

NMLS Hawaii Mortgage Loan Originators (MLOs) State Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. What does the term "underwriting" refer to?**
 - A. The process of signing loan documents**
 - B. The process of assessing the risk of lending**
 - C. The evaluation of property value**
 - D. The approval of loan applications**
- 2. What is the primary function of a reverse mortgage?**
 - A. To provide homeowners with a loan to purchase another property**
 - B. To allow borrowers to refinance their existing mortgage**
 - C. To enable homeowners to borrow against their equity without immediate repayment**
 - D. To replace a traditional mortgage with a fixed interest loan**
- 3. What is the initial licensing fee for a branch office in the Mortgage Loan Recovery Fund?**
 - A. \$200**
 - B. \$300**
 - C. \$250**
 - D. \$400**
- 4. Title VII of the Civil Rights Act of 1964 prohibits discrimination based on which of the following?**
 - A. Age, marital status, or disability**
 - B. Race, color, religion, sex, or national origin**
 - C. Income level or employment history**
 - D. Geographic location**
- 5. Which of the following is included in the responsibilities of the Bureau of Conveyances?**
 - A. Conduct property surveys**
 - B. Certify copies of matters on record**
 - C. Provide community legal advice**
 - D. Resolve title disputes**

- 6. What is the examination fee assessed per hour for fraud violations by a lender?**
- A. \$60 per hour**
 - B. \$120 per hour**
 - C. \$160 per hour**
 - D. \$200 per hour**
- 7. What services does the Bureau of Conveyances provide?**
- A. Manage property sales**
 - B. Examine, record, index, microfilm documents and maps**
 - C. Provide loan approvals**
 - D. Develop zoning regulations**
- 8. What is one requirement for an MLO's surety bond in Hawaii?**
- A. The bond must be issued by a national bank**
 - B. The bond must be in a minimum amount set by state law**
 - C. The bond must be renewed every year**
 - D. The bond can be combined with other types of insurance**
- 9. What does a "pattern of seriously delinquent accounts" refer to in financial responsibility assessments?**
- A. Accounts overdue for more than 6 months**
 - B. Multiple late payments within the last year**
 - C. Constantly low balances on accounts**
 - D. A series of delinquent accounts within the past three years**
- 10. What is the maximum penalty for a mortgage servicer that violates specific regulations related to retiree targeting?**
- A. \$1,000**
 - B. \$10,000**
 - C. \$20,000**
 - D. \$30,000**

Answers

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

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Explanations

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1. What does the term "underwriting" refer to?

- A. The process of signing loan documents**
- B. The process of assessing the risk of lending**
- C. The evaluation of property value**
- D. The approval of loan applications**

The term "underwriting" specifically refers to the process of assessing the risk associated with lending money to a borrower. This involves evaluating various factors, including the borrower's creditworthiness, their financial history, and the specifics of the loan being requested. Underwriters analyze documentation submitted by the borrower, such as income statements, credit reports, and asset information, to determine if the risk of lending is acceptable based on the lender's guidelines. Understanding underwriting is a critical component of the mortgage loan process as it directly impacts the decision on whether or not to approve a loan application. An effective underwriting process ensures that lenders mitigate risks while making informed decisions about extending credit.

2. What is the primary function of a reverse mortgage?

- A. To provide homeowners with a loan to purchase another property**
- B. To allow borrowers to refinance their existing mortgage**
- C. To enable homeowners to borrow against their equity without immediate repayment**
- D. To replace a traditional mortgage with a fixed interest loan**

The primary function of a reverse mortgage is to enable homeowners to borrow against their equity without immediate repayment. This type of loan is specifically designed for older homeowners, typically aged 62 and over, allowing them to convert a portion of their home equity into cash. Unlike traditional mortgages where borrowers make monthly payments, a reverse mortgage does not require repayment until the borrower sells the home, moves out, or passes away. This loan is particularly beneficial for retirees who may need additional income for living expenses. It provides funds while allowing the borrower to continue living in their home without the burden of monthly mortgage payments, thus improving their financial flexibility in retirement. In comparison to the other options, a reverse mortgage is not intended for purchasing another property, refinancing existing mortgages, or replacing traditional loans with fixed interest loans. Each of those scenarios involves different objectives and repayment structures that do not align with the unique characteristics of a reverse mortgage.

3. What is the initial licensing fee for a branch office in the Mortgage Loan Recovery Fund?

- A. \$200
- B. \$300
- C. \$250**
- D. \$400

The initial licensing fee for a branch office in the Mortgage Loan Recovery Fund is set at \$250. This fee is part of the regulatory framework that ensures compliance and provides a degree of security for consumers engaged with branch offices in the mortgage loan sector. Having a standardized fee helps maintain consistency across the industry and ensures that branch offices contribute to the Recovery Fund, which serves to protect borrowers from financial losses that may occur due to the actions of licensed mortgage loan originators. This understanding of the fee structure and its purpose is essential for mortgage loan originators operating in Hawaii, as it highlights the state's commitment to consumer protection and the integrity of the mortgage lending industry.

4. Title VII of the Civil Rights Act of 1964 prohibits discrimination based on which of the following?

- A. Age, marital status, or disability
- B. Race, color, religion, sex, or national origin**
- C. Income level or employment history
- D. Geographic location

Title VII of the Civil Rights Act of 1964 specifically focuses on prohibiting discrimination in employment based on several key characteristics, which include race, color, religion, sex, and national origin. This landmark legislation was enacted to promote equality and prevent discrimination in the workplace, ensuring that all individuals receive fair treatment regardless of these attributes. The Act's intent is to eliminate barriers that hinder equal opportunity in employment. The options reflecting age, marital status, income level, or geographic location do not fall within the scope of Title VII, which is why they are not considered correct in this context. Understanding this core aspect of the Civil Rights Act is crucial for mortgage loan originators and other professionals operating within regulated industries, as compliance with these laws is essential to promote fairness and equity in lending and employment practices.

5. Which of the following is included in the responsibilities of the Bureau of Conveyances?

- A. Conduct property surveys**
- B. Certify copies of matters on record**
- C. Provide community legal advice**
- D. Resolve title disputes**

The Bureau of Conveyances in Hawaii plays a vital role in maintaining public records related to real estate transactions. One of its primary responsibilities is to certify copies of records that are on file, ensuring that these documents are official and can be used in legal transactions or for personal reference. This service is crucial for individuals or entities needing to prove the legitimacy of property ownership, mortgages, or liens. The other options pertain to functions that fall outside the scope of the Bureau of Conveyances. For instance, conducting property surveys is typically the role of licensed surveyors, while community legal advice is generally provided by legal professionals and organizations, not governmental bureaus. Additionally, resolving title disputes usually requires the intervention of legal courts or title companies rather than being a task handled directly by the Bureau. Therefore, certifying copies of matters on record is the correct and specific responsibility associated with the Bureau of Conveyances.

6. What is the examination fee assessed per hour for fraud violations by a lender?

- A. \$60 per hour**
- B. \$120 per hour**
- C. \$160 per hour**
- D. \$200 per hour**

The examination fee assessed per hour for fraud violations by a lender is set at \$160 per hour. This fee reflects the regulatory framework that governs how lenders are monitored for compliance with laws designed to prevent mortgage fraud. Understanding the significance of this fee is crucial, as it underscores the seriousness with which regulatory bodies approach fraud. By imposing a charge for examinations related to potential fraud, authorities aim to deter unethical practices within the lending industry. Fees such as these help fund the necessary oversight and enforcement actions that maintain the integrity of the mortgage lending process. It's essential for Mortgage Loan Originators and lenders alike to be aware of these financial implications, as they serve not only as a penalty mechanism but also as a reminder of the importance of compliance with all relevant regulations to avoid costly repercussions.

7. What services does the Bureau of Conveyances provide?

- A. Manage property sales**
- B. Examine, record, index, microfilm documents and maps**
- C. Provide loan approvals**
- D. Develop zoning regulations**

The Bureau of Conveyances plays a crucial role in managing and maintaining public records related to land and property in Hawaii. This includes examining, recording, indexing, and microfilming vital documents and maps associated with property transactions. These services ensure that the ownership and interests in real estate are officially documented, providing legal certainty and transparency in property dealings. By effectively managing these records, the Bureau helps protect property rights and supports real estate transactions within the state. The other options, while related to aspects of property management and real estate, do not accurately describe the primary functions of the Bureau of Conveyances. Managing property sales is typically handled by real estate agents and brokers, loan approvals are the responsibility of lenders and mortgage companies, and zoning regulations are generally developed by local government planning departments, not the Bureau of Conveyances.

8. What is one requirement for an MLO's surety bond in Hawaii?

- A. The bond must be issued by a national bank**
- B. The bond must be in a minimum amount set by state law**
- C. The bond must be renewed every year**
- D. The bond can be combined with other types of insurance**

The requirement that the surety bond must be in a minimum amount set by state law is crucial because it establishes a baseline level of financial security that Mortgage Loan Originators (MLOs) must maintain in order to operate legally within Hawaii. This minimum amount ensures that there are sufficient funds available to cover any potential claims or damages that may arise from the MLO's activities, thereby protecting consumers and maintaining the integrity of the mortgage industry. State law typically specifies this minimum amount to ensure that there is a standard of accountability among all licensed MLOs, which helps to foster trust in the lending process. Meeting this requirement is essential for compliance and helps MLOs demonstrate their financial responsibility as professionals in the mortgage industry.

9. What does a "pattern of seriously delinquent accounts" refer to in financial responsibility assessments?

- A. Accounts overdue for more than 6 months**
- B. Multiple late payments within the last year**
- C. Constantly low balances on accounts**
- D. A series of delinquent accounts within the past three years**

A "pattern of seriously delinquent accounts" specifically denotes a series of delinquent accounts that have occurred over a specific time frame, which in this case is three years. This definition is critical when assessing an individual's financial responsibility because it indicates a consistent history of not meeting financial obligations, which reflects negatively on their creditworthiness and overall reliability as a borrower. When evaluating financial responsibility, it's important to consider not just isolated incidents of delinquency but rather a trend that may suggest underlying financial issues. A series of delinquent accounts implies a systemic problem with managing debts, which can raise red flags for lenders assessing the risk of extending credit or loans. In contrast, the other choices focus on specific instances or conditions of delinquency, such as overdue accounts for a specific time frame (like over six months), multiple late payments within a shorter period (like one year), or financial habits such as maintaining low balances. While these factors can certainly affect an individual's credit health, they do not fully encapsulate the idea of a "pattern" that spans multiple accounts over a defined period, making the selected answer the most comprehensive in describing ongoing financial irresponsibility.

10. What is the maximum penalty for a mortgage servicer that violates specific regulations related to retiree targeting?

- A. \$1,000**
- B. \$10,000**
- C. \$20,000**
- D. \$30,000**

The maximum penalty for a mortgage servicer that violates regulations related to retiree targeting is set at \$10,000. This figure is important as it reflects the regulatory framework established to protect vulnerable populations, such as retirees, from potentially predatory practices in mortgage servicing. The \$10,000 penalty serves as a deterrent against non-compliance and encourages mortgage servicers to adhere strictly to legal standards, ensuring that their practices are fair and do not disproportionately affect retirees. This penalty amount illustrates the seriousness with which regulators address violations in this area, aiming to uphold consumer protection laws. Understanding the context and purpose behind this specific penalty helps mortgage loan originators grasp the importance of compliance with regulations designed to protect consumers, particularly those in more vulnerable financial situations.