

Nationwide Mortgage Licensing System (NMLS) Practice Exam (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

- 1. 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**
- 2. Which statement about a mortgage title insurance policy is true?**
 - A. Based on the loan amount**
 - B. Transferable**
 - C. Optional**
 - D. Required by the lender**
- 3. What is another name for a VA appraisal?**
 - A. CRV**
 - B. Veteran's appraisal report**
 - C. Fannie Mae 1025**
 - D. AVA**
- 4. Who is responsible for completing the HUD/Loan Disclosure?**
 - A. The borrower**
 - B. The closing agent**
 - C. The loan originator**
 - D. The grantor**
- 5. What is one of the primary purposes of the NMLS?**
 - A. To assist with bank lending policies**
 - B. To enhance competition in the mortgage industry**
 - C. To streamline the licensing process for mortgage professionals**
 - D. To provide financial assistance to borrowers**

- 6. What does NMLS stand for?**
- A. National Mortgage Licensing Standards**
 - B. National Mortgage Loan System**
 - C. Nationwide Mortgage Licensing System**
 - D. Nationwide Mortgage Loan Standards**
- 7. Which loan type typically has lower closing costs than other loans?**
- A. Fixed-rate mortgage**
 - B. VA loan**
 - C. Conventional loan**
 - D. Jumbo loan**
- 8. Which document is typically required from a salaried employee to obtain a loan?**
- A. 90 day pay stubs**
 - B. 2 years W2's**
 - C. Profit and Loss statement**
 - D. Balance sheet**
- 9. What is the late fee for a conventional loan?**
- A. 3% of principal and interest**
 - B. 4% of principal and interest**
 - C. 5% of principal and interest**
 - D. 10% of principal and interest**
- 10. Which of the following best describes the nature of the NMLS?**
- A. A state-specific licensing system**
 - B. A centralized database for mortgage professionals**
 - C. A shared system for reporting financial crimes**
 - D. A nationwide licensing system for mortgage professionals**

Answers

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

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Explanations

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1. 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.

2. Which statement about a mortgage title insurance policy is true?

A. Based on the loan amount

B. Transferable

C. Optional

D. Required by the lender

A mortgage title insurance policy is designed to protect against losses arising from defects in the title to a property. It is an essential component of real estate transactions, providing reassurance to lenders that their investment is secure. The correct choice regarding whether a mortgage title insurance policy is optional is accurate because the necessity of title insurance can vary depending on the lender's requirements and state laws. While lenders often recommend title insurance to protect themselves against potential claims or defects in the title, it isn't universally required. Thus, borrowers may choose whether to purchase it, making it optional in many cases. Understanding that title insurance is generally considered as part of a complete risk management strategy can help clarify its optional status. If a borrower opts not to have title insurance, they may be assuming greater risk in the event of future disputes over property ownership or other title-related issues, but this choice remains at their discretion.

3. What is another name for a VA appraisal?

A. CRV

B. Veteran's appraisal report

C. Fannie Mae 1025

D. AVA

The term "CRV" stands for "Certificate of Reasonable Value." This is a specific type of appraisal used by the Department of Veterans Affairs (VA) to determine the value of a property that veterans wish to purchase using their VA loan benefits. The CRV is essential as it establishes the maximum amount the VA will guarantee on the loan, ensuring that veterans are not overpaying for properties. This process is part of the VA's efforts to protect veterans from potential market fluctuations and ensures that they receive fair appraisals. The CRV is crucial because it also verifies that the property meets certain standards for safety, security, and soundness, aligning with the VA's mission to support the housing needs of veterans. The other options do not correctly represent the term associated with VA appraisals. For instance, "Veteran's appraisal report" lacks the specific designation and formal name the VA uses. Fannie Mae 1025 refers to a different type of appraisal used for multi-family properties and does not relate to the VA's appraisal process. Similarly, "AVA" typically refers to Automated Valuation Models, which are not specific to the VA appraisal process.

4. Who is responsible for completing the HUD/Loan Disclosure?

A. The borrower

B. The closing agent

C. The loan originator

D. The grantor

The responsibility for completing the HUD/Loan Disclosure primarily falls on the closing agent. This individual plays a crucial role in the closing process, which includes preparing and providing the necessary documentation that outlines the terms of the loan, including the HUD-1 Settlement Statement or the Closing Disclosure, depending on the transaction type. The HUD/Loan Disclosure is essential as it details the costs associated with the transaction, helping ensure that both the borrower and the lender have a clear understanding of the financial details involved. The closing agent coordinates this process, manages the signing of documents, and ensures that all parties receive the appropriate disclosures. While other parties, like the loan originator, might have input or initial responsibility for disclosing information to potential borrowers, the closing agent is the one tasked with finalizing and delivering the official HUD/Loan Disclosure at closing. This role is vital for compliance with regulations, as these documents must adhere to federal and state guidelines aimed at protecting consumers during the mortgage process.

5. What is one of the primary purposes of the NMLS?

- A. To assist with bank lending policies**
- B. To enhance competition in the mortgage industry**
- C. To streamline the licensing process for mortgage professionals**
- D. To provide financial assistance to borrowers**

The primary purpose of the Nationwide Mortgage Licensing System (NMLS) is to streamline the licensing process for mortgage professionals. This system was established to create a unified platform where individuals can apply for, maintain, and renew their mortgage licenses more efficiently. By centralizing information and reducing redundancy, the NMLS helps ensure that all mortgage professionals meet consistent standards across different states. This system also enhances the oversight and accountability of mortgage practice, improving overall industry regulation. This focus on streamlining the licensing process is vital because it minimizes the administrative burden on both the applicants and regulatory bodies, fostering a more organized approach to professional licensing in the mortgage industry. Consequently, it supports the goal of maintaining high standards of ethics and practice among mortgage professionals, which ultimately benefits consumers.

6. What does NMLS stand for?

- A. National Mortgage Licensing Standards**
- B. National Mortgage Loan System**
- C. Nationwide Mortgage Licensing System**
- D. Nationwide Mortgage Loan Standards**

NMLS stands for Nationwide Mortgage Licensing System. This comprehensive database is essential for the mortgage industry as it facilitates the licensing and registration of mortgage loan originators and other professionals involved in the mortgage process across the United States. By providing a centralized system, the NMLS enhances consumer protection and promotes accountability within the mortgage industry. The correct choice emphasizes the "Nationwide" aspect, reflecting the system's role in unifying licensing requirements across different states. It is critical for professionals within the industry to understand this terminology as it directly relates to regulatory compliance and the standards they must uphold.

7. Which loan type typically has lower closing costs than other loans?

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

The VA loan is designed to assist eligible veterans, active-duty service members, and certain members of the National Guard and Reserves in obtaining home financing with significant benefits, one of which is typically lower closing costs. This is primarily due to the various benefits the government provides to veterans to facilitate home ownership. For instance, VA loans do not require a down payment in most cases, thus reducing upfront costs. There are also limitations on certain closing costs, as the lender is not allowed to charge the veteran for specific fees, like the VA funding fee, which can be rolled into the loan amount or waived for certain borrowers with service-related disabilities. These advantages generally make VA loans more accessible and affordable for eligible borrowers compared to other types of loans, which may have higher associated closing costs due to varying lender fees, down payment requirements, and other mandatory fees that can accumulate.

8. Which document is typically required from a salaried employee to obtain a loan?

- A. 90 day pay stubs**
- B. 2 years W2's**
- C. Profit and Loss statement**
- D. Balance sheet**

A salaried employee typically needs to provide two years of W2 forms when applying for a loan. This documentation is crucial for lenders because it allows them to assess the borrower's income stability and capacity to repay the loan. W2s serve as standardized evidence of an individual's earnings from their employer, summarizing total wages earned and taxes withheld over the specified years. By reviewing two years of W2 forms, lenders can gauge whether the borrower's income is consistent, which is particularly important for salaried employees who may have a regular paycheck. This helps ensure that the borrower meets the lender's criteria for income verification and provides a clearer picture of their financial health. While pay stubs might be relevant, they typically show only recent earnings and are often used in conjunction with W2s for a comprehensive view of the borrower's income. Profit and loss statements and balance sheets are generally more applicable for self-employed individuals or businesses, as they represent different forms of income verification that aren't appropriate for salaried employees.

9. What is the late fee for a conventional loan?

- A. 3% of principal and interest**
- B. 4% of principal and interest**
- C. 5% of principal and interest**
- D. 10% of principal and interest**

A late fee for a conventional loan is typically calculated as a percentage of the principal and interest that is due but unpaid. In the context of this question, the standard late fee for a conventional loan in many cases is set at 5% of the outstanding principal and interest payment that is overdue. This percentage is a common practice within the mortgage industry, ensuring that lenders have a defined way to penalize borrowers for late payments, while not excessively burdening them. The rationale behind this percentage is to cover the additional costs and risks incurred by the lender when payments are delayed. It functions as an incentive for borrowers to make timely payments. This standardized late fee percentage helps borrowers to have a clear expectation regarding the consequences of late payment, aligning with typical loan agreements. Understanding the standard practices surrounding late fees in conventional loans is crucial for compliance with lending regulations and helping borrowers be informed about their financial responsibilities.

10. Which of the following best describes the nature of the NMLS?

- A. A state-specific licensing system**
- B. A centralized database for mortgage professionals**
- C. A shared system for reporting financial crimes**
- D. A nationwide licensing system for mortgage professionals**

The Nationwide Mortgage Licensing System (NMLS) is best described as a nationwide licensing system for mortgage professionals. This system was developed to enhance consumer protection and encourage responsible mortgage lending through a single, standardized platform. It serves all states and territories in the U.S., allowing mortgage professionals, including loan originators and companies, to apply for and maintain their licenses in one central location. The NMLS simplifies the licensing process for states by providing a nationwide framework, which helps to ensure consistency and efficiency in regulation across different jurisdictions. This is particularly important in the mortgage industry, which is subject to various federal and state laws and regulations. The NMLS not only facilitates the licensing and registration of mortgage professionals but also enhances the sharing of information among state regulators. While the system has aspects that could relate to centralization or reporting, such as streamlining license application processes and maintaining a registry of licensed entities, its primary function is to serve as a comprehensive national framework for licensing rather than merely a state-specific or crime-reporting database. This nationwide approach helps maintain a higher level of accountability in the mortgage industry.

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!