

# Texas Real Estate Finance Practice Test (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

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- 1. In Texas, what is the maximum equity loan amount a homeowner can borrow?**
  - A. Up to 60% of the home's value**
  - B. Up to 75% of the home's value**
  - C. Up to 80% of the home's value**
  - D. Up to 90% of the home's value**
  
- 2. What does a USDA loan support?**
  - A. Urban housing purchases**
  - B. Investment properties**
  - C. Rural property buyers**
  - D. Commercial real estate**
  
- 3. In real estate, what does the term "title" refer to?**
  - A. Legal ownership of a property**
  - B. A document that outlines property taxes**
  - C. The value of the property**
  - D. The mortgage agreements in place**
  
- 4. What must an Independent Contractor for residential loans do?**
  - A. Be employed by a bank**
  - B. Shop the loan to lenders**
  - C. Limit client consultations**
  - D. Handle property appraisals**
  
- 5. Which of the following is a benefit of the Texas VLB loans?**
  - A. Low credit score requirement**
  - B. No down payment requirement for all borrowers**
  - C. Specialized programs for veterans to buy and improve properties**
  - D. Fees are waived for non-veterans**

- 6. What does the term "title insurance" typically protect against?**
- A. Natural disasters**
  - B. Losses due to defects in title to real property**
  - C. Market fluctuations**
  - D. Debt from mortgages**
- 7. What does MIP stand for in real estate financing?**
- A. Mortgage International Policy**
  - B. Mortgage Insurance Premium**
  - C. Market Interest Payment**
  - D. Minimum Investment Property**
- 8. What is the main purpose of closing costs?**
- A. To cover fees associated with completing a real estate transaction**
  - B. To pay for property inspection services**
  - C. To reduce the loan balance**
  - D. To provide homeowners insurance**
- 9. What is the primary function of the primary mortgage market?**
- A. Where loans are bought and sold**
  - B. Where loans are originated**
  - C. Where interest rates are set**
  - D. Where property is appraised**
- 10. Which of the following is a role of the Federal Reserve in the housing market?**
- A. Setting rental prices across the nation**
  - B. Influencing market liquidity through monetary policy**
  - C. Enforcing property compliance regulations**
  - D. Providing direct loans to home buyers**

## **Answers**

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

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## **Explanations**

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**1. In Texas, what is the maximum equity loan amount a homeowner can borrow?**

- A. Up to 60% of the home's value**
- B. Up to 75% of the home's value**
- C. Up to 80% of the home's value**
- D. Up to 90% of the home's value**

In Texas, the maximum equity loan amount a homeowner can borrow is capped at 80% of the home's value. This regulation is in place to protect consumers by ensuring that they retain a significant portion of their home's equity and to prevent homeowners from taking on excessive debt against their properties. The 80% limit applies to the combined total of all loans secured by the home, which means that homeowners can only utilize equity financing up to this threshold. By adhering to this guideline, the Texas law aims to promote financial responsibility among borrowers and reduce the risk of foreclosure for homeowners who may not be able to manage higher debt levels. This regulation reflects a balance between allowing access to credit and safeguarding consumers' financial stability.

**2. What does a USDA loan support?**

- A. Urban housing purchases**
- B. Investment properties**
- C. Rural property buyers**
- D. Commercial real estate**

A USDA loan is specifically designed to support rural property buyers. These loans are part of the U.S. Department of Agriculture's initiative to promote homeownership in rural areas, making it easier for individuals and families to buy homes in regions that may not receive as much attention from traditional lenders. USDA loans come with certain eligibility criteria that focus on both the location of the property and the income of the applicants, ensuring that the assistance reaches those who need it most in less densely populated areas. This makes them a valuable resource for promoting economic development and improving housing opportunities in rural communities. In contrast to the other options, which do not align with the goals and criteria of USDA loans, this choice accurately reflects the primary purpose of USDA loans, which is to facilitate home purchases in rural environments.

### 3. In real estate, what does the term "title" refer to?

- A. Legal ownership of a property**
- B. A document that outlines property taxes**
- C. The value of the property**
- D. The mortgage agreements in place**

The term "title" in real estate refers to the legal ownership of a property. When someone holds the title to a property, it means they have the legal rights to possess, use, and transfer that property. Title signifies the owner's right to keep the property free of claims from others, and it is essential for transactions such as buying, selling, or refinancing real estate. Understanding the concept of title is crucial for buyers and sellers, as it ensures that the person selling the property has the rightful ownership to do so. Title is typically documented in a title deed, which includes information about the property, the current owner, and any liens or encumbrances that may exist. In contrast, the other options do not accurately represent what "title" means in real estate—tax documents, property value assessments, or mortgage agreements all pertain to different aspects of real estate finance but do not define legal ownership.

### 4. What must an Independent Contractor for residential loans do?

- A. Be employed by a bank**
- B. Shop the loan to lenders**
- C. Limit client consultations**
- D. Handle property appraisals**

An Independent Contractor for residential loans primarily serves as a broker or intermediary that facilitates the connection between the borrower and potential lenders. Shopping the loan to lenders is a crucial responsibility because it allows the independent contractor to compare different loan products, terms, and interest rates, ensuring that clients receive the best possible deal tailored to their financial needs. This role emphasizes the function of sourcing and negotiating mortgage options with multiple lenders, which is distinct from being employed by a single bank or financial institution, thus highlighting the independence and breadth of options available to clients. The other tasks mentioned, such as handling property appraisals or limiting client consultations, do not typically fall under the purview of an independent contractor in this context. They focus on finding and offering loan solutions rather than appraising property values or restricting client interactions.

**5. Which of the following is a benefit of the Texas VLB loans?**

- A. Low credit score requirement**
- B. No down payment requirement for all borrowers**
- C. Specialized programs for veterans to buy and improve properties**
- D. Fees are waived for non-veterans**

The benefit of Texas VLB (Veterans Land Board) loans that stands out is the specialized programs designed specifically for veterans, which can facilitate not only the purchase of properties but also improvements to them. This focus on veterans acknowledges their service and provides them with financial assistance to help them secure and enhance a home, making it an advantageous option in the realm of financing. These specialized programs can include features such as lower interest rates, flexible terms, and unique eligibility criteria tailored to veterans' needs. By addressing their specific circumstances, these programs allow veterans to navigate the real estate market more effectively and with greater ease compared to standard loan options. In contrast, while requirements like low credit scores and down payment stipulations are important aspects of financing, they may not be unique to the VLB loans and thus do not highlight the benefit as directly as the tailored mechanisms for veterans. Additionally, waiving fees for non-veterans would not pertain to the VLB loans since these loans are intended specifically for veterans, making this choice less relevant to the context in which VLB loans operate.

**6. What does the term "title insurance" typically protect against?**

- A. Natural disasters**
- B. Losses due to defects in title to real property**
- C. Market fluctuations**
- D. Debt from mortgages**

The term "title insurance" is primarily designed to protect property owners and lenders from losses that may arise due to defects in the title of real property. This includes issues such as disputes over property ownership, liens, encumbrances, or other legal claims that may not have been identified during the title search prior to closing. When a buyer purchases property, title insurance provides reassurance that the title is clear and that they will not face unexpected legal challenges regarding ownership. If a title defect is discovered after purchase, the title insurance company will typically cover the costs associated with resolving these defects, thereby safeguarding the financial investment of the insured party. The other choices, while they pertain to real estate in some way, do not relate to the specific purpose of title insurance. Natural disasters, for instance, are covered by different types of policies such as hazard insurance, while market fluctuations affect property value but are not mitigated by title insurance. Similarly, debt from mortgages pertains to loan obligations and financing rather than the legal ownership of the property itself.

## 7. What does MIP stand for in real estate financing?

- A. Mortgage International Policy
- B. Mortgage Insurance Premium**
- C. Market Interest Payment
- D. Minimum Investment Property

MIP stands for Mortgage Insurance Premium, which is a crucial component in real estate financing, particularly for certain types of loans such as those backed by the Federal Housing Administration (FHA). MIP is a fee paid by borrowers to insure the lender against losses that might occur if the borrower defaults on the loan. This insurance is particularly important for low-down-payment loans because it helps mitigate the risk to lenders, enabling them to offer financing options to buyers who may otherwise be unable to secure a loan. By paying MIP, borrowers can qualify for FHA loans even with lower credit scores or smaller down payments, thus increasing access to homeownership. The premium can be paid upfront at loan closing or rolled into the monthly mortgage payments, and it is typically required for the life of the loan, or until certain equity thresholds are met. Understanding MIP is essential for borrowers considering FHA loans, as it impacts both their budgeting and the overall cost of borrowing.

## 8. What is the main purpose of closing costs?

- A. To cover fees associated with completing a real estate transaction**
- B. To pay for property inspection services
- C. To reduce the loan balance
- D. To provide homeowners insurance

The main purpose of closing costs is to cover fees associated with completing a real estate transaction. These costs encompass various fees that are required to finalize the transfer of property ownership and the processing of a mortgage loan. Closing costs typically include expenses such as lender fees, title insurance, recording fees, and attorney fees, among others. They ensure that all legal requirements and administrative tasks necessary to complete the transaction are completed, allowing the buyer to take possession of the property and the seller to receive their funds. While fees for property inspection services might be part of the overall transaction process, they are specifically separate from closing costs and may not always be incurred at closing. Reducing the loan balance is more about applying payments to the principal of the loan rather than a purpose of closing costs. Providing homeowners insurance is also not a primary function of closing costs; rather, it is a separate requirement for homeowners to protect their investment after closing. Thus, the coverage of fees necessary for completing a transaction is what truly defines the essence of closing costs.

**9. What is the primary function of the primary mortgage market?**

- A. Where loans are bought and sold**
- B. Where loans are originated**
- C. Where interest rates are set**
- D. Where property is appraised**

The primary mortgage market is fundamentally where loans are originated. This market involves lenders providing financing directly to borrowers for the purchase of real estate. When individuals or businesses seek to buy property, they first turn to the primary mortgage market, where mortgage lenders, such as banks, credit unions, and mortgage companies evaluate applications, conduct credit checks, and assess borrowers' financial situations. This process includes determining the appropriate loan amount, interest rate, and terms based on the borrower's qualifications and the property's value. Origination encompasses various activities, such as processing applications and underwriting loans. Consequently, the primary mortgage market is vital for facilitating homeownership, as it is the initial stage in the lending cycle before loans get sold to investors or are placed in secondary markets. The role of setting interest rates is often associated with broader market influences and the actions of the Federal Reserve, which are not directly linked to the primary mortgage market itself. Appraisals occur within the context of loan origination to establish property value but are not the primary function of this market. Lastly, buying and selling loans pertains to the secondary market, where financial instruments are traded after their origination.

**10. Which of the following is a role of the Federal Reserve in the housing market?**

- A. Setting rental prices across the nation**
- B. Influencing market liquidity through monetary policy**
- C. Enforcing property compliance regulations**
- D. Providing direct loans to home buyers**

The Federal Reserve plays a critical role in the housing market primarily by influencing market liquidity through monetary policy. It employs tools such as adjusting interest rates and controlling the money supply, which impact borrowing costs for consumers and businesses. Lower interest rates typically lead to higher demand for mortgages, making it more affordable for home buyers to purchase homes and stimulating overall demand in the housing market. By adjusting the federal funds rate, the Fed influences the rates banks charge each other for short-term loans, which in turn affects the rates consumers see on loans and mortgages. This mechanism allows the Fed to either encourage or slow down economic activity, including in the housing sector. When the economy is booming, the Federal Reserve may increase interest rates to cool off lending and spending, while in a recession, lower rates can stimulate growth. The other options do not accurately reflect the primary roles of the Federal Reserve. It does not set rental prices, enforce property compliance regulations, or provide direct loans to home buyers, as those responsibilities typically fall to local governments and commercial institutions in the real estate market. Thus, the role of the Federal Reserve is vital in shaping economic conditions that affect housing financing and accessibility.

## 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:**

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

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