

NEW JERSEY MORTGAGE LOAN ORIGINATOR (MLO) PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

<https://njmlo.examzify.com>



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

SAMPLE

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

SAMPLE

- 1. What is the function of the truth-in-lending disclosure?**
 - A. To outline the penalties for late payments
 - B. To inform borrowers about the terms and costs of credit
 - C. To provide details of the lender's history
 - D. To explain the process for obtaining a loan modification
- 2. What information is typically included in a Loan Estimate?**
 - A. Estimated loan repayments and principal balance
 - B. Detailed credit score history of the borrower
 - C. Graphical representation of loan performance
 - D. A summary of local real estate trends
- 3. Within how many business days must a licensee report a change of location of mortgage records?**
 - A. 10 Business Days
 - B. 5 Business Days
 - C. 2 Business Days
 - D. 15 Business Days
- 4. What is the cap on points and fees for high-cost home loans?**
 - A. 3% of the loan amount
 - B. 1% of the loan amount
 - C. 2% of the loan amount
 - D. 5% of the loan amount
- 5. Which of the following best describes the relationship between a HELOC and home equity?**
 - A. A HELOC is unsecured
 - B. A HELOC is based solely on credit score
 - C. A HELOC uses home equity as collateral
 - D. A HELOC does not require appraisal

- 6. What is the minimum font size required for a promissory note that varies the interest rate?**
- A. 10
 - B. 12
 - C. 8
 - D. 14
- 7. What is a key feature of a subprime mortgage?**
- A. It is offered only to first-time homebuyers
 - B. It involves low interest rates and fees
 - C. It is available to borrowers with lower credit ratings
 - D. It guarantees automatic conversion to a fixed rate
- 8. What does the Home Mortgage Disclosure Act aim to combat?**
- A. High-interest loans
 - B. Discriminatory lending practices
 - C. Mortgages with prepayment penalties
 - D. Loans without credit checks
- 9. How long before closing must the closing disclosure be provided to borrowers?**
- A. At least one day before
 - B. At least three days before
 - C. At least five days before
 - D. At least one week before
- 10. What qualifies a mortgage as a "qualified mortgage"?**
- A. It requires a larger down payment than traditional mortgages
 - B. It meets specific regulatory criteria to ensure borrower repayment ability
 - C. It allows for higher debt-to-income ratios
 - D. It includes adjustable interest rates

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What is the function of the truth-in-lending disclosure?

- A. To outline the penalties for late payments
- B. To inform borrowers about the terms and costs of credit**
- C. To provide details of the lender's history
- D. To explain the process for obtaining a loan modification

The truth-in-lending disclosure serves a critical purpose in the lending process by informing borrowers about the terms and costs associated with credit. This disclosure is mandated by the Truth in Lending Act (TILA) and ensures that consumers receive clear and understandable information regarding the loan they are considering. It includes essential details such as the annual percentage rate (APR), finance charges, the total amount financed, and the payment schedule. This transparency enables borrowers to compare different loan offers and understand the true cost of borrowing, fostering informed decision-making. By outlining the financial obligations in detail, the truth-in-lending disclosure empowers consumers and promotes responsible lending practices. The other choices do not align with the primary aim of the truth-in-lending disclosure, which focuses on transparency in credit-related costs rather than procedural aspects, penalties, or lender history.

2. What information is typically included in a Loan Estimate?

- A. Estimated loan repayments and principal balance**
- B. Detailed credit score history of the borrower
- C. Graphical representation of loan performance
- D. A summary of local real estate trends

The inclusion of estimated loan repayments and principal balance in a Loan Estimate is correct because the Loan Estimate document is designed to provide borrowers with clear, upfront information about the terms and costs associated with a mortgage loan. It outlines the estimated monthly payment amounts, including the principal and interest, as well as an estimate of the total principal balance over time. This transparency helps borrowers understand their financial commitments and compare different loan offers effectively. The other options, while they may be relevant in other contexts, do not belong in a Loan Estimate. The detailed credit score history of a borrower is not included in this document; instead, credit scores may influence the lender's decision-making and interest rates. Graphical representations of loan performance are not part of the Loan Estimate, as it focuses more on numerical details rather than visual analytics. Summaries of local real estate trends are also not included in the Loan Estimate, as the document is primarily concerned with the specifics of the loan rather than market trends.

3. Within how many business days must a licensee report a change of location of mortgage records?

- A. 10 Business Days
- B. 5 Business Days**
- C. 2 Business Days
- D. 15 Business Days

The requirement for a licensee to report a change of location of mortgage records within five business days is established to ensure that regulatory authorities maintain accurate and up-to-date information regarding mortgage records, which is critical for transparency and compliance with state regulations. Rapid reporting allows for timely updates to be reflected in official records, which is important for audits, reviews, and consumer protection, as it ensures that all parties involved in the lending process have access to accurate information. In the context of maintaining proper practices in the mortgage industry, the five-business-day requirement also supports risk management by enabling swift tracking of records, which can be essential if any issues arise related to those records. It reflects a commitment to ensuring that all operational changes are promptly communicated to relevant parties, thereby minimizing the potential for confusion or disputes. This timeframe helps uphold the overall integrity of the mortgage lending process.

4. What is the cap on points and fees for high-cost home loans?

- A. 3% of the loan amount
- B. 1% of the loan amount
- C. 2% of the loan amount**
- D. 5% of the loan amount

The cap on points and fees for high-cost home loans is set at 3% of the total loan amount, which is a key regulation under the Home Ownership and Equity Protection Act (HOEPA). This regulation is designed to protect borrowers from excessive fees that can lead to unaffordable loans and predatory lending practices. Understanding the regulatory framework is crucial because it establishes boundaries for lenders to ensure that loan terms remain fair and transparent. The 3% threshold is applicable to loans that exceed certain limits, ensuring that borrowers are not burdened with unreasonable costs associated with securing their loan, such as origination fees, broker fees, and other closing costs. This cap is important as it helps maintain a balance in the borrowing process by setting clear limits on the extra charges that can be associated with high-cost loans, thereby promoting ethical lending practices.

5. Which of the following best describes the relationship between a HELOC and home equity?

- A. A HELOC is unsecured
- B. A HELOC is based solely on credit score
- C. A HELOC uses home equity as collateral**
- D. A HELOC does not require appraisal

The key aspect of a Home Equity Line of Credit (HELOC) is that it leverages the equity in a borrower's home as collateral for the loan. This means that the amount of credit available through a HELOC is determined by the equity the borrower has built up in their home, which is the difference between the home's market value and the remaining mortgage balance. As the borrower pays down their mortgage or as property values increase, the available home equity can also increase, allowing for potentially greater access to credit. Utilizing home equity as collateral makes the HELOC a secured line of credit, which typically results in lower interest rates compared to unsecured loans. Therefore, this understanding reinforces why the relationship between a HELOC and home equity is best described in terms of collateral.

6. What is the minimum font size required for a promissory note that varies the interest rate?

- A. 10
- B. 12
- C. 8**
- D. 14

The minimum font size required for a promissory note that varies the interest rate is typically set at 10 points, not 8. The law requires that certain disclosures be clear and legible to ensure that borrowers can easily read and understand the terms before signing. A font size smaller than the minimum standard could hinder comprehension, which is crucial for protecting consumers in financial transactions. In cases where the interest rate varies, it is essential for the borrower to have a clear understanding of the terms, including how the interest rates are determined and when they may change. Using a font size that is too small can lead to misunderstandings about the loan's terms, which can have significant financial implications for the borrower. Hence, adhering to the minimum requirements ensures transparency and maintains the integrity of the lending process.

7. What is a key feature of a subprime mortgage?

- A. It is offered only to first-time homebuyers
- B. It involves low interest rates and fees
- C. It is available to borrowers with lower credit ratings**
- D. It guarantees automatic conversion to a fixed rate

A key feature of a subprime mortgage is that it is available to borrowers with lower credit ratings. Subprime mortgages are designed specifically for individuals who may have a limited credit history or a low credit score, making them ineligible for traditional prime mortgage products. These loans cater to a higher-risk demographic, providing opportunities for homeownership that might not be available through conventional financing. While subprime mortgages often come with higher interest rates to offset the lender's increased risk, the central characteristic is the accessibility they provide to borrowers who might otherwise struggle to secure financing. This distinguishes subprime loans from options that may be limited to first-time homebuyers, feature low interest rates, or guarantee conversion to fixed rates, which are not defining traits of subprime lending.

8. What does the Home Mortgage Disclosure Act aim to combat?

- A. High-interest loans
- B. Discriminatory lending practices**
- C. Mortgages with prepayment penalties
- D. Loans without credit checks

The Home Mortgage Disclosure Act (HMDA) is primarily focused on combating discriminatory lending practices. This law requires financial institutions to collect and report data about their home loan activities to ensure that lending practices are fair and accessible to all individuals, regardless of race, ethnicity, sex, income, or other characteristics. The goal of the HMDA is to promote transparency and allow regulatory agencies to determine whether lenders are serving the housing needs of their communities and to identify any possible discriminatory lending patterns. Through the data collected under HMDA, disparities in loan approval rates, interest rates, and other lending terms can be analyzed, which enables both regulators and the public to hold lenders accountable for their practices. This fosters a more equitable lending environment and helps ensure that all borrowers have equal access to housing finance options. The other options, while they may relate to various aspects of mortgage lending, do not capture the primary intent of the HMDA. High-interest loans, prepayment penalties, and loans without credit checks are issues that lenders and consumers might encounter, but they do not specifically address the core purpose of the HMDA, which is to prevent discrimination in lending.

9. How long before closing must the closing disclosure be provided to borrowers?

- A. At least one day before
- B. At least three days before**
- C. At least five days before
- D. At least one week before

The required time frame for providing the closing disclosure to borrowers is at least three days before the actual closing of the loan. This regulation is in place to ensure that borrowers have sufficient time to review the terms and conditions of their loan agreement, as well as the associated costs. The three-day window allows them to understand all financial implications, verify closing costs, and ask any necessary questions or address concerns before signing the final documents. This consumer protection measure helps to promote transparency in the mortgage process and ensures that borrowers are well-informed prior to committing to the loan.

10. What qualifies a mortgage as a "qualified mortgage"?

- A. It requires a larger down payment than traditional mortgages
- B. It meets specific regulatory criteria to ensure borrower repayment ability**
- C. It allows for higher debt-to-income ratios
- D. It includes adjustable interest rates

A mortgage is categorized as a "qualified mortgage" based on its adherence to specific regulatory criteria designed to assess and ensure the borrower's ability to repay the loan. The concept of a qualified mortgage is rooted in protecting consumers and mitigating risk within the lending market, primarily established under the Dodd-Frank Act. To be deemed a qualified mortgage, a loan must satisfy several requirements, which include limitations on points and fees, restrictions on risky loan features such as interest-only payments or negative amortization, and verification of the borrower's financial information to confirm their capacity to repay the loan. These regulations serve to provide a safety net for both borrowers and lenders, minimizing the likelihood of defaults and foreclosures. The other options do not accurately reflect the criteria that define a qualified mortgage. While a larger down payment might affect eligibility for various loans, it is not a requirement for a qualified mortgage. Similarly, while higher debt-to-income ratios can be permissible in some mortgage types, they do not align with the qualifications of a qualified mortgage, which generally emphasizes lower risk and responsible lending practices. Adjustable interest rates may also be included in some mortgages, but they do not automatically qualify a loan as a qualified mortgage without meeting the other specific regulatory criteria focused on borrower repayment ability.

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://njmlo.examzify.com>

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

SAMPLE