

FEDERAL MORTGAGE-RELATED LAWS 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. Which of the following is NOT a requirement under TILA for advertising a credit product?**
 - A. Disclosing the APR
 - B. Including total finance charges
 - C. Stating the minimum down payment
 - D. Providing monthly payment estimates

- 2. What is the primary purpose of the Homeowners Protection Act?**
 - A. To mandate maximum interest rates on mortgages
 - B. To regulate the sale of home insurance
 - C. To protect homeowners from unnecessary PMI
 - D. To establish minimum home equity requirements

- 3. If an individual submits false information for the purposes of obtaining a federally covered loan, what could be the potential consequence?**
 - A. A fine of up to \$1,000,000 and imprisonment
 - B. License suspension
 - C. A misdemeanor conviction
 - D. A reprimand and loss of commission

- 4. What must lenders provide consumers under the Truth in Lending Act (TILA)?**
 - A. A comprehensive loan analysis document
 - B. A clear disclosure of all costs associated with the loan
 - C. A competitive interest rate
 - D. A guarantee of approval

- 5. What does the SAFE Act require from mortgage loan originators?**
 - A. Licensing and registration
 - B. Pre-qualification of all borrowers
 - C. Guaranteed loan approval
 - D. Disclosure of all fees upfront

- 6. If a refinance transaction affecting a property is subject to rescission, how many siblings must submit a rescission notice to void the loan?**
- A. Any one of the five
 - B. All five
 - C. A majority of the five
 - D. At least two of the five
- 7. Regulations adopted under the USA PATRIOT Act apply to which group?**
- A. All loan originators, regardless of license status
 - B. Residential mortgage loan originators
 - C. Only depository institutions
 - D. Only commercial lenders
- 8. If a mortgage broker decides to use telemarketing to establish leads for loan origination, what must be done?**
- A. The broker should invest in a state-of-the-art predictive dialer
 - B. The broker should stop calling current customers unless they have given consent
 - C. The broker should only call former and current customers to ask for referrals
 - D. The broker should obtain access to the Do-Not-Call Registry
- 9. The disclosure requirements of RESPA apply to which type of loan?**
- A. A loan to purchase 75 acres of land
 - B. A farm loan
 - C. A loan to purchase a property that includes a gas station and convenience store
 - D. A loan to purchase a duplex and rehabilitate it into a single-family dwelling
- 10. What action is required if a borrower requests specific loan documents?**
- A. Documents should be provided immediately
 - B. Documents must be provided within 2 days
 - C. Documents should be provided within the required timeframe
 - D. Documents do not have to be provided

Answers

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

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Explanations

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1. Which of the following is NOT a requirement under TILA for advertising a credit product?

- A. Disclosing the APR
- B. Including total finance charges
- C. Stating the minimum down payment**
- D. Providing monthly payment estimates

Under the Truth in Lending Act (TILA), specific requirements for advertising credit products aim to ensure that consumers receive clear and comprehensive information about loan terms and costs. For advertisements that reference credit products, disclosing the Annual Percentage Rate (APR) is essential as it gives consumers a standardized measure of the cost of borrowing expressed as an annual rate. Including total finance charges is also mandatory since it provides transparency regarding the overall costs involved in the credit agreement. Stating the minimum down payment becomes necessary when the advertisement offers specific terms related to that credit product. It helps consumers understand how much they need to pay upfront. However, providing estimates of monthly payments is not a mandated requirement under TILA unless the advertisement is a "triggering" advertisement that brings attention to particular payment amounts or terms that create a certain expectation of credit availability or costs. Therefore, the lack of requirement for stating minimum down payments in general advertisements distinguishes this option as not being a necessary condition under TILA.

2. What is the primary purpose of the Homeowners Protection Act?

- A. To mandate maximum interest rates on mortgages
- B. To regulate the sale of home insurance
- C. To protect homeowners from unnecessary PMI**
- D. To establish minimum home equity requirements

The Homeowners Protection Act primarily aims to protect homeowners from unnecessary private mortgage insurance (PMI) costs. PMI is typically required when a borrower makes a down payment of less than 20% of the home's purchase price; it serves to protect the lender in case of default. The Act sets forth guidelines that allow borrowers to request cancellation of PMI once their loan-to-value (LTV) ratio reaches 80%, meaning that they have gained sufficient equity in their home. This legislation is designed to ensure that homeowners do not continue to pay for PMI once they no longer need this insurance, thereby reducing their monthly payments and overall financial burden. The other options do not align with the primary intent of the Homeowners Protection Act. There are no mandates for maximum interest rates on mortgages, nor does the Act deal with home insurance regulations or establish minimum home equity requirements. These topics, while relevant to homeownership and financing, fall outside the specific protections afforded by the Homeowners Protection Act.

3. If an individual submits false information for the purposes of obtaining a federally covered loan, what could be the potential consequence?

A. A fine of up to \$1,000,000 and imprisonment

B. License suspension

C. A misdemeanor conviction

D. A reprimand and loss of commission

Submitting false information to obtain a federally covered loan is a serious offense and can lead to severe consequences. The potential penalties include substantial fines, which can reach up to \$1,000,000, and imprisonment. This is due to federal laws that are designed to combat mortgage fraud and protect the integrity of the lending process. The rationale behind such stringent consequences is to deter individuals from committing fraud, as it undermines the financial system and can lead to significant losses for lending institutions and investors. Furthermore, federal agencies actively investigate fraudulent activities in the mortgage sector, reflecting the importance placed on honest practices within the real estate and finance industries. The severity of the penalties serves to emphasize the legal and ethical obligations individuals have when applying for loans, especially those backed by federal programs. While other options may suggest consequences such as license suspension or misdemeanor charges, these typically do not align with the gravity of the offense involving false information in federally covered loans, which is treated with much more significance under the law.

4. What must lenders provide consumers under the Truth in Lending Act (TILA)?

A. A comprehensive loan analysis document

B. A clear disclosure of all costs associated with the loan

C. A competitive interest rate

D. A guarantee of approval

Under the Truth in Lending Act (TILA), lenders are required to provide consumers with a clear disclosure of all costs associated with the loan. This includes providing detailed information on the annual percentage rate (APR), finance charges, and other pertinent fees that affect the total cost of borrowing. The purpose of this disclosure is to ensure that consumers are fully informed about the financial implications of their borrowing decisions, allowing them to compare different loan offers and make more informed choices. This requirement helps promote transparency in lending practices and protects consumers from hidden fees and unexpected costs. By clearly outlining all costs, TILA empowers consumers, enabling them to better understand their financial commitments and making it easier for them to shop for the best loan terms available.

5. What does the SAFE Act require from mortgage loan originators?

- A. Licensing and registration**
- B. Pre-qualification of all borrowers
- C. Guaranteed loan approval
- D. Disclosure of all fees upfront

The SAFE Act, or the Secure and Fair Enforcement for Mortgage Licensing Act, establishes important guidelines aimed at enhancing oversight of the mortgage industry and protecting consumers. One of its primary requirements is for mortgage loan originators to obtain proper licensing and registration. This licensing process involves meeting specific education and experience criteria, passing a national examination, and undergoing a background check, which includes a review of criminal history. The goal of these requirements is to ensure that mortgage loan originators are qualified professionals who adhere to industry standards and regulations. By mandating licensing and registration, the SAFE Act aims to create a more transparent and accountable mortgage lending environment, ultimately enhancing consumer protection and trust in the lending process. While the other options touch on aspects of the mortgage process— such as borrower pre-qualification and fee disclosures—these are not mandated by the SAFE Act, focusing instead on licensure as a means of regulating who can operate in the mortgage lending space.

6. If a refinance transaction affecting a property is subject to rescission, how many siblings must submit a rescission notice to void the loan?

- A. Any one of the five**
- B. All five
- C. A majority of the five
- D. At least two of the five

In a refinance transaction that is subject to rescission, the law allows any one co-borrower or titled owner to submit a rescission notice in order to void the loan. This is grounded in the idea that each borrower has equal rights in the transaction, and thus one individual can initiate the rescission process without the need for consensus among all parties involved. The ability of a single borrower to cancel the loan reflects the legal recognition of individual rights when it comes to consumer contracts. This means that if one sibling in a scenario involving multiple siblings (like the five mentioned) decides they want to rescind the loan, they can do so independently. The regulations aim to provide consumer protections by allowing individuals to make decisions that can affect their financial obligations and commitments. On the contrary, the other options suggest a requirement for input from multiple siblings, which is not supported by the legal framework that addresses rescission in mortgage transactions. Requirements for all or a majority of siblings to act together would unnecessarily complicate the rescission process and potentially hinder one individual's ability to protect their interests.

7. Regulations adopted under the USA PATRIOT Act apply to which group?

- A. All loan originators, regardless of license status
- B. Residential mortgage loan originators**
- C. Only depository institutions
- D. Only commercial lenders

The regulations adopted under the USA PATRIOT Act specifically apply to residential mortgage loan originators because these regulations are designed to combat money laundering and the financing of terrorism. This means that any entity or individual involved in the origination of residential mortgages must adhere to the provisions set out by the law, including conducting appropriate customer due diligence and reporting suspicious activities. Residential mortgage loan originators are directly involved in the lending process and thus have access to personal and financial information from borrowers. To ensure the integrity of the financial system and to prevent illegal activities, the act mandates that these originators fulfill specific compliance requirements, including maintaining certain records and filing reports related to suspicious transactions. Other groups mentioned, such as all loan originators or only depository institutions, would be governed by broader aspects of financial regulations, but the specific stipulations under the USA PATRIOT Act targeting actions against money laundering focus directly on those involved in residential mortgage lending. Commercial lenders, while also subject to various financial regulations, are not the primary focus of the provisions set forth under this act regarding residential transactions. Thus, the correct choice reflects the targeted nature of the regulations toward residential loan originators explicitly.

8. If a mortgage broker decides to use telemarketing to establish leads for loan origination, what must be done?

- A. The broker should invest in a state-of-the-art predictive dialer
- B. The broker should stop calling current customers unless they have given consent
- C. The broker should only call former and current customers to ask for referrals
- D. The broker should obtain access to the Do-Not-Call Registry**

When a mortgage broker uses telemarketing as a strategy to generate leads for loan origination, it is essential to comply with the Do-Not-Call (DNC) regulations established by the Federal Trade Commission (FTC). These regulations are part of the Telephone Consumer Protection Act (TCPA) and serve to protect consumers from unwanted solicitation calls. Therefore, obtaining access to the Do-Not-Call Registry is essential. This registry allows the mortgage broker to ensure they do not contact individuals who have opted out of receiving telemarketing calls, thus avoiding potential legal issues and penalties that could arise from calling those on the list. Compliance with these regulations helps maintain ethical standards in marketing practices and fosters a respectful relationship with potential customers. While investing in a predictive dialer, calling current customers, or contacting former customers for referrals may seem beneficial strategies, they do not address the critical requirement of compliance with telemarketing laws, particularly regarding the DNC registry. Being proactive by obtaining access to this registry is the most pertinent action to take in this scenario.

9. The disclosure requirements of RESPA apply to which type of loan?

- A. A loan to purchase 75 acres of land
- B. A farm loan
- C. A loan to purchase a property that includes a gas station and convenience store
- D. A loan to purchase a duplex and rehabilitate it into a single-family dwelling**

The correct answer pertains to the loan to purchase a duplex and rehabilitate it into a single-family dwelling, as this scenario falls under the residential mortgage category that the Real Estate Settlement Procedures Act (RESPA) is designed to address. RESPA applies to loans on residential properties, which includes not just single-family homes but also properties with up to four units, providing crucial protections to consumers regarding the disclosure of settlement costs and practices. In the case of the duplex, the intention to rehabilitate it into a single-family residence aligns with the consumer protection goals outlined in RESPA, supporting transparency in mortgage costs and the settlement process. The other options, such as a loan to purchase land, a farm loan, or a loan for a commercial property like a gas station and convenience store, do not meet RESPA's criteria. RESPA specifically targets residential transactions, so loans tied to agricultural lands or commercial properties are exempt from these disclosure requirements. This distinction ensures that the protections of RESPA are focused on typical homebuyer situations rather than commercial or agricultural financing.

10. What action is required if a borrower requests specific loan documents?

- A. Documents should be provided immediately
- B. Documents must be provided within 2 days
- C. Documents should be provided within the required timeframe**
- D. Documents do not have to be provided

When a borrower requests specific loan documents, the proper course of action is to provide the documents within the required timeframe. This requirement is grounded in various federal rules and regulations that govern mortgage lending practices, including the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). These laws ensure that borrowers have access to information that is critical for them to understand the terms of their loans and make informed decisions. The timeframe for providing these documents may vary depending on the type of document requested and the specific circumstances of the loan. Lenders are obligated to respond to requests in a timely manner, ensuring that borrowers are adequately informed throughout the mortgage process. This obligation helps to promote transparency and fairness in mortgage lending, supporting the overall goal of protecting consumers in financial transactions. Understanding this requirement is crucial for both lenders and borrowers, as it upholds the principles of responsible lending and aids in maintaining a compliant mortgage origination 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.

Or visit your dedicated course page for more study tools and resources:

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

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