

# California Nationwide Multistate Licensing System & Registry (NMLS) Practice Test (Sample)

## Study Guide



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

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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

- 1. How soon must one notify the Department of Real Estate about a change of address?**
  - A. Immediately (no later than the next business day)**
  - B. Thirty (30) days**
  - C. Ninety (90) days**
  - D. Seven (7) business days**
- 2. How often must mortgage loan originators complete continuing education?**
  - A. Every year**
  - B. Every two years**
  - C. Every three years**
  - D. Every five years**
- 3. When does the continuing education (CE) period end in California?**
  - A. A. April 15th, annually**
  - B. B. December 1st, annually**
  - C. C. January 31st, annually**
  - D. D. October 31st, annually**
- 4. An applicant for a mortgage loan originator's license must complete which of the following requirements?**
  - A. Meet specific credit score guidelines**
  - B. Complete a background check**
  - C. Complete pre-licensing education requirements**
  - D. Join a professional organization**
- 5. What is the purpose of the RE 866 Mortgage Loan Activity Notification?**
  - A. A. To request a loan modification**
  - B. B. To notify the state of a loan activity**
  - C. C. To amend a loan application**
  - D. D. To close a loan file**

- 6. Why does the state require that an originator only be allowed to work for one lender or broker at a time?**
- A. A. They don't want originators to "double dip" fees.**
  - B. B. They don't want the extra paperwork burden of multiple locations.**
  - C. C. Working for multiple lenders simultaneously is allowed.**
  - D. D. It creates conflicts of interest, which can lead to predatory practices such as steering.**
- 7. Who oversees real estate brokers performing mortgage loan activities?**
- A. The comptroller**
  - B. The Department of Financial and Regulatory Institutions**
  - C. The Department of Real Estate**
  - D. The Mortgage Broker Association**
- 8. \_\_\_\_\_ requires states to establish and adopt minimum provisions and uniform standards for the licensing and registration of mortgage lending businesses and brokers.**
- A. A. The Housing and Economic Recovery Act (HERA)**
  - B. B. The Home Mortgage Disclosure Act (HMDA)**
  - C. C. The Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)**
  - D. D. Real Estate Settlement Procedures Act (RESPA)**
- 9. In mortgage lending, what does APR stand for?**
- A. Annual Percentage Rate**
  - B. Average Payment Rate**
  - C. Adjusted Price Rate**
  - D. Annual Payment Return**
- 10. What must be included in advertisements of a Mortgage Loan Originator (MLO)?**
- A. Website**
  - B. Branch fax number**
  - C. The MLO's employment ID number**
  - D. The MLO's unique identifier**



## **Answers**

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

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## **Explanations**

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**1. How soon must one notify the Department of Real Estate about a change of address?**

- A. Immediately (no later than the next business day)**
- B. Thirty (30) days**
- C. Ninety (90) days**
- D. Seven (7) business days**

The requirement to notify the Department of Real Estate about a change of address is set forth in real estate regulations, which emphasize the importance of maintaining accurate and current contact information for licensed real estate professionals. By mandating notification immediately or no later than the next business day, the regulation ensures that the department can efficiently correspond with the licensee and keep the records up to date, which is crucial for regulatory compliance and communication. Timely notification helps prevent potential issues such as missed correspondence regarding licensing, renewals, or compliance matters. It contributes to an organized and accountable industry, allowing for better oversight and protection for both the professionals involved and the consumers they serve. This immediate action is intended to facilitate smooth operations within the regulatory framework. While other options suggest later time frames, they do not align with the urgency of ensuring that the Department has current contact information for all licensed individuals. Prompt notification is essential for maintaining the integrity of professional licensing systems and communication channels.

**2. How often must mortgage loan originators complete continuing education?**

- A. Every year**
- B. Every two years**
- C. Every three years**
- D. Every five years**

Mortgage loan originators are required to complete continuing education every two years in order to maintain their licensure. This requirement helps ensure that loan originators stay updated on current laws, regulations, and best practices within the mortgage industry. Continuing education is essential for enhancing their skills and knowledge, which ultimately contributes to maintaining a competent and professional workforce. This biannual requirement is outlined in the Secure and Fair Enforcement for Mortgage Licensing Act, which establishes a framework for the licensing and education of mortgage loan originators across states. Keeping the education cycle to every two years allows industry professionals to remain adept and informed in a field that frequently evolves due to changes in laws and market conditions.

**3. When does the continuing education (CE) period end in California?**

- A. A. April 15th, annually**
- B. B. December 1st, annually**
- C. C. January 31st, annually**
- D. D. October 31st, annually**

The continuing education (CE) period in California for mortgage loan originators ends on October 31st of each year. This deadline is established to ensure that licensees complete their required education on a timely basis, allowing them to maintain their licenses without lapses. Meeting the CE requirements by this date is critical for compliance and to avoid penalties or renewal issues. The focus on October 31st aligns with regulatory guidelines, providing a clear and consistent timeline for all mortgage professionals in the state. Additionally, this allows for sufficient time for licensees to complete the necessary coursework and report their completion before the renewal process begins, ensuring they are adequately prepared for regulatory evaluations and staying informed about current practices and laws in the industry.

**4. An applicant for a mortgage loan originator's license must complete which of the following requirements?**

- A. Meet specific credit score guidelines**
- B. Complete a background check**
- C. Complete pre-licensing education requirements**
- D. Join a professional organization**

To obtain a mortgage loan originator's license, the requirement to complete pre-licensing education is critical. This training involves understanding federal laws governing mortgage origination, ethical practices, and other vital aspects of the mortgage industry. The pre-licensing education courses ensure that applicants are equipped with the necessary knowledge and skills to ethically and effectively perform their duties in the field. Completing the required pre-licensing education establishes a foundational level of competency that regulators expect from mortgage loan originators. This requirement is part of the broader framework designed to protect consumers and maintain the integrity of the lending process. While other requirements may exist, such as undergoing a background check or adhering to credit score guidelines, they do not replace the need for formal education. Joining a professional organization can be beneficial but is not a prerequisite for obtaining the license. Thus, completion of pre-licensing education is an essential step in the licensing process.

**5. What is the purpose of the RE 866 Mortgage Loan Activity Notification?**

- A. A. To request a loan modification**
- B. B. To notify the state of a loan activity**
- C. C. To amend a loan application**
- D. D. To close a loan file**

The RE 866 Mortgage Loan Activity Notification serves a crucial role in keeping the state informed about specific mortgage loan activities. By using this form, industry professionals can update the state regarding changes or actions related to mortgage loan transactions. This ensures compliance with regulatory requirements and promotes transparency within the mortgage industry. The purpose of notifying the state is to maintain accurate records of mortgage activities, which can include the initiation of loans, changes in loan terms, or other significant updates that impact the status of the mortgage. This is vital for regulatory tracking and oversight, helping to protect consumers and ensure the market operates fairly and efficiently. In contrast, the other options do not accurately capture the function of the RE 866 form. For instance, loan modifications, amending loan applications, or closing loan files pertain to specific processes within mortgage lending but do not align with the primary purpose of notifying state authorities about loan activity.

**6. Why does the state require that an originator only be allowed to work for one lender or broker at a time?**

- A. A. They don't want originators to "double dip" fees.**
- B. B. They don't want the extra paperwork burden of multiple locations.**
- C. C. Working for multiple lenders simultaneously is allowed.**
- D. D. It creates conflicts of interest, which can lead to predatory practices such as steering.**

The requirement for an originator to work for only one lender or broker at a time is primarily aimed at preventing conflicts of interest that can arise in the mortgage lending process. When an originator is affiliated with multiple lenders, there is a risk that their decisions could be influenced by their personal interests or the incentives offered by different lenders, leading to practices that may not be in the best interest of the consumer. For instance, an originator might prioritize loans from one lender over another due to higher commissions or incentives, which could result in steering borrowers towards products that may not be the most suitable for their needs. This can undermine the integrity of the lending process and potentially expose consumers to unfavorable loan terms or conditions. By restricting originators to a single lender or broker, the state aims to promote transparency and fairness in the mortgage market, ensuring that the recommendations and advice given to borrowers are based on the best options available rather than personal gain. This regulation helps maintain a level playing field and protects consumers from unethical practices that could arise from divided loyalties.

**7. Who oversees real estate brokers performing mortgage loan activities?**

- A. The comptroller**
- B. The Department of Financial and Regulatory Institutions**
- C. The Department of Real Estate**
- D. The Mortgage Broker Association**

The oversight of real estate brokers who engage in mortgage loan activities falls within the purview of the Department of Real Estate (DRE). This regulatory body is responsible for licensing and regulating real estate professionals in California, which includes brokers involved in mortgage lending. The DRE ensures that these brokers adhere to the applicable laws and regulations, thereby maintaining industry standards and protecting consumers. The other entities mentioned, such as the comptroller and the Mortgage Broker Association, do not have a direct regulatory role over real estate brokers in the context of mortgage transactions. The Department of Financial and Regulatory Institutions typically relates to different aspects of financial oversight but does not specifically focus on real estate brokering activities. Therefore, the Department of Real Estate is the correct authority that oversees real estate brokers in their mortgage loan activities, ensuring they operate within the legal framework established for the industry.

**8. \_\_\_\_\_ requires states to establish and adopt minimum provisions and uniform standards for the licensing and registration of mortgage lending businesses and brokers.**

- A. A. The Housing and Economic Recovery Act (HERA)**
- B. B. The Home Mortgage Disclosure Act (HMDA)**
- C. C. The Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)**
- D. D. Real Estate Settlement Procedures Act (RESPA)**

The Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) is the law that mandates states to create and implement minimum provisions and uniform standards for the licensing and registration of mortgage lending businesses and brokers. This legislation was enacted to enhance consumer protections and reduce fraud by establishing a national framework for the licensing of mortgage loan originators. The SAFE Act requires state licensing agencies to work together to set consistent requirements, thus ensuring that mortgage professionals meet specific educational, background check, and testing standards. The SAFE Act aims to provide greater transparency and accountability within the mortgage industry, ultimately promoting responsible lending practices. By having uniform regulations across different states, the Act intends to facilitate the movement of mortgage professionals across state lines while ensuring that consumers are protected no matter where they seek mortgage services. In contrast, other acts mentioned in the choices focus on different aspects of housing and finance. For example, the Housing and Economic Recovery Act (HERA) primarily addresses issues related to housing finance and reforming government-sponsored enterprises. The Home Mortgage Disclosure Act (HMDA) is centered around collecting data to ensure mortgage lending practices are fair and transparent but does not directly establish licensing standards. The Real Estate Settlement Procedures Act (RESPA) focuses on disclosures related to the costs of settlement services in real

**9. In mortgage lending, what does APR stand for?**

**A. Annual Percentage Rate**

**B. Average Payment Rate**

**C. Adjusted Price Rate**

**D. Annual Payment Return**

The term APR stands for Annual Percentage Rate, which is a critical concept in mortgage lending and finance. APR represents the total yearly cost of borrowing, expressed as a percentage. It includes not only the interest rate on the loan but also any additional costs or fees that may be associated with obtaining the mortgage, such as closing costs and other charges. This comprehensive view allows borrowers to understand the true cost of a loan over a year, making it easier to compare different loan offers. By presenting the total cost of financing in a standardized way, APR helps consumers make informed decisions and determine which mortgage is more financially beneficial over time. Understanding APR is essential for anyone involved in the mortgage lending process, as it impacts affordability and the long-term financial outcome of homeownership.

**10. What must be included in advertisements of a Mortgage Loan Originator (MLO)?**

**A. Website**

**B. Branch fax number**

**C. The MLO's employment ID number**

**D. The MLO's unique identifier**

In the context of advertising for a Mortgage Loan Originator (MLO), it is essential to include the MLO's unique identifier. This unique identifier plays a critical role in ensuring transparency and accountability in the mortgage industry. It allows consumers to easily verify the credentials of an MLO through the Nationwide Multistate Licensing System & Registry (NMLS) database. By including the unique identifier in advertisements, consumers are provided with a straightforward tool to access vital information about the MLO, such as their licensing status and record of any disciplinary actions. While other information like a website address or contact details can be useful for potential clients, the inclusion of the unique identifier is specifically mandated to promote consumer protection and informed decision-making in the mortgage lending process. Such requirements are designed to enhance trust and security in the financial services being offered.



## 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://californianmlscertification.examzify.com>**

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