

MORTGAGE LOAN ORIGINATOR (MLO) NATIONAL EXAM – ARTRICIA WOODS PRACTICE EXAM (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. Illegal property flipping is best described as?

- A. Purchasing properties, artificially inflating their value through false appraisals and then quickly reselling them.
- B. Reselling a property more than one time in 12 months
- C. Reselling a property for more than 50% of its prior value in less than 12 months
- D. Selling a property after artificially inflating its value through false appraisals

2. How is the accuracy of the Annual Percentage Rate (APR) determined under MDIA?

- A. A variance above or below 0.5%
- B. A variance above or below 0.25%
- C. A variance of 1/8% for regular and 1/4% for irregular transactions
- D. No variance is allowed

3. Net operating income is defined as?

- A. Effective gross income minus operating expenses
- B. Potential gross income minus operating expenses
- C. Effective gross income if vacancies are zero
- D. Potential gross income whenever operating expenses increase

4. What type of loan typically requires PMI when the down payment is less than 20%?

- A. Conventional loans
- B. FHA loans
- C. VA loans
- D. Subprime loans

5. Loans covered by Section 32 of the TILA, also known as the Home Ownership and Equity Protection Act, do NOT require which of the following?

- A. Lender restrictions on loans used to purchase properties
- B. Specific lender disclosures for loans used to refinance existing home loans
- C. No balloon payments on certain loans with interest rates priced at least 8% above an equivalent Treasury security
- D. A warning from the lender that the borrower could lose their home if they do not meet the requirements of the loan

- 6. What role does the Federal Housing Finance Administration (FHFA) NOT play?**
- A. FHFA oversees Fannie Mae and Freddie Mac
 - B. FHFA is a relatively new independent federal agency
 - C. FHFA oversees the Federal Home Loan Banks
 - D. FHFA funds the Federal Housing Administration (FHA) loan program
- 7. What indicates a borrower has been approved for a mortgage?**
- A. Signature authorization
 - B. Good faith estimate
 - C. Loan-to-value ratio
 - D. Credit score analysis
- 8. In terms of advertising, what must be included if any triggering terms are mentioned?**
- A. Only the APR
 - B. Amount of down payment, terms of repayment, APR
 - C. Interest rates only
 - D. Disclosure of loan amount only
- 9. What does the term 'reconciliation' refer to in the context of property valuation?**
- A. Conformity
 - B. Balancing
 - C. Reconciliation
 - D. Reporting
- 10. Which statement about the HUD-1 statement is NOT true?**
- A. Expenses paid outside of closing may show on HUD-1 but not GFE
 - B. The borrower may review the final HUD-1 one day before closing
 - C. Costs on the final GFE are often different from HUD-1
 - D. Payments from a lender to a mortgage broker show as loan origination charges

Answers

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

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Explanations

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1. Illegal property flipping is best described as?

- A. Purchasing properties, artificially inflating their value through false appraisals and then quickly reselling them.
- B. Reselling a property more than one time in 12 months
- C. Reselling a property for more than 50% of its prior value in less than 12 months
- D. Selling a property after artificially inflating its value through false appraisals

Illegal property flipping is best characterized by the behavior of purchasing properties, artificially inflating their value through false appraisals, and then quickly reselling them. This practice is fraudulent because it misleads buyers and lenders into believing that the property is worth more than its actual market value. By using false appraisals to inflate the value, the flipper can secure excessive financing based on the inflated price, leading to significant financial losses for lenders and buyers alike when the true value is revealed. It's important to note that while the other options contain elements related to the concept of property flipping, they do not capture the complete essence of illegal property flipping as accurately. For instance, merely reselling a property multiple times within a year does not necessarily imply that value inflation or deceitful practices are involved. Similarly, reselling a property for a significantly higher price in less than a year can occur through legitimate means if market conditions favor such increases. Lastly, while inflating property values through false appraisals is indeed a part of illegal flipping, the most comprehensive definition includes the act of quick reselling after such fraudulent appraisal practices, which distinctly captures the illegal nature of the behavior.

2. How is the accuracy of the Annual Percentage Rate (APR) determined under MDIA?

- A. A variance above or below 0.5%
- B. A variance above or below 0.25%
- C. A variance of 1/8% for regular and 1/4% for irregular transactions
- D. No variance is allowed

The determination of the accuracy of the Annual Percentage Rate (APR) under the Mortgage Disclosure Improvement Act (MDIA) is crucial because it directly impacts consumer disclosures and their understanding of loan terms. The correct answer highlights that there is an allowable variance of 1/8% for regular transactions and 1/4% for irregular transactions. This means that if the calculated APR deviates from the disclosed APR by these specified margins, it can still be considered accurate for compliance purposes. For regular transactions, a variance of 1/8% ensures that small fluctuations in rates don't unfairly penalize lenders and allows some leeway in their disclosures. Similarly, for irregular transactions where the terms might be less straightforward, a higher variance of 1/4% is permitted to accommodate the complexities involved. Understanding this variance is important for both consumers and lenders to ensure transparency and compliance with the MDIA regulations. Other options, such as variances of 0.5% or 0.25%, might suggest a stricter compliance that does not align with the allowances set under MDIA. The option stating that no variance is allowed would create impractical scenarios for lenders, as it does not recognize the natural fluctuations in interest rates and associated costs. Thus

3. Net operating income is defined as?

- A. Effective gross income minus operating expenses**
- B. Potential gross income minus operating expenses
- C. Effective gross income if vacancies are zero
- D. Potential gross income whenever operating expenses increase

Net operating income (NOI) is a key concept in real estate and mortgage financing, as it represents the revenue generated from a property after deducting all operating expenses. Effective gross income is the total income a property generates, accounting for factors such as vacancies and collection loss, while operating expenses include all costs that are required to operate and maintain the property. The correct definition of net operating income is derived from taking the effective gross income and subtracting the operating expenses. This calculation provides a clear picture of the income that remains after all necessary costs are covered, which is critical for investors and lenders when assessing the profitability and viability of a property. In contrast to this, potential gross income represents the total income that could be generated if the property were fully leased, without accounting for vacancies or bad debt. Thus, the subtraction of operating expenses from potential gross income does not accurately reflect the actual income derived from the property. By focusing on effective gross income rather than potential gross income, the definition acknowledges the real-world conditions that impact revenue. Therefore, the correct answer accurately describes how net operating income is calculated and its relevance to property valuation and investment analysis.

4. What type of loan typically requires PMI when the down payment is less than 20%?

- A. Conventional loans**
- B. FHA loans
- C. VA loans
- D. Subprime loans

Private Mortgage Insurance (PMI) is often a requirement for conventional loans when the borrower makes a down payment of less than 20%. This insurance protects the lender in the event of default, as a smaller down payment indicates a higher risk for the lender. PMI is specifically associated with conventional loans as a means to mitigate that risk. While FHA loans also require mortgage insurance, they differ from PMI in that the insurance is structured differently and is typically required for the life of the loan regardless of the down payment size. VA loans, on the other hand, do not require any form of mortgage insurance, making them distinctive in that aspect. Lastly, subprime loans may come with higher risks and costs, but they do not have a standardized requirement for PMI linked to the down payment. Thus, when considering which loan type mandates PMI for a down payment of less than 20%, conventional loans stand out as the answer.

5. Loans covered by Section 32 of the TILA, also known as the Home Ownership and Equity Protection Act, do NOT require which of the following?

- A. Lender restrictions on loans used to purchase properties**
- B. Specific lender disclosures for loans used to refinance existing home loans
- C. No balloon payments on certain loans with interest rates priced at least 8% above an equivalent Treasury security
- D. A warning from the lender that the borrower could lose their home if they do not meet the requirements of the loan

Loans that fall under Section 32 of the Truth in Lending Act (TILA), specifically those associated with the Home Ownership and Equity Protection Act (HOEPA), include additional protections for borrowers, particularly for high-cost loans. These loans are characterized by certain costs and features that can pose higher risks to borrowers. The correct answer reflects that there are no lender restrictions specifically placed on the types of loans used to purchase properties as part of the requirements outlined in Section 32. Unlike other aspects such as required disclosures, prohibitions on certain payment structures (like balloon payments), and mandatory warnings related to foreclosure risks, the law does not impose specific restrictions on how lenders handle the purchase of properties. Therefore, lenders are still able to originate loans for purchasing properties under their own criteria, as long as they comply with the broader TILA disclosures and limitations regarding high-cost loans. The other options highlight requirements that are indeed part of Section 32 protections. For example, any refinancing of existing loans requires specific disclosures aimed at informing the borrower of their obligations and potential risks. Also, loans defined under this act must avoid balloon payments if they exceed the interest threshold specified, to mitigate risks for borrowers. Furthermore, lenders are obligated to inform borrowers about the potential for losing their home should

6. What role does the Federal Housing Finance Administration (FHFA) NOT play?

- A. FHFA oversees Fannie Mae and Freddie Mac
- B. FHFA is a relatively new independent federal agency
- C. FHFA oversees the Federal Home Loan Banks
- D. FHFA funds the Federal Housing Administration (FHA) loan program**

The Federal Housing Finance Administration (FHFA) does not fund the Federal Housing Administration (FHA) loan program, which is why this choice is correct. The FHFA primarily regulates and oversees government-sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac and also supervises the Federal Home Loan Banks. Its main responsibilities include ensuring the operational stability and ethical conduct of these entities, but it does not have a role in funding FHA loans. The FHA operates as part of the Department of Housing and Urban Development (HUD) and provides mortgage insurance on loans made by approved lenders, which is separate from the functions of the FHFA. The funding for FHA loans comes from various sources, including premiums paid by borrowers, not the FHFA. The other statements accurately describe the roles of the FHFA, as it is indeed responsible for overseeing Fannie Mae and Freddie Mac and the Federal Home Loan Banks, and it was established as an independent federal agency to provide regulation and stability within the housing finance system.

7. What indicates a borrower has been approved for a mortgage?

- A. Signature authorization
- B. Good faith estimate
- C. Loan-to-value ratio**
- D. Credit score analysis

A borrower's approval for a mortgage is typically determined through various assessments and documentation, but the loan-to-value (LTV) ratio plays a critical role in that process. The LTV ratio is calculated by dividing the loan amount by the appraised value of the property. A lower LTV ratio is generally viewed more favorably by lenders as it indicates less risk—meaning the borrower is funding a greater portion of the property value through their own equity. When a borrower is approved, it often means that the LTV ratio meets the lender's guidelines, enabling the loan to move forward. Therefore, a solid understanding of LTV helps in gauging whether a borrower is likely to be approved for that mortgage. While signature authorization, a good faith estimate, and credit score analysis are integral parts of the mortgage process, they serve different purposes. Signature authorization confirms that the borrower agrees to the terms of the loan, the good faith estimate outlines the expected costs of the mortgage, and credit score analysis evaluates the borrower's creditworthiness. None of these elements alone specifically confirms the approval of a mortgage as definitively as the loan-to-value ratio does.

8. In terms of advertising, what must be included if any triggering terms are mentioned?

- A. Only the APR
- B. Amount of down payment, terms of repayment, APR**
- C. Interest rates only
- D. Disclosure of loan amount only

When advertising loans that include triggering terms, such as specific amounts of down payment or monthly payments, federal regulations require that certain additional information must be disclosed to ensure that consumers are not misled. The inclusion of the amount of down payment, terms of repayment, and the Annual Percentage Rate (APR) provides a clearer picture of the loan's terms and overall cost to the borrower. This legislative requirement aims to promote transparency and help consumers make informed decisions. For instance, mentioning a specific down payment without clarifying the repayment terms and APR could lead to misunderstandings about the true cost of financing. By including all these elements, the advertiser ensures compliance with the Truth in Lending Act (TILA) and offers potential borrowers the information they need to compare loan products effectively and understand their financial obligations. This comprehensive approach to disclosure protects consumers and fosters trust in the borrowing process.

9. What does the term 'reconciliation' refer to in the context of property valuation?

- A. Conformity
- B. Balancing
- C. Reconciliation**
- D. Reporting

In the context of property valuation, 'reconciliation' refers to the process of analyzing and comparing various property value indications derived from different approaches—such as the cost approach, the sales comparison approach, and the income approach. This process helps to arrive at a final estimate of value by weighing and balancing the outcomes from each method. Reconciliation is essential because it allows the appraiser to determine which value is the most accurate, reliable, and representative of the property in question, considering factors like market conditions and property specifics. It is not simply about reporting the applied value or achieving conformity but involves a critical analysis of the gathered data to ensure that the final value conclusion is substantiated and reflects the property's true market potential.

10. Which statement about the HUD-1 statement is NOT true?

- A. Expenses paid outside of closing may show on HUD-1 but not GFE
- B. The borrower may review the final HUD-1 one day before closing
- C. Costs on the final GFE are often different from HUD-1**
- D. Payments from a lender to a mortgage broker show as loan origination charges

The statement regarding the final Good Faith Estimate (GFE) and the HUD-1 statement reveals an important aspect of the closing process in real estate transactions. Specifically, the GFE is intended to provide borrowers with an estimate of the loan costs, while the HUD-1 statement presents the final accounting of these costs at closing. While it is true that the costs outlined in the final GFE can differ from those listed on the HUD-1 statement, it is essential to note that the GFE was replaced by the Loan Estimate (LE) form for most transactions after the implementation of the TILA-RESPA Integrated Disclosure (TRID) rule in 2015. Thus when considering documents that are currently utilized and processed together, it is more accurate to highlight that the final LE and the HUD-1 (or Closing Disclosure in current practice) may show variances in costs due to factors such as changes in loan terms or borrower selections prior to closing. In this context, some variations can arise from changes that occurred after the GFE was issued, such as adjustments for specific services that are paid at different points or based on the final agreement between the parties. Therefore, the statement implies that discrepancies in costs between documents are common and not surprising within the

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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