

CALIFORNIA MORTGAGE LOAN ORIGINATOR (MLO) LICENSE PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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 is the maximum penalty for violating Dodd-Frank Tier Three, Federal Consumer Financial Laws?**
 - A. \$500,000 per violation
 - B. \$1,127,779 per violation
 - C. \$2,000,000 per violation
 - D. \$10,000 per violation
- 2. Which of the following items is NOT specifically mentioned as part of TILA guidelines?**
 - A. Qualifying Mortgage (QM)
 - B. Loan Estimate (LE)
 - C. Property Address Requirements
 - D. Advertising Rules
- 3. What does the term Table Funding refer to in the context of mortgage lending?**
 - A. A loan that the originating company is having the lender fund
 - B. A specific type of mortgage product
 - C. A method of underwriting loans
 - D. A secondary market transaction
- 4. What are the maximum seller-paid closing costs for FHA/USDA loans?**
 - A. 3%
 - B. 6%
 - C. 4%
 - D. 9%
- 5. What items are included in the 10% Tolerance items?**
 - A. Title
 - B. Recording Fees
 - C. Lender Required Inspection
 - D. All of the above

- 6. Which guidelines must appraisers follow?**
- A. FHA Standards
 - B. MQA Guidelines
 - C. USPAP
 - D. Uniform Standards
- 7. When a consumer requests no solicitations via letter or email, what must the company do?**
- A. Add them to a public registry
 - B. Remove them from all records
 - C. Add them to an internal do-not-call list
 - D. Contact them for confirmation
- 8. What is the requirement concerning public assistance during the loan qualification process?**
- A. It must be ignored in all cases
 - B. It must be considered, even if it cannot be used for qualifying
 - C. It can only be used if the borrower has received it for over a year
 - D. Public assistance status must be verified with government documents
- 9. What is the role of FNMA in the mortgage market?**
- A. To lend money directly to consumers
 - B. To insure mortgage loans
 - C. To buy and sell mortgage-backed securities
 - D. To provide financial education to consumers
- 10. What adjustments are permissible with the Sales Comparison Approach?**
- A. Net adjustments of 10% and gross adjustments of 15%
 - B. Net adjustments of 15% and gross adjustments of 20%
 - C. Net adjustments of 15% and gross adjustments of 25%
 - D. No adjustments allowed

Answers

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

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Explanations

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1. What is the maximum penalty for violating Dodd-Frank Tier Three, Federal Consumer Financial Laws?

- A. \$500,000 per violation
- B. \$1,127,779 per violation**
- C. \$2,000,000 per violation
- D. \$10,000 per violation

The maximum penalty for violating Dodd-Frank Tier Three, which encompasses various Federal Consumer Financial Laws, is set at \$1,127,779 per violation. This specific figure is adjusted annually based on inflation and is designed to reflect the severity of the violation while ensuring that penalties remain proportionate to the harm caused to consumers. This penalty structure also aims to deter future violations by establishing a significant financial consequence for non-compliance with consumer protection laws. Understanding these penalty structures is crucial for professionals in the financial services industry, as they highlight the importance of adherence to regulations established under the Dodd-Frank Act to protect consumer rights and promote ethical lending practices.

2. Which of the following items is NOT specifically mentioned as part of TILA guidelines?

- A. Qualifying Mortgage (QM)
- B. Loan Estimate (LE)
- C. Property Address Requirements**
- D. Advertising Rules

The correct answer is that the property address requirements are not specifically mentioned as part of the Truth in Lending Act (TILA) guidelines. TILA primarily focuses on ensuring that consumers are provided with accurate and clear information about the costs of borrowing and the terms of the credit products. The other items listed, such as Qualified Mortgages (QM), Loan Estimates (LE), and advertising rules, are explicitly covered under TILA and its regulations. For instance, the Loan Estimate is a key component aimed at helping consumers understand the costs associated with their loan, and Qualified Mortgages represent a category of loans that meet specific guidelines designed to protect borrowers. Additionally, advertising rules under TILA require lenders to provide accurate information in their marketing materials to avoid misleading consumers. In contrast, while a property address may be necessary for specific loan documentation and processing, it is not a requirement that TILA addresses directly, making it the correct choice in this context.

3. What does the term Table Funding refer to in the context of mortgage lending?

- A. A loan that the originating company is having the lender fund**
- B. A specific type of mortgage product
- C. A method of underwriting loans
- D. A secondary market transaction

Table Funding refers to the process used in mortgage lending where the originating company, typically a mortgage broker or lender, is able to close the loan on behalf of the actual lender without having to wait for the money to be funded at that time. This means that the closing occurs at the table, and the funds are made available immediately, which allows the borrower to receive their loan on the same day that the transaction is finalized. In this context, the originating company acts as an intermediary and is responsible for the loan documents, while the actual lender funds the loan after it has closed. This process is advantageous for both the borrower and the originating company, as it streamlines the closing process and enables quick access to funding. This clearly distinguishes Table Funding from other aspects of mortgage lending, such as different types of mortgage products, methods of underwriting, or secondary market transactions, which do not focus on the immediate availability of funds at the time of closing.

4. What are the maximum seller-paid closing costs for FHA/USDA loans?

- A. 3%
- B. 6%**
- C. 4%
- D. 9%

The maximum seller-paid closing costs for FHA and USDA loans is set at 6% of the purchase price. This guideline allows sellers to contribute a significant amount toward the buyer's closing costs, which can help make the transaction more affordable for homebuyers. By permitting a 6% contribution, these loan programs support increased accessibility to homeownership, particularly for first-time buyers who may have limited funds available for upfront expenses. This feature can be beneficial as it reduces the cash burden on buyers at closing, allowing them to allocate their savings toward down payments or reserves instead. Understanding this percentage is crucial for mortgage professionals when structuring deals and advising clients on their financial options during the home buying process.

5. What items are included in the 10% Tolerance items?

- A. Title
- B. Recording Fees
- C. Lender Required Inspection
- D. All of the above**

The 10% tolerance rule pertains to the Good Faith Estimate (GFE) and the subsequent HUD-1 settlement statement, which are used in real estate transactions to outline the costs associated with closing. Under this rule, certain categories of charges can only vary by up to 10% from the original estimates provided in the GFE to the actual costs on the HUD-1, thereby protecting consumers from unexpected increases in closing costs. Items that fall under the 10% tolerance category include charges for services that the borrower chooses from a list of providers, as well as charges for services that the lender requires the borrower to use. Specifically, title insurance (which is charged for examining and insuring the title to the property), recording fees (which are mandated by the local government for recording the transaction), and lender-required inspections (which may be necessary as part of the loan underwriting process) are all included in this category. Since all the mentioned items—title, recording fees, and lender-required inspections—fit the criteria for the 10% tolerance items, the correct response is that they collectively fall under 'all of the above.' This understanding is crucial for both borrowers and mortgage loan originators, ensuring transparency and accountability in the costs associated with obtaining a

6. Which guidelines must appraisers follow?

- A. FHA Standards
- B. MQA Guidelines
- C. USPAP**
- D. Uniform Standards

Appraisers must adhere to the Uniform Standards of Professional Appraisal Practice (USPAP) as these provide the foundational framework and guidelines for appraisal practice in the United States. USPAP establishes the rules and standards that govern how appraisals should be conducted, ensuring that appraisers act ethically and provide objective, consistent, and unbiased valuations. The guidelines set forth by USPAP are critical for maintaining the integrity of the appraisal profession, encompassing principles like competency, independence, and confidentiality. By adhering to these standards, appraisers contribute to a trustworthy real estate market, allowing stakeholders to have confidence in property valuations. While options like FHA Standards and MQA Guidelines may relate to specific aspects of property appraisal in certain contexts, they do not represent the comprehensive set of standards that govern appraisers in all scenarios as USPAP does. Thus, knowing and applying USPAP is essential for appraisers to operate legally and professionally.

7. When a consumer requests no solicitations via letter or email, what must the company do?

- A. Add them to a public registry
- B. Remove them from all records
- C. Add them to an internal do-not-call list**
- D. Contact them for confirmation

When a consumer requests no solicitations, the company is obligated to respect that request by adding them to an internal do-not-call list. This action ensures that the company refrains from reaching out to the consumer with any marketing messages, calls, or solicitations, which is crucial for maintaining consumer trust and complying with legal and regulatory standards regarding consumer privacy. The placement on an internal do-not-call list is a mechanism that companies utilize to track and manage communications with consumers who have opted out of receiving further contact. It is an acknowledgment of the consumer's wishes and helps to prevent unwanted interference. While there are other actions that could be considered, such as adding to a public registry or removing from all records, those either don't directly address the request or could lead to exceeding what is necessary to respect consumer privacy. The internal do-not-call list specifically serves the purpose of honoring the consumer's request effectively and efficiently, hence making it the appropriate response.

8. What is the requirement concerning public assistance during the loan qualification process?

- A. It must be ignored in all cases
- B. It must be considered, even if it cannot be used for qualifying**
- C. It can only be used if the borrower has received it for over a year
- D. Public assistance status must be verified with government documents

The requirement concerning public assistance during the loan qualification process emphasizes the importance of considering all sources of income, including public assistance. This is true even if that income may not necessarily fit the traditional criteria for qualifying for a loan. It ensures that lenders take a comprehensive view of the borrower's financial situation, which includes all forms of income that the borrower receives on a regular basis. In particular, public assistance can demonstrate a borrower's financial stability and ability to make mortgage payments, even if it isn't directly used to meet the income requirement. By considering public assistance, lenders can make more informed decisions regarding the borrower's ability to repay the loan, which ultimately aids in responsible lending and helps prevent defaults. The requirement is crucial in fostering inclusivity in the housing market, as it allows for greater access to financing for those who may rely on public assistance as part of their income stream. This approach recognizes the diverse financial backgrounds of borrowers and supports equitable lending practices.

9. What is the role of FNMA in the mortgage market?

- A. To lend money directly to consumers
- B. To insure mortgage loans
- C. To buy and sell mortgage-backed securities**
- D. To provide financial education to consumers

The Federal National Mortgage Association (FNMA), commonly known as Fannie Mae, plays a crucial role in the mortgage market by buying and selling mortgage-backed securities. This function helps provide liquidity, stability, and affordability in the housing market. When Fannie Mae purchases mortgages from lenders, it enables those lenders to free up capital, which they can then use to issue more loans. This process ultimately supports the flow of mortgage credit to consumers, making homeownership more accessible. In the context of the options presented, buying and selling mortgage-backed securities is essential for ensuring an efficient market where mortgages can be easily traded. This activity stabilizes mortgage interest rates and promotes the availability of mortgage loans, which is vital for fostering a healthy housing market. The other options do not accurately reflect FNMA's role. For instance, while Fannie Mae does not lend money directly to consumers, such lending is typically the role of banks or mortgage lenders. Additionally, while FNMA does not provide insurance for mortgage loans — that function is served by entities like the Federal Housing Administration (FHA) or private mortgage insurance companies — it works with various stakeholders in the market. Finally, Fannie Mae does not focus on providing financial education to consumers, which is typically handled by non

10. What adjustments are permissible with the Sales Comparison Approach?

- A. Net adjustments of 10% and gross adjustments of 15%
- B. Net adjustments of 15% and gross adjustments of 20%
- C. Net adjustments of 15% and gross adjustments of 25%**
- D. No adjustments allowed

The Sales Comparison Approach involves comparing a property to similar properties that have recently sold in the same area to estimate its value. In this approach, adjustments are made to account for differences between the comparables and the subject property. Permissible adjustments are crucial since they ensure that the valuation reflects the actual market conditions and characteristics of the properties being compared. The accepted range for net adjustments in the Sales Comparison Approach is up to 15%, while gross adjustments can reach up to 25%. This means that when assessing comparables, the total adjustments for various factors (such as size, condition, and location) made to equalize differences are capped at these percentages. Option C accurately reflects these industry standards. It allows assessors to make necessary adjustments while also maintaining a level of consistency and reliability in the appraisals. Thus, when applying this approach, the adjustments must not exceed these thresholds to ensure that the valuation remains credible and relevant in the market.

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://californiamlo.examzify.com>

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

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