

University of Central Florida (UCF) REE3043 Fundamentals of Real Estate Practice Exam 4 (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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

- 1. What are the standard payment ratios for underwriting conforming conventional home loans?**
 - A. 25 percent and 35 percent**
 - B. 28 percent and 36 percent**
 - C. 30 percent and 40 percent**
 - D. 24 percent and 32 percent**
- 2. What would be the remaining mortgage balance after 5 years on a \$100,000 loan with a 6% interest rate and monthly payments of \$599.55?**
 - A. \$93,054.39**
 - B. \$85,000.00**
 - C. \$70,000.00**
 - D. \$100,000.00**
- 3. If a loan has an amount of \$100,000, an interest rate of 7%, and term of 180 months, what is the best estimate of the effective borrowing cost if prepaid after six years?**
 - A. 7.5 percent**
 - B. 8.0 percent**
 - C. 8.7 percent**
 - D. 9.2 percent**
- 4. When a buyer takes over an existing FHA loan by signing the note, how are they acquiring the property?**
 - A. By transfer**
 - B. By assumption**
 - C. By negotiation**
 - D. By consolidation**
- 5. What type of contract allows for the purchase of property without qualifying for a traditional mortgage?**
 - A. Standard loan agreement**
 - B. Contract for deed**
 - C. Lease-to-own agreement**
 - D. Balloon payment loan**

- 6. In an adjustable-rate mortgage, what does the index refer to?**
- A. Fixed cost of funds**
 - B. Movable part, lender's cost of funds**
 - C. Set interest rate**
 - D. Monthly variable charge**
- 7. What does PMI stand for in the context of mortgage lending?**
- A. Private mortgage interest**
 - B. Premium mortgage insurance**
 - C. Private mortgage insurance**
 - D. Primary mortgage insurance**
- 8. How often does an adjustable-rate mortgage typically adjust?**
- A. Once a year**
 - B. Every five years**
 - C. Every month**
 - D. Periodically as specified in the loan terms**
- 9. Which type of financial institution is currently the largest provider of funds in the primary mortgage market?**
- A. Investment banks**
 - B. Savings banks**
 - C. Commercial banks**
 - D. Credit unions**
- 10. Ginnie Mae functions primarily as what type of entity?**
- A. A loan servicing company**
 - B. A government sponsored insurance policy for banks**
 - C. A secondary mortgage market participant**
 - D. A credit rating agency**

Answers

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

SAMPLE

Explanations

1. What are the standard payment ratios for underwriting conforming conventional home loans?

- A. 25 percent and 35 percent
- B. 28 percent and 36 percent**
- C. 30 percent and 40 percent
- D. 24 percent and 32 percent

The standard payment ratios for underwriting conforming conventional home loans are commonly set at 28 percent for the front-end ratio and 36 percent for the back-end ratio. The front-end ratio refers to the percentage of a borrower's gross monthly income that goes towards housing costs, which include principal, interest, property taxes, and homeowner's insurance. The back-end ratio indicates the percentage of income that is allocated to total monthly debts, encompassing housing costs plus any other monthly debts, such as car loans, credit card payments, and student loans. These ratios help lenders assess a borrower's ability to repay the loan by evaluating their income in relation to their monthly obligations, ensuring that borrowers do not become over-leveraged. Maintaining these standards protects both lenders and consumers by promoting responsible lending practices and reducing the risk of default.

2. What would be the remaining mortgage balance after 5 years on a \$100,000 loan with a 6% interest rate and monthly payments of \$599.55?

- A. \$93,054.39**
- B. \$85,000.00
- C. \$70,000.00
- D. \$100,000.00

The remaining mortgage balance after five years on a \$100,000 loan with a 6% interest rate and monthly payments of \$599.55 can be calculated using the loan amortization formula. The initial loan amount, interest rate, and monthly payments provide the necessary inputs to determine how much of the principal has been paid off after five years of consistent monthly payments. When a borrower makes a monthly payment, part of that payment goes toward interest, while the remainder reduces the principal. Over time, as the principal decreases, the interest portion of subsequent payments also reduces, allowing more of the payment to go toward the principal. After five years (which equals 60 payments), the remaining balance is calculated based on the amortization schedule that tracks how much of the original loan amount has been paid down. With the defined interest rate and payment amount, the calculations show that the remaining balance after these payments has been made is \$93,054.39. This is why this option is correct: it accurately reflects the amount owed after accounting for both interest accrued and the principal paid down through the monthly payments. The other amounts either do not account for the correct amortization over the period or miscalculate the impact of interest and payment application, leading to balances that do

3. If a loan has an amount of \$100,000, an interest rate of 7%, and term of 180 months, what is the best estimate of the effective borrowing cost if prepaid after six years?

A. 7.5 percent

B. 8.0 percent

C. 8.7 percent

D. 9.2 percent

To determine the effective borrowing cost when a loan is prepaid, it's important to consider not only the stated interest rate of 7%, but also the impact of the loan's prepayment after a certain period—in this case, six years (or 72 months). When the loan is prepaid, the borrower typically pays off the remaining principal along with any interest accrued up to that point. This can result in an effective interest rate that is higher than the original stated rate because the borrower does not utilize the full amortization period, which in this scenario is set for 180 months. Calculating the effective borrowing cost involves analyzing the total costs incurred during the period the loan is active, including any early payoff penalties, and comparing them to the amount of money borrowed. This estimation can also incorporate the interest saved by not carrying the loan to full maturity. In this case, if we assume the borrower pays off the \$100,000 loan after 72 months, the remaining principal balance at that time will be significantly less than the original amount still owed if the loan were allowed to reach its maturity. The effective borrowing cost factors in this early payoff, resulting in a higher percentage than the initial stated interest rate because the borrower ends up paying a

4. When a buyer takes over an existing FHA loan by signing the note, how are they acquiring the property?

A. By transfer

B. By assumption

C. By negotiation

D. By consolidation

When a buyer takes over an existing FHA loan by signing the note, they are acquiring the property by assumption. In this context, assumption refers specifically to the buyer's agreement to take over the obligations of the existing loan, meaning they will continue making the payments and adhere to the terms set forth in the original loan agreement. This process allows the buyer to benefit from potentially favorable loan terms that were established previously, such as a lower interest rate. It is important to note that for an FHA loan assumption to occur, the lender must typically approve the buyer's creditworthiness. The notion of assumption is a common practice in real estate transactions involving loans, particularly government-backed loans like those from the FHA. While other terms may relate to aspects of property transfer, they do not accurately describe how the buyer specifically acquires the property in this scenario. For instance, transfer could refer to any general change of ownership without the specifics of loan obligations. Negotiation pertains to the discussions involved in coming to an agreement but does not capture the legal aspect of taking over a loan. Consolidation typically refers to combining multiple debts into one and is not applicable in this context.

5. What type of contract allows for the purchase of property without qualifying for a traditional mortgage?

- A. Standard loan agreement**
- B. Contract for deed**
- C. Lease-to-own agreement**
- D. Balloon payment loan**

A contract for deed is a type of agreement that allows a buyer to purchase property without needing to qualify for a traditional mortgage. In this setup, the seller retains ownership of the property while the buyer makes payments directly to the seller over time. Once the buyer has fulfilled the agreed-upon payment terms, the title to the property is transferred to them. This arrangement can be particularly beneficial for individuals who may have credit issues or who are self-employed and find it difficult to secure a conventional mortgage. This type of contract essentially functions as a kind of financing; it allows the buyer to occupy and take care of the property while making payments. By bypassing the traditional mortgage qualification process, buyers can potentially make the purchase of a home more accessible, especially in situations where they might not meet standard lender requirements. Other options, while they may involve unique arrangements in real estate transactions, do not specifically allow for purchasing property without going through traditional mortgage channels like a contract for deed does. A standard loan agreement typically requires the buyer to secure financing from a lender, and a lease-to-own agreement involves leasing the property with the option to buy, which often still requires qualifying for financing later. A balloon payment loan entails making smaller payments initially with a large final payment, but

6. In an adjustable-rate mortgage, what does the index refer to?

- A. Fixed cost of funds**
- B. Movable part, lender's cost of funds**
- C. Set interest rate**
- D. Monthly variable charge**

In an adjustable-rate mortgage (ARM), the index is a crucial component that reflects the fluctuating cost of borrowing based on broader economic conditions. It serves as a benchmark that determines how much the interest rate of the loan will change when adjustments are made. The index is typically tied to a financial indicator, such as the London Interbank Offered Rate (LIBOR) or the U.S. Treasury rates, which represents the lender's costs of obtaining funds in the market. As these rates rise or fall, the interest rate applied to the borrower's loan will also adjust accordingly, impacting their monthly payments. Understanding the role of the index is essential for borrowers as it directly influences their future interest costs over the life of the loan. The chosen option correctly identifies this aspect, focusing on how the index acts as a variable component tied to lenders' cost of funds that ultimately affects the adjustable rate on the mortgage.

7. What does PMI stand for in the context of mortgage lending?

- A. Private mortgage interest**
- B. Premium mortgage insurance**
- C. Private mortgage insurance**
- D. Primary mortgage insurance**

In the context of mortgage lending, PMI stands for Private Mortgage Insurance. This type of insurance is typically required by lenders when a borrower is unable to make a substantial down payment, commonly less than 20% of the home's purchase price. The primary purpose of PMI is to protect the lender in case the borrower defaults on the loan. Private Mortgage Insurance alleviates some of the risks associated with lending by providing a safety net for the lender. Borrowers who have to pay PMI can either pay it as a monthly premium added to their mortgage payment or as a one-time upfront premium at closing. Once the borrower builds enough equity in the home, typically when their equity reaches 20%, they may be able to cancel the PMI, providing a financial relief. Understanding the role and function of PMI is crucial for buyers, especially first-time homebuyers, as it affects monthly payments and overall affordability in the home buying process.

8. How often does an adjustable-rate mortgage typically adjust?

- A. Once a year**
- B. Every five years**
- C. Every month**
- D. Periodically as specified in the loan terms**

An adjustable-rate mortgage (ARM) adjusts periodically based on specific terms set forth in the loan agreement. This means that the timing and frequency of interest rate adjustments can vary widely depending on the specifics of the mortgage product chosen. Some ARMs might adjust monthly, others could adjust annually, or even after longer intervals, such as every five years. This flexibility is a defining characteristic of adjustable-rate mortgages, allowing borrowers to have payments that may initially start lower than fixed-rate mortgages, with adjustments made based on market interest rates at intervals that are clearly outlined in the loan documentation. Therefore, the correct response accurately reflects the fundamental nature of ARMs, emphasizing that the adjustment frequency is determined by the loan terms rather than a fixed schedule.

9. Which type of financial institution is currently the largest provider of funds in the primary mortgage market?

- A. Investment banks**
- B. Savings banks**
- C. Commercial banks**
- D. Credit unions**

Commercial banks are indeed the largest providers of funds in the primary mortgage market. This prominence is largely due to their substantial resources and broad customer base, allowing them to offer a variety of mortgage products tailored to different segments of the market. They have the capital to fund a high volume of loans, making them a critical player in the housing finance system. Commercial banks typically offer conventional loans with competitive interest rates and flexible terms, which appeal to a wide range of borrowers. Their ability to provide both short and long-term financing solutions contributes to their dominance in the mortgage market. Moreover, commercial banks often have extensive branch networks, making it easier for consumers to access mortgage services. In contrast, while savings banks, credit unions, and investment banks also provide mortgage funding, their roles are often more specialized or limited in scope compared to commercial banks. Savings banks may focus more on residential mortgages but do not match the scale of commercial banks. Credit unions typically serve their members and may not have as broad reach, and investment banks usually operate in secondary mortgage markets, dealing with mortgage-backed securities rather than directly originating loans.

10. Ginnie Mae functions primarily as what type of entity?

- A. A loan servicing company**
- B. A government sponsored insurance policy for banks**
- C. A secondary mortgage market participant**
- D. A credit rating agency**

Ginnie Mae functions primarily as a secondary mortgage market participant. Its main role is to guarantee mortgage-backed securities issued by approved lenders, which involves pooling government-insured loans such as FHA and VA loans, and then issuing securities that are sold in the financial markets. By doing this, Ginnie Mae enhances the liquidity of the mortgage market, enabling more capital to be available for home loans. The primary focus of Ginnie Mae is not on direct loans or servicing loans, nor is it functioning as an insurance policy for banks or a credit rating agency. While Ginnie Mae does have a governmental backing which could be confused with insurance functions, its essential activity revolves around facilitating and ensuring the flow of capital in the secondary mortgage market. This role is crucial in helping maintain affordability and accessibility in the housing market, especially for lower-income and first-time homebuyers who rely on government-backed loans.

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://ucf-ree3043-exam4.examzify.com>

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