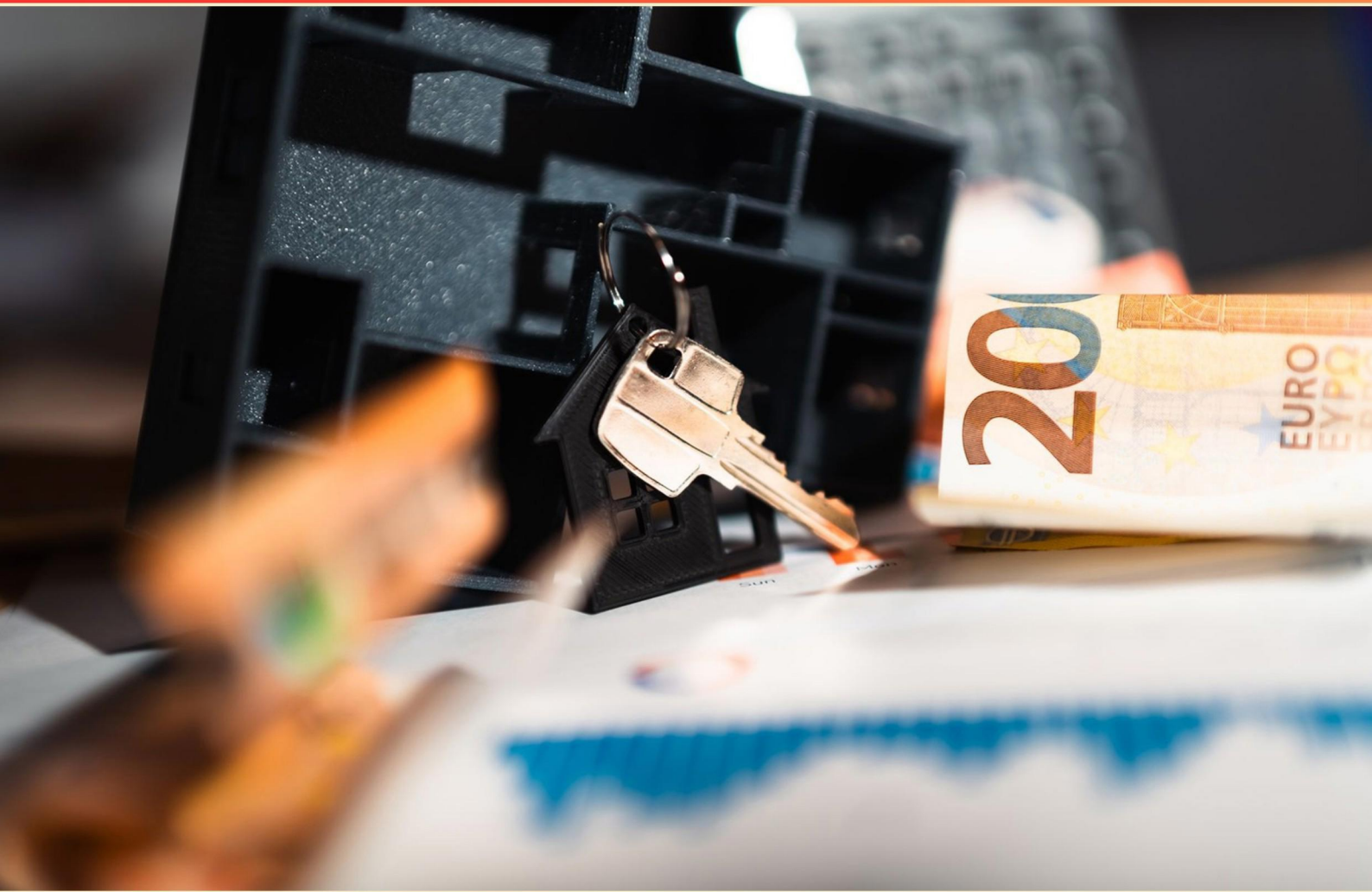


UNIVERSITY OF CENTRAL FLORIDA (UCF) REE3043 FUNDAMENTALS OF REAL ESTATE PRACTICE EXAM 4 (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

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



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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 does the Equal Credit Opportunity Act prohibit?**
 - A. Consideration of the applicant's income level in lending
 - B. Bias based on race, color, religion, sex, marital status, age, or source of income
 - C. Rejection of loan applications based on credit history
 - D. Limitation of loans based on geographical location
- 2. What is the net loan proceeds for a loan with an initial balance of \$150,307.57, a monthly payment of \$1,000, and discount points of 3.53%?**
 - A. 140,000
 - B. 145,000
 - C. 150,000
 - D. 155,000
- 3. Which of the following is typically true about home equity loans?**
 - A. They have high upfront fees
 - B. They have interest charges that are not tax deductible
 - C. They typically have tax deductible interest charges
 - D. They require no credit check
- 4. Which factor determines the monthly premium for a mortgage with a given purchase price and insurance premium multiplier?**
 - A. The loan amount
 - B. The insurance premium multiplier
 - C. The loan-to-value ratio
 - D. The property appraisal value
- 5. What is the maximum loan to value ratio for an FHA loan?**
 - A. 80 percent
 - B. 90 percent
 - C. 97 percent
 - D. 100 percent

- 6. 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
- 7. Which of the following is NOT one of the four channels of the US mortgage system?**
- A. Depository lending
 - B. Conforming conventional (GSE)
 - C. Home equity lending
 - D. Non-conforming conventional (private security)
- 8. What does the lender's yield represent?**
- A. The total interest paid
 - B. The lender's actual IRR
 - C. The borrower's payment schedule
 - D. The market rate of interest
- 9. What percentage of the value typically triggers the requirement for private mortgage insurance?**
- A. 80%
 - B. 85%
 - C. 90%
 - D. 95%
- 10. What is the term for the component of an adjustable interest rate that fluctuates with market conditions?**
- A. Margin
 - B. Index
 - C. Spread
 - D. Rate cap

Answers

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

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Explanations

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1. What does the Equal Credit Opportunity Act prohibit?

- A. Consideration of the applicant's income level in lending
- B. Bias based on race, color, religion, sex, marital status, age, or source of income**
- C. Rejection of loan applications based on credit history
- D. Limitation of loans based on geographical location

The Equal Credit Opportunity Act (ECOA) is designed to promote fair lending practices and ensure that all individuals have an equal opportunity to obtain credit. The correct answer highlights that the ECOA prohibits bias based on characteristics such as race, color, religion, sex, marital status, age, or source of income. This means that lenders cannot discriminate against applicants based on these characteristics when making lending decisions. The intent of the ECOA is to prevent discriminatory practices that could unfairly limit access to credit for certain groups of people and to foster equity within financial dealings. In contrast, while considerations such as income level, credit history, and geographical location can influence lending decisions, the ECOA specifically targets discrimination related to personal attributes rather than financial factors or location. This quality of the act ensures that all applicants are assessed solely on their creditworthiness and ability to repay without prejudice or bias pertaining to their personal characteristics.

2. What is the net loan proceeds for a loan with an initial balance of \$150,307.57, a monthly payment of \$1,000, and discount points of 3.53%?

- A. 140,000
- B. 145,000**
- C. 150,000
- D. 155,000

To determine the net loan proceeds, it's essential to consider the initial loan amount and subtract any costs associated with securing the loan, in this case, the discount points. The given initial balance of the loan is \$150,307.57, and the discount points are expressed as a percentage of that balance. Specifically, discount points are prepaid interest lenders charge to lower the interest rate on the loan. Each point typically costs 1% of the loan amount. Calculating the amount deducted for the discount points involves multiplying the initial loan amount by the discount points percentage. Here, the calculation would be as follows: 1. Calculate the dollar value of the discount points: $\text{Discount Points} = 150,307.57 \times 0.0353 = 5,299.80$ 2. Now, subtract the discount points from the initial loan amount to find the net loan proceeds: $\text{Net Loan Proceeds} = 150,307.57 - 5,299.80 = 145,007.77$ When rounded to the nearest whole number, this gives us net loan proceeds of approximately \$145,008. Since the closest answer choice

3. Which of the following is typically true about home equity loans?

- A. They have high upfront fees
- B. They have interest charges that are not tax deductible
- C. They typically have tax deductible interest charges**
- D. They require no credit check

Home equity loans are generally secured loans that allow homeowners to borrow against the equity they have built up in their property. One of the significant characteristics of home equity loans is that the interest charged on these loans is often tax-deductible, provided that the funds obtained are used to buy, build, or substantially improve the home that secures the loan. This tax benefit makes home equity loans an attractive option for homeowners looking to finance major expenses. The ability to deduct interest is enabled by the IRS tax rules, which can lead to substantial savings over the term of the loan. Therefore, home equity loans not only provide access to cash but also offer financial advantages through potential tax deductions, making option C a fundamental truth about them. In contrast, other statements regarding home equity loans do not universally hold true, such as the notion that they require no credit check or that they have high upfront fees. While some lenders may have varying policies, it is commonplace to conduct credit checks to assess the borrower's creditworthiness. Additionally, while some home equity loans might carry high upfront fees, many lenders offer competitive products with reasonable costs. Furthermore, the idea that interest charges are not tax deductible also contradicts the typical treatment of home equity loans under current tax law.

4. Which factor determines the monthly premium for a mortgage with a given purchase price and insurance premium multiplier?

- A. The loan amount
- B. The insurance premium multiplier**
- C. The loan-to-value ratio
- D. The property appraisal value

The monthly premium for a mortgage is fundamentally influenced by the insurance premium multiplier. This multiplier serves as a key component in calculating the cost of the mortgage insurance that the borrower must pay monthly. Essentially, it is a factor that is used to determine how much premium will be applied based on the loan amount, ensuring that the insurance coverage is proportionate to the risk associated with the loan. By multiplying the loan amount by this insurance multiplier, the lender can arrive at the insurance premium that needs to be paid each month. This is critical because mortgage insurance is often required for loans where the down payment is less than 20% of the purchase price. It protects the lender in case of borrower default. While the loan amount, loan-to-value ratio, and property appraisal value are relevant to different aspects of obtaining and managing a mortgage, they do not directly determine the monthly premium in the context of insurance payouts. Therefore, focusing on the insurance premium multiplier provides a clear understanding of how the monthly costs are calculated concerning mortgage insurance.

5. What is the maximum loan to value ratio for an FHA loan?

- A. 80 percent
- B. 90 percent
- C. 97 percent**
- D. 100 percent

The maximum loan-to-value (LTV) ratio for an FHA loan is indeed 97 percent. This means that borrowers can finance up to 97 percent of the property's value, requiring only a 3 percent down payment when securing an FHA loan. This high LTV ratio is a key feature of FHA loans, allowing first-time homebuyers and those with lower credit scores to access home financing that may be difficult to obtain through conventional loans, which typically require higher down payments. The significance of this 97 percent LTV is that it aligns with the FHA's role in promoting homeownership and making housing more accessible. This allows buyers, especially those with limited savings, to enter the housing market more easily. Thus, the FHA's maximum LTV reflects its mission to support affordable homeownership opportunities. In contrast, the other options represent lower percentages that would not meet the FHA's guidelines, as they do not provide the same level of accessibility for borrowers needing a more forgiving down payment requirement.

6. 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.

7. Which of the following is NOT one of the four channels of the US mortgage system?

- A. Depository lending
- B. Conforming conventional (GSE)
- C. Home equity lending**
- D. Non-conforming conventional (private security)

Home equity lending is not considered one of the four primary channels of the U.S. mortgage system. The four channels typically recognized include depository lending, conforming conventional (GSE), non-conforming conventional (private security), and government-insured loans. Depository lending involves loans made by banks and savings institutions. Conforming conventional loans are those that meet the underwriting criteria set by government-sponsored enterprises (GSEs) like Fannie Mae and Freddie Mac. Non-conforming conventional loans do not meet those criteria and are usually offered by private lenders, often against higher risks. Home equity lending, while an important aspect of mortgage financing, primarily relates to loans taken out on the equity of an existing property and typically does not function as a primary channel in the broader mortgage system. It represents a specific type of financing rather than a channel through which mortgages are processed and secured in the primary market.

8. What does the lender's yield represent?

- A. The total interest paid
- B. The lender's actual IRR**
- C. The borrower's payment schedule
- D. The market rate of interest

The lender's yield represents the lender's actual Internal Rate of Return (IRR). This metric takes into account not only the interest payments received over the life of the loan but also any fees or costs associated with underwriting the loan and the timing of those cash flows. By calculating the yield in this way, it provides a comprehensive view of the lender's profitability from the loan, allowing for a more accurate assessment of the investment's performance over time. This concept is crucial in real estate finance because it helps lenders determine the attractiveness of a particular loan in comparison to other potential investments. Understanding the lender's yield allows for informed decision-making regarding pricing, risk premiums, and the overall capital allocation strategy.

9. What percentage of the value typically triggers the requirement for private mortgage insurance?

- A. 80%**
- B. 85%
- C. 90%
- D. 95%

Private mortgage insurance (PMI) is generally required when a borrower makes a down payment that is less than 20% of the home's purchase price. This means that when the loan amount is more than 80% of the home's value, the lender typically requires PMI to protect against the risk of borrower default. Thus, a loan-to-value ratio exceeding 80% is the standard threshold that triggers PMI requirements, making it crucial for both lenders and borrowers to understand this percentage. This insurance helps lenders manage the added risk associated with lower down payments, which are often indicative of higher default rates. Understanding this threshold is essential in real estate lending practices, as it impacts borrowers' financing options and overall cost structure in acquiring a home.

10. What is the term for the component of an adjustable interest rate that fluctuates with market conditions?

- A. Margin
- B. Index**
- C. Spread
- D. Rate cap

The term that refers to the component of an adjustable interest rate that fluctuates with market conditions is the index. In an adjustable-rate mortgage (ARM), the index reflects the cost of borrowing that will vary according to current market rates. Common indices used include the LIBOR (London Interbank Offered Rate) or various Treasury securities. The index essentially serves as a benchmark for the lender to determine the interest rate charged to the borrower. As market conditions change and the index moves up or down, it affects the overall interest rate on the mortgage. This creates a direct relationship between the market environment and the borrower's interest expenses. Understanding the role of the index is crucial for borrowers, as it helps them anticipate how their payments might change over time based on market fluctuations. In contrast, while the margin, spread, and rate cap relate to adjustable rates, they serve different functions in the context of ARMs. The margin is a fixed percentage added to the index to determine the interest rate, the spread refers to the difference between two interest rates, and the rate cap limits how much the interest rate can increase at each adjustment or over the life of the loan.

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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!

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