

Mortgage Loan Originators (MLO) Federal Laws Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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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 a common structure for a mortgage loan originator's compensation?**
 - A. A flat fee for each loan closed**
 - B. A percentage based on the loan amount**
 - C. Hourly wage regardless of loan outcomes**
 - D. A bonus based on customer satisfaction ratings**

- 2. Under the Fair Housing Act, which of the following is NOT considered a protected class?**
 - A. Race**
 - B. Gender**
 - C. Age (unless the applicant is also protected by familial status)**
 - D. Religion**

- 3. Who is responsible for the administration of TILA as per the Dodd-Frank Act?**
 - A. Federal Trade Commission**
 - B. Federal Reserve Board**
 - C. Consumer Financial Protection Bureau**
 - D. Department of HUD**

- 4. What is the main objective of the Equal Credit Opportunity Act (ECOA)?**
 - A. To regulate interest rates on loans**
 - B. To prevent discrimination in credit transactions**
 - C. To monitor loan servicing practices**
 - D. To provide credit score guidelines**

- 5. The Real Estate Settlement Procedures Act does NOT apply to which of the following?**
 - A. Property improvement loans**
 - B. Loans involving lenders investing more than \$1 million**
 - C. Loans for 25 acres or more of vacant land**
 - D. Purchase loans with a first mortgage**

- 6. What type of mortgage typically requires no down payment?**
- A. Conventional mortgage**
 - B. FHA loan**
 - C. VA loan**
 - D. Jumbo loan**
- 7. Which federal law requires disclosure about annual percentage rates and finance charges?**
- A. Fair Housing Act**
 - B. Truth in Lending Act (TILA)**
 - C. Real Estate Settlement Procedures Act**
 - D. Equal Credit Opportunity Act**
- 8. In the context of mortgages, what does "escrow" refer to?**
- A. A storage for physical documents**
 - B. A temporary account for holding funds**
 - C. A type of government loan**
 - D. A method of documenting purchases**
- 9. What does RESPA stand for?**
- A. Real Estate Settlement Policy and Activities**
 - B. Real Estate Sales Policy Act**
 - C. Real Estate Sales Procedures Action**
 - D. Real Estate Settlement Procedures Act**
- 10. Which law ensures that some borrowers have the right of rescission for three business days after a loan contract is signed?**
- A. Equal Credit Opportunity Act**
 - B. Regulation X**
 - C. Regulation Z**
 - D. Title VIII**

Answers

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

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Explanations

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1. What is a common structure for a mortgage loan originator's compensation?

- A. A flat fee for each loan closed**
- B. A percentage based on the loan amount**
- C. Hourly wage regardless of loan outcomes**
- D. A bonus based on customer satisfaction ratings**

A common structure for a mortgage loan originator's compensation being based on a percentage of the loan amount reflects industry standards and practices. This method aligns the loan originator's earnings with the value of the loans they facilitate, incentivizing them to secure larger loans as their commission grows with the loan amount. By linking compensation directly to the loan size, it encourages mortgage loan originators to work effectively to meet the needs of borrowers while also promoting the overall financial performance of the institution they represent. In contrast, while a flat fee for each loan closed offers predictability, it may not drive the same level of engagement or encourage originators to pursue higher-value loans. An hourly wage, regardless of loan outcomes, does not align the interests of the originator with successful loan closing, potentially leading to less motivation. A bonus based on customer satisfaction ratings could promote good service, but it typically does not form a primary compensation structure for loan originators, as it may not reflect their financial performance in terms of loan volume generated. Thus, a percentage of the loan amount is a widely accepted and effective means to compensate mortgage loan originators.

2. Under the Fair Housing Act, which of the following is NOT considered a protected class?

- A. Race**
- B. Gender**
- C. Age (unless the applicant is also protected by familial status)**
- D. Religion**

The correct answer highlights that age is not explicitly considered a protected class under the Fair Housing Act, except in the context of familial status. The Fair Housing Act was established to prevent discrimination in housing on the basis of specific characteristics, which include race, color, national origin, religion, sex, disability, and familial status. While age can be a factor in housing discrimination in certain contexts, it is not a standalone protected category within this particular act. Familial status refers to the presence of children under the age of 18, and while older individuals might be protected from age-related discrimination under different laws, such as the Age Discrimination Act, this does not apply to the Fair Housing Act without being associated with familial status. Thus, the choices provided—race, gender, and religion—are all recognized protected classes under the Fair Housing Act. The distinction regarding age helps to clarify the scope of the law, as it is based on the established protections and the specific wording of the Fair Housing Act.

3. Who is responsible for the administration of TILA as per the Dodd-Frank Act?

- A. Federal Trade Commission**
- B. Federal Reserve Board**
- C. Consumer Financial Protection Bureau**
- D. Department of HUD**

The Consumer Financial Protection Bureau (CFPB) is responsible for the administration of the Truth in Lending Act (TILA) as specified in the Dodd-Frank Act. The Dodd-Frank Act, enacted in response to the 2008 financial crisis, brought significant changes to financial regulation, including the restructuring of oversight for consumer financial laws to enhance consumer protection. The CFPB was created to centralize authority over consumer financial products and services, which includes enforcing TILA. This law requires clear disclosure of key terms of lending arrangements and all costs associated with borrowing and is aimed at preventing misleading or unfair lending practices. In contrast, the Federal Trade Commission primarily focuses on protecting consumers from unfair or deceptive business practices across various industries, but it does not have the same level of specialized authority over lending practices as the CFPB. The Federal Reserve Board historically had some regulatory authority over TILA but saw its powers significantly reduced as a result of the Dodd-Frank Act, which transferred many of those responsibilities to the CFPB. The Department of Housing and Urban Development (HUD) oversees certain aspects of housing finance, but it does not administer TILA directly; instead, it focuses more on issues related to fair housing and housing assistance.

4. What is the main objective of the Equal Credit Opportunity Act (ECOA)?

- A. To regulate interest rates on loans**
- B. To prevent discrimination in credit transactions**
- C. To monitor loan servicing practices**
- D. To provide credit score guidelines**

The main objective of the Equal Credit Opportunity Act (ECOA) is to prevent discrimination in credit transactions. This federal law was enacted to ensure that all individuals have fair access to credit regardless of race, color, religion, national origin, sex, marital status, age, or because they receive public assistance. The ECOA promotes equal treatment of borrowers, making it illegal for creditors to discriminate against applicants on any of these bases. This commitment to fairness helps establish a more equitable lending environment, ensuring that consumers can obtain credit based on their creditworthiness rather than personal characteristics that are unrelated to their ability to repay a loan. The focus of the ECOA is not on regulating interest rates, monitoring loan servicing practices, or setting credit score guidelines, which are the themes of the other options provided. Instead, it centers fundamentally on combating discrimination and fostering equal access to credit, highlighting its critical role in consumer protection and fairness within the lending process.

5. The Real Estate Settlement Procedures Act does NOT apply to which of the following?

- A. Property improvement loans**
- B. Loans involving lenders investing more than \$1 million**
- C. Loans for 25 acres or more of vacant land**
- D. Purchase loans with a first mortgage**

The Real Estate Settlement Procedures Act (RESPA) regulates the practices of lenders, mortgage brokers, and other settlement service providers in residential real estate transactions involving federally related mortgage loans. Its primary goal is to ensure that consumers are informed about the costs associated with their loans and to prohibit certain practices that can lead to abusive practices. When it comes to the applicability of RESPA, loans for 25 acres or more of vacant land are explicitly excluded from its coverage. This distinction is important because RESPA primarily focuses on residential transactions, which are defined by their use as dwelling units for one to four families. Since land that is not intended for immediate residential use does not fall under this scope, the Act does not apply to such transactions. On the other hand, property improvement loans and purchase loans with a first mortgage are specifically covered under RESPA as they typically involve residential properties. Additionally, loans involving lenders investing more than \$1 million are also likely to fall under the jurisdiction of RESPA because the nature of the transaction does not change simply based on the size of the loan. Understanding these distinctions is key for individuals working in real estate and finance, as they navigate the intricacies of compliance with federal laws like RESPA.

6. What type of mortgage typically requires no down payment?

- A. Conventional mortgage**
- B. FHA loan**
- C. VA loan**
- D. Jumbo loan**

A VA loan typically requires no down payment, making it a suitable option for eligible veterans and active-duty service members. One of the key features of VA loans is their backing by the U.S. Department of Veterans Affairs, which enables lenders to offer these loans with favorable terms, including no down payment requirement. This can be particularly beneficial for military personnel who may find it challenging to save for a down payment while serving. In contrast, conventional mortgages generally require a down payment, which can vary based on the lender and the borrower's creditworthiness. FHA loans also require a down payment, albeit a lower one than conventional loans, often around 3.5%. Jumbo loans, which are loans that exceed the conforming loan limits set by the Federal Housing Finance Agency, also necessitate a down payment, typically ranging from 10% to 20% of the purchase price. Thus, the absence of a down payment requirement in VA loans distinguishes them from these other types of mortgages, making the option for eligible applicants particularly advantageous.

7. Which federal law requires disclosure about annual percentage rates and finance charges?

A. Fair Housing Act

B. Truth in Lending Act (TILA)

C. Real Estate Settlement Procedures Act

D. Equal Credit Opportunity Act

The correct response is the Truth in Lending Act (TILA), which was enacted to promote informed use of consumer credit by requiring disclosures about its terms and costs. One of the key components of TILA is the requirement for lenders to disclose the annual percentage rate (APR) and the finance charges associated with a loan. This ensures that borrowers can understand and compare the costs of credit, thereby making informed financial decisions. Under TILA, borrowers are provided with a standardized format for these disclosures, which aids in transparency and allows for easier comparison across different lending options. This law plays a critical role in defining the responsibilities of lenders and protecting consumers from misleading practices related to the costs of borrowing. The other federal laws mentioned do not specifically require disclosures about annual percentage rates and finance charges in the same manner as TILA. The Fair Housing Act focuses on preventing discrimination in housing, the Real Estate Settlement Procedures Act addresses settlement costs and procedures in real estate transactions, and the Equal Credit Opportunity Act prohibits discrimination in credit transactions. Each of these laws serves important functions but does not cover the disclosure of APR and finance charges like TILA does.

8. In the context of mortgages, what does "escrow" refer to?

A. A storage for physical documents

B. A temporary account for holding funds

C. A type of government loan

D. A method of documenting purchases

In the context of mortgages, "escrow" refers to a temporary account for holding funds. This is a financial arrangement where a third party temporarily holds assets or money until certain conditions are met or until the completion of a transaction. In real estate, escrow accounts are commonly used to manage funds related to property taxes and homeowners insurance premiums. Homebuyers often pay a portion of these costs each month along with their mortgage payment, and the lender places these funds into an escrow account. When payment due dates arise, the lender disburses the money from the escrow account to cover these expenses, ensuring that they are paid on time. This system provides security for both the borrower and the lender. Borrowers benefit from not having to manage large lump sums at once, while lenders reduce the risk of unpaid property taxes or insurance, which could jeopardize their investment. The use of escrow plays a critical role in the mortgage process, promoting financial responsibility and safeguarding all parties involved in the transaction.

9. What does RESPA stand for?

- A. Real Estate Settlement Policy and Activities
- B. Real Estate Sales Policy Act
- C. Real Estate Sales Procedures Action
- D. Real Estate Settlement Procedures Act**

The correct answer is the Real Estate Settlement Procedures Act. This law was enacted to ensure that consumers are provided with important information about the costs involved in the settlement process of real estate transactions, including mortgage loans. RESPA is designed to protect consumers from abusive practices in the real estate settlement process, promote transparency, and enable them to make informed decisions regarding their mortgage options. The act specifically requires lenders and mortgage brokers to provide a Good Faith Estimate of closing costs, as well as a HUD-1 Settlement Statement that details the final costs at closing. This focus on disclosure is crucial for consumers, as it helps them understand what they are paying for and minimizes the likelihood of surprise fees and unforeseen expenses during the home buying process. By understanding the purpose and implications of RESPA, mortgage loan originators and other professionals in the real estate industry can better serve their clients and comply with legal requirements.

10. Which law ensures that some borrowers have the right of rescission for three business days after a loan contract is signed?

- A. Equal Credit Opportunity Act
- B. Regulation X
- C. Regulation Z**
- D. Title VIII

The law that ensures some borrowers have the right of rescission for three business days after a loan contract is signed is Regulation Z. This regulation implements the Truth in Lending Act (TILA), which aims to promote informed use of consumer credit by requiring clear disclosure of key terms and costs associated with lending. The right of rescission specifically allows borrowers to reconsider the loan terms and cancel the transaction if they feel it is unfavorable. This three-day window is crucial because it provides borrowers an opportunity to make an informed decision without the pressure of an immediately binding contract. Regulation X, on the other hand, primarily deals with the Real Estate Settlement Procedures Act (RESPA) and focuses on promoting transparency in the closing process. The Equal Credit Opportunity Act prohibits discrimination in lending but does not provide rescission rights. Title VIII refers to the Fair Housing Act, which addresses discrimination in housing but does not pertain to the right of rescission for loan contracts.

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://mlofederallaws.examzify.com>

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

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