

Nationwide Mortgage Licensing System (NMLS) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

- 1. What is the consequence for failing to meet continuing education requirements?**
 - A. A license renewal will be denied**
 - B. A fine will be issued**
 - C. Additional education hours will be required**
 - D. Increased scrutiny during renewal inspections**
- 2. What is a unique aspect of Tenants in Common ownership compared to Joint Tenancy?**
 - A. Equal shares**
 - B. Right of survivorship**
 - C. Ability to will share**
 - D. Buy at different times**
- 3. Which act ensures consumers receive important loan cost information?**
 - A. Truth-in-Lending Act**
 - B. Equal Credit Opportunity Act**
 - C. Real Estate Settlement Procedures Act**
 - D. Fair Housing Act**
- 4. What type of clause prevents a lender from pursuing additional recovery from a mortgagor if foreclosure proceeds are insufficient?**
 - A. Forbearance**
 - B. Escalation**
 - C. Acceleration**
 - D. Exculpatory**
- 5. What ethical standard is emphasized in NMLS training?**
 - A. Honesty and transparency in all dealings with consumers**
 - B. Confidentiality and data protection**
 - C. Aggressive sales tactics to close deals**
 - D. Maximum profit generation for the lender**

- 6. What financial obligation does NOT appear on the loan estimate?**
- A. Principal**
 - B. Rate adjustment**
 - C. Funding Fee**
 - D. Taxes**
- 7. According to the Truth-in-Lending Act (TILA), which of the following fees is EXCLUDED from the calculation of the annual percentage rate?**
- A. Hazard insurance**
 - B. Wire transfer**
 - C. Prepaid interest**
 - D. Mortgage insurance premiums**
- 8. How many months need to be left on an automobile lease to count it as a debt?**
- A. 2 months**
 - B. 5 months**
 - C. 10 months**
 - D. It is always included**
- 9. If an applicant works 40 hours every week and is paid \$13.52 per hour, what is the applicant's monthly income?**
- A. \$2,163.20**
 - B. \$2,343.47**
 - C. \$2,379.52**
 - D. \$2,487.68**
- 10. What is the primary goal of the Dodd-Frank Act?**
- A. To eliminate all mortgage fees**
 - B. To reform the financial system and prevent economic crisis**
 - C. To lower interest rates for all loans**
 - D. To regulate housing prices**

Answers

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

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Explanations

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1. What is the consequence for failing to meet continuing education requirements?

- A. A license renewal will be denied**
- B. A fine will be issued**
- C. Additional education hours will be required**
- D. Increased scrutiny during renewal inspections**

Failing to meet continuing education requirements directly leads to the denial of license renewal. Continuing education is a critical component in the mortgage industry, as it ensures that license holders are up to date with current laws, regulations, and best practices. This knowledge is essential for maintaining professionalism and competency in the field. When a licensee does not complete the required hours of continuing education, they are deemed ineligible for renewal, resulting in their inability to operate legally in the mortgage industry. As a result, it is imperative for professionals to adhere to these requirements to maintain their active status and avoid interruptions in their ability to conduct business.

2. What is a unique aspect of Tenants in Common ownership compared to Joint Tenancy?

- A. Equal shares**
- B. Right of survivorship**
- C. Ability to will share**
- D. Buy at different times**

In Tenants in Common ownership, one of the distinctive features is the ability to will one's share of the property to heirs or designated individuals upon death. This means that each co-owner can control what happens to their portion of the property, allowing them to designate beneficiaries according to their wishes, rather than having it automatically transfer to the other co-owners. This contrasts with Joint Tenancy, which includes the right of survivorship. Under this arrangement, when one co-owner passes away, their share of the property automatically transfers to the surviving co-owners, bypassing the estate process and any designated heirs. While tenants in common can own different percentages of the property and can also acquire their shares at different times, these features do not specifically relate to the unique aspect of estate planning and legacy that choosing to will one's share represents. Therefore, the ability to will a share clearly distinguishes Tenants in Common from Joint Tenancy in terms of ownership structure and control over one's interests after death.

3. Which act ensures consumers receive important loan cost information?

A. Truth-in-Lending Act

B. Equal Credit Opportunity Act

C. Real Estate Settlement Procedures Act

D. Fair Housing Act

The Truth-in-Lending Act (TILA) is the legislation that ensures consumers receive essential information regarding the costs associated with borrowing, particularly those concerning loans. This act mandates clear disclosure of the terms and costs of a loan, including the annual percentage rate (APR), finance charges, amount financed, and the total payment amount over the life of the loan. The primary purpose is to promote informed use of credit by requiring lenders to present this information in a standardized format, making it easier for consumers to understand the financial implications of their borrowing decisions. By providing transparency regarding loan costs, the Truth-in-Lending Act helps consumers make better-informed choices and compare different credit offers more effectively. This not only fosters greater awareness of credit costs but also protects consumers from deceptive lending practices. While other acts provide important protections in related areas, such as fair lending practices or disclosure of settlement costs, the primary focus of the Truth-in-Lending Act is centered on informing consumers specifically about loan-related costs.

4. What type of clause prevents a lender from pursuing additional recovery from a mortgagor if foreclosure proceeds are insufficient?

A. Forbearance

B. Escalation

C. Acceleration

D. Exculpatory

The correct answer is exculpatory clause. An exculpatory clause is a provision in a mortgage agreement that stipulates that if a borrower defaults and the property is foreclosed, the lender cannot pursue the borrower for any additional personal liability beyond the collateral itself (the property). In other words, the lender's recovery is limited to the proceeds from the foreclosure sale. If those proceeds do not cover the full amount owed, the lender cannot seek further payment from the borrower's other assets or income. This type of clause is significant because it provides a measure of protection for borrowers, as it limits their financial consequences in the case of foreclosure. The clause effectively caps the lender's rights to recourse against the borrower, making the borrower's obligation to the lender strictly tied to the property they secured with the mortgage. Understanding this clause is crucial for both lenders and borrowers, as it defines the risk exposure for a borrower in the event of default and foreclosure.

5. What ethical standard is emphasized in NMLS training?

- A. Honesty and transparency in all dealings with consumers**
- B. Confidentiality and data protection**
- C. Aggressive sales tactics to close deals**
- D. Maximum profit generation for the lender**

Honesty and transparency in all dealings with consumers is a fundamental ethical standard emphasized in NMLS training. This principle is crucial in building trust between mortgage professionals and their clients, ensuring that consumers are fully informed about their options, fees, and the terms of their loans. Upholding this standard helps protect consumers from misinformation and exploitation, which is particularly important in the mortgage industry where decisions can have significant long-term financial impacts. An ethical approach fosters an environment where consumers feel comfortable asking questions and expressing concerns, knowing that they will receive truthful and straightforward answers. This commitment to honesty not only aligns with regulatory expectations but also helps to enhance the reputation of the entire industry. By prioritizing clear and transparent communication, mortgage professionals can better serve their clients and contribute to a more trustworthy market overall.

6. What financial obligation does NOT appear on the loan estimate?

- A. Principal**
- B. Rate adjustment**
- C. Funding Fee**
- D. Taxes**

The loan estimate is a standardized document designed to provide prospective borrowers with important details about their mortgage, including the expected monthly payment and the overall cost of the loan. It includes essential components like principal, interest rates, and various other financial obligations related to the loan. The funding fee, typically associated with specific loan programs such as VA loans, is not included on the loan estimate. The inclusion of this fee can vary based on the circumstances, such as a borrower's eligibility or loan type. Thus, while the funding fee may be a financial obligation related to obtaining a mortgage, it is not standard information that appears on every loan estimate, making it the correct response in this context. In contrast, principal is inherently tied to the loan amount, and rate adjustments are crucial for understanding potential future payments on adjustable-rate mortgages. Property taxes are also typically estimated as they represent an ongoing financial obligation for homeowners.

7. According to the Truth-in-Lending Act (TILA), which of the following fees is EXCLUDED from the calculation of the annual percentage rate?

- A. Hazard insurance**
- B. Wire transfer**
- C. Prepaid interest**
- D. Mortgage insurance premiums**

Under the Truth-in-Lending Act (TILA), the annual percentage rate (APR) is a measure intended to give borrowers a clearer understanding of the true cost of their loans. When calculating the APR, certain fees are included while others are excluded. Hazard insurance fees are typically considered part of the costs associated with protecting the property rather than costs of obtaining the loan itself, and thus they are not included in the APR calculation. This is because TILA focuses on fees that are directly tied to the credit provided, such as interest rates and certain other loan-related charges. In contrast, wire transfer fees, prepaid interest, and mortgage insurance premiums are generally included in the APR calculation because they are directly related to the cost of obtaining the loan. Specifically, wire transfer fees relate to the processing of funds for the transaction, prepaid interest impacts the cost of borrowing as it is interest paid in advance, and mortgage insurance premiums can affect the lender's overall risk and the cost to the borrower. Thus, the exclusion of hazard insurance from the calculation of the APR aligns with the intent of TILA to provide a standardized measurement of loan costs by excluding those fees that do not relate directly to the lending costs themselves.

8. How many months need to be left on an automobile lease to count it as a debt?

- A. 2 months**
- B. 5 months**
- C. 10 months**
- D. It is always included**

An automobile lease is considered a debt regardless of the number of months remaining. This is due to the ongoing financial obligation that the lessee has to fulfill for the duration of the lease. When assessing a borrower's debt-to-income ratio or overall financial profile, lenders must account for all types of recurring debts, including long-term leases like those for automobiles. All remaining months on the lease apply because they represent a binding financial responsibility that the borrower must meet. This comprehensive approach ensures that the lender fully understands the borrower's financial commitments before approving any new credit or mortgage applications. Therefore, the correct response captures the essence of how financial obligations, such as automobile leases, are treated in the context of debt assessment.

9. If an applicant works 40 hours every week and is paid \$13.52 per hour, what is the applicant's monthly income?
- A. \$2,163.20
 - B. \$2,343.47**
 - C. \$2,379.52
 - D. \$2,487.68

To determine the applicant's monthly income, we first need to calculate their weekly income. Since the applicant works 40 hours each week and earns \$13.52 per hour, we multiply the number of hours by the hourly wage: $\text{Weekly Income} = 40 \text{ hours/week} \times \$13.52/\text{hour} = \$540.80$. Next, to find the monthly income, we multiply the weekly income by the number of weeks in a month. Typically, a month is considered to have approximately 4.33 weeks (52 weeks in a year divided by 12 months): $\text{Monthly Income} = \text{Weekly Income} \times 4.33 \text{ weeks/month} = \$540.80 \times 4.33 = \$2,343.47$. This result shows that the monthly income, calculated based on a consistent 40-hour work week and the specified hourly wage, accurately reflects the expected earnings over an average month, thereby making the selection of the second option as the monthly income appropriate. This approach is essential for financial calculations, especially in contexts such as mortgage applications, where verifying an applicant's income profile is crucial.

10. What is the primary goal of the Dodd-Frank Act?
- A. To eliminate all mortgage fees
 - B. To reform the financial system and prevent economic crisis**
 - C. To lower interest rates for all loans
 - D. To regulate housing prices

The Dodd-Frank Act, formally known as the Dodd-Frank Wall Street Reform and Consumer Protection Act, was enacted in response to the 2008 financial crisis. Its primary goal is to reform the financial system in order to enhance its stability and to prevent situations that could lead to future economic crises. The legislation introduced a wide range of regulations aimed at increasing transparency in the financial markets, improving accountability, and reducing systemic risk, particularly among large financial institutions. The focus on reforming the financial system rather than specific financial aspects, like eliminating fees or lowering interest rates, reflects the overarching intent of the legislation. By implementing measures such as stricter capital requirements and consumer protection provisions, the Dodd-Frank Act seeks to build a more resilient financial system that can withstand economic shocks, thereby promoting the long-term stability of the economy. This focus on systemic reform and crisis prevention is what distinguishes the correct answer from others that address more narrow or unrelated financial issues.

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://nationwidemortgagelicensingsystem.examzify.com>

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