

Mortgage Loan Originator (MLO) National Exam - Artricia Woods Practice Exam (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

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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. What must lenders provide at least three days before closing?**
 - A. A final loan agreement**
 - B. A closing disclosure**
 - C. A mortgage insurance policy**
 - D. A loan origination document**

- 2. Which common form of mortgage insurance is required for FHA loans?**
 - A. Private mortgage insurance (PMI)**
 - B. Title insurance**
 - C. Mortgage insurance premium (MIP)**
 - D. Hazard insurance**

- 3. Section 8 of RESPA prohibits which of the following?**
 - A. Receiving referral fees for settlement service business**
 - B. Advertising settlement services**
 - C. Transfer of title insurance ownership**
 - D. Providing promotional items of any value**

- 4. What is the purpose of the Good Faith Estimate (GFE) as mandated by RESPA?**
 - A. To provide a detailed loan application**
 - B. To offer a speculation of market interest rates**
 - C. To estimate settlement charges within three business days**
 - D. To ensure buyer-seller negotiations**

- 5. What information is NOT required in the Federal Box of TILA disclosures?**
 - A. The total finance charges incurred**
 - B. The interest rate of the loan**
 - C. The mandatory statement for borrowers**
 - D. The total payments calculated for the life of the loan**

- 6. When calculating a total monthly house payment, which of the following is NOT included?**
- A. Principal**
 - B. Monthly interest cost**
 - C. Monthly cost of property taxes**
 - D. Gross monthly income**
- 7. Which practice is prohibited under RESPA Section 8?**
- A. Loan application fees**
 - B. Kickbacks and fee-splitting**
 - C. Late payment charges**
 - D. Escrow account minimums**
- 8. What is the maximum percentage of the purchase price that can typically be financed using a conventional loan?**
- A. 70%**
 - B. 80%**
 - C. 90%**
 - D. 97%**
- 9. A borrower is closing on a home on April 14. The estimated annual property taxes are \$3,883.33. What amount should show on his HUD-1?**
- A. \$1,095.85 credit to borrower**
 - B. \$3,129.66 credit to borrower**
 - C. \$1,117.13 expense to borrower**
 - D. \$1,201.33 expense to borrower**
- 10. Which document outlines the borrower's rights in the loan transaction?**
- A. The Loan Estimate.**
 - B. The Closing Disclosure.**
 - C. The HUD-1 Statement.**
 - D. The Good Faith Estimate (GFE).**

Answers

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

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Explanations

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1. What must lenders provide at least three days before closing?

- A. A final loan agreement**
- B. A closing disclosure**
- C. A mortgage insurance policy**
- D. A loan origination document**

Lenders are required to provide a closing disclosure at least three days before the closing date. This document outlines the final terms and costs of the mortgage, ensuring that borrowers are fully informed about the financial implications of their loan before they sign the closing documents. The purpose of this three-day waiting period is to give borrowers adequate time to review the terms and details of their loan, which enhances transparency and helps prevent any last-minute surprises at closing. The closing disclosure includes key information such as the loan amount, interest rate, monthly payment, closing costs, and any potential prepayment penalties, as well as an itemized list of all fees associated with the transaction. By requiring this disclosure beforehand, regulations facilitate better consumer understanding and promote responsible borrowing practices. The other options do not fulfill this specific regulatory requirement. A final loan agreement would typically be provided at closing or just before, not specifically three days in advance. A mortgage insurance policy may be discussed during the mortgage process but is not a required document to be provided three days prior to closing. Similarly, a loan origination document is part of the initial paperwork rather than something that is specifically mandated to be disclosed three days before closing.

2. Which common form of mortgage insurance is required for FHA loans?

- A. Private mortgage insurance (PMI)**
- B. Title insurance**
- C. Mortgage insurance premium (MIP)**
- D. Hazard insurance**

The required form of mortgage insurance for FHA loans is known as the Mortgage Insurance Premium (MIP). This insurance is specifically designed to protect lenders against losses that may result from borrower defaults on FHA-insured loans. MIP is a unique component of FHA loans and is crucial because it enables borrowers to qualify for loans with lower down payments, ultimately making homeownership more accessible for those who may not have substantial savings to put down initially. The premiums for MIP are generally paid both upfront upon closing and monthly as part of the mortgage payment. This ensures that the loan is secured and provides a safety net for lenders, which in turn can influence the borrower's interest rates and loan terms favorably due to reduced risk for lenders. In contrast, Private Mortgage Insurance (PMI) is typically associated with conventional loans when the down payment is less than 20%. Title insurance protects against claims related to the ownership of the property and is not a form of mortgage insurance. Hazard insurance refers to coverage against damages to the property itself from events like fire or flood, and while important in the lending process, it does not serve the same function as mortgage insurance concerning borrower default. Therefore, MIP is the clearly defined insurance required specifically for FHA loans, distinguishing it from

3. Section 8 of RESPA prohibits which of the following?

- A. Receiving referral fees for settlement service business**
- B. Advertising settlement services**
- C. Transfer of title insurance ownership**
- D. Providing promotional items of any value**

Section 8 of the Real Estate Settlement Procedures Act (RESPA) specifically prohibits any person from giving or receiving referral fees or kickbacks in connection with the settlement services related to a real estate transaction. This is designed to ensure transparency in the mortgage process and to prevent practices that could inflate costs for consumers due to unduly influenced business decisions. By prohibiting referral fees, Section 8 seeks to eliminate conflicts of interest and ensures that consumers receive unbiased advice regarding settlement services needed in connection with their mortgage loans. This regulation helps to promote fairness and prevents the type of market manipulation that could disadvantage consumers. In contrast, the other options do not fall under the specific prohibitions established by Section 8. Advertising settlement services (option B) is allowable as long as it complies with other regulations and does not mislead consumers. The transfer of title insurance ownership (option C) and providing promotional items (option D) can be permitted under certain circumstances, as they do not directly involve the payment of consideration for referrals or kickbacks that would violate the intent of RESPA.

4. What is the purpose of the Good Faith Estimate (GFE) as mandated by RESPA?

- A. To provide a detailed loan application**
- B. To offer a speculation of market interest rates**
- C. To estimate settlement charges within three business days**
- D. To ensure buyer-seller negotiations**

The Good Faith Estimate (GFE) serves a crucial role in the real estate transaction process by providing borrowers with a clear estimation of settlement charges. This requirement, as established by the Real Estate Settlement Procedures Act (RESPA), mandates that lenders issue the GFE within three business days of receiving a loan application. By outlining the anticipated costs associated with closing the loan, such as originating fees, title insurance, and other settlement charges, the GFE enables borrowers to make informed financial decisions and compare different loan offerings. The focus on providing an estimate within a specific time frame helps ensure transparency and clarity in the lending process, allowing borrowers to understand their financial commitments before proceeding. This part of the lending process helps prevent surprises at closing, promoting better financial planning for the borrower. Options that suggest the GFE is intended for purposes like offering a detailed loan application or ensuring buyer-seller negotiations do not align with the primary function of the GFE. The GFE is not designed to predict interest rates or provide a basis for negotiations between buyers and sellers, but rather to focus on helping the borrower understand the costs they will face when obtaining a mortgage.

5. What information is NOT required in the Federal Box of TILA disclosures?

- A. The total finance charges incurred**
- B. The interest rate of the loan**
- C. The mandatory statement for borrowers**
- D. The total payments calculated for the life of the loan**

The interest rate of the loan is indeed a critical component of the TILA disclosures and is explicitly required to be included in the Federal Box. This box provides essential information to borrowers regarding the cost of credit, ensuring transparency in the lending process. The total finance charges incurred, the mandatory statement for borrowers, and the total payments calculated for the life of the loan are all required elements that help borrowers understand the full implications of the loan they are considering. These disclosures are designed to standardize the information provided to consumers, allowing them to compare different loan offers effectively. Understanding what's included in these disclosures is vital for compliance with TILA and for ensuring that consumers are fully informed before committing to a loan.

6. When calculating a total monthly house payment, which of the following is NOT included?

- A. Principal**
- B. Monthly interest cost**
- C. Monthly cost of property taxes**
- D. Gross monthly income**

In the context of calculating a total monthly house payment, gross monthly income is not included. The total monthly house payment typically comprises multiple components that directly relate to the costs associated with homeownership. These components commonly include the principal repayment, the monthly interest cost, and property taxes. Principal is the portion of the loan amount that is paid back over time. Monthly interest cost is the expense incurred based on the remaining loan balance and the interest rate applied to it. Property taxes are a required payment to local governments based on the assessed value of the property. All these factors contribute to the total amount a borrower is obligated to pay on a monthly basis for their mortgage. Gross monthly income, on the other hand, pertains to the borrower's earnings before any deductions, and it is utilized to determine the borrower's ability to repay the loan rather than being a component of the monthly payment calculation itself. Therefore, while gross monthly income is essential for establishing mortgage eligibility and understanding financial capacity, it does not directly factor into calculating the total monthly house payment.

7. Which practice is prohibited under RESPA Section 8?

- A. Loan application fees
- B. Kickbacks and fee-splitting**
- C. Late payment charges
- D. Escrow account minimums

Under RESPA (Real Estate Settlement Procedures Act) Section 8, the prohibition of kickbacks and fee-splitting is in place to ensure transparency and fairness in the settlement process. This provision aims to prevent any unnecessary increases in the cost of real estate settlement services that could arise from improper financial incentives between multiple parties involved in the transaction, such as lenders, real estate agents, and attorneys. By forbidding these practices, RESPA fosters a competitive market where consumers are protected from elevated costs that may not serve their best interests. RESPA specifically disallows any fee or kickback for the referral of settlement service business, which includes any payment or thing of value exchanged for the referral of business that arises from a real estate transaction. This means that all fees charged to consumers must be justified by the services provided, ensuring that consumers receive the value they pay for without being affected by hidden commissions or undue influence from service providers. While other practices listed in the question, such as loan application fees, late payment charges, and escrow account minimums, may be regulated under other sections of consumer protection laws or guidelines, they are not outright prohibited by RESPA Section 8 in the same way that kickbacks and fee-splitting are. Hence, the correct

8. What is the maximum percentage of the purchase price that can typically be financed using a conventional loan?

- A. 70%
- B. 80%
- C. 90%
- D. 97%**

The maximum percentage of the purchase price that can typically be financed using a conventional loan is 97%. This means that borrowers can potentially secure a loan for almost the entire price of the home, allowing them to put down as little as 3% in the form of a down payment. Such financing options enable a broader range of buyers to enter the housing market, especially first-time homebuyers who may have limited savings for a down payment. Conventional loans are not insured or guaranteed by the government, like FHA or VA loans, which often have different financing limits and criteria. The higher loan-to-value ratio available with conventional loans, up to 97%, reflects the increased availability in the lending market and the competitive nature of conventional loan products designed to meet diverse consumer needs. Other financing options generally do not allow for such a high percentage of financing relative to the purchase price, thereby requiring larger down payments and limiting access for some potential buyers. Thus, the choice of 97% financing aligns with current lending practices within the realm of conventional loans.

9. A borrower is closing on a home on April 14. The estimated annual property taxes are \$3,883.33. What amount should show on his HUD-1?

- A. \$1,095.85 credit to borrower**
- B. \$3,129.66 credit to borrower**
- C. \$1,117.13 expense to borrower**
- D. \$1,201.33 expense to borrower**

To determine the correct amount that should show on the HUD-1, it's important to understand how property taxes are prorated at closing. In this case, the estimated annual property taxes are \$3,883.33, which translates to approximately \$323.61 per month (\$3,883.33 divided by 12 months). Since the borrower is closing on April 14, the property taxes for the year would need to be prorated from the start of the year until the closing date. The period from January 1 to April 14 consists of 104 days. To calculate the daily tax amount, divide the annual taxes by 365 days: $\$3,883.33 / 365 \approx \10.64 per day. Next, you would calculate the total taxes due from January 1 to April 14: \$10.64 per day multiplied by 104 days gives approximately \$1,107.23. Since the borrower will be responsible for property taxes from the date of closing onward, the seller would have prepaid these taxes for the portion of the year leading up to the closing date. Therefore, the tax credit that should be provided to the borrower in this scenario reflects the prepaid amount that benefits the seller

10. Which document outlines the borrower's rights in the loan transaction?

- A. The Loan Estimate.**
- B. The Closing Disclosure.**
- C. The HUD-1 Statement.**
- D. The Good Faith Estimate (GFE).**

The Loan Estimate is the correct answer because it is a critical document that provides borrowers with clear and detailed information about loan terms, estimated costs, and their rights during the loan transaction process. Under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA), the Loan Estimate must be provided to borrowers within three business days of applying for a mortgage. This document allows borrowers to better understand what to expect in terms of payments, fees, and their rights, ensuring transparency and informed decision-making. While the Closing Disclosure also informs borrowers about loan terms and final costs, it is primarily utilized before closing on the mortgage rather than outlining rights specifically. The HUD-1 Statement is an older form that details settlement costs and was required until it was replaced by the Closing Disclosure for most transactions. The Good Faith Estimate (GFE) is outdated and was mainly used before the integration of the Loan Estimate, which has now taken its place in providing borrowers with necessary disclosures about their rights and loan details.

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://mlonatlexamatriciawoods.examzify.com>

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

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