

MORTGAGE LOAN ORIGINATOR (MLO) NATIONAL EXAM – ARTRICIA WOODS PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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 is the primary purpose of the Real Estate Settlement Procedures Act (RESPA)?**
 - A. To regulate mortgage interest rates
 - B. To help consumers become better shoppers for settlement services
 - C. To ensure equal housing opportunities
 - D. To promote consumer credit protection
- 2. According to RESPA, how long does a borrower have the right to receive a copy of the HUD-1 statement before closing?**
 - A. 3 days
 - B. 5 days
 - C. 1 day
 - D. 10 days
- 3. What is the maximum loan-to-value (LTV) ratio mentioned for the mortgage?**
 - A. 50%
 - B. 65%
 - C. 75%
 - D. 85%
- 4. What is a common consequence of failing to provide accurate borrower information?**
 - A. Increased loan approval rates
 - B. Delayed closing processes
 - C. Potential legal action for fraud
 - D. Reduced interest rates
- 5. Which entity is NOT required to abide by the Red Flag Rules?**
 - A. Any entity that provides credit to a consumer
 - B. Credit reporting agencies
 - C. Mortgage brokers
 - D. Private real estate owners

6. What does RESPA Section 10 regulate?

- A. The types of insurance required for mortgage loans
- B. Limits on escrow account funding
- C. Loan origination fees
- D. The timeframe for closing disclosures

7. Which scenario is NOT eligible for a VA loan?

- A. Purchasing an owner-occupied home
- B. Purchasing an investment property
- C. Refinancing another VA loan
- D. Improving an owner-occupied home

8. What does Section 10 of RESPA set limits on?

- A. Amount of loan approvals
- B. Escrow account contributions
- C. Number of accounts for a borrower
- D. Interest rate adjustments

9. What is the maximum variance in APR that is permissible for a "regular transaction" under TILA?

- A. $1/8\%$ (.125)
- B. $1/4\%$ (.25)
- C. $3/8\%$ (.375)
- D. $1/2\%$ (.5)

10. What does FinCEN stand for?

- A. Financial Cost Enforcement Network
- B. Financial Crimes and Enforcement Network
- C. Final Center for Enforcement
- D. Final Check Enforcement

Answers

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

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Explanations

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1. What is the primary purpose of the Real Estate Settlement Procedures Act (RESPA)?

- A. To regulate mortgage interest rates
- B. To help consumers become better shoppers for settlement services**
- C. To ensure equal housing opportunities
- D. To promote consumer credit protection

The primary purpose of the Real Estate Settlement Procedures Act (RESPA) is to help consumers become better shoppers for settlement services. This is achieved by requiring that consumers receive disclosures that provide information about the costs associated with the settlement process, including services provided by settlement service providers. By ensuring transparency in the fees and services that consumers will encounter during the closing of a mortgage loan, RESPA helps users make informed decisions regarding their options. Additionally, the act aims to eliminate kickbacks and referral fees that can increase costs, ultimately looking to protect consumers by allowing them to compare costs effectively and improve their understanding of the mortgage process.

2. According to RESPA, how long does a borrower have the right to receive a copy of the HUD-1 statement before closing?

- A. 3 days
- B. 5 days
- C. 1 day**
- D. 10 days

Under the Real Estate Settlement Procedures Act (RESPA), a borrower is entitled to receive a copy of the HUD-1 Settlement Statement at least one day prior to closing. This requirement allows the borrower to review the closing costs and ensure transparency regarding the fees associated with the loan. The HUD-1 statement provides detailed information about the financial aspects of the transaction, including the amounts of any settlement charges and the overall financial arrangement. The intention behind this one-day notice is to allow borrowers sufficient time to understand the terms of their real estate transaction before they finalize it, thus promoting informed decision-making. Having the document available for review one day in advance also helps prevent any last-minute surprises at the closing table, thereby contributing to a smoother closing process. In contrast, the other timeframes listed would not align with RESPA's requirements for providing transparency and sufficient review time for borrowers prior to closing.

3. What is the maximum loan-to-value (LTV) ratio mentioned for the mortgage?

- A. 50%
- B. 65%
- C. 75%**
- D. 85%

The maximum loan-to-value (LTV) ratio specified is significant because it determines the proportion of the property's value that can be financed through a mortgage loan. A loan-to-value ratio of 75% means that the borrower can finance 75% of the home's appraised value or purchase price (whichever is lower) through the mortgage, while they must pay the remaining 25% as a down payment. This ratio is crucial in the mortgage process because it influences the risk assessment for lenders. Generally, a higher LTV ratio indicates greater risk to lenders, as there is less equity in the property which could affect the lender's ability to recover funds in case of default. An LTV of 75% strikes a balance, allowing for reasonable financing while maintaining adequate equity levels. In the context of lending regulations or guidelines, a 75% LTV is often perceived as a standard limit for conventional loans, making it a commonly accepted threshold in various loan programs.

4. What is a common consequence of failing to provide accurate borrower information?

- A. Increased loan approval rates
- B. Delayed closing processes
- C. Potential legal action for fraud**
- D. Reduced interest rates

Providing inaccurate borrower information can lead to significant legal repercussions, including potential charges of fraud. Lenders rely heavily on the information provided by borrowers to assess creditworthiness and make informed decisions regarding loan approvals and terms. When a borrower intentionally misrepresents their financial situation, employment status, or other essential details, it can be classified as mortgage fraud. This not only jeopardizes the individual's ability to secure their loan but also places them at risk of being prosecuted under federal and state laws. The implications of such legal action can include fines, restitution, and even imprisonment, depending on the severity of the fraud. Inaccuracies can also lead to other operational challenges, including delays in closing processes due to the need for additional verification or reassessment, but these consequences are secondary to the potential legal implications associated with fraud. The concepts of increased loan approval rates and reduced interest rates do not typically correlate with providing inaccurate information; rather, they stem from presenting accurate and reliable information to lenders.

5. Which entity is NOT required to abide by the Red Flag Rules?

- A. Any entity that provides credit to a consumer
- B. Credit reporting agencies
- C. Mortgage brokers
- D. Private real estate owners**

The entity that is not required to abide by the Red Flag Rules is private real estate owners. The Red Flags Rules are part of the federal regulations designed to protect consumers from identity theft by requiring specific entities that engage in certain financial practices to have identity theft prevention programs in place. Private real estate owners typically do not meet the criteria set by the Federal Trade Commission, which applies the Red Flags Rules primarily to financial institutions and creditors that extend credit to consumers. Unlike lenders, mortgage brokers, or credit reporting agencies, which are involved in processes that could directly expose consumers to identity theft risks through credit or loan applications, a private real estate owner generally does not handle consumer credit in a way that falls under the same regulatory requirements. Consequently, the nature of private real estate ownership—typically involving property rental or sale transactions without the extension of credit—exempts them from the obligations outlined in the Red Flags Rules.

6. What does RESPA Section 10 regulate?

- A. The types of insurance required for mortgage loans
- B. Limits on escrow account funding**
- C. Loan origination fees
- D. The timeframe for closing disclosures

RESPA Section 10 specifically regulates the limits on escrow account funding. This section of the Real Estate Settlement Procedures Act establishes guidelines to protect consumers by ensuring that the amounts that lenders can require homeowners to deposit into escrow accounts for property taxes, homeowners insurance, and other related costs are reasonable and not excessive. Under RESPA Section 10, lenders must provide a clear annual statement regarding the escrow account and are limited in how much they can require upfront. For instance, during an escrow analysis, the lender cannot require more than two months' worth of payments for the escrow items. This helps ensure that borrowers are not overburdened with escrow contributions, thus safeguarding their financial wellbeing while also ensuring lenders maintain the necessary funds to cover payments on behalf of the borrower when they are due. In contrast, the other choices pertain to different aspects of mortgage regulation. For example, the types of insurance required for mortgage loans are typically governed by other regulations. Loan origination fees are subject to different guidelines concerning their disclosure and limits. The timeframe for closing disclosures is also outlined under different sections of RESPA and does not fall under Section 10's provisions.

7. Which scenario is NOT eligible for a VA loan?

- A. Purchasing an owner-occupied home
- B. Purchasing an investment property**
- C. Refinancing another VA loan
- D. Improving an owner-occupied home

A VA loan is specifically designed to assist eligible veterans, active-duty service members, and certain members of the National Guard and Reserves in obtaining home financing. The core purpose is to facilitate the purchasing of homes for personal occupancy rather than for investment purposes. When it comes to VA loans, eligibility is tied to the intention of primary residence. The correct scenario that does not align with the VA loan's purpose is the one involving an investment property. VA loans are intended for owner-occupied homes, meaning the borrower must live in the property as their primary residence. Other scenarios, such as purchasing an owner-occupied home, refinancing another VA loan, and improving an owner-occupied home, align with the intent of the VA loan program. Each of these options serves the purpose of providing stable housing for veterans and their families, which is the primary goal of the program. Thus, an investment property does not meet the criteria for a VA loan, confirming that choice is indeed the correct answer.

8. What does Section 10 of RESPA set limits on?

- A. Amount of loan approvals
- B. Escrow account contributions**
- C. Number of accounts for a borrower
- D. Interest rate adjustments

Section 10 of the Real Estate Settlement Procedures Act (RESPA) specifically addresses the requirements surrounding escrow accounts, particularly concerning the contributions that can be made by borrowers. This section establishes limits on the amount of money that lenders can require borrowers to deposit into escrow accounts for property taxes, insurance, and other related expenses. The rationale behind setting these limits is to protect consumers from being overcharged for the amounts held in escrow. Lenders are required to provide an annual statement regarding the escrow account that details the amount deposited, the disbursements made, and the balance remaining, ensuring transparency in how these funds are managed. By controlling the contributions, Section 10 prevents lenders from demanding excessive amounts that could strain a borrower's financial situation, allowing for a more fair and reasonable loan management process. This focus on borrower protection is a key principle of RESPA, aiming to promote transparency and fairness in the mortgage lending process.

9. What is the maximum variance in APR that is permissible for a "regular transaction" under TILA?

- A. 1/8% (.125)**
- B. 1/4% (.25)
- C. 3/8% (.375)
- D. 1/2% (.5)

The maximum variance in the Annual Percentage Rate (APR) that is permissible for a "regular transaction" under the Truth in Lending Act (TILA) is 1/8% (or .125). This regulation ensures that lenders must disclose accurate and transparent information regarding the costs of credit to consumers, particularly ensuring that the APR disclosed is as close to the actual APR being applied as possible. When lenders provide this information, they are held to a standard of accuracy to foster consumer trust and to facilitate informed decision-making. In situations where the actual APR varies from the disclosed APR by less than or equal to this threshold, the disclosure is considered compliant. If the difference exceeds this variance, it can lead to regulatory violations and potential penalties. This specific threshold is recognized because it balances the need for accurate disclosures with minor fluctuations that might occur due to variations in the loan structure or market conditions. Such precision is necessary to maintain the integrity of the lending process and protect consumers from misleading information.

10. What does FinCEN stand for?

- A. Financial Cost Enforcement Network
- B. Financial Crimes and Enforcement Network**
- C. Final Center for Enforcement
- D. Final Check Enforcement

FinCEN stands for the Financial Crimes and Enforcement Network. This agency is part of the U.S. Department of the Treasury and is primarily responsible for combating money laundering, terrorist financing, and other financial crimes. FinCEN plays a critical role in the U.S. government's efforts to improve the transparency of financial matters and to safeguard the financial system against illicit use. By overseeing financial institutions and enforcing compliance with the Bank Secrecy Act, FinCEN collects, analyzes, and disseminates financial intelligence. This is vital in detecting and preventing financial crimes, thus promoting a stable financial environment. Understanding the functions and significance of FinCEN is essential for anyone in the mortgage and financial sectors, as it outlines the regulatory framework aimed at ensuring integrity in financial transactions. The other options do not accurately represent the agency's name or its mission, making them incorrect choices.

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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