

Mortgage Loan Originator (MLO) Licensing Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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. Which organization implemented the Home Mortgage Disclosure Act (HMDA)?**
 - A. Office of the Comptroller of the Currency**
 - B. Federal Reserve Board**
 - C. Consumer Financial Protection Bureau**
 - D. Federal Housing Finance Agency**
- 2. What is required for a loan processor to be considered licensed under Florida's Chapter 494?**
 - A. They must work strictly on a freelance basis**
 - B. They can only work for a single mortgage broker/lender**
 - C. They must be employed by a financial institution**
 - D. They are allowed to process loans while servicing them**
- 3. What are nontraditional mortgages?**
 - A. Only 30-year fixed mortgages**
 - B. Any mortgage product other than a 30-year fixed**
 - C. Only adjustable-rate mortgages**
 - D. Only government-backed loans**
- 4. Which type of title insurance offers temporary coverage?**
 - A. Title abstract**
 - B. Title commitment**
 - C. Title binder**
 - D. Standard title insurance**
- 5. What action is required of a company after discovering a violation of the Equal Credit Opportunity Act (ECOA) through self-testing?**
 - A. Notify the FTC**
 - B. Take corrective action**
 - C. File a complaint**
 - D. Cease operations immediately**

- 6. What must be done with third-party fees received by a mortgage broker according to Florida law?**
- A. Shipped to the borrower's primary account**
 - B. Placed into a federally-insured financial institution immediately**
 - C. Reported to the IRS within 30 days**
 - D. Given as commission to loan officers**
- 7. What type of loan is prohibited from having prepayment penalties?**
- A. Any fixed-rate loan**
 - B. Only higher-priced mortgage loans**
 - C. Only adjustable-rate mortgages**
 - D. Any closed-end loan**
- 8. Does the right to rescind a loan apply to a refinancing of credit with the same creditor?**
- A. Yes, always**
 - B. No, it does not**
 - C. Yes, but only under certain circumstances**
 - D. No, unless specified in the agreement**
- 9. According to the MARS Rule, when can fees be collected?**
- A. After service is completed**
 - B. After a written agreement for a foreclosure alternative is obtained**
 - C. Once the borrower agrees to the terms**
 - D. After the loan is approved**
- 10. What will determine if a veteran's eligibility for a VA loan is approved?**
- A. Length of military service**
 - B. Credit score and income level**
 - C. Existing debts**
 - D. Property location**

Answers

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

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Explanations

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1. Which organization implemented the Home Mortgage Disclosure Act (HMDA)?

- A. Office of the Comptroller of the Currency**
- B. Federal Reserve Board**
- C. Consumer Financial Protection Bureau**
- D. Federal Housing Finance Agency**

The Home Mortgage Disclosure Act (HMDA) was implemented by the Federal Reserve Board. This legislation, enacted in 1975, was designed to provide the public and government officials with data regarding mortgage lending practices. The Federal Reserve's role in this context is significant because it was responsible for establishing regulations that required mortgage lenders to collect and report data about their lending patterns. This data helps to identify potential discriminatory lending practices and ensures that lenders are serving the needs of all segments of their communities. Over time, HMDA has been amended and its regulations have evolved, but the foundational authority that established and implemented this act stems from the Federal Reserve Board. Other organizations mentioned have roles that relate to financial supervision and consumer protection, but it is the Federal Reserve Board that initiated the HMDA as part of its efforts to promote fair lending and equitable access to mortgage credit.

2. What is required for a loan processor to be considered licensed under Florida's Chapter 494?

- A. They must work strictly on a freelance basis**
- B. They can only work for a single mortgage broker/lender**
- C. They must be employed by a financial institution**
- D. They are allowed to process loans while servicing them**

For a loan processor to be considered licensed under Florida's Chapter 494, they must work for a licensed mortgage broker or a licensed mortgage lender. This requirement is in place to ensure that loan processors are adequately supervised and that they operate within a regulated framework that protects consumers and upholds industry standards. Working for only a single mortgage broker or lender ensures accountability, adherence to compliance regulations, and clarity in responsibilities. A loan processor who is employed directly by a licensed mortgage professional is deemed to have the appropriate training and oversight necessary to handle loan processing tasks in accordance with state laws. In contrast, being a freelancer or working strictly on a freelance basis would not comply with the requirements set by Florida law, which emphasizes the importance of having a direct employment relationship within a regulated entity. Additionally, working for multiple lenders without proper licensing would create potential conflicts of interest and compliance issues, which is why options that involve independent processing or servicing loans, like working for multiple companies or working as a freelancer, do not align with the licensing requirements.

3. What are nontraditional mortgages?

- A. Only 30-year fixed mortgages
- B. Any mortgage product other than a 30-year fixed**
- C. Only adjustable-rate mortgages
- D. Only government-backed loans

Nontraditional mortgages encompass a wide variety of loan products that fall outside the conventional category of traditional mortgages. The definition includes any mortgage that is not a standard 30-year fixed-rate loan. This can include various types of adjustable-rate mortgages, interest-only loans, and alternative amortization products, which provide borrowers with different options to fit their financial circumstances. The reason that stating nontraditional mortgages as any mortgage product other than a 30-year fixed mortgage is accurate is that it recognizes the diversity of mortgage structures available in the market. Traditional mortgages typically refer to the standard fixed-rate loans that follow conventional underwriting guidelines, while nontraditional loans cater to borrowers with unique needs or those wanting to minimize their initial payments. Other categories, such as adjustable-rate mortgages or government-backed loans, represent specific segments of the mortgage market but do not encompass all types of nontraditional mortgages. Thus, a broader definition that includes all mortgage products aside from the traditional 30-year fixed loan captures the essence of what nontraditional mortgages are.

4. Which type of title insurance offers temporary coverage?

- A. Title abstract
- B. Title commitment
- C. Title binder**
- D. Standard title insurance

The correct answer is title binder, which provides temporary coverage to protect the lender or buyer while the final title insurance policy is being prepared. A title binder serves as a preliminary report and offers assurance that the title being insured is free of any defects or claims that could affect ownership. This temporary coverage is significant because it allows the transaction to proceed while the full title insurance policy is finalized, usually encompassing the financial protection needed until the title can be fully verified. In contrast, title abstract refers to a summary of the title history and does not provide coverage; it merely serves as an informative document. Title commitment is a more formal document issued by a title company that outlines the conditions under which the title insurance policy will be issued, but it does not serve as temporary insurance itself. Standard title insurance is a policy that goes into effect once the sale closes and typically provides permanent coverage against losses from title defects, making it distinct from the temporary nature of a title binder.

5. What action is required of a company after discovering a violation of the Equal Credit Opportunity Act (ECOA) through self-testing?

A. Notify the FTC

B. Take corrective action

C. File a complaint

D. Cease operations immediately

The action required of a company after discovering a violation of the Equal Credit Opportunity Act (ECOA) through self-testing is to take corrective action. When a company identifies a violation, it is crucial for the integrity of the lending process and compliance with fair lending laws that the company addresses the issue promptly and effectively. Corrective actions may include implementing new policies, training staff on compliance, or making changes to lending practices to ensure that discrimination does not occur in the future. This approach not only seeks to rectify the specific violation but also serves to enhance the overall compliance framework of the organization, fostering a culture of adherence to fair lending laws. Companies often need to demonstrate a commitment to correcting any identified issues, which can help mitigate potential penalties and improve their standing with regulatory bodies. The other options, while they may pertain to varying circumstances, do not specifically align with the immediate and appropriate response needed upon discovering an ECOA violation through self-testing.

6. What must be done with third-party fees received by a mortgage broker according to Florida law?

A. Shipped to the borrower's primary account

B. Placed into a federally-insured financial institution immediately

C. Reported to the IRS within 30 days

D. Given as commission to loan officers

The requirement for third-party fees received by a mortgage broker under Florida law is that these fees must be placed into a federally-insured financial institution immediately. This provision is designed to protect the funds and ensure they are handled in a secure manner. By placing these fees in a federally-insured bank account, the money is safeguarded against loss, thereby providing both the broker and the borrower with a layer of financial security. This requirement underscores the importance of responsible financial practices within the mortgage industry, particularly regarding the proper handling and reporting of funds received from third parties, which enhances consumer trust and regulatory compliance. The other options do not align with the regulatory expectations for handling third-party fees. For instance, shipping fees to a borrower's account would not provide the necessary security for those funds, while reporting to the IRS concerns tax obligations and timing, which is separate from the immediate handling of the fees. Similarly, giving the fees as commission to loan officers does not adhere to the proper protocol for fund management according to state regulations.

7. What type of loan is prohibited from having prepayment penalties?

- A. Any fixed-rate loan**
- B. Only higher-priced mortgage loans**
- C. Only adjustable-rate mortgages**
- D. Any closed-end loan**

The correct answer is that any fixed-rate loan is prohibited from having prepayment penalties. Prepayment penalties are fees that lenders impose when borrowers pay off their loans ahead of the scheduled time. This practice is generally discouraged in the case of fixed-rate loans to promote borrower flexibility and ensure that individuals can pay off their loans when they have the means to do so without being penalized. Fixed-rate loans typically offer borrowers stability in their monthly payments over the life of the loan, and prohibiting prepayment penalties aligns with consumer protection regulations to prevent borrowers from being disadvantaged if they choose to refinance or pay off their loan early. This prohibition is designed to make fixed-rate loans more appealing and accessible to consumers, thereby promoting a healthier lending market. Other types of loans, such as adjustable-rate mortgages or specific categories like higher-priced mortgage loans, may have different regulations concerning prepayment penalties. This distinction emphasizes that fixed-rate loans are treated differently due to their more stable and predictable nature.

8. Does the right to rescind a loan apply to a refinancing of credit with the same creditor?

- A. Yes, always**
- B. No, it does not**
- C. Yes, but only under certain circumstances**
- D. No, unless specified in the agreement**

The right to rescind a loan typically applies to certain types of credit transactions, particularly those involving home equity loans or lines of credit, where the borrower is provided with the opportunity to reconsider the terms of the loan. However, when it comes to refinancing a loan with the same creditor, the right to rescind does not apply. This is largely because the primary purpose of the rescission right is to protect consumers from predatory lending practices or unexpected obligations, particularly in transactions that involve new debt that significantly increases the borrower's obligations. Refinancing with the same lender usually means the terms are being adjusted rather than introducing a new definitive product, which diminishes the likelihood of the borrower being misled or overextended. In this context, while there may be circumstances under which consumers can seek to negotiate their terms or express dissatisfaction, the fundamental legal right to rescind under the Truth in Lending Act is not extended to refinancing with the same financial institution. Other options might introduce conditions or exceptions, but they do not align with the core legal principles surrounding the rescission right in this context.

9. According to the MARS Rule, when can fees be collected?

- A. After service is completed**
- B. After a written agreement for a foreclosure alternative is obtained**
- C. Once the borrower agrees to the terms**
- D. After the loan is approved**

Under the Mortgage Assistance Relief Services (MARS) Rule, fees can only be collected after a written agreement for a foreclosure alternative has been obtained. This regulation is designed to protect consumers by ensuring that they have a clear and documented understanding of the services being provided before any fees are charged. The requirement for a written agreement helps to ensure that borrowers are informed about the specific terms and conditions of the service they are receiving, thereby reducing the risk of scams and misleading practices in the mortgage assistance industry. Collecting fees prior to this agreement could lead to situations where consumers pay for services that may not be delivered or do not meet their needs, which the MARS Rule aims to prevent.

10. What will determine if a veteran's eligibility for a VA loan is approved?

- A. Length of military service**
- B. Credit score and income level**
- C. Existing debts**
- D. Property location**

The determination of a veteran's eligibility for a VA loan primarily hinges on their length of military service. The VA has specific service requirements that veterans must meet to qualify for the program, including a minimum duration of active duty service or specific periods of service in the National Guard or Reserves. These criteria ensure that benefits are extended to those who have served the country for a defined period, reflecting their commitment and sacrifice. While aspects such as credit score, income level, existing debts, and property location can impact the overall approval process or terms of the loan, they do not govern eligibility under the VA loan program itself. The eligibility criteria are distinctly focused on the veteran's military service as verified by the necessary documentation.

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://mlo.examzify.com>

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