

TRUTH IN LENDING (REGULATION Z) GENERAL PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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. 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. What type of mortgage is a 5-year ARM considered?**
 - A. Balloon
 - B. Standard
 - C. ATR
 - D. Non-Standard
- 2. Is a loan of \$50,000 for a personal vehicle subject to Regulation Z?**
 - A. Yes, because it is for a personal use
 - B. No, because it exceeds the \$60,000 threshold
 - C. Yes, because it is a business-purpose loan
 - D. No, because it is too low
- 3. True or False: A beach house occupied for a month during the summer is considered non-owner-occupied for the rest of the year.**
 - A. True
 - B. False
 - C. Only during the rental period
 - D. Only if rented to others
- 4. What is the tolerance for disclosure in regard to APR for a foreclosure?**
 - A. \$5
 - B. \$35
 - C. \$50
 - D. \$100
- 5. What is the maximum finance charge that can be applied to a consumer loan under Reg Z?**
 - A. No maximum charge
 - B. 10% of the loan amount
 - C. 15% of the loan amount
 - D. Dependent on loan type

- 6. Which of the following is a criterion for Regulation Z to apply to a loan?**
- A. The loan is made for commercial purposes
 - B. The loan is made for personal, family, or household use
 - C. The loan has no finance charge
 - D. The borrower is a corporation
- 7. What does Reg Z require regarding a loan officer's oral information on HELOCs?**
- A. To provide written documentation
 - B. To respond orally
 - C. Nothing in the regulation requires a response
 - D. Only to give the APR
- 8. Which of the following terms refers to the basic fee that lenders charge to perform a loan transaction? Choose all that apply.**
- A. A. Loan fee
 - B. B. Point(s)
 - C. C. Origination fee
 - D. D. Appraisal fee
- 9. Which scenario correctly describes right of rescission under Regulation Z?**
- A. The borrower can rescind any credit agreement
 - B. The borrower only rescinds after a significant delay
 - C. The borrower has a limited timeframe for rescission
 - D. The borrower can rescind arbitrarily
- 10. In variable rate transactions, is it necessary to provide an example of the payments for increases in interest rates?**
- A. Yes, it is required
 - B. No, it is not required
 - C. It's optional depending on the lender
 - D. Only if the borrower requests it

Answers

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

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Explanations

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1. What type of mortgage is a 5-year ARM considered?

- A. Balloon
- B. Standard
- C. ATR
- D. Non-Standard**

A 5-year Adjustable Rate Mortgage (ARM) is categorized as a non-standard mortgage product primarily due to its adjustable interest rate feature, which contrasts with traditional fixed-rate mortgages. In the case of an ARM, the interest rate is typically fixed for an initial period—in this instance, five years—after which it adjusts based on market conditions or a specified index. This type of loan is considered non-standard because it does not offer the predictable monthly payments that a fixed-rate mortgage provides. Instead, the adjustments in interest rates and, consequently, in monthly payments introduce variability and risk, which are characteristic of non-standard products. Borrowers need to understand that after the initial fixed-rate period, the adjustments can lead to significant changes in their payment amounts, which can be both an advantage or a risk depending on the interest rate trends. In comparison, a balloon mortgage generally involves a large payment due at the end of a set term, while standard and ATR (Ability to Repay) mortgages typically conform more closely to conventional lending practices with predictable payment structures.

2. Is a loan of \$50,000 for a personal vehicle subject to Regulation Z?

- A. Yes, because it is for a personal use**
- B. No, because it exceeds the \$60,000 threshold
- C. Yes, because it is a business-purpose loan
- D. No, because it is too low

A loan of \$50,000 for a personal vehicle is indeed subject to Regulation Z, primarily because it is intended for personal use. Regulation Z, which implements the Truth in Lending Act (TILA), is designed to protect consumers in credit transactions by requiring clarity and transparency in lending terms. This regulation applies to consumer credit transactions, which are typically loans made for personal, family, or household purposes. Since the loan in question is for a personal vehicle, it falls squarely within this category. Regulation Z mandates that lenders provide borrowers with essential information such as the annual percentage rate (APR), finance charges, and the total amount financed, ensuring that consumers can make informed decisions regarding their credit obligations. The other considerations such as the dollar amount of the loan in comparison to the \$60,000 threshold do not apply here, as the loan purpose clearly defines it as consumer credit rather than a business loan. Therefore, it is important to recognize that the key factor that subjects this loan to Regulation Z is its intended use as a personal loan, rather than the amount being below or above any specified thresholds.

3. True or False: A beach house occupied for a month during the summer is considered non-owner-occupied for the rest of the year.

A. True

B. False

C. Only during the rental period

D. Only if rented to others

The statement that a beach house occupied for a month during the summer is considered non-owner-occupied for the rest of the year is false. In the context of lending and property classification, a property is considered owner-occupied if the owner uses it as their primary residence for a significant portion of the year. Merely occupying the property for a month does not change its classification for the entire year. If an owner uses the beach house as their primary residence for part of the year even if it's just for one month, it still reflects some level of owner occupancy. The distinction between owner-occupied and non-owner-occupied properties is crucial for lenders as it impacts the terms and conditions of loans, including interest rates and down payment requirements. Non-owner-occupied status typically applies to properties that are rented out or otherwise not used as the owner's main residence, which is not the case if the owner occupies it, even briefly. Therefore, the correct answer reflects the accurate assessment of occupancy status.

4. What is the tolerance for disclosure in regard to APR for a foreclosure?

A. \$5

B. \$35

C. \$50

D. \$100

The correct answer is that the tolerance for disclosure in regard to the Annual Percentage Rate (APR) for a foreclosure is \$35. This tolerance signifies the acceptable level of variation in the disclosed APR that a borrower can expect when a loan is finalized. If the disclosed APR deviates from the actual APR by more than this threshold during the closing process, it may trigger certain legal or remedial actions under the Truth in Lending Act. It is important to understand that the \$35 tolerance is specifically in place to protect consumers from significant discrepancies that could affect their borrowing decisions. The tolerance ensures that the consumer is adequately informed about the cost of their credit, allowing them to make better financial choices. Other options cite different tolerance amounts that do not apply to APR disclosures in relation to foreclosure situations under Regulation Z, which is why they do not reflect the correct regulatory standard.

5. What is the maximum finance charge that can be applied to a consumer loan under Reg Z?

- A. No maximum charge**
- B. 10% of the loan amount
- C. 15% of the loan amount
- D. Dependent on loan type

Under Regulation Z, there is no specified maximum finance charge that can be applied to a consumer loan. This regulation does establish requirements for disclosure and the calculation of finance charges to ensure transparency and protect consumers, but it does not impose a ceiling on the finance charges lenders can impose. This principle recognizes that financial institutions have the discretion to set their own rates based on market conditions, the type of loan, and the creditworthiness of the borrower. Therefore, the appropriate answer is that there is no maximum finance charge applicable under Regulation Z. The other choices suggest fixed percentages, which do not reflect the flexible nature of finance charges as dictated by Regulation Z, nor do they account for the variety of loans available in the marketplace. Different types of loans can have varying finance charge structures based on legitimate borrower risk assessments.

6. Which of the following is a criterion for Regulation Z to apply to a loan?

- A. The loan is made for commercial purposes
- B. The loan is made for personal, family, or household use**
- C. The loan has no finance charge
- D. The borrower is a corporation

Regulation Z, part of the Truth in Lending Act, is designed to protect consumers in loan transactions by requiring clear disclosure of key terms and costs associated with credit. One of the primary criteria for Regulation Z to apply is that the loan must be made for personal, family, or household use. This means that the regulation is focused on protecting individual consumers rather than businesses or commercial entities. When a loan is intended for personal, family, or household purposes, it falls under the jurisdiction of Regulation Z, which ensures transparency in lending practices that affect consumers' financial decisions. Therefore, the correct answer highlights the consumer-oriented nature of Regulation Z, distinguishing it from loans made for commercial purposes or those without finance charges. In contrast, loans made for commercial purposes, those lacking a finance charge, and loans where the borrower is a corporation do not qualify for Regulation Z's protections. This ensures that the regulation focuses specifically on consumer loans, which require specific disclosures to enable borrowers to make informed decisions about their finances.

7. What does Reg Z require regarding a loan officer's oral information on HELOCs?

- A. To provide written documentation
- B. To respond orally
- C. Nothing in the regulation requires a response**
- D. Only to give the APR

Regulation Z, part of the Truth in Lending Act, primarily aims to ensure that consumers receive clear and accurate information about the cost of credit. When it comes to Home Equity Lines of Credit (HELOCs), the regulation is designed to protect consumers by requiring certain disclosures but does not mandate that loan officers provide a specific type of response to inquiries made orally. The essence of the regulation concerning oral information is that it does not impose a requirement for the loan officer to respond to a verbal query in a specific manner. While loan officers may offer information about HELOCs, Regulation Z does not obligate them to provide written documentation or specific disclosures unless there is a formal application or an offer of credit. As a result, it is permissible for a loan officer not to respond at all in certain informal interactions. Thus, understanding that there are no obligatory responses for oral information under Regulation Z provides context for why the correct answer identifies that nothing in the regulation mandates a response regarding a loan officer's oral information on HELOCs. This aligns with the regulation's focus on ensuring that consumers receive important written disclosures at the right moments, rather than outlining specific protocols for casual conversations or inquiries.

8. Which of the following terms refers to the basic fee that lenders charge to perform a loan transaction? Choose all that apply.

- A. A. Loan fee**
- B. B. Point(s)
- C. C. Origination fee
- D. D. Appraisal fee

The term that accurately refers to the basic fee that lenders charge to perform a loan transaction is "Origination fee." This fee is typically a one-time charge that covers the lenders' costs to process and underwrite a loan. It's essential in the lending process because it compensates the lender for their services in evaluating and entering the loan agreement. While "Loan fee" may sound relevant, it is more generalized and does not specifically refer to the customary term that lenders use in their fee structures. "Points" refer specifically to upfront fees paid to decrease the interest rate on a loan, but they are not the basic fee for processing a loan itself. Similarly, an "Appraisal fee" is a separate cost associated specifically with determining the value of the property being financed, rather than a charge for processing the loan transaction itself. Thus, the term that precisely encapsulates the primary fee for the performance of a loan transaction is the "Origination fee."

9. Which scenario correctly describes right of rescission under Regulation Z?

- A. The borrower can rescind any credit agreement
- B. The borrower only rescinds after a significant delay
- C. The borrower has a limited timeframe for rescission**
- D. The borrower can rescind arbitrarily

The correct explanation focuses on the timeframe established by Regulation Z concerning the right of rescission. Under this regulation, borrowers have a specific period during which they can exercise their right to rescind a credit transaction, typically three business days after signing the loan agreement or receiving the necessary disclosures, whichever is later. This limited timeframe is designed to protect borrowers by allowing them the opportunity to reconsider their decision without any financial penalties within that defined period. If a borrower decides to rescind, they must act within that specified timeframe to be eligible. After this period has elapsed, the right to rescind no longer applies, reflecting the importance of timely decisions in financial transactions. Understanding this time limitation is crucial, as it emphasizes the regulatory intent to balance consumer protection with the need for lenders to operate under clear timelines. The other scenarios provided do not accurately reflect the conditions under which the right of rescission operates, highlighting the importance of awareness of the regulatory processes at play.

10. In variable rate transactions, is it necessary to provide an example of the payments for increases in interest rates?

- A. Yes, it is required**
- B. No, it is not required
- C. It's optional depending on the lender
- D. Only if the borrower requests it

In variable rate transactions, it is indeed necessary to provide an example of the payments for increases in interest rates. This requirement is rooted in the Truth in Lending Act (TILA) and the corresponding Regulation Z, which are designed to promote transparency and protect consumers in credit transactions. By requiring this information, lenders must clearly illustrate how changes in interest rates will impact the borrower's payments over time. Providing these examples helps consumers to better understand the potential financial implications of fluctuating interest rates, enabling them to make informed decisions about borrowing. It brings clarity to the loan terms, specifically regarding how varying interest rates can affect overall loan costs. The requirement for examples can serve as a critical consumer protection tool, ensuring that borrowers are not caught off guard by unexpected increases in their payment obligations. This transparency is essential for fostering trust in lending practices and empowering consumers in their financial planning.

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://regzgeneral.examzify.com>

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

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