

MORTGAGE LOAN ORIGINATOR (MLO) LICENSING 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. Who has the authority to establish and maintain a system like the NMLS-R in non-participating states?**
 - A. HUD
 - B. CFPB
 - C. Federal Reserve
 - D. State Governors

- 2. What must a lender do if a borrower accidentally pays for Private Mortgage Insurance (PMI) after it has been canceled?**
 - A. Notify the borrower within 30 days
 - B. Refund the borrower within 45 days
 - C. Cancel the loan entirely
 - D. Contact the credit bureau

- 3. What is the name of the standard appraisal report form used by Fannie Mae?**
 - A. Uniform Residential Assessment Report
 - B. Standard Home Appraisal Report
 - C. Residential Property Appraisal Worksheet
 - D. Uniform Residential Appraisal Report (URAR)

- 4. What characterizes In-person Electronic Notarization (IPEN)?**
 - A. Notarization conducted online
 - B. Notarization requiring only electronic documentation
 - C. Notarization that is conducted in person
 - D. Notarization solely reliant on audiovisual technology

- 5. What is the main purpose of a quitclaim deed?**
 - A. To provide a clear title transfer
 - B. To remove a co-owner from a title
 - C. To resolve boundary disputes
 - D. To transfer ownership without warranty

6. What is the maximum fine for contacting someone on the Do Not Call (DNC) list?
- A. \$8,000
 - B. \$12,000
 - C. \$16,000
 - D. \$20,000
7. What is a key purpose of Mortgage Assistance Relief Services (MARS)?
- A. To eliminate all loan payments
 - B. To assist in refinancing mortgages
 - C. To help homeowners avoid foreclosure
 - D. To provide emergency loan funds
8. Which of the following is NOT a reason for permitting a revised Loan Estimate (LE)?
- A. Change in eligibility criteria
 - B. Consumer's delays in providing information
 - C. Change in authorizing agent
 - D. Increase in loan amount by 10% or more
9. What is the formula to calculate the Loan-to-Value (LTV) ratio?
- A. Amount of mortgage $\div$ Purchase price
 - B. Purchase price $\div$ Amount of mortgage
 - C. Down payment $\div$ Appraised value
 - D. Appraised value $\div$ Purchase price
10. What is the only fee that cannot be charged on an FHA loan?
- A. Credit Report Fee
 - B. Loan Origination Fee
 - C. Tax Service Fee
 - D. Appraisal Fee

Answers

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

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Explanations

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1. Who has the authority to establish and maintain a system like the NMLS-R in non-participating states?

- A. HUD
- B. CFPB**
- C. Federal Reserve
- D. State Governors

The correct answer is the CFPB, or the Consumer Financial Protection Bureau. The CFPB is tasked with overseeing a wide range of consumer financial products and services, including those related to mortgage lending. In non-participating states, where the Nationwide Multistate Licensing System and Registry (NMLS-R) is not utilized, the CFPB has the authority to establish and maintain a system for licensing and supervising mortgage loan originators. This role is critical because it ensures that there is a standardized approach to licensing across states, which helps to protect consumers and ensure responsible lending practices. The other options, while they have roles in housing and economic policy, do not have the specific authority to create such a system. HUD focuses on housing and urban development activities but does not directly manage licensing for mortgage originators. The Federal Reserve primarily regulates monetary policy and may influence the lending environment but does not handle licensing directly. State governors have authority over state laws and regulations, but they do not have the federal-level jurisdiction to establish a system like the NMLS-R across non-participating states.

2. What must a lender do if a borrower accidentally pays for Private Mortgage Insurance (PMI) after it has been canceled?

- A. Notify the borrower within 30 days
- B. Refund the borrower within 45 days**
- C. Cancel the loan entirely
- D. Contact the credit bureau

In the scenario where a borrower has continued to pay for Private Mortgage Insurance (PMI) after it has been canceled, the lender is required to refund the borrower within 45 days. This requirement is in place to ensure fairness and transparency in the lending process. When PMI is canceled, the lender is obligated to reimburse the borrower for any PMI premiums that were collected post-cancellation. This provision is designed to protect borrowers from being charged for insurance coverage that they no longer need or that has been deemed unnecessary due to a reduction in the loan-to-value ratio. The regulation serves to help maintain consumer trust in the mortgage industry, ensuring that borrowers are not unduly charged for services from which they derive no benefit. Refunds should be processed promptly within the designated time frame to reflect the lender's acknowledgment of the mistake and commitment to customer satisfaction. While notifying the borrower or contacting a credit bureau may seem relevant to managing the insurance cancellation, these actions do not fulfill the fundamental requirement of refunding the excess payments made. Canceling the loan entirely is not a necessary action in this context, as the loan remains valid despite the mismanagement of PMI payments.

3. What is the name of the standard appraisal report form used by Fannie Mae?

- A. Uniform Residential Assessment Report
- B. Standard Home Appraisal Report
- C. Residential Property Appraisal Worksheet
- D. Uniform Residential Appraisal Report (URAR)**

The standard appraisal report form used by Fannie Mae is called the Uniform Residential Appraisal Report (URAR). This form is specifically designed to provide a comprehensive evaluation of a residential property. It requires appraisers to include specific data and insights regarding the property being appraised, the neighborhood, and relevant comparables. The URAR is widely accepted and used in the mortgage lending industry, primarily for single-family homes, and ensures that appraisals meet Fannie Mae's guidelines. This standardization in appraisal reporting allows for consistency and reliability in valuing properties, which is crucial for lenders and borrowers alike. Other options listed do not represent the established standard reporting form recognized by Fannie Mae. The Uniform Residential Appraisal Report (URAR) is the formal name, ensuring clarity and uniformity across different evaluations. It's essential for prospective MLOs to be familiar with this terminology, as it is a critical component of the home loan process.

4. What characterizes In-person Electronic Notarization (IPEN)?

- A. Notarization conducted online
- B. Notarization requiring only electronic documentation
- C. Notarization that is conducted in person**
- D. Notarization solely reliant on audiovisual technology

In-person Electronic Notarization (IPEN) is characterized by the requirement that the signing and notarization process occur in the presence of the notary. This means that while the documents may be electronic, the critical component of the transaction is the physical presence of both the signer and the notary during the notarization process. The "in person" aspect is essential, as it emphasizes the need for the notary to visually identify the signer and witness the signing of the document firsthand, despite the use of electronic methods. This hybrid model enhances security and reliability while still leveraging technology to facilitate the notarization process. The other options do not capture this dual requirement of physical presence and electronic documentation, leading to a misunderstanding of what IPEN entails. By recognizing the importance of the in-person element, one can better appreciate the framework and legal standards that govern this method of notarization.

5. What is the main purpose of a quitclaim deed?

- A. To provide a clear title transfer
- B. To remove a co-owner from a title
- C. To resolve boundary disputes
- D. To transfer ownership without warranty**

The primary purpose of a quitclaim deed is to transfer ownership without providing any warranty or guarantee regarding the title. When a quitclaim deed is used, the grantor (the person transferring the property) conveys whatever interest they may have in the property to the grantee (the person receiving the property), but does not guarantee that the title is clear or that the grantor has any ownership rights. This means the grantee assumes any risks associated with the property title, which can include liens, claims, or other issues that may affect ownership. Quitclaim deeds are often utilized in situations such as transferring property between family members or in divorce settlements, where informal transfers may be sufficient. The lack of warranty makes quitclaim deeds relatively simple and quick for transferring interests, but it also places the burden of ensuring title quality on the grantee. The other choices focus on specific functions of property transactions that do not align with the primary intent of a quitclaim deed. Though it can remove a co-owner from a title or address boundary disputes, these are not its distinctive features.

6. What is the maximum fine for contacting someone on the Do Not Call (DNC) list?

- A. \$8,000
- B. \$12,000
- C. \$16,000**
- D. \$20,000

The maximum fine for violating the Do Not Call (DNC) list regulations is indeed \$16,000. This fine is imposed for each individual violation; thus, if a mortgage loan originator makes a call to a number on the DNC list, they could face this significant financial penalty. It is crucial for professionals in telemarketing and similar fields to be fully aware of these regulations to ensure compliance and avoid hefty fines that can accumulate quickly with multiple violations. Understanding these fines emphasizes the importance of adhering to consumer protection laws, especially for Mortgage Loan Originators who often engage in outreach efforts.

7. What is a key purpose of Mortgage Assistance Relief Services (MARS)?

- A. To eliminate all loan payments
- B. To assist in refinancing mortgages
- C. To help homeowners avoid foreclosure**
- D. To provide emergency loan funds

The key purpose of Mortgage Assistance Relief Services (MARS) is to help homeowners avoid foreclosure. The program was established to provide guidance and assistance to homeowners facing financial difficulties, particularly those at risk of losing their homes due to inability to make mortgage payments. MARS aims to educate borrowers about their options, connect them with resources, and offer strategies for avoiding foreclosure. This can include helping them negotiate with lenders for loan modifications or other arrangements that can keep them in their homes. The other options, while related to financial assistance, do not align with the primary focus of MARS. Eliminating all loan payments or providing emergency loan funds does not accurately represent the services offered under MARS, nor does it focus on the crucial aspect of preventing foreclosure, which is the core mission. Assisting in refinancing mortgages is also not a specific function of the MARS program; rather, it supports broader mortgage assistance strategies that center on helping homeowners maintain their properties and avoid losing them to foreclosure.

8. Which of the following is NOT a reason for permitting a revised Loan Estimate (LE)?

- A. Change in eligibility criteria
- B. Consumer's delays in providing information
- C. Change in authorizing agent**
- D. Increase in loan amount by 10% or more

A revised Loan Estimate (LE) is allowed under certain circumstances as defined by the TILA-RESPA Integrated Disclosure (TRID) rule. The primary purpose of a revised LE is to reflect changes in the nature of the transaction or the borrower's circumstances. The option regarding a change in the authorizing agent is not a permitted reason for issuing a revised Loan Estimate. While changes in key details or borrower circumstances—like eligibility criteria or the loan amount—could necessitate a revision to the LE, a simple change in the individual who is authorized to act on behalf of the borrower does not typically affect the terms or conditions of the loan itself. Therefore, it does not meet the criteria that would require a revised estimate to be issued. In contrast, changes in eligibility criteria, for example, could significantly impact the loan terms, making it imperative to issue a revised LE. Similarly, increases in the loan amount by 10% or more trigger the need for a revised LE to keep the borrower informed of the changes in costs and terms. Consumer delays in providing information can also lead to circumstances that warrant a revision, particularly if that delay affects the terms of the loan. Thus, while those other options are valid reasons for revising the LE, changing the

9. What is the formula to calculate the Loan-to-Value (LTV) ratio?

- A. Amount of mortgage ÷ Purchase price**
- B. Purchase price ÷ Amount of mortgage
- C. Down payment ÷ Appraised value
- D. Appraised value ÷ Purchase price

The Loan-to-Value (LTV) ratio is a critical metric in mortgage lending that assesses the risk associated with a loan. It is calculated by taking the mortgage amount and dividing it by the purchase price of the property (or alternatively, the appraised value when applicable). In this context, the formula Amount of mortgage ÷ Purchase price accurately reflects the relationship between the loan amount and the value of the property being financed. A higher LTV ratio indicates greater risk for the lender because it means a smaller equity cushion; if the borrower defaults, the lender may not recover the full amount of the loan through the sale of the property. This is especially crucial for determining mortgage insurance requirements and the overall eligibility for various loan programs. Understanding the LTV ratio is important for both borrowers and lenders, as it has significant implications for loan terms, interest rates, and the necessity for mortgage insurance.

10. What is the only fee that cannot be charged on an FHA loan?

- A. Credit Report Fee
- B. Loan Origination Fee
- C. Tax Service Fee
- D. Appraisal Fee

The only fee that cannot be charged on an FHA loan is the Tax Service Fee. This fee, which is typically associated with monitoring property taxes, is explicitly prohibited by FHA guidelines. The rationale behind this restriction is to protect borrowers from unnecessary costs that may not directly contribute to the financing of their mortgage. In contrast, the other fees like the Credit Report Fee, Loan Origination Fee, and Appraisal Fee serve essential roles in the loan process. The Credit Report Fee covers the cost of pulling the borrower's credit report, the Loan Origination Fee compensates lenders for processing the loan, and the Appraisal Fee pays for the evaluation of the property's value. Since these fees are deemed necessary for the underwriting and assessment processes involved in FHA loans, they are allowed as part of the borrower's closing costs. This distinction highlights the FHA's focus on ensuring that borrowers are not burdened with excessive or unnecessary fees, promoting fair lending practices.

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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!

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