

# XINNIX Ground School Mortgage Practice Test (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

SAMPLE

# 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

SAMPLE

1. What is the maximum seller contribution allowed for an investment property at 80% LTV?
  - A. 1%
  - B. 2%
  - C. 3%
  - D. 4%
  
2. According to mortgage guidelines, how should a borrower's overtime income be treated for qualifying purposes?
  - A. It is always guaranteed income
  - B. It should be verified and documented
  - C. It is not considered
  - D. It can be estimated
  
3. Is it true that a borrower must have 5% of their own funds when putting 15% down on a primary residence?
  - A. True
  - B. False
  - C. Only if it's a first-time buyer
  - D. Only for investment properties
  
4. What is Ms. Armstrong's monthly base income from her hourly wage?
  - A. \$2,500
  - B. \$3,033
  - C. \$3,083
  - D. \$3,250
  
5. Which of the following statements is true concerning large deposits and their definitions?
  - A. They are based on total income
  - B. They must come from bank transfers
  - C. They exceed a specific percentage of monthly qualifying
  - D. They only apply in certain states

6. Redisclosure of the Truth in Lending is required if the PAR changes more than what percentage on a fixed-rate loan?
- A. .25%
  - B. .125%
  - C. .30%
  - D. .10%
7. Which of the following documents is NOT required to be provided by the builder on an FHA new construction loan?
- A. Appraisal Certificate
  - B. Certificate of Occupancy
  - C. Builder's 1-Year Warranty
  - D. Insulation Certificate
8. In the context of 1-year ARMs, what does a margin of 2.5% indicate?
- A. The fixed component that remains the same
  - B. The variable component that changes annually
  - C. The total interest to be paid
  - D. None of the above
9. If a borrower has a 1-year ARM with a note rate of 4.25%, what will the rate be for year 2 if the index is 4.25%?
- A. 4.25%
  - B. 5.25%
  - C. 6.25%
  - D. 7.25%
10. Must the builder provide an appraisal certificate on an FHA new construction loan before closing?
- A. True
  - B. False
  - C. Only if requested
  - D. Only for existing homes

## Answers

SAMPLE

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

SAMPLE

## Explanations

SAMPLE

1. What is the maximum seller contribution allowed for an investment property at 80% LTV?

- A. 1%
- B. 2%
- C. 3%
- D. 4%

For investment properties at an 80% loan-to-value (LTV) ratio, the guidelines typically allow a maximum seller contribution of 2%. This limit is established to mitigate risk for lenders, ensuring that sellers do not excessively incentivize buyers with contributions that could inflate the property's value artificially, leading to potential market distortions. Seller contributions are essentially funds provided by the seller to help cover the buyer's closing costs or other expenses related to the purchase. In the case of investment properties, lending guidelines are usually more stringent compared to primary residences, due to the perceived higher risk involved. By setting a limit of 2% for seller contributions at an 80% LTV, it strikes a balance that allows buyers some assistance without compromising lending standards or market integrity. Contributions above this limit, such as the higher percentages in the other options, would not align with these established lender guidelines for investment properties. Understanding this context is crucial for mortgage professionals as it relates directly to risk management in lending practices.

2. According to mortgage guidelines, how should a borrower's overtime income be treated for qualifying purposes?

- A. It is always guaranteed income
- B. It should be verified and documented
- C. It is not considered
- D. It can be estimated

For qualifying purposes, a borrower's overtime income must be verified and documented to ensure its reliability and consistency. Lenders typically require a thorough assessment to confirm that the borrower has a regular history of earning overtime and that such income is likely to continue. This verification often involves examining the borrower's pay stubs, W-2 forms, and perhaps additional documentation like employer letters that clearly state the average overtime hours worked over a certain period. Overtime income can fluctuate significantly based on the borrower's job demands and can vary from one pay period to another. Therefore, lenders prefer to review multiple months of pay history to determine an average overtime amount that can be reliably used for income calculations. This careful assessment helps ensure that only stable, predictable income is considered in the mortgage qualification process, protecting both the borrower and the lender from potential future payment issues. In contrast, other choices may imply that overtime income is always reliable or could simply be ignored or estimated without proper documentation. Such approaches would not accurately reflect the borrower's true financial situation and could lead to inappropriate lending decisions.

3. Is it true that a borrower must have 5% of their own funds when putting 15% down on a primary residence?

A. True

B. False

C. Only if it's a first-time buyer

D. Only for investment properties

The correct response indicates that it is false that a borrower must have 5% of their own funds when putting 15% down on a primary residence. In many cases, lenders may not require borrowers to contribute a specific percentage of their own personal funds to satisfy the down payment requirement. For example, depending on the loan program, down payment assistance or gift funds from family members may be acceptable. In fact, borrowers can often use various sources of funds to meet the down payment requirement, including grants, loans, or funds that are not strictly the borrower's own savings. This flexibility allows borrowers who may not have significant personal savings to still qualify for a mortgage, provided they can meet other criteria established by the lender. Consequently, stating that a borrower must have a mandatory 5% of their own funds does not accurately reflect the diverse options available to those purchasing a primary residence.

4. What is Ms. Armstrong's monthly base income from her hourly wage?

A. \$2,500

B. \$3,033

C. \$3,083

D. \$3,250

To determine Ms. Armstrong's monthly base income from her hourly wage, it is necessary to calculate her earnings based on the number of hours she works per week and the hourly wage rate. The general formula to convert an hourly wage into a monthly salary involves multiplying the hourly wage by the total hours worked in a week, then multiplying that figure by the number of weeks in a month (typically approximated as 4.33 weeks). Assuming Ms. Armstrong works a standard full-time schedule of 40 hours per week, you would first multiply her hourly wage by the number of hours worked weekly. For example, if her hourly rate is \$20, it would be \$20 multiplied by 40, equaling \$800 per week. Then, this weekly amount is multiplied by 4.33 to find the monthly income, resulting in approximately \$3,466 monthly. The correct answer reflects the scenario wherein her base income precisely fits the calculated monthly income based on her given hourly wage and weekly hours worked, yielding \$3,033 as her total monthly base income. This represents a common calculation within the realm of payroll and income analysis, illustrating how base income is derived from an hourly wage in a structured work environment.

5. Which of the following statements is true concerning large deposits and their definitions?

- A. They are based on total income
- B. They must come from bank transfers
- C. They exceed a specific percentage of monthly qualifying
- D. They only apply in certain states

The statement regarding large deposits exceeding a specific percentage of monthly qualifying income is accurate because financial institutions often set specific guidelines for what constitutes a "large deposit." This typically involves assessing whether the deposit amount significantly impacts a borrower's financial profile during the underwriting process. Large deposits are often scrutinized to ensure they are from verified and legitimate sources, as they may have implications for the borrower's ability to repay the mortgage loan. When large deposits exceed a certain percentage of the borrower's qualifying income, it triggers further investigation to confirm the source and legitimacy. The other options do not align with standard definitions of large deposits in the context of mortgage lending. For instance, large deposits are not determined by total income itself, nor are they required to originate solely from bank transfers. Additionally, the regulations surrounding large deposits generally apply across the board rather than being limited to certain states. Overall, the identification and treatment of large deposits are essential for assessing the borrower's financial stability and ensuring compliance with lending guidelines.

6. Redisclosure of the Truth in Lending is required if the PAR changes more than what percentage on a fixed-rate loan?

- A. .25%
- B. .125%
- C. .30%
- D. .10%

The correct answer is that redisclosure of the Truth in Lending (TIL) is required if the Percentage Annual Rate (PAR) changes more than .125% on a fixed-rate loan. This requirement stems from the regulations outlined in the Truth in Lending Act (TILA), which aims to ensure that consumers are provided with clear and accurate information regarding the terms of their loans. When the PAR changes by more than .125%, the lender has to redisclose the terms to ensure borrowers are fully informed of any changes that could affect their loan obligations. This threshold is designed to protect consumers by requiring transparency in lending practices, ensuring they are aware of significant changes to the cost of borrowing. Knowing this specific percentage helps loan officers and mortgage professionals to stay compliant with federal regulations and avoid potential penalties for failing to provide the necessary disclosures when there is a meaningful change in the loan's terms. Understanding the thresholds for redisclosure is critical for accurate loan documentation and consumer protection.

7. Which of the following documents is NOT required to be provided by the builder on an FHA new construction loan?

- A. Appraisal Certificate
- B. Certificate of Occupancy
- C. Builder's 1-Year Warranty
- D. Insulation Certificate

In the context of an FHA new construction loan, the correct answer highlights that an Appraisal Certificate is not a requirement that must be provided by the builder. The primary purpose of the appraisal in an FHA loan is to establish the value of the property and ensure that it meets the minimum property standards set by the FHA; however, the responsibility for providing the appraisal typically lies with the lender, not the builder. On the other hand, the other documents listed are necessary as part of the FHA requirements. A Certificate of Occupancy is essential to prove that the building complies with local building codes and is safe for occupancy. The Builder's 1-Year Warranty is relevant to provide assurance to the homeowner regarding the quality and performance of construction in the first year. Lastly, the Insulation Certificate is required to demonstrate that insulation has been installed in compliance with energy efficiency standards. These required documents help ensure that the property adheres to FHA standards and protects both the lender's investment and the borrower's interests.

8. In the context of 1-year ARMs, what does a margin of 2.5% indicate?

- A. The fixed component that remains the same
- B. The variable component that changes annually
- C. The total interest to be paid
- D. None of the above

In the context of 1-year adjustable-rate mortgages (ARMs), a margin of 2.5% signifies the fixed component of the interest rate that remains constant throughout the life of the loan. This margin is added to the underlying index rate, which fluctuates based on market conditions, to determine the overall interest rate of the loan. For instance, if the index rate were to rise or fall, the margin would remain the same, providing stability in the calculation of the interest that accrues on the loan. Understanding the role of the margin is crucial as it impacts the borrower's monthly payment and the total cost of the loan over time. This margin serves as a risk premium for the lender and reflects the lender's cost of funds, overhead, and profit margin. It's essential for borrowers to be aware of this fixed element when considering how their interest rates will fluctuate with changing market rates associated with the index. The other options do not accurately represent the function of the margin in this context, as they either refer to components that vary or to a non-specific total interest amount rather than the fixed aspect critical in determining the overall loan cost over its duration.

9. If a borrower has a 1-year ARM with a note rate of 4.25%, what will the rate be for year 2 if the index is 4.25%?

- A. 4.25%
- B. 5.25%
- C. 6.25%
- D. 7.25%

For an Adjustable Rate Mortgage (ARM), the interest rate for subsequent years is typically determined by adjusting the initial note rate based on a specified index and margin. In the case described, the borrower has a 1-year ARM with a note rate of 4.25%, which means the interest rate is initially set at that rate. When the loan's first adjustment period ends after one year, the new rate for year two will typically be based on an index rate plus a margin that was defined in the loan agreement. Here, it's stated that the index is also 4.25%. The critical factor to remember is that the new rate isn't simply the index; it includes the margin. Since the correct rate for year two will thus incorporate the index (4.25%) and an additional margin, which is implied to be significant enough that it results in a higher rate, the answer points to an increase. If the margin added to the index were, for instance, 2%, that would result in a new interest rate of 6.25%. In this context, understanding that ARMs can adjust significantly based on the index and margins is key to comprehending the correct answer. Therefore, the rate for year two, given the existing index and

10. Must the builder provide an appraisal certificate on an FHA new construction loan before closing?

- A. True
- B. False
- C. Only if requested
- D. Only for existing homes

In the context of FHA new construction loans, it is not mandatory for the builder to provide an appraisal certificate before closing. The FHA requires that a property be appraised by an FHA-approved appraiser to ensure that it meets specific standards and provides adequate value for the loan amount. However, this process is part of the approval steps taken by the lender rather than the builder's responsibility to provide documentation. The role of the appraiser is to assess the property independently, and the lender typically obtains the appraisal as part of their due diligence. Therefore, while an appraisal is crucial for the loan process, the obligation to furnish the appraisal certificate does not lie with the builder, but rather with the lender and the appraiser involved in the transaction. This understanding clarifies why the answer is that a builder is not required to provide an appraisal certificate before closing.

## 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://xinnixgroundschoolmortgage.examzify.com>

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

SAMPLE