

# NMLS Uniform State Test (UST) Mortgage 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**

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- 1. Which of the following would be the largest factor in determining the maximum amount for a VA loan?**
  - A. Credit Score**
  - B. Property's Value**
  - C. Income Level**
  - D. Loan Term**
- 2. What is the outcome of the loan processes?**
  - A. Loan origination**
  - B. Mortgage approval**
  - C. Loan servicing**
  - D. Loan denial**
- 3. Which law deals specifically with Private Mortgage Insurance (PMI)?**
  - A. HMDA**
  - B. TILA Reg Z**
  - C. HPA**
  - D. Fact Act**
- 4. Which act provides consumers with the right to know the cost of settlement services?**
  - A. The Truth in Lending Act**
  - B. The Fair Credit Reporting Act**
  - C. The Real Estate Settlement Procedures Act**
  - D. The Home Mortgage Disclosure Act**
- 5. Which of the following is not one of the six required pieces of information for a complete application under RESPA and TILA?**
  - A. Employment History**
  - B. Appraised Value of Property**
  - C. Income Verification**
  - D. Debt to Income Ratio**

**6. What type of loan features a variable interest rate?**

- A. Fixed Rate Mortgage**
- B. Adjustable Rate Mortgage**
- C. Interest Only Mortgage**
- D. FHA Mortgage**

**7. Which law specifically deals with the regulation of mortgage payments regarding PMI?**

- A. Home Equity Recovery Act**
- B. HPA**
- C. ECOA**
- D. TILA Reg Z**

**8. What determines the frequency of adjustments on an adjustable-rate mortgage?**

- A. The loan amount**
- B. The underwriting guidelines**
- C. The interest rate structure**
- D. The specific terms of the loan**

**9. Which law established the three-day right of rescission?**

- A. TILA REG-Z**
- B. RESPA**
- C. FCRA**
- D. GRAMM-LEACH-BLILEY**

**10. What booklet must a borrower receive for a Home Equity Line of Credit (HELOC) or refinance?**

- A. Home Loan Toolkit**
- B. Understanding Your Mortgage**
- C. Loan Estimate Guide**
- D. When Your Home Is on the Line booklet**

## **Answers**

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

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## **Explanations**

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**1. Which of the following would be the largest factor in determining the maximum amount for a VA loan?**

- A. Credit Score**
- B. Property's Value**
- C. Income Level**
- D. Loan Term**

The maximum amount for a VA loan is primarily determined by the property's value. The VA offers guarantees that can influence lending limits, but ultimately, lenders evaluate how much they are willing to lend based on the assessed value of the property being purchased or refinanced. A property's value ensures that the loan amount is supported by collateral, which is critical for the lender's security. This factor is essential because, regardless of the borrower's income level or credit score, the loan amount must be viable based on the property's worth. While credit score, income level, and loan term are significant factors in the overall loan approval process, they do not directly dictate the maximum amount that can be borrowed through a VA loan. The VA may set certain thresholds regarding loan limits, but the property's value is the primary determining factor that reflects the market worth and influence on the loan amount.

**2. What is the outcome of the loan processes?**

- A. Loan origination**
- B. Mortgage approval**
- C. Loan servicing**
- D. Loan denial**

The outcome of the loan processes is best described by loan servicing. This phase occurs after the loan has been originated and approved, and it involves the ongoing management of the loan throughout its life cycle. Loan servicing includes collecting payments, managing escrow accounts for taxes and insurance, and handling customer service responsibilities related to the loan. While loan origination involves the initial steps leading to a loan, and mortgage approval is a critical milestone, these are preliminary stages rather than the final outcome of the loan process. Loan denial, on the other hand, is an unfavorable outcome and not an effective representation of a successful loan process. Thus, loan servicing encapsulates the true ongoing nature of managing a loan after it has been established.

### **3. Which law deals specifically with Private Mortgage Insurance (PMI)?**

- A. HMDA**
- B. TILA Reg Z**
- C. HPA**
- D. Fact Act**

The law that deals specifically with Private Mortgage Insurance (PMI) is the Homeowners Protection Act (HPA). This legislation was enacted to provide consumers with certain protections regarding PMI, ensuring that homeowners are not required to pay for this insurance longer than necessary. Under the HPA, homeowners have the right to request the cancellation of PMI when the value of their home reaches a certain point, typically when they have achieved a certain level of equity. Additionally, the act mandates that lenders inform borrowers of their rights related to PMI and when it can be canceled. This focus on consumer protection and the specific provisions regarding PMI make the HPA the relevant law in this context. The other legislation mentioned, while impactful in regulating the mortgage industry, does not specifically address the issues surrounding PMI in the same detailed manner as the Homeowners Protection Act.

### **4. Which act provides consumers with the right to know the cost of settlement services?**

- A. The Truth in Lending Act**
- B. The Fair Credit Reporting Act**
- C. The Real Estate Settlement Procedures Act**
- D. The Home Mortgage Disclosure Act**

The Real Estate Settlement Procedures Act (RESPA) is the correct answer because it was specifically designed to ensure that consumers are informed about the settlement costs associated with real estate transactions. RESPA requires lenders to provide a Good Faith Estimate (GFE) of closing costs and also mandates that consumers receive a detailed settlement statement at closing. This transparency helps consumers better understand the various fees involved in the mortgage process, enabling them to make informed decisions. The other acts mentioned serve different purposes: The Truth in Lending Act focuses on ensuring that consumers receive clear and accurate information about the costs of borrowing and loan terms. The Fair Credit Reporting Act governs the collection, dissemination, and use of consumer credit information, protecting consumers' privacy and ensuring that they have access to their credit reports. The Home Mortgage Disclosure Act requires lenders to report mortgage data, primarily to ensure that housing credit is available and to identify possible discriminatory lending practices. While each of these acts plays a role in consumer protection, only RESPA specifically addresses the right to know the costs associated with settlement services.

**5. Which of the following is not one of the six required pieces of information for a complete application under RESPA and TILA?**

- A. Employment History**
- B. Appraised Value of Property**
- C. Income Verification**
- D. Debt to Income Ratio**

In the context of a complete application under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA), the required pieces of information are specifically outlined to ensure that lenders have all the necessary details to process a loan application accurately. The six required pieces of information typically include the applicant's name, income, social security number, property address, estimated value of the property, and the loan amount sought. While the appraised value of the property is crucial in the overall mortgage process and contributes to the lender's decision-making, it is not explicitly one of the pieces of information required for completing the loan application itself. Instead, the estimated value provided by the applicant is what is needed at the application stage, which is why this choice stands out as not being part of the official six requirements. The other options, such as employment history, income verification, and debt-to-income ratio, are directly relevant to assessing the borrower's ability to repay the loan and are integral to the application process. These elements allow lenders to evaluate creditworthiness and make educated lending decisions.

**6. What type of loan features a variable interest rate?**

- A. Fixed Rate Mortgage**
- B. Adjustable Rate Mortgage**
- C. Interest Only Mortgage**
- D. FHA Mortgage**

An adjustable rate mortgage (ARM) features a variable interest rate, which means that the interest rate on the loan can change over time based on market conditions. Initially, an ARM often starts with a lower fixed interest rate for a certain period. After this initial phase, the interest rate adjusts periodically based on a specified index plus a margin. This means that the monthly payments can fluctuate over the life of the loan, making ARMs potentially more affordable in the short term compared to fixed-rate mortgages. On the other hand, a fixed rate mortgage has a constant interest rate throughout the life of the loan, meaning the monthly payments remain the same. An interest-only mortgage allows the borrower to pay only the interest for a specified time, but the rate remains fixed during that period. While an FHA mortgage can be either fixed or adjustable, it specifically does not define the type of interest rate structure employed; it is more about the type of insurance backing the loan. Therefore, the correct answer clearly delineates that the adjustable rate mortgage is characterized by its variable interest payments.

**7. Which law specifically deals with the regulation of mortgage payments regarding PMI?**

- A. Home Equity Recovery Act**
- B. HPA**
- C. ECOA**
- D. TILA Reg Z**

The Homeowners Protection Act (HPA) is specifically designed to regulate private mortgage insurance (PMI) in the context of mortgage payments. Under this legislation, homeowners have the right to request the cancellation of PMI once they reach a specified level of equity in their homes. The law ensures that borrowers are not burdened with unnecessary PMI payments, especially when their loan-to-value ratio improves due to payment history or increases in property value. HPA establishes guidelines on when PMI can be removed automatically and provides homeowners with the information necessary to understand their rights regarding PMI. This includes requirements for lenders to notify borrowers about the terms of PMI cancellation. By focusing on the equity levels that impact PMI, HPA aims to promote transparency and fairness in lending practices related to mortgage insurance. This context shows how HPA is the appropriate answer for questions specifically addressing mortgage payments related to PMI, while the other laws mentioned may cover broader regulations related to lending but do not specifically target aspects of mortgage insurance.

**8. What determines the frequency of adjustments on an adjustable-rate mortgage?**

- A. The loan amount**
- B. The underwriting guidelines**
- C. The interest rate structure**
- D. The specific terms of the loan**

The frequency of adjustments on an adjustable-rate mortgage (ARM) is primarily determined by the specific terms of the loan. In an ARM, lenders outline particular conditions regarding how often the interest rate can change, which is typically specified in the loan agreement. This can include annual adjustments, every six months, or other intervals, depending on the index rates and margins set forth at the time the loan is originated. Understanding the terms of the loan is crucial as they govern the overall structure of the mortgage, including the initial fixed-rate period (if applicable) and the intervals at which adjustments will occur thereafter. This means that each loan product may have unique characteristics that can affect how frequently rates adjust, and borrowers need to be aware of these details to prepare for future payments. Other elements, such as the loan amount or underwriting guidelines, do not dictate the frequency of interest rate adjustments. Instead, they might influence the overall terms of the loan but not the specific adjustment schedule.

## 9. Which law established the three-day right of rescission?

- A. TILA REG-Z**
- B. RESPA**
- C. FCRA**
- D. GRAMM-LEACH-BLILEY**

The law that established the three-day right of rescission is the Truth in Lending Act (TILA), commonly referenced under Regulation Z. This provision allows borrowers to cancel certain types of loans—including refinances and home equity loans—within three business days of closing on the loan. This right is designed to protect consumers by ensuring they have time to reconsider their borrowing decisions and to understand fully the terms and implications of the loan agreement they have entered into. In contrast, the other options listed focus on different regulatory aspects. The Real Estate Settlement Procedures Act (RESPA) primarily governs the disclosure of settlement costs and practices related to residential real estate transactions, but it does not provide a right of rescission. The Fair Credit Reporting Act (FCRA) focuses on consumer credit reporting and does not relate to loan rescission rights. The Gramm-Leach-Bliley Act emphasizes financial privacy and information sharing but does not address the right to rescind a loan. Understanding these distinctions highlights the specific protective measures offered by TILA in relation to consumer finance and lending practices.

## 10. What booklet must a borrower receive for a Home Equity Line of Credit (HELOC) or refinance?

- A. Home Loan Toolkit**
- B. Understanding Your Mortgage**
- C. Loan Estimate Guide**
- D. When Your Home Is on the Line booklet**

The borrower must receive the "When Your Home Is on the Line" booklet for a Home Equity Line of Credit (HELOC) or refinance. This booklet provides essential information about home equity products, including the associated risks and responsibilities of borrowing against the equity in one's home. It is specifically designed to inform borrowers about the potential implications of using a HELOC, including interest rates, fees, and repayment terms. The goal is to ensure that borrowers have a clear understanding of what they are committing to when they leverage their home equity, which helps promote informed decision-making. In contrast, other options either do not specifically address HELOCs or refinances, or are intended for different contexts. The "Home Loan Toolkit" is more general and is typically provided for purchase loans. The "Understanding Your Mortgage" booklet, while informative, does not focus specifically on HELOCs. The "Loan Estimate Guide" is related to the Loan Estimate document rather than a specific informational booklet about home equity borrowing.

# 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://nmls-uniformstatetestmortgage.examzify.com>**

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

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