

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. When must you provide early Truth in Lending disclosures for closed-end loans secured by a consumer's principal dwelling?**
 - A. Within three business days of receiving the application
 - B. Before collecting any fees
 - C. Within three business days of application, before any fee is collected
 - D. Within seven business days of application
- 2. Which of the following best describes the intent of the ability-to-repay rule?**
 - A. To limit lending practices to only high-income individuals
 - B. To ensure responsible lending and prevent borrower defaults
 - C. To facilitate more loans for economic growth
 - D. To prioritize quicker loan approvals over safety
- 3. What is the maximum number of mortgage loans a small servicer may service?**
 - A. 500
 - B. 2,500
 - C. 5,000
 - D. 7,500
- 4. A servicer must issue a short year escrow statement within how many days of loan payoff?**
 - A. A. 60
 - B. B. 90
 - C. C. 180
 - D. D. 365
- 5. A loan of \$20,000 or more meets the points and fees coverage test if the total points and fees exceed what percentage?**
 - A. 2% of the total loan amount
 - B. 3% of the total loan amount
 - C. 5% of the total loan amount
 - D. 8% of the total loan amount

- 6. 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
- 7. Which type of mortgage is considered a "high-cost mortgage" according to HOEPA?**
- A. A mortgage with low-interest rates.
 - B. A mortgage that exceeds specific thresholds for APRs or total points and fees.
 - C. A government-backed mortgage.
 - D. A conventional mortgage.
- 8. Which type of loan is scheduled to be repaid in one year or less?**
- A. A short-term loan
 - B. A closed-end loan
 - C. An open-end loan
 - D. A long-term loan
- 9. What distinguishes non-qualified mortgages (non-QMs) from qualified mortgages (QMs)?**
- A. Non-QMs do not have to meet specific regulatory criteria
 - B. Non-QMs are always more expensive
 - C. Non-QMs require fewer documentation requirements
 - D. Non-QMs do not exist within mortgage regulations
- 10. Which law requires disclosures about when funds will be available for withdrawal after a deposit?**
- A. Expedited Funds Availability Act
 - B. Federal Reserve Act
 - C. Federal Deposit Insurance Corporation
 - D. Truth in Savings Act

Answers

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

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Explanations

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1. When must you provide early Truth in Lending disclosures for closed-end loans secured by a consumer's principal dwelling?

- A. Within three business days of receiving the application
- B. Before collecting any fees
- C. Within three business days of application, before any fee is collected**
- D. Within seven business days of application

To determine when early Truth in Lending disclosures must be provided for closed-end loans secured by a consumer's principal dwelling, it is essential to understand the requirements set by the Truth in Lending Act (TILA). The correct timing for providing these disclosures is within three business days of receiving the loan application and before collecting any fees from the borrower. This requirement ensures that consumers receive critical information about the loan terms, including costs and interest rates, early in the process, allowing them to make informed financial decisions. Providing this information before any fees are collected helps protect consumers from incurring costs before they're fully aware of the loan terms. This combination of timing and the stipulation regarding fee collection is crucial for ensuring compliance with the regulations set forth to protect consumers in the mortgage lending process. Hence, it's important for lenders to adhere to this timeline to foster transparency and maintain compliance with federal regulations.

2. Which of the following best describes the intent of the ability-to-repay rule?

- A. To limit lending practices to only high-income individuals
- B. To ensure responsible lending and prevent borrower defaults**
- C. To facilitate more loans for economic growth
- D. To prioritize quicker loan approvals over safety

The intent of the ability-to-repay rule is fundamentally aimed at ensuring responsible lending practices and safeguarding borrowers against taking on loans they cannot afford. This rule requires lenders to assess a borrower's capacity to repay the loan based on their income, debt, and credit history, among other factors. By enforcing a framework that mandates thorough evaluations of borrowers' financial situations, the ability-to-repay rule seeks to minimize the risk of defaults and promote financial stability for both borrowers and lenders alike. The focus of this regulation is on consumer protection, urging lenders to provide loans that are sustainable for borrowers, thereby preventing circumstances that could lead to foreclosure or financial hardship. This aligns with the broader goals of maintaining a fair lending environment while fostering responsible lending practices across the industry.

3. What is the maximum number of mortgage loans a small servicer may service?

- A. 500
- B. 2,500
- C. 5,000**
- D. 7,500

The correct answer is that a small servicer may service a maximum of 5,000 mortgage loans. This threshold is set by federal regulation to define small servicers, which are generally characterized by certain operational flexibility and reduced regulatory burdens compared to larger servicers. The cap on the number of loans allows small servicers to maintain a manageable portfolio, enabling them to provide personalized service to borrowers while remaining compliant with federal regulations. This limit is significant because it helps delineate small servicers from larger entities that typically have more complex operational requirements and may be subject to stricter regulatory scrutiny. Understanding this limit is crucial for those in the industry to ensure that they are in compliance with their servicing practices and to avoid inadvertent classification as a larger servicer when they exceed the established limit.

4. A servicer must issue a short year escrow statement within how many days of loan payoff?

- A. A. 60**
- B. B. 90
- C. C. 180
- D. D. 365

The correct answer is that a servicer must issue a short year escrow statement within 60 days of loan payoff. This requirement is important because it ensures that borrowers receive a clear and accurate accounting of their escrow account after their loan is paid off. The short year escrow statement provides a summary of the transactions that occurred in the escrow account for the portion of the year leading up to the payoff, helping to clarify any remaining balances, disbursements, or potential refunds. Timeliness is crucial for borrowers, especially in understanding their financial position after the loan has been settled. By requiring servicers to issue this statement within a designated timeframe, the regulation aims to promote transparency and accountability in the handling of escrow funds, allowing borrowers to adequately plan their finances post-payoff. In relation to the other options, the timeframe of 90 days, 180 days, or 365 days would not align with the intention of providing prompt and relevant information to the borrower following the completion of their loan, thus reducing the effectiveness and timeliness expected from such disclosures.

5. A loan of \$20,000 or more meets the points and fees coverage test if the total points and fees exceed what percentage?

- A. 2% of the total loan amount
- B. 3% of the total loan amount
- C. 5% of the total loan amount**
- D. 8% of the total loan amount

The correct answer is that a loan of \$20,000 or more meets the points and fees coverage test if the total points and fees exceed 3% of the total loan amount. This benchmark is established by the Consumer Financial Protection Bureau (CFPB) to determine whether a loan is subject to certain provisions under the Truth in Lending Act (TILA). When the points and fees exceed this threshold, it triggers additional compliance requirements designed to protect consumers from predatory practices associated with high-cost loans. The 3% threshold is a critical measure as it ensures that borrowers are not unduly burdened by excessive fees that can lead to unaffordable loan terms. On the other hand, options suggesting percentages lower or higher than 3% are incorrect because they do not align with the regulations stipulated by the CFPB for this type of loan. Understanding this percentage is essential for compliance in mortgage lending and safeguarding borrowers' interests.

6. 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.

7. Which type of mortgage is considered a "high-cost mortgage" according to HOEPA?

- A. A mortgage with low-interest rates.
- B. A mortgage that exceeds specific thresholds for APRs or total points and fees.**
- C. A government-backed mortgage.
- D. A conventional mortgage.

A "high-cost mortgage" as defined by the Home Ownership and Equity Protection Act (HOEPA) is one that exceeds certain thresholds for annual percentage rates (APRs) or total points and fees. This designation is significant as it triggers additional disclosures and protections for borrowers, aiming to prevent predatory lending practices and ensure that consumers are well-informed about the risks associated with these loans. The criteria for identifying a high-cost mortgage center on the costs and interest rates associated with the loan. If the APR exceeds a specified percentage over the applicable Treasury securities yield, or if the total points and fees surpass a certain threshold based on the loan amount, the loan is classified as high-cost. This classification serves as a regulatory safeguard, ensuring that borrowers understand the terms and costs before proceeding with the mortgage agreement. Regarding the other options, mortgages with low-interest rates, government-backed mortgages, and conventional mortgages do not inherently meet the high-cost threshold established by HOEPA unless they also exceed the defined APR or points and fees limits. These categories can encompass a wide range of loan types that may or may not be considered high-cost, depending primarily on their specific financial terms.

8. Which type of loan is scheduled to be repaid in one year or less?

- A. A short-term loan**
- B. A closed-end loan
- C. An open-end loan
- D. A long-term loan

A short-term loan is a financial product that is designed to be repaid within a period of one year or less. This type of loan typically features a fixed maturity date and requires the borrower to pay back the principal along with any accrued interest within that specified timeframe. Short-term loans can be used for various purposes, such as covering unexpected expenses, funding small business needs, or managing cash flow challenges. The other types of loans listed do not fit the criteria of being repaid within one year. A closed-end loan generally has a fixed repayment schedule and a predetermined loan amount, but it is not limited to a one-year repayment period. An open-end loan, like a credit line, allows for borrowing, repayment, and re-borrowing, usually over a longer timeframe without a specific end date. Long-term loans, on the other hand, are structured for repayment over extended periods, typically ranging from several years to decades, making them incompatible with the definition of a loan due within a year or less.

9. What distinguishes non-qualified mortgages (non-QMs) from qualified mortgages (QMs)?

A. Non-QMs do not have to meet specific regulatory criteria

B. Non-QMs are always more expensive

C. Non-QMs require fewer documentation requirements

D. Non-QMs do not exist within mortgage regulations

The distinguishing characteristic of non-qualified mortgages (non-QMs) compared to qualified mortgages (QMs) is that non-QMs do not have to meet specific regulatory criteria established by the CFPB. Qualified mortgages are designed to provide a greater level of consumer protection by ensuring that certain underwriting standards are met, including limits on debt-to-income ratios, requirements for verifying income and assets, and prohibitions on risky loan features like negative amortization. Non-QMs, on the other hand, are not bound by these strict criteria and can offer more flexibility in underwriting. This flexibility can lead to a wider variety of loan products that cater to borrowers who may not conform to typical financial standards or who may require more personalized lending arrangements. The other statements focus on aspects that may not accurately reflect the nature of non-QMs, such as cost or documentation requirements, which vary widely among lenders and the specific loan structures rather than being inherent features of non-QMs themselves.

10. Which law requires disclosures about when funds will be available for withdrawal after a deposit?

A. Expedited Funds Availability Act

B. Federal Reserve Act

C. Federal Deposit Insurance Corporation

D. Truth in Savings Act

The Expedited Funds Availability Act mandates that financial institutions provide clear disclosures regarding the availability of deposited funds. This law ensures that consumers are informed about when they can expect to access their deposits, particularly in terms of check deposits. It establishes specific timelines for when various types of deposits will be available for withdrawal, promoting transparency and allowing consumers to better manage their finances. This is particularly important for maintaining trust in the banking system and ensuring that customers know when they can rely on having access to their funds. While other laws, such as the Truth in Savings Act, address aspects of disclosures related to savings accounts and interest rates, they do not focus specifically on the timelines for fund availability after a deposit. Similarly, the Federal Reserve Act and the role of the Federal Deposit Insurance Corporation do not pertain to the availability of funds after deposits are made. Thus, the Expedited Funds Availability Act is the correct answer as it directly addresses the requirement for disclosures about when funds will be available for withdrawal after a deposit.

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://cfpbmct4.examzify.com>

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

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