

XINNIX GROUND SCHOOL MORTGAGE PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

<https://xinnixgroundschoolmortgage.examzify.com>



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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	15

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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. Which mortgage-related policy protects the lender's security interest?**
 - A. Lender's title policy
 - B. Owner's title policy
 - C. Hazard insurance
 - D. Flood insurance

- 2. Flood insurance is required for properties located in which area designation, according to FEMA, and what does it cover?**
 - A. It is optional for all properties
 - B. It is required only for commercial properties
 - C. It is required for properties in Special Flood Hazard Areas as determined by FEMA; covers physical damage caused by flood events
 - D. It covers only contents of the home

- 3. Under HomeOne guidelines, what is the maximum LTV allowed for a primary residence purchase if at least one borrower has not owned a home in the last 3 years?**
 - A. 90%
 - B. 97%
 - C. 80%
 - D. 75%

- 4. What is CLTV and how is it used in underwriting?**
 - A. Combined Loan-to-Value measures the total lien amounts against the property value; used to assess overall risk when multiple loans exist.
 - B. Current Loan-to-Value only considers the first mortgage.
 - C. Credit-Linked Loan-To-Value measures credit score.
 - D. Certified Loan-to-Value indicates appraisal quality.

- 5. A self-employed borrower (Schedule C) is typically required to provide a year-to-date paystub. Is this statement true or false?**
 - A. True
 - B. False
 - C. Only if requested by the lender
 - D. Depends on income level

6. What are "reserves" and how are they used in underwriting?

- A. Reserves are funds held after closing to cover future mortgage payments or contingencies as required by the underwriter.
- B. Reserves are a kind of mortgage insurance.
- C. Reserves are the down payment.
- D. Reserves are funds for closing costs.

7. What advertising disclosures are required under TILA-RESPA and Regulation Z?

- A. Clear and conspicuous disclosure of the annual percentage rate; avoid misleading terms; if a rate is advertised, the terms must be accurate and any adjustments or variable rates disclosed.
- B. APR disclosure is optional and not required for advertised rates.
- C. Only disclosures about fees are required; APR not required.
- D. Advertising disclosures require only that a rate be shown; terms do not need to be accurate.

8. Under TRID, what triggers a re-disclosure?

- A. Changed circumstances or terms trigger re-disclosure.
- B. Only when the borrower revises income.
- C. At any time, re-disclosure is not required.
- D. Only at closing.

9. Which parties are protected by title insurance against title defects and undiscovered liens?

- A. Lenders and buyers.
- B. Only lenders.
- C. Only buyers.
- D. Insurance company.

10. What condition yields Qualified Mortgage safe harbor?

- A. The loan is a fixed-rate mortgage.
- B. The loan provides safe harbor regardless of ATR.
- C. The loan is a non-conforming jumbo loan.
- D. The loan meets ATR criteria and the QM requirements.

Answers

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

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Explanations

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1. Which mortgage-related policy protects the lender's security interest?

- A. Lender's title policy
- B. Owner's title policy
- C. Hazard insurance**
- D. Flood insurance

When a mortgage is in place, the loan is secured by the property itself, so protecting the dwelling from damage directly protects the lender's security interest. Hazard insurance provides coverage for damage to the home from insured hazards (like fire, wind, and other perils). If a loss occurs, the insurance proceeds help repair or rebuild, preserving the property's value and the lender's ability to recover the loan. That direct link between keeping the property habitable and maintaining the loan's collateral makes hazard insurance the best fit for protecting the lender's security interest. Lender's title policy protects the lender against issues with the property's title, not damage to the structure. Owner's title policy protects the borrower's interest in the title. Flood insurance covers damage from floods and is required in flood-prone areas, but hazard insurance is the broader policy that safeguards the collateral itself.

2. Flood insurance is required for properties located in which area designation, according to FEMA, and what does it cover?

- A. It is optional for all properties
- B. It is required only for commercial properties
- C. It is required for properties in Special Flood Hazard Areas as determined by FEMA; covers physical damage caused by flood events**
- D. It covers only contents of the home

Flood insurance is required for properties located in Special Flood Hazard Areas (SFHAs) as designated by FEMA, especially when the loan is secured by the property. This requirement exists because those areas have a higher risk of flooding, and the lender wants protection against flood losses. The coverage provided by flood insurance protects the physical damage to the insured building and, depending on the policy, the contents inside. It is separate from standard homeowners insurance, which does not typically cover flood damage. So in these high-risk zones, you need flood insurance to cover flood-related damage to the structure and, if you choose, its contents up to the policy limits.

3. Under HomeOne guidelines, what is the maximum LTV allowed for a primary residence purchase if at least one borrower has not owned a home in the last 3 years?

A. 90%

B. 97%

C. 80%

D. 75%

Under the HomeOne guidelines, the maximum loan-to-value (LTV) ratio allowed for a primary residence purchase is 97% for eligible borrowers, particularly when at least one borrower is classified as a first-time homebuyer. This classification is significant because it is designed to assist those individuals or families who have not owned a home in the last three years, allowing them greater access to home financing options. The 97% LTV means that the borrower can finance up to 97% of the home's value, which minimizes the down payment requirement to just 3%. This feature is especially beneficial for first-time homebuyers who may have limited savings and need more flexible financing options to make homeownership attainable. Options with lower LTV percentages, such as 90%, 80%, or 75%, typically require larger down payments and are less accessible for those just entering the home buying process. Thus, the 97% LTV under HomeOne provides a significant advantage for first-time homebuyers, facilitating their ability to purchase a home.

4. What is CLTV and how is it used in underwriting?

A. Combined Loan-to-Value measures the total lien amounts against the property value; used to assess overall risk when multiple loans exist.

B. Current Loan-to-Value only considers the first mortgage.

C. Credit-Linked Loan-To-Value measures credit score.

D. Certified Loan-to-Value indicates appraisal quality.

CLTV stands for Combined Loan-to-Value. It's used in underwriting to measure risk when there are multiple liens on a property. You calculate it by taking all outstanding loan balances secured by the property (the first mortgage, any second mortgages, HELOCs, and other liens) and dividing that total by the property's appraised value or purchase price, whichever is lower. The idea is to see how much debt sits against the property relative to its value, not just the first loan. This matters because if a borrower defaults, the lender's recovery depends on the equity left after paying off all liens. A higher CLTV means less cushion and more risk for the lender, so underwriting uses CLTV to decide if the loan is acceptable, what the loan amount can be, and whether any pricing or credit enhancements are needed. For example, with a 400,000 value and total liens of 380,000, the CLTV is 95%, indicating very little equity to cover the loan in a foreclosure scenario. This concept is distinct from options that inaccurately describe CLTV as relating to only the first mortgage, credit scores, or appraisal quality.

5. A self-employed borrower (Schedule C) is typically required to provide a year-to-date paystub. Is this statement true or false?

- A. True
- B. False**
- C. Only if requested by the lender
- D. Depends on income level

For a self-employed borrower, particularly one who files a Schedule C, it is not typical for them to provide a year-to-date paystub because they do not receive a traditional paycheck like an employee. Instead, self-employed individuals report their income and expenses on their tax returns, often requiring two years of tax returns and possibly a profit and loss statement to verify income. Since they do not have a paystub, their income verification relies on these documents rather than on paystubs. Therefore, stating that a year-to-date paystub is typically required for a self-employed borrower is inaccurate.

6. What are "reserves" and how are they used in underwriting?

- A. Reserves are funds held after closing to cover future mortgage payments or contingencies as required by the underwriter.**
- B. Reserves are a kind of mortgage insurance.
- C. Reserves are the down payment.
- D. Reserves are funds for closing costs.

Reserves are funds the borrower still has in liquid assets after closing, used as a safety net to cover future mortgage payments and related housing costs if income dips or emergencies arise. In underwriting, lenders require enough reserves to cover a specified number of monthly payments of PITI (principal, interest, taxes, and insurance) or other housing obligations. This shows the borrower can continue to meet debt obligations even if cash flow changes, reducing the lender's risk. Reserves must be readily accessible in cash or easily liquidated investments and are not spent at closing. They are not the down payment or mortgage insurance. For example, with a monthly PITI of \$1,800 and a two-month reserve requirement, you'd need \$3,600 available after closing.

7. What advertising disclosures are required under TILA-RESPA and Regulation Z?

- A. Clear and conspicuous disclosure of the annual percentage rate; avoid misleading terms; if a rate is advertised, the terms must be accurate and any adjustments or variable rates disclosed.**
- B. APR disclosure is optional and not required for advertised rates.
- C. Only disclosures about fees are required; APR not required.
- D. Advertising disclosures require only that a rate be shown; terms do not need to be accurate.

When advertising mortgage terms, you must present the APR clearly and conspicuously and ensure the terms behind that rate are accurate. If a rate is advertised, any adjustments or variable-rate features must be disclosed so the borrower can compare offers accurately. This keeps promotions from being misleading by hiding costs or future rate changes. The other ideas—that the APR is optional, that only fees matter, or that a rate can be shown without accurate terms—don't fit Regulation Z, which requires the APR and the material terms affecting cost to be disclosed whenever a rate is advertised.

8. Under TRID, what triggers a re-disclosure?

A. Changed circumstances or terms trigger re-disclosure.

B. Only when the borrower revises income.

C. At any time, re-disclosure is not required.

D. Only at closing.

Under TRID, re-disclosure happens whenever anything changes that would make the loan disclosures inaccurate. That means if the terms of the loan or the settlement costs change—such as a different interest rate or loan program, a different loan amount, a revised closing date, or new or higher charges from third parties—the lender must issue a new disclosure. Changes in the borrower's information can count as well if they affect the numbers shown. This can happen before closing, not just at closing. It's not limited to borrower income changes and it's not true that re-disclosures never occur.

9. Which parties are protected by title insurance against title defects and undiscovered liens?

A. Lenders and buyers.

B. Only lenders.

C. Only buyers.

D. Insurance company.

Title insurance is designed to protect the insured party against problems with the property's title that could affect ownership or the lender's security. In a typical real estate transaction, there are two common insured parties: the lender and the buyer. The lender obtains a lender's policy to protect the lender's security interest in the property if title problems arise that could affect the mortgage or the lender's priority to be repaid. The buyer (owner) obtains an owner's policy to protect their equity in the property from defects in title or undiscovered liens that could surface after closing. Because both parties have a financial stake in having a clear title, title insurance is provided to both lenders and buyers. The insurance company simply issues the policy and provides coverage; it is not the insured party. This is why both lenders and buyers are protected by title insurance against title defects and undiscovered liens.

10. What condition yields Qualified Mortgage safe harbor?

A. The loan is a fixed-rate mortgage.

B. The loan provides safe harbor regardless of ATR.

C. The loan is a non-conforming jumbo loan.

D. The loan meets ATR criteria and the QM requirements.

Qualified Mortgage safe harbor comes from making a loan that satisfies both the ability-to-repay (ATR) requirement and the specific QM rules. When a loan truly meets ATR and also conforms to the QM standards (such as limits on points and fees and other prohibitions on risky terms), the lender is protected from liability for ATR violations. Simply being a fixed-rate loan or being a jumbo/non-conforming loan does not by itself guarantee safe harbor; the protection hinges on meeting ATR and the QM criteria.

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://xinnixgroundschoolmortgage.examzify.com>

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

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