

# California Mortgage Loan Originator (MLO) License Practice Test (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. What is a benefit of having a borrower with high credit scores regarding mortgage insurance?**

- A. Lower mortgage insurance premiums**
- B. Higher loan amount approval**
- C. Quicker loan processing times**
- D. Increased interest rates**

**2. What constitutes comparative evidence of disparate treatment?**

- A. Different outcomes based on location**
- B. Similar applicants receiving different treatment without justifiable reasons**
- C. Variations in fees among borrowers**
- D. Differences in income reported by applicants**

**3. What is a deed in real estate?**

- A. A written instrument by which land is conveyed**
- B. A document showing ownership of personal property**
- C. A form used to calculate loan interest rates**
- D. A report detailing property taxes**

**4. When are Loan Estimate (LE) requirements not required?**

- A. For all loan types**
- B. On commercial loans, loans denied within three days, or bridge/swing loans**
- C. Only for VA loans**
- D. When the borrower has a high credit score**

**5. What is required by Mortgage Acts and Practices in advertising?**

- A. You must advertise all programs available**
- B. Do not advertise a program or rate if you don't have one**
- C. You must use bait and switch tactics**
- D. Advertise based on public feedback**

**6. What is a potential consequence for a company that fails to comply with HMDA reporting?**

- A. Increased loan approval rates**
- B. Legal penalties and fines**
- C. Reduction in customer trust**
- D. Loss of loan underwriting opportunities**

**7. At what minimum age can a borrower apply for a reverse mortgage?**

- A. 60**
- B. 62**
- C. 65**
- D. 70**

**8. In the context of fraud detection, what is required to take action?**

- A. Fraud must be proven in court**
- B. Fraud must only be detected**
- C. Fraud must be reported by clients**
- D. Fraud must be formally documented**

**9. Which of the following is NOT a question that can be asked on a mortgage application?**

- A. Employment history**
- B. Nationality**
- C. Income level**
- D. Credit history**

**10. How many free credit reports is a consumer entitled to each year?**

- A. At least one**
- B. At least two**
- C. At least three**
- D. None**

## **Answers**

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

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## **Explanations**

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**1. What is a benefit of having a borrower with high credit scores regarding mortgage insurance?**

- A. Lower mortgage insurance premiums**
- B. Higher loan amount approval**
- C. Quicker loan processing times**
- D. Increased interest rates**

Choosing a borrower with high credit scores provides the advantage of lower mortgage insurance premiums. Lenders evaluate credit scores as a key indicator of a borrower's financial reliability. When a borrower has a high credit score, it signifies to the lender that they are less likely to default on their mortgage. As a result, lenders typically offer them more favorable terms, including reduced rates for mortgage insurance. This reduction in mortgage insurance premiums is particularly advantageous, as it can lead to significant savings over the life of the loan. Lower premiums not only decrease the overall monthly payment for the borrower but can also make homeownership more affordable, allowing them to allocate resources to other financial commitments or savings. In contrast, options like higher loan amount approval or quicker loan processing times are influenced by various factors and are not directly tied to credit scores in the same way. Increased interest rates typically apply to borrowers with lower credit scores, rather than those with high scores, which would not support the idea of benefits associated with high credit ratings.

**2. What constitutes comparative evidence of disparate treatment?**

- A. Different outcomes based on location**
- B. Similar applicants receiving different treatment without justifiable reasons**
- C. Variations in fees among borrowers**
- D. Differences in income reported by applicants**

Comparative evidence of disparate treatment is identified when similar applicants receive different treatment without justifiable reasons. This concept is important in understanding discrimination in lending practices. If two applicants have similar qualifications—such as credit scores, income, and financial background—and yet one is offered less favorable loan terms or denied entirely while the other is not, it raises concerns about unequal treatment. The presence of unjustifiable differences indicates potential bias or discrimination, aligning with fair lending laws. It's essential to establish whether the treatment variations can be accounted for by legitimate factors, such as financial history or creditworthiness, rather than personal characteristics of the applicants. Other options relate to factors that, while they may indicate inequality, do not directly reflect that nuanced situation of similar individuals receiving different treatment. For example, different outcomes based on location or variations in fees among borrowers can be justified by external market conditions or operational costs, and differences in reported income pertain more to individual financial circumstances rather than treatment comparisons.

### 3. What is a deed in real estate?

- A. A written instrument by which land is conveyed**
- B. A document showing ownership of personal property**
- C. A form used to calculate loan interest rates**
- D. A report detailing property taxes**

A deed in real estate is fundamentally a written instrument that facilitates the transfer of ownership of land from one party to another. This legal document outlines the specific details of the transaction, including the parties involved, the property description, and any conditions that apply. It serves as proof of the transfer of title, making it essential for establishing legal ownership and for public record purposes. The other options do not accurately capture the defining characteristics of a deed. A document showcasing ownership of personal property pertains to personal property rights rather than real estate transactions, and therefore does not relate to real estate deeds. A form used to calculate loan interest rates relates to financing rather than the conveyance of property itself. Lastly, a report detailing property taxes focuses on financial obligations associated with property ownership, rather than the mechanisms of transferring ownership. Therefore, the correct answer comprehensively describes the essence of what a deed represents in real estate transactions.

### 4. When are Loan Estimate (LE) requirements not required?

- A. For all loan types**
- B. On commercial loans, loans denied within three days, or bridge/swing loans**
- C. Only for VA loans**
- D. When the borrower has a high credit score**

The correct selection regarding when Loan Estimate (LE) requirements are not mandated is on commercial loans, loans denied within three days, or bridge/swing loans. In the context of the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA), a Loan Estimate is required for most consumer mortgage applications, but there are specific exceptions. Commercial loans are generally not subject to the same consumer protection regulations that apply to residential loans, thus exempting them from the LE requirement. Additionally, if a loan application is denied within three business days, a Loan Estimate is not required because the loan process is effectively terminated. For bridge or swing loans, which are typically short-term loans used to bridge the gap between the purchase of a new property and the sale of an existing property, the LE requirements do not apply as they don't fit the usual consumer mortgage profile. This understanding highlights the importance of recognizing specific loan types and situations where borrower disclosures may differ from standard residential lending practices.

## 5. What is required by Mortgage Acts and Practices in advertising?

- A. You must advertise all programs available**
- B. Do not advertise a program or rate if you don't have one**
- C. You must use bait and switch tactics**
- D. Advertise based on public feedback**

The requirement outlined in the Mortgage Acts and Practices (MAP) emphasizes that if a mortgage lender or originator does not have a specific program or rate available, they should not advertise it. This is to prevent misleading consumers. The intent of this regulation is to ensure that advertisements are truthful and not deceptive, which helps maintain fairness and transparency in the mortgage lending industry. By adhering to this guideline, lenders can foster trust with potential borrowers, ensuring that the information presented in advertisements accurately reflects what is currently available. The rationale behind this regulation is to protect consumers from being lured in by false promises or non-existent offers, which can lead to confusion and disappointment. Regulations like these are essential for maintaining a fair marketplace where consumers can make informed decisions based on accurate information.

## 6. What is a potential consequence for a company that fails to comply with HMDA reporting?

- A. Increased loan approval rates**
- B. Legal penalties and fines**
- C. Reduction in customer trust**
- D. Loss of loan underwriting opportunities**

The correct answer is based on the serious repercussions associated with non-compliance with the Home Mortgage Disclosure Act (HMDA). Companies are required to report specific data related to mortgage loans to ensure transparency and prevent discrimination in lending. Failure to comply with these reporting requirements can lead to significant legal penalties and fines imposed by regulatory authorities. When a company does not adhere to HMDA, it risks facing scrutiny from entities like the Consumer Financial Protection Bureau (CFPB), which oversees compliance with such laws. The potential penalties can be costly and damaging to an organization's financial health and reputation. These consequences can serve as a powerful incentive for companies to comply with the regulations established under HMDA to promote fair lending practices.

**7. At what minimum age can a borrower apply for a reverse mortgage?**

- A. 60**
- B. 62**
- C. 65**
- D. 70**

A borrower can apply for a reverse mortgage at the minimum age of 62. This requirement is set forth by the Federal Housing Administration (FHA) for Home Equity Conversion Mortgages (HECM), which are the most common type of reverse mortgage available. The age requirement is in place because reverse mortgages are designed for seniors who have accumulated home equity and wish to convert that equity into cash while continuing to live in their homes. Eligible borrowers must be at least 62 years old to ensure that they are of a retirement age and can benefit from the financial assistance that a reverse mortgage provides. This age requirement also reflects the balance between borrower risk factors and the insurance needed to protect the lender against potential losses, considering that younger borrowers may not yet have the same level of equity or financial stability.

**8. In the context of fraud detection, what is required to take action?**

- A. Fraud must be proven in court**
- B. Fraud must only be detected**
- C. Fraud must be reported by clients**
- D. Fraud must be formally documented**

Taking action against fraud mainly relies on the detection of fraudulent activity. It is sufficient for the potential presence of fraud to be identified before any measures can be initiated. This means that if a loan originator or any involved party notices irregularities that suggest fraudulent behavior, that awareness prompts the necessary reviews, investigations, or interventions. While formal documentation and client reports are beneficial and may strengthen the case or facilitate the process, they are not prerequisites to taking action. Similarly, proving fraud in court is a separate legal process that occurs after initial detection and is not necessary to trigger action against suspected fraudulent activities. Therefore, merely detecting fraud provides the foundation for response and intervention in the context of preventing further issues and protecting stakeholders.

**9. Which of the following is NOT a question that can be asked on a mortgage application?**

- A. Employment history**
- B. Nationality**
- C. Income level**
- D. Credit history**

The choice of nationality is not an acceptable question on a mortgage application due to regulations related to fair housing and discrimination. The Equal Credit Opportunity Act (ECOA) prohibits lending institutions from discriminating against applicants based on race, color, religion, national origin, sex, marital status, or age. Asking about nationality could lead to potential bias and unfair treatment in the lending process. On the other hand, questions about employment history, income level, and credit history are standard inquiries that lenders use to assess a borrower's ability to repay a loan. These factors are critical in determining creditworthiness and the risk associated with issuing a mortgage. Employment history helps establish job stability, income level assesses financial capability, and credit history provides insight into past borrowing and repayment behaviors. Collectively, these elements aid lenders in making informed lending decisions, which is why they are included on a mortgage application form.

**10. How many free credit reports is a consumer entitled to each year?**

- A. At least one**
- B. At least two**
- C. At least three**
- D. None**

The correct answer indicates that a consumer is entitled to at least one free credit report each year from each of the three major credit reporting agencies: Experian, TransUnion, and Equifax. This provision is a part of the Fair Credit Reporting Act (FCRA), which encourages consumers to check their credit reports for accuracy and to ensure that no fraudulent activities are occurring under their names. Consumers can obtain their free credit report by visiting [AnnualCreditReport.com](https://www.annualcreditreport.com), which is the only authorized website for free credit reports. By allowing one free credit report annually, the system enables consumers to manage their credit health more effectively and helps to promote transparency in how credit information is reported and utilized. This approach is crucial for consumers to stay informed about their credit status, especially if they are considering applying for new credit or 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

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

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

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