

TEXAS REAL ESTATE FINANCE 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. How can a Veteran fully restore their entitlement?**
 - A. Remortgage the existing loan
 - B. Sell to a non-veteran for cash
 - C. Transfer to a family member
 - D. Default on the loan
- 2. Which of the following is a characteristic of FHA loans?**
 - A. Requires no down payment
 - B. Designed for investment properties only
 - C. Insured by the Federal Housing Administration
 - D. Intended solely for first-time buyers
- 3. What must Veterans do to obtain a No-Downpayment Loan?**
 - A. Have excellent credit
 - B. Use part or all of their housing entitlement
 - C. Own a property outright
 - D. Provide a co-signer
- 4. What is a Nonrecourse Real Estate Loan?**
 - A. A loan that allows lenders to claim personal possessions
 - B. A loan where the borrower is not held personally liable
 - C. A loan that requires collateral to secure the mortgage
 - D. A loan that offers lower interest rates for borrowers
- 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 type of loan is guaranteed by the US Department of Veterans Affairs?**
 - A. FHA Loan
 - B. Conventional Loan
 - C. VA Loan
 - D. USDA Loan

- 7. What is a home equity line of credit (HELOC)?**
- A. A loan that allows homeowners to borrow against their equity
 - B. A grant provided for home repairs
 - C. A type of fixed-rate mortgage
 - D. A savings account for home improvement
- 8. What are the conventional loan qualifying ratios for a home payment to gross income and total debt to income?**
- A. 25/35
 - B. 28/36
 - C. 30/40
 - D. 33/50
- 9. What is the purpose of title insurance?**
- A. To ensure the property is free of liens
 - B. To protect against losses arising from disputes over property ownership
 - C. To provide coverage for home renovations
 - D. To make sure the mortgage is paid off
- 10. What is the purpose of the Good Faith Estimate (GFE)?**
- A. To provide an estimate of closing costs
 - B. To estimate monthly mortgage payments
 - C. To calculate property taxes
 - D. To determine loan eligibility

Answers

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

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Explanations

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1. How can a Veteran fully restore their entitlement?

- A. Remortgage the existing loan
- B. Sell to a non-veteran for cash**
- C. Transfer to a family member
- D. Default on the loan

To fully restore a Veteran's entitlement, one effective way is through selling the property to a non-veteran for cash. When a Veteran sells the home and pays off the existing VA loan, it effectively clears the associated entitlement, allowing them to obtain a new VA loan with full entitlement on a future purchase. This process can be particularly beneficial when the market conditions are favorable, as selling for cash eliminates the complications of needing new financing and ensures a clean transaction. In this context, other options do not provide a mechanism for restoring entitlement. For example, remortgaging does not eliminate the previous obligation but rather restructures it, which does not address entitlement restoration. Transferring to a family member may involve taking on the loan with the intention of keeping the VA benefits intact, but it doesn't restore entitlement back to full status for the original Veteran. Lastly, defaulting on a loan can lead to significant consequences but does not facilitate any restoration of entitlement; in fact, it could damage the Veteran's credit and impact future entitlements negatively. Thus, selling to a non-veteran for cash effectively resets the entitlement status for future VA loan eligibility.

2. Which of the following is a characteristic of FHA loans?

- A. Requires no down payment
- B. Designed for investment properties only
- C. Insured by the Federal Housing Administration**
- D. Intended solely for first-time buyers

FHA loans are uniquely characterized by the fact that they are insured by the Federal Housing Administration. This insurance protects lenders in the event that the borrower defaults on the loan, making it less risky for lenders to offer financing to those with lower credit scores or smaller down payments. As a result, borrowers often benefit from more favorable terms, such as lower interest rates and reduced upfront costs. The insurance provided by the FHA allows for a broader range of potential homeowners to qualify for a mortgage, promoting homeownership among individuals who may not meet the stricter criteria of conventional loans. This includes not only first-time buyers but also repeat buyers and those looking to refinance. While there are specific features associated with FHA loans, such as lower down payment requirements, the defining characteristic remains the insurance provided by the FHA itself, which helps to stabilize the housing market and expand access to home financing.

3. What must Veterans do to obtain a No-Downpayment Loan?

- A. Have excellent credit
- B. Use part or all of their housing entitlement**
- C. Own a property outright
- D. Provide a co-signer

To obtain a No-Downpayment Loan, Veterans must use part or all of their housing entitlement. This involves utilizing the benefits they earned through their service, specifically the VA loan program, which is designed to help veterans and active-duty service members access home financing without the burden of a down payment. The housing entitlement is a crucial component of the VA loan process, as it essentially determines how much of a loan a veteran can secure without needing to make a down payment. This entitlement can be partially or fully used depending on the purchase price of the home and the veteran's eligibility. While creditworthiness may play a role in securing favorable loan terms, it is not a prerequisite for obtaining a VA loan. Additionally, ownership of a property outright or needing a co-signer is not a requirement for acquiring a VA loan; these conditions are not relevant to the No-Downpayment option available under the program. Thus, using the housing entitlement is the key factor enabling veterans to benefit from this advantageous loan structure.

4. What is a Nonrecourse Real Estate Loan?

- A. A loan that allows lenders to claim personal possessions
- B. A loan where the borrower is not held personally liable**
- C. A loan that requires collateral to secure the mortgage
- D. A loan that offers lower interest rates for borrowers

A Nonrecourse Real Estate Loan is characterized by the borrower not being held personally liable for the debt. In the event of default, the lender's ability to recover their investment is limited specifically to the collateral securing the loan, typically the property itself. This means that if the borrower does not repay the loan, the lender can take possession of the property but cannot seek additional compensation from the borrower's personal assets or income. This structure is particularly appealing to borrowers as it reduces their personal financial risk associated with the property investment, making it a strategic choice in certain financial situations. In contrast, a loan that allows lenders to claim personal possessions would imply personal liability, counter to the nonrecourse nature. Requiring collateral to secure a mortgage is a general feature of most loans, including recourse loans, and does not define a nonrecourse loan specifically. Lastly, although lower interest rates may be an attractive feature for certain types of loans, they are not a defining factor of nonrecourse loans. This option focuses more on the general loan pricing rather than the liability structure intrinsic to nonrecourse arrangements.

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 type of loan is guaranteed by the US Department of Veterans Affairs?

- A. FHA Loan
- B. Conventional Loan
- C. VA Loan**
- D. USDA Loan

A VA loan is specifically designed for eligible veterans, active-duty service members, and certain members of the National Guard and Reserves. What makes VA loans unique is that they are backed by the U.S. Department of Veterans Affairs, which means that the government provides a guarantee to lenders, reducing their risk and allowing them to offer more favorable terms to borrowers. This guarantee enables VA loans to have no down payment requirement in many cases, competitive interest rates, and the absence of private mortgage insurance (PMI), making homeownership more attainable for veterans and their families. FHA loans, while also government-backed, are insured by the Federal Housing Administration and are intended for a broader category of borrowers, not specifically veterans. Conventional loans are not guaranteed or insured by any government entity and typically have stricter eligibility requirements. USDA loans are designed for rural properties and are guaranteed by the U.S. Department of Agriculture, primarily aimed at promoting home ownership in rural areas. In contrast, VA loans are tailored to support those who have served in the military, making them the right choice for eligible veterans.

7. What is a home equity line of credit (HELOC)?

- A. A loan that allows homeowners to borrow against their equity
- B. A grant provided for home repairs
- C. A type of fixed-rate mortgage
- D. A savings account for home improvement

A home equity line of credit (HELOC) is indeed a loan that allows homeowners to borrow against their equity. This financial product enables homeowners to access funds based on the difference between their home's current market value and the outstanding balance on their mortgage. HELOCs function similarly to a credit card, where the borrower is given a credit limit they can draw from as needed, rather than receiving a lump sum. This flexibility makes HELOCs an appealing option for individuals who may need funds for various purposes, such as home renovations, education expenses, or other financial needs, while leveraging the equity they have built up in their property. The other options, while they may relate to home financing or improvement in some manner, do not capture the essence of what a HELOC is. A grant for home repairs does not require repayment, nor does it involve borrowing against equity. A fixed-rate mortgage is a different type of loan structure that does not allow for revolving credit based on equity, and a savings account for home improvement does not represent a borrowing mechanism. Thus, the nature of a HELOC as a line of credit backed by home equity makes it distinct and important in the context of real estate finance.

8. What are the conventional loan qualifying ratios for a home payment to gross income and total debt to income?

- A. 25/35
- B. 28/36
- C. 30/40
- D. 33/50

The correct answer reflects the standard qualifying ratios used in the mortgage lending process for conventional loans. Specifically, these ratios are designed to evaluate a borrower's ability to manage their debt in relation to their income. For a conventional loan, the general guidelines suggest that a borrower should ideally spend no more than 28% of their gross monthly income on housing expenses (which include the mortgage payment, property taxes, homeowners insurance, and any fees associated with the property). Additionally, the total debt-to-income (DTI) ratio should not exceed 36%. This total DTI calculation takes into account all monthly debt obligations, including housing payments, car loans, credit card debt, and other liabilities in relation to the borrower's gross monthly income. These ratios help lenders assess the risk associated with lending money. By adhering to these guidelines, financial institutions can better ensure that borrowers are not overextended, thus reducing the likelihood of default. Hence, the selected qualifying ratios of 28% for housing expenses and 36% for total debt serve as benchmarks to maintain a sound lending environment.

9. What is the purpose of title insurance?

- A. To ensure the property is free of liens
- B. To protect against losses arising from disputes over property ownership**
- C. To provide coverage for home renovations
- D. To make sure the mortgage is paid off

The purpose of title insurance is primarily to protect against losses arising from disputes over property ownership. When a property is bought, there may be hidden issues related to the title that are not apparent at the time of purchase, such as unpaid taxes, undisclosed liens, or disputes regarding ownership rights. Title insurance provides coverage for these potential issues, ensuring that if a problem arises that affects the ownership of the real estate, the insurance company will cover the financial losses to the policyholder. The other options relate to different aspects of real estate ownership or financial obligations. Ensuring a property is free of liens is part of the title search process but not the purpose of title insurance itself. Coverage for home renovations pertains to construction or property improvement, which is unrelated to title issues. Making sure the mortgage is paid off is a separate concern regarding loan obligations and does not directly relate to the function of title insurance.

10. What is the purpose of the Good Faith Estimate (GFE)?

- A. To provide an estimate of closing costs**
- B. To estimate monthly mortgage payments
- C. To calculate property taxes
- D. To determine loan eligibility

The purpose of the Good Faith Estimate (GFE) is to provide an estimate of closing costs associated with a real estate transaction. This document outlines the various fees, charges, and costs that a borrower may incur at closing, including lender fees, title insurance, appraisal fees, and other related expenses. The GFE aims to help borrowers understand the financial aspects of closing on a mortgage, allowing them to prepare for the financial commitment involved in the home-buying process. By detailing these costs upfront, the GFE promotes transparency in the lending process and assists borrowers in comparing offers from different lenders. It also helps consumers make informed decisions and avoid surprises at the closing table, which can otherwise obscure the true cost of obtaining a loan. While estimating monthly mortgage payments, calculating property taxes, and determining loan eligibility are important aspects of the mortgage process, they are not the primary function of the GFE. Each of these aspects is covered by different tools and disclosures in the lending process, separate from the GFE.

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:

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

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