

CALIFORNIA NATIONWIDE MULTISTATE LICENSING SYSTEM & REGISTRY (NMLS) 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. When is a broker responsible for a violation of an act by a mortgage loan originator (MLO)?**
 - A. A. When the broker sponsors the MLO
 - B. B. When the broker's surety bond covers the MLO
 - C. C. When the broker and the MLO work in the same office building
 - D. D. When the MLO is independently licensed
- 2. Which of the following statements about continuing education for mortgage license renewal is incorrect?**
 - A. A student cannot repeat the same course each licensing cycle.
 - B. Only NMLS approved courses will count towards the required hours.
 - C. An applicant must complete the education during the year prior to renewal.
 - D. NMLS approved education completed in another state will not count towards the required hours.
- 3. Which of the following is a responsibility of MLOs?**
 - A. To service existing mortgages
 - B. To collect payments on loans
 - C. To take applications and negotiate loan terms
 - D. To manage real estate sales
- 4. You are exempt from completing the 20 hours of SAFE pre-education if:**
 - A. A. You pay the fees for the application to originate
 - B. B. You never can be exempt
 - C. C. You hold a CA DRE license
 - D. D. You work under a licensed employer
- 5. What is the net worth requirement for California Residential Mortgage Lending Act (CRMLA) licensees?**
 - A. \$250,000
 - B. \$50,000
 - C. \$1,000,000
 - D. \$150,000

- 6. What is required to become a California mortgage loan originator?**
- A. Completion of a business degree
 - B. Passing a state licensing exam
 - C. A minimum of two years experience in lending
 - D. Ownership of a mortgage company
- 7. What does pre-approval signify in the mortgage application process?**
- A. An informal assessment of borrowing potential by real estate agents
 - B. A thorough evaluation confirming a buyer's eligibility for a loan
 - C. A preliminary income verification by a tax professional
 - D. An estimate of how much a borrower could potentially borrow without documentation
- 8. Under what condition may a lender require a borrower to use a trust account for payment of taxes and property insurance?**
- A. If the loan amount is 90% LTV or greater
 - B. If the loan amount is 80% LTV or greater
 - C. If the loan amount is 75% LTV or greater
 - D. If the loan amount is below 75% LTV
- 9. What is the consequence of failing to appear for a hearing regarding fraudulent acts?**
- A. Suspension of your license
 - B. Revocation of your license
 - C. Your license becomes expired
 - D. Nothing. Your license stays active and clear.
- 10. Which statement regarding bona fide third-party expenses for a mortgage loan is NOT true?**
- A. The funds must be placed in a separate account
 - B. The lender must keep accurate accounting for all funds collected
 - C. The lender cannot collect third-party fees and must direct the applicant to pay them directly
 - D. The lender cannot retain any portion of the third-party fees

Answers

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

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Explanations

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1. When is a broker responsible for a violation of an act by a mortgage loan originator (MLO)?

- A. A. When the broker sponsors the MLO**
- B. B. When the broker's surety bond covers the MLO
- C. C. When the broker and the MLO work in the same office building
- D. D. When the MLO is independently licensed

A broker is responsible for a violation of an act by a mortgage loan originator (MLO) primarily when the broker sponsors the MLO. This relationship establishes a framework where the broker has a level of oversight and responsibility regarding the MLO's actions. Sponsorship implies that the broker supports and is involved in the MLO's activities, and therefore, any misconduct or violations that occur during the course of the MLO's duties can reflect back on the broker. In the context of the other options, having a surety bond that covers the MLO does not automatically place the responsibility on the broker for the actions of the MLO; rather, the bond serves as a financial safeguard against potential defaults or violations, but does not shift accountability. Working in the same office building signifies a shared physical location but does not inherently create responsibility for the actions taken by the MLO. Lastly, if the MLO is independently licensed, it indicates that the MLO can operate without a broker's sponsorship, thereby reducing the broker's liability for the MLO's actions.

2. Which of the following statements about continuing education for mortgage license renewal is incorrect?

- A. A student cannot repeat the same course each licensing cycle.
- B. Only NMLS approved courses will count towards the required hours.
- C. An applicant must complete the education during the year prior to renewal.
- D. NMLS approved education completed in another state will not count towards the required hours.**

The choice stating that NMLS-approved education completed in another state will not count towards the required hours is not accurate. In fact, education courses that are approved by the NMLS, regardless of the state in which they were taken, typically count towards the required continuing education hours for mortgage license renewal. This is beneficial for individuals who may have taken courses while residing in a different state or those who travel for education purposes, as it allows for flexibility in meeting renewal requirements. In contrast, the other statements correctly reflect the requirements of continuing education for license renewal. For example, a student cannot repeat the same course during a licensing cycle to ensure that they are receiving varied and updated education. Additionally, only courses that are specifically approved by NMLS count towards the required hours, ensuring that the education is relevant and meets regulatory standards. Lastly, applicants must complete the necessary education within the year leading up to their license renewal to ensure that they are up-to-date with current practices and regulations in the mortgage industry.

3. Which of the following is a responsibility of MLOs?

- A. To service existing mortgages
- B. To collect payments on loans
- C. To take applications and negotiate loan terms**
- D. To manage real estate sales

The responsibility of mortgage loan originators (MLOs) primarily includes taking applications and negotiating loan terms. This involves interacting with potential borrowers to understand their financial needs and advising them on the loan products that best fit those needs. MLOs assess a borrower's creditworthiness and gather necessary documentation to facilitate the loan process. Their role is critical in ensuring that applicants receive the right information about different loan options and that they are processed effectively, which directly impacts the borrowers' experiences and satisfaction. Other roles such as servicing existing mortgages, collecting payments, and managing real estate sales are typically not duties of MLOs. Servicing existing mortgages and collecting payments are generally handled by loan servicers who focus on managing the loan after it has been closed. Similarly, management of real estate sales falls under the responsibilities of real estate agents or brokers, which is a different professional role compared to that of an MLO.

4. You are exempt from completing the 20 hours of SAFE pre-education if:

- A. A. You pay the fees for the application to originate
- B. B. You never can be exempt
- C. C. You hold a CA DRE license**
- D. D. You work under a licensed employer

Holding a California Department of Real Estate (DRE) license provides an exemption from completing the 20 hours of SAFE pre-education required for mortgage loan originators. This exemption applies because the DRE license signifies that the individual has already met certain educational and competency standards established by California law for real estate professionals. Such qualifications ensure that those with a DRE license possess foundational knowledge relevant to mortgage origination, thus reducing the need for additional SAFE pre-education training specifically for that role. In the context of the other options, simply paying application fees does not fulfill educational requirements, nor does it provide an exemption. The statement that one "never can be exempt" contradicts the fact that holding a DRE license does indeed create a pathway for exemption. Lastly, working under a licensed employer does not directly provide an exemption from the educational requirements; it simply refers to compliance with employment conditions within the industry.

5. What is the net worth requirement for California Residential Mortgage Lending Act (CRMLA) licensees?

- A. \$250,000**
- B. \$50,000
- C. \$1,000,000
- D. \$150,000

The net worth requirement for California Residential Mortgage Lending Act (CRMLA) licensees is set at \$250,000. This requirement ensures that licensees have a sufficient financial foundation to manage the mortgage lending business responsibly and to cover any potential liabilities that may arise in the course of operations. By establishing this minimum net worth, the CRMLA aims to promote financial stability within the mortgage industry, providing a level of consumer protection, as it indicates that lenders have enough capital to operate effectively. It also helps in maintaining a standard of professionalism in the industry, as licensees are expected to maintain this financial threshold to be licensed. The other potential values do not reflect the established minimum net worth requirement for CRMLA licensees. A different figure may not ensure the same level of financial security and trustworthiness expected from mortgage lenders operating under the act.

6. What is required to become a California mortgage loan originator?

- A. Completion of a business degree
- B. Passing a state licensing exam**
- C. A minimum of two years experience in lending
- D. Ownership of a mortgage company

To become a California mortgage loan originator, passing a state licensing exam is a fundamental requirement. This exam evaluates the candidate's knowledge of state and federal laws, regulations, and mortgage industry practices. It ensures that the originator is equipped to handle the responsibilities of the role, including compliance with legal standards, ethical practices, and understanding of loan products. The other options do not align with the specific requirements for licensure. A business degree is not necessary, experience in lending is not mandated as a prerequisite, and owning a mortgage company is unrelated to individual licensing requirements for mortgage loan originators. Therefore, successfully passing the state licensing exam is the key criterion to pursue a career as a mortgage loan originator in California.

7. What does pre-approval signify in the mortgage application process?

- A. An informal assessment of borrowing potential by real estate agents
- B. A thorough evaluation confirming a buyer's eligibility for a loan**
- C. A preliminary income verification by a tax professional
- D. An estimate of how much a borrower could potentially borrow without documentation

Pre-approval in the mortgage application process signifies a thorough evaluation confirming a buyer's eligibility for a loan. During the pre-approval process, lenders conduct a comprehensive analysis of the borrower's financial situation, which includes assessing credit history, income verification, existing debts, and other financial obligations. This evaluation enables the lender to provide a written commitment to the borrower, indicating that they are eligible for a specific loan amount based on the information provided. This level of assessment is more robust than a simple estimate or informal assessment, allowing borrowers to understand how much they can borrow and gives them a stronger position when making offers on homes. A pre-approval is typically more powerful than just a pre-qualification, which might only consider basic financial information without in-depth verification. It also sets realistic expectations for both buyers and sellers in the housing market.

8. Under what condition may a lender require a borrower to use a trust account for payment of taxes and property insurance?

- A. If the loan amount is 90% LTV or greater**
- B. If the loan amount is 80% LTV or greater
- C. If the loan amount is 75% LTV or greater
- D. If the loan amount is below 75% LTV

A lender may require a borrower to use a trust account for the payment of taxes and property insurance when the loan amount is at a loan-to-value (LTV) ratio of 90% or greater. This requirement is rooted in risk management practices. Lenders impose this condition primarily because a higher LTV indicates that the borrower has less equity in the property, increasing the lender's risk exposure. By requiring a trust account, lenders ensure that funds for property taxes and insurance premiums are set aside and managed, thereby reducing the risk of the borrower defaulting on these obligations. This protective measure safeguards the property and the lender's investment, ensuring that property taxes are paid on time and insurance coverage is maintained, mitigating potential liabilities or losses that might arise if these obligations were neglected. Understanding the importance of equity in the context of borrower risk helps clarify why LTV ratios are critical in lending policies. For instance, if the LTV is lower than 90%, it generally indicates that the borrower has more equity in the property, which may lower the perceived risk for the lender and could result in more lenient requirements concerning the use of a trust account.

9. What is the consequence of failing to appear for a hearing regarding fraudulent acts?

- A. Suspension of your license**
- B. Revocation of your license
- C. Your license becomes expired
- D. Nothing. Your license stays active and clear.

When an individual fails to appear for a hearing pertaining to fraudulent acts, a likely consequence is the suspension of their license. This action serves as a disciplinary measure, ensuring that individuals involved in potential wrongdoing are held accountable. The process of suspending a license is often initiated to protect consumers and maintain the integrity of the profession. A suspension typically signifies that the regulatory body recognizes the seriousness of the allegations or the fact that the individual did not participate in the proceedings meant to address those allegations. This can create an environment where the individual is temporarily barred from operating legally in their profession until the matter is resolved. Revocation of the license could be a more severe outcome for proven violations, but it is not necessarily an immediate consequence of failing to attend a hearing. The other options, like the license becoming expired or remaining active and clear, do not align with the typical regulatory responses in cases of serious allegations, such as fraud. Therefore, suspension acts as an interim measure that emphasizes the importance of the hearing and the accountability of the individual involved.

10. Which statement regarding bona fide third-party expenses for a mortgage loan is NOT true?

- A. The funds must be placed in a separate account
- B. The lender must keep accurate accounting for all funds collected
- C. The lender cannot collect third-party fees and must direct the applicant to pay them directly**
- D. The lender cannot retain any portion of the third-party fees

In the context of bona fide third-party expenses associated with a mortgage loan, the statement that is not true is that "the lender cannot collect third-party fees and must direct the applicant to pay them directly." This assertion is inaccurate because lenders often collect these third-party fees on behalf of service providers, such as appraisers or title companies, as part of the loan transaction. When lenders facilitate the collection of such fees, it is typical for them to include these costs in the overall cost of the loan. However, to ensure compliance with regulatory standards and proper handling of funds, lenders are required to maintain clear and precise records of all funds collected, which aligns with the necessity for accurate accounting of expenses. Additionally, third-party funds are usually placed in a separate account to ensure they are accounted for correctly and used appropriately for the intended purposes. Furthermore, the lender is prohibited from retaining any portion of these fees, ensuring that the costs charged to borrowers are fair and transparent. Overall, the role of the lender in collecting third-party fees and ensuring the proper accounting of these funds is a standard practice within the mortgage lending industry, making the incorrect option the assertion that implies lenders should not collect these fees at all.

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://californianmlscertification.examzify.com>

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

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