

NMLS Hawaii Mortgage Loan Originators (MLOs) State 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. How much is the fee for a change of physical location, including address changes for a branch or principal place of business?**
 - A. 150**
 - B. 100**
 - C. 50**
 - D. 25**
- 2. Which type of loan typically does not require mortgage insurance?**
 - A. FHA loans**
 - B. VA loans**
 - C. Conventional loans with a 20% down payment**
 - D. Subprime loans**
- 3. What is the term for someone who directs the specific activities of another at a company?**
 - A. Compliance Officer**
 - B. Control Person**
 - C. Financial Director**
 - D. Operations Manager**
- 4. What organization primarily oversees the National Mortgage Licensing System (NMLS)?**
 - A. Mortgage Bankers Association**
 - B. Conference of State Bank Supervisors**
 - C. National Association of Mortgage Brokers**
 - D. American Bankers Association**
- 5. What must MLOs do to ensure compliance with the Anti-Money Laundering (AML) laws?**
 - A. Create more loan products**
 - B. Implement procedures to detect and report suspicious activity**
 - C. Increase the loan interest rates**
 - D. Reduce staff training on compliance**

- 6. What does RESPA require lenders to provide to borrowers at the time of loan application?**
- A. A list of property appraisers**
 - B. A completed loan application**
 - C. A list of affiliated business arrangements**
 - D. A detailed disclosure of closing costs**
- 7. Which type of mortgage loans does Fannie Mae not purchase?**
- A. Mortgage loans secured by properties outside Hawaii**
 - B. Mortgage loans secured by properties in lava zones 1-2**
 - C. Mortgage loans secured by commercial properties**
 - D. Mortgage loans secured by properties located in lava zones 3-9**
- 8. What is the aim of qualitative underwriting?**
- A. To analyze loan repayment metrics**
 - B. To assess the borrower's overall creditworthiness**
 - C. To calculate the interest rate for loans**
 - D. To determine property value**
- 9. Where is the statewide recording office for both the Land Court and Regular Systems located?**
- A. Department of Land Management**
 - B. Hawaii Bureau of Records**
 - C. Department of Land and Natural Resources Bureau of Conveyances**
 - D. Hawaii Land Authority**
- 10. What is the primary governing chapter for the Land Court in Hawaii?**
- A. Chapter 500**
 - B. Chapter 501**
 - C. Chapter 502**
 - D. Chapter 503**

Answers

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

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Explanations

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1. How much is the fee for a change of physical location, including address changes for a branch or principal place of business?

- A. 150
- B. 100
- C. 50**
- D. 25

The fee for a change of physical location, including address changes for a branch or principal place of business, is set at \$50. This fee structure aims to provide a reasonable cost for businesses making necessary updates to their operational locations, reflecting both administrative efficiency and the regulatory requirements of maintaining accurate licensing information. Understanding this fee structure is crucial for mortgage loan originators, as it influences the costs associated with maintaining compliance in their business operations.

2. Which type of loan typically does not require mortgage insurance?

- A. FHA loans
- B. VA loans
- C. Conventional loans with a 20% down payment**
- D. Subprime loans

The answer is centered around how mortgage insurance functions in relation to different types of loans. Conventional loans that come with a down payment of 20% or more typically do not require private mortgage insurance (PMI). PMI is often mandated for conventional loans when the down payment is less than 20% to protect the lender in case of default. However, once a borrower reaches a 20% equity stake in the property, they can usually request the cancellation of the PMI, as the lender has a considerably reduced risk. In contrast, FHA loans come with a mortgage insurance premium that cannot be canceled in the same way and generally applies regardless of the down payment amount. VA loans, which are utilized for veterans and certain military members, do not require mortgage insurance at all, but they come with a funding fee instead. Subprime loans, characterized by higher interest rates due to the borrower's credit risk, may also have insurance requirements depending on the terms of the loan agreement. Thus, the characteristic of requiring no mortgage insurance is specifically tied to conventional loans with a sufficient down payment, making this the correct choice.

3. What is the term for someone who directs the specific activities of another at a company?

- A. Compliance Officer**
- B. Control Person**
- C. Financial Director**
- D. Operations Manager**

The term "Control Person" refers specifically to an individual within a company who has the authority to direct the activities of others and make key decisions affecting the organization's operations. This designation often implies a level of oversight and responsibility, particularly in compliance with regulations and internal policies. Control persons generally possess significant influence over corporate actions, which can include managing teams, ensuring adherence to company standards, and influencing strategic direction. Understanding this role is especially important in regulated industries, such as finance and mortgage lending, where compliance with laws and regulations is critical. Control persons play a crucial role in ensuring that the company operates within legal boundaries and follows best practices. While the other roles listed, such as Compliance Officer, Financial Director, and Operations Manager, may also have leadership responsibilities, they typically focus on specific areas of the business. The Compliance Officer concentrates on adhering to regulations, the Financial Director manages financial operations and strategy, and the Operations Manager oversees the day-to-day functionality of the company's operations. However, the term "Control Person" encompasses a broader scope of authority over directing the activities of others across various aspects of the organization.

4. What organization primarily oversees the National Mortgage Licensing System (NMLS)?

- A. Mortgage Bankers Association**
- B. Conference of State Bank Supervisors**
- C. National Association of Mortgage Brokers**
- D. American Bankers Association**

The organization that primarily oversees the National Mortgage Licensing System (NMLS) is the Conference of State Bank Supervisors (CSBS). The CSBS plays a crucial role in the regulation and oversight of state-licensed financial institutions, including mortgage lenders and originators. In this capacity, the CSBS works to maintain the integrity of the NMLS, ensuring that it functions effectively to regulate mortgage activities across states. The NMLS itself was designed to establish a comprehensive licensing and supervision framework for the mortgage industry, with the goal of enhancing the transparency and accountability of mortgage professionals. CSBS's leadership and oversight facilitate compliance with state laws and regulations, making it essential in fostering a standardized approach to mortgage licensing. Understanding the role of the CSBS in managing the NMLS helps clarify its authority and importance in the mortgage industry, aligning with the need for consistent licensing practices that protect consumers and promote ethical standards among mortgage loan originators.

5. What must MLOs do to ensure compliance with the Anti-Money Laundering (AML) laws?

- A. Create more loan products
- B. Implement procedures to detect and report suspicious activity**
- C. Increase the loan interest rates
- D. Reduce staff training on compliance

To ensure compliance with the Anti-Money Laundering (AML) laws, Mortgage Loan Originators (MLOs) are required to implement procedures that effectively detect and report suspicious activities. This requirement is critical because AML laws are designed to prevent financial institutions from being used as conduits for money laundering, which can involve various illicit activities and threaten the integrity of the financial system. By having robust procedures in place to identify red flags—such as unusual transaction patterns, inconsistencies in documentation, or uncharacteristic borrower behavior—MLOs can actively contribute to combating money laundering. Reporting suspicious activities to the appropriate authorities is a key component of these procedures, as it helps law enforcement investigate and prevent criminal activities. The implementation of such procedures also demonstrates that the MLO is adhering to regulatory obligations, enhancing the organization's reputation and trustworthiness in the market. Thus, ensuring compliance with AML laws not only protects the business but also supports broader societal goals in maintaining the integrity of the financial system.

6. What does RESPA require lenders to provide to borrowers at the time of loan application?

- A. A list of property appraisers
- B. A completed loan application
- C. A list of affiliated business arrangements**
- D. A detailed disclosure of closing costs

The correct answer is that RESPA (Real Estate Settlement Procedures Act) requires lenders to provide a list of affiliated business arrangements at the time of loan application. This requirement is in place to ensure that borrowers are fully informed about any business relationships that exist between the lender and other service providers that may be involved in the transaction, such as title companies, real estate brokers, or settlement agents. Providing this list helps borrowers understand potential conflicts of interest and gives them the opportunity to choose service providers freely rather than feeling pressured to use the lender's affiliated entities. This transparency is crucial in promoting fair and competitive practices within the mortgage industry. The other choices do not align with the specific requirements of RESPA at the initial loan application stage. For instance, while a completed loan application is essential for processing a mortgage, it is not something that RESPA mandates to be provided. Similarly, a detailed disclosure of closing costs is required under RESPA but is typically provided later in the process, not at the time of application. A list of property appraisers would not be required by RESPA, as it focuses more on the relationships between service providers and the lender rather than specific appraiser information.

7. Which type of mortgage loans does Fannie Mae not purchase?
- A. Mortgage loans secured by properties outside Hawaii
 - B. Mortgage loans secured by properties in lava zones 1-2**
 - C. Mortgage loans secured by commercial properties
 - D. Mortgage loans secured by properties located in lava zones 3-9

Fannie Mae does not purchase mortgage loans secured by properties in lava zones 1-2 because these areas are deemed high-risk due to the potential for volcanic activity. Fannie Mae aims to mitigate risk in its loan portfolio, and properties located in lava zones 1-2 are closely monitored due to the threat they pose from possible eruptions and lava flow. In contrast, Fannie Mae can handle mortgage loans secured by properties outside of Hawaii, as there are no geographical restrictions on the locations of properties they purchase, provided other criteria are met. Additionally, mortgage loans secured by properties in lava zones 3-9 fall within areas deemed to have a lower risk profile and are thus eligible. Commercial properties, while not Fannie Mae's primary focus, can still be relevant in transactions they handle under certain programs; however, residential loans are their main area of business. The heightened risk associated with zones 1-2 is what specifically excludes those properties from Fannie Mae's lending criteria.

8. What is the aim of qualitative underwriting?
- A. To analyze loan repayment metrics
 - B. To assess the borrower's overall creditworthiness**
 - C. To calculate the interest rate for loans
 - D. To determine property value

The aim of qualitative underwriting is to assess the borrower's overall creditworthiness. This process goes beyond just looking at quantitative data, such as credit scores and financial statements, by considering qualitative factors that can provide insight into the borrower's character, reliability, and intent. This might include reviewing the borrower's employment history, stability in residency, and even personal interviews. By evaluating these broader aspects, lenders can make more informed decisions regarding the risk associated with granting a loan. In contrast, the other options focus on specific aspects of lending but do not capture the comprehensive nature of qualitative underwriting. Analyzing loan repayment metrics relates primarily to financial data, calculating an interest rate focuses on the loan's cost rather than the borrower's character, and determining property value is an assessment of the collateral rather than the borrower's financial behavior or intent.

9. Where is the statewide recording office for both the Land Court and Regular Systems located?

A. Department of Land Management

B. Hawaii Bureau of Records

C. Department of Land and Natural Resources Bureau of Conveyances

D. Hawaii Land Authority

The statewide recording office for both the Land Court and Regular Systems is located at the Department of Land and Natural Resources Bureau of Conveyances. This bureau is responsible for the administration and maintenance of the recording of land titles and property transactions in Hawaii. By ensuring that property records are accurately kept and accessible, the Bureau facilitates real estate transactions and helps establish clear ownership of property, which is essential for both buyers and sellers. The role of this bureau is integral to the state's real property law and provides essential services to the public, including the recording of deeds, mortgages, leases, and other legal documents affecting land ownership.

10. What is the primary governing chapter for the Land Court in Hawaii?

A. Chapter 500

B. Chapter 501

C. Chapter 502

D. Chapter 503

The primary governing chapter for the Land Court in Hawaii is Chapter 501. This chapter specifically outlines the regulations and processes associated with the Land Court system, which includes the registration of land titles and the protection of title to real property in Hawaii. Chapter 501 establishes the framework for verifying and confirming ownership, allowing for a more organized and legal transfer of property interests. This chapter ensures that property rights are clearly defined and that issues related to land ownership are handled according to established legal standards in Hawaii. The focus of this chapter is critical for MLOs and those involved in real estate transactions in order to navigate the complexities of land title law within the state.

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://nmlshawaiiimlo.examzify.com>

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