity, gender, or geographic location. Ultimately, this transparency helps regulators and policymakers to understand the lending landscape better and make informed decisions to promote fair housing practices. Other options, while related to mortgage data, do not represent the federally mandated regulation that HMDA does. They either misrepresent the components of data collected or are not established legislations within the context of mortgage lending.

4. A primary market is defined as the market where what occurs?

- A. All mortgages are sold
- B. Loans are applied for and originated
- C. Mortgages are securitized
- D. Loans are pooled

The primary market is where loans are applied for and originated, which is the essence of this market's function. This is the initial stage of the mortgage process, where borrowers interact directly with lenders to secure financing. In this market, various types of financial institutions, such as banks and credit unions, give out loans directly to consumers or businesses. This is distinct from other aspects of the mortgage process, such as the secondary market, where existing loans are bought and sold or pooled together for securitization. Understanding the primary market is crucial because it sets the foundation for the entire lending process by determining how many loans are made and the types of loans available to borrowers.

5. Which of the following is the most common type of FHA loan?

- A. 203(k)
- B. Home Equity Conversion Mortgage
- C. 203(b)
- D. Energy Efficient Mortgage

The most common type of FHA loan is the 203(b) loan, primarily because it is designed for a broad range of homebuyers. The 203(b) loan program is established to support borrowers in obtaining financing for purchasing a home, whether as a primary residence or an investment property. It facilitates low down payments, making it accessible for first-time homebuyers, and supports various income levels. The 203(b) program typically allows for lower credit scores compared to conventional loans, enhancing its appeal to a diverse array of applicants seeking affordable housing options. In contrast, the 203(k) loan is specifically aimed at homebuyers interested in purchasing and rehabilitating a property, and while it has its significance, its niche focus limits its overall prevalence compared to the straightforward 203(b) option. The Home Equity Conversion Mortgage is a reverse mortgage product tailored for seniors, and while it serves a vital role, it does not cater to the general market in the same way. The Energy Efficient Mortgage is targeted at improving energy efficiency in homes, which is beneficial but is also less commonly utilized than the foundational and widely applicable 203(b) loan. Therefore, the 203(b) loan represents the most common FHA loan type due to its broad applicability and accessibility for

6. Which of the following is NOT a protected class under the Fair Housing Act?

- A. Race
- B. Color
- C. Religion

D. Marital status

The Fair Housing Act, which was enacted to ensure equal housing opportunities and prohibit discrimination based on specific characteristics, recognizes several protected classes. These include race, color, religion, national origin, sex, familial status, and disability. Marital status is not included among the protected classes specified by the Fair Housing Act. This means that while individuals cannot be discriminated against based on their race, color, or religion, the Act does not provide protections for people based solely on whether they are married, single, or in a domestic partnership. It's important to note that some state and local laws may offer additional protections that include marital status, but at the federal level under the Fair Housing Act, it is not classified as a protected category. Thus, identifying marital status as not being a protected class highlights the specific scope of federal regulations aimed at preventing discrimination in housing. Understanding these distinctions is crucial for compliance and fair treatment in housing practices.

7. What is a yield spread premium?

- A. A discount on the closing costs
- B. A type of loan fee paid upfront
- C. A higher interest rate for lower closing costs**
- D. A payment from the borrower to the lender

A yield spread premium refers to the extra amount a lender pays a mortgage broker for originating a loan at a higher interest rate than the lowest available rate. In this context, the borrower chooses to accept a higher interest rate in exchange for reduced closing costs or a credit towards closing costs. This arrangement can help borrowers who may not have significant funds available at closing or who prefer to keep their upfront costs lower. When a lender offers a loan with a higher interest rate, they typically compensate the mortgage broker with this yield spread premium. It serves as an incentive for brokers to suggest higher-rate products, allowing borrowers to finance their closing costs over the life of the loan. Therefore, the definition aligns with the context of the mortgage industry, making it an essential concept for understanding loan structures and borrower options.

8. In an FHA loan, what percentage of the purchase price can the seller contribute to the buyer's down payment?

- A. 0%**
- B. 3%
- C. 5%
- D. 6%

In an FHA loan, the correct percentage that a seller can contribute to the buyer's down payment is 6% of the purchase price. This guideline allows sellers to assist buyers by contributing to closing costs or down payment, making home ownership more accessible. A seller contribution of up to 6% can help decrease the financial burden on buyers, especially first-time purchasers who may have limited funds available for that initial payment. This policy is intended to encourage home buying by making it easier for borrowers to secure the necessary funds to close on a home. While contributions as high as 6% are permitted, it's important to note that contributions above this threshold may lead to complications or additional scrutiny during the loan approval process.

9. If the initial interest rate on an ARM is 4% below its fully-indexed rate, how is this rate best described?

A. Teaser rate

B. Discounted rate

C. Bait rate

D. Margin rate

The correct answer is a teaser rate, which is a promotional interest rate that lenders offer to attract borrowers. In the context of an adjustable-rate mortgage (ARM), the initial interest rate might be set significantly lower than the fully indexed rate to make the loan more appealing. This lower rate is temporary and typically lasts for a limited time before adjusting to the fully indexed rate based on the performance of an underlying index plus a margin. The term "teaser rate" aptly describes this situation as it suggests a short-term benefit to entice consumers, but it may lead to higher payments in the future once the initial period ends. Although "discounted rate" could also describe a lower-than-market rate, it's not specific to the context of a temporary promotional rate associated with ARMs. "Bait rate" might imply a misleadingly low rate, but it's not a standard term in mortgage lending. The "margin rate," on the other hand, refers to the fixed component added to the index to determine the fully indexed rate and does not describe the initial promotional pricing structure.

10. What data is a lender NOT required to record to comply with the Home Mortgage Disclosure Act (HMDA)?

A. HOEPA status

B. Familial status

C. Loan decision

D. Applicant gross income

The Home Mortgage Disclosure Act (HMDA) requires lenders to collect and report certain data about mortgage applications to monitor compliance with fair lending laws. The categories of data that HMDA mandates include information necessary to determine whether lenders are serving the housing needs of their communities and to identify possible discriminatory lending patterns. Familial status, which refers to the presence of children or the status of an applicant regarding family composition, is not a data point required under HMDA regulation. While lenders must gather information related to race, ethnicity, sex, and age, familial status is not included in these reporting requirements. This means that while lenders are tasked with collecting a variety of demographic data essential for fair lending assessment, familial status does not play a role in the compliance obligations. In contrast, other options such as HOEPA status, which relates to high-cost mortgage loans, and loan decision, which indicates whether an application was approved or denied, are both relevant for compliance under HMDA reporting guidelines. Additionally, applicant gross income is a critical factor considered for determining the borrower's ability to repay and is required information in the data collection process, which shows the risk associated with the income of the applicant in lending evaluations.

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://nmls20hrsafexamzify.com>

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

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