

# CFPB Mortgage Compliance Training (MCT) 4 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

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- 1. Which of the following organizations is responsible for implementing the Fair Credit Reporting Act?**
  - A. Consumer Financial Protection Bureau**
  - B. Federal Trade Commission**
  - C. Federal Reserve Bank**
  - D. National Credit Union Administration**
  
- 2. Which is a prohibited practice involving a high-cost mortgage?**
  - A. Advising a consumer to stop making payments on an existing loan**
  - B. Imposing a late fee of 2% of the past due payment amount, 15 days after the due date**
  - C. Making a payment on a home improvement contract payable to the consumer and the contractor**
  - D. Refinancing only after the first year of the mortgage**
  
- 3. Which of the following practices is required by the Equal Credit Opportunity Act (ECOA)?**
  - A. Lenders must offer loans to all applicants**
  - B. Lenders must evaluate applicants based on their credit history**
  - C. Lenders must assess applications without considering the applicant's demographics**
  - D. Lenders must provide reasoning for rejecting applications**
  
- 4. Which statement is true regarding flood insurance requirements for mortgages?**
  - A. It is optional for properties in flood zones.**
  - B. It is required only for government-backed loans.**
  - C. It must be obtained if the property is in a designated flood hazard area.**
  - D. It is only necessary for properties with a high risk of flooding.**

- 5. What disclosures are mandated under the Home Mortgage Disclosure Act (HMDA)?**
- A. Lenders must disclose information regarding loan applications, including demographics.**
  - B. Lenders must disclose information about their annual profits.**
  - C. Borrowers must disclose their credit scores.**
  - D. Real estate agents must disclose property values.**
- 6. Which party is typically responsible for enforcing violations against UDAAP?**
- A. State regulators**
  - B. The Department of Justice**
  - C. The Federal Trade Commission**
  - D. The Consumer Financial Protection Bureau**
- 7. What does the term "escrow" refer to in the context of mortgages?**
- A. A legal agreement to buy a home**
  - B. A type of mortgage insurance**
  - C. A neutral third party holding funds for transactions**
  - D. The final approval process for a mortgage**
- 8. What is a key requirement for a mortgage to qualify as a Qualified Mortgage (QM)?**
- A. It must have a fixed interest rate**
  - B. It must allow for higher borrowing limits**
  - C. It must meet specific borrower qualification criteria**
  - D. It must require no credit check**
- 9. What significant change was introduced by TRID regarding disclosure forms?**
- A. Introduction of an appraisal summary**
  - B. Consolidation of the Loan Estimate and Closing Disclosure forms**
  - C. Changes to mortgage repayment plans**
  - D. Elimination of credit checks**

**10. What must lenders do if a consumer's application for credit is denied?**

- A. Notify the consumer verbally**
- B. Provide the consumer with a written explanation of the denial**
- C. Require the consumer to reapply**
- D. Contact the consumer to offer alternative credit options**

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## Answers

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

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## **Explanations**

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**1. Which of the following organizations is responsible for implementing the Fair Credit Reporting Act?**

- A. Consumer Financial Protection Bureau**
- B. Federal Trade Commission**
- C. Federal Reserve Bank**
- D. National Credit Union Administration**

The organization responsible for implementing the Fair Credit Reporting Act (FCRA) is the Consumer Financial Protection Bureau (CFPB). The FCRA was enacted to promote the accuracy, fairness, and privacy of consumer information contained in the files of consumer reporting agencies. The CFPB has the authority to enforce the provisions of the FCRA, which includes overseeing compliance from financial institutions and addressing consumer complaints regarding credit reporting practices. The CFPB's role involves ensuring that credit reporting companies provide accurate data to consumers, that consumers receive their credit reports, and that they are aware of their rights under the FCRA. This makes the CFPB the key player in the enforcement and education efforts surrounding the fair treatment of consumers in the context of credit reporting. While the Federal Trade Commission (FTC) also plays a role in protecting consumer rights and enforcing fair credit practices, its focus is more on overall enforcement of consumer protection laws, including the FCRA, rather than being the primary enforcer. The Federal Reserve Bank and the National Credit Union Administration primarily deal with monetary policy and supervision of financial institutions, respectively, rather than direct enforcement of consumer protection laws like the FCRA.

**2. Which is a prohibited practice involving a high-cost mortgage?**

- A. Advising a consumer to stop making payments on an existing loan**
- B. Imposing a late fee of 2% of the past due payment amount, 15 days after the due date**
- C. Making a payment on a home improvement contract payable to the consumer and the contractor**
- D. Refinancing only after the first year of the mortgage**

The practice of advising a consumer to stop making payments on an existing loan is considered prohibited, especially in the context of high-cost mortgages. This is primarily due to the potential harm it could cause to the consumer's financial stability and creditworthiness. Such advice can lead to defaults and foreclosures, putting consumers in a much worse financial position. The CFPB's regulations are designed to protect consumers from harmful practices that could exacerbate their financial troubles. Therefore, advising a consumer to halt payments without considering their personal financial situation and the consequences involved represents a significant violation of ethical practices in lending. In contrast, the other options do not inherently present the same degree of consumer harm as the advised practice. Imposing a late fee after 15 days is a common practice allowed within certain limits, and payments on home improvement contracts can be structured in various ways as long as they comply with regulations. Additionally, refinancing limitations, including a one-year term, can be a part of contractual agreements that lenders may structure within legal parameters. However, these practices must still adhere to the overarching principles of consumer protection established by the CFPB and other regulatory bodies.

**3. Which of the following practices is required by the Equal Credit Opportunity Act (ECOA)?**

- A. Lenders must offer loans to all applicants**
- B. Lenders must evaluate applicants based on their credit history**
- C. Lenders must assess applications without considering the applicant's demographics**
- D. Lenders must provide reasoning for rejecting applications**

The practice mandated by the Equal Credit Opportunity Act (ECOA) ensures that lending decisions are made without considering an applicant's demographic factors such as race, color, religion, national origin, sex, marital status, or age. This is crucial to promote fairness and equality in credit access, allowing all individuals an equal opportunity to obtain loans regardless of their personal characteristics. By following this requirement, lenders help eliminate discrimination in the credit process and affirm that lending decisions should solely rely on financial qualifications and creditworthiness rather than any unrelated attributes. In this context, while evaluating applicants based on credit history is important, it must be done with full awareness that demographic factors should not play a role in that assessment. Additionally, while providing reasoning for rejecting applications is good practice and promotes transparency, it is not a requirement under ECOA. The emphasis is on ensuring that the decision-making process is non-discriminatory to uphold the principle of equal credit opportunity for all applicants.

**4. Which statement is true regarding flood insurance requirements for mortgages?**

- A. It is optional for properties in flood zones.**
- B. It is required only for government-backed loans.**
- C. It must be obtained if the property is in a designated flood hazard area.**
- D. It is only necessary for properties with a high risk of flooding.**

The correctness of the answer revolves around the regulatory framework governing flood insurance in relation to properties located in designated flood hazard areas. Flood insurance is a critical requirement under the National Flood Insurance Program (NFIP), which seeks to mitigate the financial impact of flooding on properties, particularly those situated in areas mapped by the Federal Emergency Management Agency (FEMA) as prone to flooding. When a property is located in a designated flood hazard area, it is not just recommended but mandated to obtain flood insurance if the property is financed through a federally backed mortgage. This is applicable regardless of whether the loan is through a government entity or not. The goal is to ensure that homeowners have the necessary coverage to protect against potential flood damage, which can lead to significant financial loss. The presence of flood insurance helps safeguard both the homeowner's investment and the financial institution's interest in the mortgage, thereby aligning with lending requirements and flood risk management practices. Thus, obtaining flood insurance is a critical compliance measure for properties located in identified flood zones.

**5. What disclosures are mandated under the Home Mortgage Disclosure Act (HMDA)?**

**A. Lenders must disclose information regarding loan applications, including demographics.**

**B. Lenders must disclose information about their annual profits.**

**C. Borrowers must disclose their credit scores.**

**D. Real estate agents must disclose property values.**

The Home Mortgage Disclosure Act (HMDA) requires lenders to gather and report specific data concerning mortgage lending patterns to ensure that financial institutions are serving the housing needs of their communities and to assist in identifying any discriminatory lending practices. One of the primary disclosures mandated under HMDA relates to mortgage loan applications, which includes information about the applicant's demographics such as race, ethnicity, and gender, as well as information about the loan itself. This data collection and disclosure aim to promote transparency in lending and enable regulators to monitor fair lending practices. This requirement is crucial for analyzing lending trends and assessing whether certain demographic groups are underserved in the market. The other options listed do not align with the objectives or stipulations of HMDA, as they focus on profit disclosures, borrower credit score reporting, or property value determinations, which are not part of the HMDA reporting requirements.

**6. Which party is typically responsible for enforcing violations against UDAAP?**

**A. State regulators**

**B. The Department of Justice**

**C. The Federal Trade Commission**

**D. The Consumer Financial Protection Bureau**

The Consumer Financial Protection Bureau (CFPB) is the primary agency responsible for enforcing the prohibition against unfair, deceptive, or abusive acts or practices (UDAAP). Established after the financial crisis of 2008, the CFPB was created to protect consumers in the financial sector and to ensure that financial institutions are accountable for their actions. The agency has broad authority to address UDAAP violations, enabling it to investigate complaints, enforce regulations, and impose penalties on entities that engage in such practices. This responsibility stems from the CFPB's mission to highlight consumer protection in financial services, granting it the regulatory power to oversee a wide range of consumer financial products and services. The CFPB's authority allows it to take action on behalf of consumers who may have been harmed by unfair or deceptive practices, making it an essential player in maintaining fair market practices. While other organizations, such as state regulators, the Department of Justice, and the Federal Trade Commission, have their own roles in broader consumer protection and enforcement, the CFPB specifically focuses on UDAAP in the context of consumer financial services, emphasizing its unique and crucial part in safeguarding financial consumers.

**7. What does the term "escrow" refer to in the context of mortgages?**

- A. A legal agreement to buy a home**
- B. A type of mortgage insurance**
- C. A neutral third party holding funds for transactions**
- D. The final approval process for a mortgage**

In the context of mortgages, the term "escrow" specifically refers to a neutral third party holding funds for transactions. Escrow is used to protect both the buyer and the seller in real estate transactions. During the escrow process, a neutral party collects and holds the buyer's deposit and other funds, such as funds for property taxes and homeowners insurance, until all conditions of the sale are met. This arrangement helps to ensure that the transaction is completed fairly, with all parties fulfilling their obligations before funds are released. In real estate, escrow accounts are often used to manage property taxes and insurance premiums. Funds are placed into escrow by the lender and are used to pay these expenses on behalf of the homeowner. This ensures that the necessary payments are made on time and reduces the risk of property tax liens or lapses in insurance coverage. Understanding the role of escrow is essential for compliance training in mortgages, as it plays a vital part in the financial aspects of buying and financing a home. Proper management of escrow is not only a best practice but also a regulatory requirement in many instances.

**8. What is a key requirement for a mortgage to qualify as a Qualified Mortgage (QM)?**

- A. It must have a fixed interest rate**
- B. It must allow for higher borrowing limits**
- C. It must meet specific borrower qualification criteria**
- D. It must require no credit check**

A mortgage qualifies as a Qualified Mortgage (QM) primarily because it must meet specific borrower qualification criteria. These criteria are designed to ensure that the mortgage is more likely to be repayable and to protect consumers from non-transparent loan terms or practices that could lead to foreclosure. One of the central features of a QM is that it includes provisions around the borrower's ability to repay (ATR), which requires lenders to assess a borrower's financial circumstances, such as income, employment status, credit history, and existing debt burdens, before offering a mortgage. This approach helps in reducing the risk of default for both borrowers and lenders. While fixed interest rates, higher borrowing limits, or the absence of credit checks might seem like attractive features for various types of loans, they do not specifically align with the key regulatory framework established under the qualified mortgage definitions. Instead, the emphasis is placed firmly on ensuring that lenders are making responsible lending decisions based on the financial capabilities of the borrower, leading to a more stable mortgage market overall.

**9. What significant change was introduced by TRID regarding disclosure forms?**

- A. Introduction of an appraisal summary**
- B. Consolidation of the Loan Estimate and Closing Disclosure forms**
- C. Changes to mortgage repayment plans**
- D. Elimination of credit checks**

The significant change introduced by TRID (TILA-RESPA Integrated Disclosure Rule) is the consolidation of the Loan Estimate and Closing Disclosure forms. This reform was implemented to create a more streamlined and user-friendly experience for consumers during the mortgage process. Under TRID, the Loan Estimate provides borrowers with essential loan information early in their application process, and the Closing Disclosure contains the final terms and costs of the loan before closing. By merging these two key documents, TRID aims to enhance consumer understanding and facilitate better decision-making. This consolidation helps ensure that borrowers receive consistent information about their mortgage costs and terms, reducing confusion that can arise from having multiple disclosures with varying details. The overall intent of TRID is to improve transparency and protect consumers in real estate transactions, making it easier for them to compare offers and avoid costly surprises at closing.

**10. What must lenders do if a consumer's application for credit is denied?**

- A. Notify the consumer verbally**
- B. Provide the consumer with a written explanation of the denial**
- C. Require the consumer to reapply**
- D. Contact the consumer to offer alternative credit options**

Lenders are required to provide a written explanation of a credit denial as part of compliance with the Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA). This written notice must include the specific reasons for the denial or inform the consumer that they can request the reasons within a reasonable time frame. Written communication is essential in these situations, as it ensures that the consumer fully understands the reasons behind the lender's decision. This is not only a regulatory requirement but also a proactive approach to customer service, as it allows consumers the opportunity to improve their credit profile or to understand the aspects that may have negatively impacted their application. The other options do not fulfill the legal obligations imposed on lenders. Verbal notifications alone do not provide the necessary documentation or clarity that may be needed, while requiring a consumer to reapply or contacting them with alternative options does not align with the requirement to formally explain the reasons for the denial. The focus on providing clear, written communication protects consumers and fosters transparency in the lending process.

# 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://cfpbmct4.examzify.com>**

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

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