

# Washington 60-Hour Fundamentals - Valuation, Financing, and Lending Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of 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. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## 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.**

## 7. Use Other Tools

**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!**

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## **Questions**

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- 1. Which components typically make up a mortgage payment?**
  - A. Only principal and interest**
  - B. Principal, interest, taxes, and insurance**
  - C. PITI and additional fees**
  - D. Principal and any applicable discounts**
  
- 2. What does CMA stand for in real estate?**
  - A. Capable Market Assessment**
  - B. Current Market Analysis**
  - C. Comparative Market Analysis**
  - D. Comprehensive Market Appraisal**
  
- 3. What does the Closing Disclosure include?**
  - A. A summary of property inspections**
  - B. Final loan terms and closing costs**
  - C. A detailed history of the loan application**
  - D. A record of monthly payments over the loan term**
  
- 4. Which term refers to features that make a property out of date or non-functional?**
  - A. Functional obsolescence**
  - B. CMA**
  - C. Recaptured depreciation**
  - D. Value-in-use**
  
- 5. How does a lien differ from an encumbrance?**
  - A. A lien is temporary; an encumbrance is permanent**
  - B. A lien secures payment, while an encumbrance affects property value**
  - C. There is no difference; they mean the same thing**
  - D. A lien can only be placed by a bank**

**6. Which of the following is an example of equity-related financing?**

- A. Conventional mortgage**
- B. Home equity loan**
- C. Government-insured loans**
- D. Fixed-rate loans**

**7. How does pre-qualification differ from pre-approval in mortgage financing?**

- A. Pre-qualification is a formal assessment, while pre-approval is informal**
- B. Pre-qualification does not guarantee a loan, while pre-approval does**
- C. Pre-qualification requires documentation, while pre-approval does not**
- D. There is no difference between pre-qualification and pre-approval**

**8. In real estate, what does a capital gain represent?**

- A. Expenses incurred during property sale**
- B. Losses realized from a failed investment**
- C. Profits made from selling a property at a higher price than purchased**
- D. Revenue from rental income**

**9. What factor is MOST responsible for affecting a property's value?**

- A. Type of construction materials**
- B. Location and accessibility**
- C. Age of the property**
- D. Number of bedrooms**

**10. What are considered "variable expenses" in the context of real estate?**

- A. Costs that remain consistent and predictable**
- B. Costs that can fluctuate based on occupancy and usage**
- C. Costs that focus on property acquisition**
- D. Costs for long-term liabilities**

## **Answers**

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

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## **Explanations**

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## 1. Which components typically make up a mortgage payment?

- A. Only principal and interest
- B. Principal, interest, taxes, and insurance**
- C. PITI and additional fees
- D. Principal and any applicable discounts

The correct answer identifies the standard components that comprise a mortgage payment, which typically include principal, interest, taxes, and insurance. These four elements are often grouped under the acronym "PITI." - **Principal** refers to the portion of the payment that goes towards reducing the loan balance. - **Interest** is the cost of borrowing the money, which is calculated based on the remaining loan balance. - **Taxes** typically refer to property taxes that may be collected monthly and held in an escrow account to ensure they are paid when due. - **Insurance** usually involves homeowners' insurance, which protects the property against potential damage, and may also include mortgage insurance if the down payment was less than 20%. Considering the importance of each component, they collectively ensure that homeowners fulfill their financial responsibilities associated with owning a property. By including taxes and insurance in the mortgage payment structure, borrowers can manage these recurring expenses more effectively, ensuring they are accounted for and paid timely. The other options either omit key components or misrepresent the nature of mortgage payments. For example, stating that only principal and interest make up a mortgage payment overlooks crucial responsibilities such as taxes and insurance, which are essential to maintaining home ownership and meeting legal obligations.

## 2. What does CMA stand for in real estate?

- A. Capable Market Assessment
- B. Current Market Analysis
- C. Comparative Market Analysis**
- D. Comprehensive Market Appraisal

CMA in real estate stands for Comparative Market Analysis. This term is widely used by real estate professionals to determine the value of a property based on the sale prices of similar properties in the same area. The process involves analyzing recently sold properties, properties currently on the market, and properties that were previously listed but did not sell. Conducting a CMA helps agents provide informed guidance to sellers about competitive pricing and helps buyers make educated offers. It reflects an understanding of market trends and conditions, making it essential for valuing properties effectively. The focus of a CMA is on comparison to ensure that the most accurate value estimation is provided based on real-world data. In contrast, the other options represent terms that either do not exist in standard real estate practice or do not capture the specific function and methodology that a Comparative Market Analysis provides.

### 3. What does the Closing Disclosure include?

- A. A summary of property inspections**
- B. Final loan terms and closing costs**
- C. A detailed history of the loan application**
- D. A record of monthly payments over the loan term**

The Closing Disclosure is a crucial document that outlines the final terms of a mortgage loan and its associated closing costs. It is designed to provide transparency to the borrower about what they are agreeing to when finalizing their loan. This includes important details such as the loan amount, interest rate, monthly payment costs, and various fees associated with the closing process, such as title insurance, appraisal fees, and other closing costs that the borrower needs to be aware of before signing the loan agreement. This comprehensive summary helps ensure that borrowers understand exactly what they will be paying and under what terms. It is presented in a clear and standardized format, allowing borrowers to compare the final terms with the Loan Estimate they received earlier in the application process. This clarity is essential for informed decision-making and helps prevent any surprises at the closing table.

### 4. Which term refers to features that make a property out of date or non-functional?

- A. Functional obsolescence**
- B. CMA**
- C. Recaptured depreciation**
- D. Value-in-use**

Functional obsolescence refers to the reduction in a property's value due to outdated design features or the inadequacy of certain elements that make the property less desirable or effective for modern use. This condition can arise from various factors, such as changes in technology, shifts in consumer preferences, or regulatory modifications that render certain property features less functional or appealing. For instance, a home with a single bathroom in a neighborhood where most homes now offer two or more bathrooms might suffer from functional obsolescence. This condition impacts the property's market value because potential buyers may view this feature as a drawback compared to more modern properties. The other terms presented do not specifically relate to the concept of a property's features becoming outdated or non-functional. A Comparative Market Analysis (CMA) is used to determine property values based on sales data of similar properties. Recaptured depreciation refers to the tax implications when a property is sold for more than its appreciated value, and value-in-use pertains to the worth of a property based on its specific use rather than market comparison. Each of these terms serves a distinct purpose in real estate valuation and analysis, but none align with the definition of features that create obsolescence in a property.

## 5. How does a lien differ from an encumbrance?

- A. A lien is temporary; an encumbrance is permanent
- B. A lien secures payment, while an encumbrance affects property value**
- C. There is no difference; they mean the same thing
- D. A lien can only be placed by a bank

A lien serves a specific purpose in securing payment for a debt, which means it is a claim placed on a property to ensure that a debt is settled. When a lien is in place, it directly impacts the owner's ability to sell or refinance the property since the debt must be resolved before the title can be transferred to another party. This makes the lien a critical tool for creditors to enforce their rights. On the other hand, an encumbrance refers to any claim, liability, or restriction on a property that can affect its title, including but not limited to liens. Encumbrances can include easements (rights of way), leases, or other restrictions that may affect the property's value or use. They do not necessarily secure payment but can act to limit the owner's rights over the property. Therefore, while all liens are encumbrances, not all encumbrances are liens, highlighting the distinction between the two terms. This understanding is essential because it connects to broader concepts in property law - recognizing how varying forms of claims affect ownership and the marketability of a property.

## 6. Which of the following is an example of equity-related financing?

- A. Conventional mortgage
- B. Home equity loan**
- C. Government-insured loans
- D. Fixed-rate loans

The correct answer, a home equity loan, is considered equity-related financing because it is secured by the homeowner's equity in their property. Home equity represents the difference between the market value of a home and the outstanding mortgage balance. When a homeowner has built up equity, they can borrow against that equity, which is what a home equity loan allows them to do. This type of financing taps into the value that has been accumulated in the property over time, making it a key example of equity-based financing. In contrast, a conventional mortgage is primarily a loan taken to purchase a property, typically based on the property's full market value rather than on the equity accrued. Government-insured loans also focus on purchasing a property and do not represent a borrowing against existing equity. Fixed-rate loans simply refer to the interest rate structure of the loan rather than the type of collateral or the nature of the borrowing, and they can apply to both purchasing and refinancing scenarios. Therefore, the home equity loan distinctly exemplifies financing that is tied to the accumulated equity in a property.

## 7. How does pre-qualification differ from pre-approval in mortgage financing?

- A. Pre-qualification is a formal assessment, while pre-approval is informal
- B. Pre-qualification does not guarantee a loan, while pre-approval does**
- C. Pre-qualification requires documentation, while pre-approval does not
- D. There is no difference between pre-qualification and pre-approval

Pre-qualification and pre-approval are both important steps in the mortgage financing process, but they serve different purposes, and understanding their differences is essential for borrowers. When it comes to pre-qualification, this process typically involves a preliminary assessment of a borrower's financial situation by providing information such as income, debts, and assets to a lender. It is often based on self-reported data and does not involve the rigorous verification of documents. As a result, pre-qualification gives borrowers a rough idea of how much they may be eligible to borrow, but it does not confirm loan eligibility or guarantee financing. In contrast, pre-approval is a more formal process where the lender conducts a thorough review of the borrower's financial situation. This includes verifying documentation, such as credit reports, income statements, and employment verification. Because of this comprehensive assessment, a pre-approval provides a stronger indication of the borrower's ability to secure a loan and often comes with a conditional commitment for a specific loan amount. This is why pre-approval is considered a more reliable step in the mortgage process, as it gives both the borrower and seller confidence in the financial ability to proceed with a purchase. Thus, the distinction lies in the fact that pre-qualification does not guarantee

## 8. In real estate, what does a capital gain represent?

- A. Expenses incurred during property sale
- B. Losses realized from a failed investment
- C. Profits made from selling a property at a higher price than purchased**
- D. Revenue from rental income

A capital gain represents the profit realized from selling a property for a price higher than what it was purchased for. This financial concept is crucial in real estate because it directly impacts an investor's overall return on investment. When an individual or entity sells a property at a price that exceeds their original purchase price, the difference between these two amounts is considered the capital gain. The significance of capital gains also extends to tax implications, as these gains can be subject to capital gains tax depending on the laws in place at the time of sale. Understanding capital gains helps real estate investors and homeowners assess their financial performance and make informed decisions regarding property sales. This definition clearly separates capital gains from other aspects of real estate transactions, such as expenses incurred during the sale, losses from failed investments, or revenue generated from rental income. Each of those elements plays a different role in the financial landscape of property ownership and investing, but it is the capital gain that specifically captures the essence of profit from a sale.

## 9. What factor is MOST responsible for affecting a property's value?

- A. Type of construction materials
- B. Location and accessibility**
- C. Age of the property
- D. Number of bedrooms

The most significant factor affecting a property's value is location and accessibility. The location of a property impacts its desirability and, consequently, its market value. Properties situated in areas with good schools, low crime rates, convenient access to transportation, and proximity to amenities such as shopping centers, parks, and recreational facilities tend to have higher values. Additionally, accessibility to major highways and urban centers can enhance a property's worth, as it influences buyers' decisions based on convenience and lifestyle preferences. While factors like construction materials, the age of the property, and the number of bedrooms do influence value, they are often secondary to location. For instance, a newly constructed home in a less desirable area may not be as valuable as an older home in a prime location. Similarly, the number of bedrooms can make a property more appealing, but it is the location that ultimately determines the market demand for the property. In real estate, the adage "location, location, location" emphasizes the critical role that this factor plays in determining property value.

## 10. What are considered "variable expenses" in the context of real estate?

- A. Costs that remain consistent and predictable
- B. Costs that can fluctuate based on occupancy and usage**
- C. Costs that focus on property acquisition
- D. Costs for long-term liabilities

Variable expenses in the context of real estate refer to costs that can fluctuate based on factors such as occupancy levels, usage, and other operational conditions. These expenses often include items like utilities, maintenance, and property management fees, which can vary from month to month depending on how the property is utilized and the number of tenants occupying the space. For instance, if a property has a higher occupancy rate, expenses for utilities and maintenance might increase because more people are using the facilities and there is a greater demand for services. Conversely, during periods of lower occupancy, these costs may decrease. Understanding the nature of variable expenses is crucial for property owners and investors as it aids in budgeting and financial forecasting. This distinction helps in making informed decisions about property management and investment strategies.

# 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:**

**<https://wa60hrfundamentals.examzify.com>**

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

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