

North Carolina Mortgage Loan Originator (MLO) Practice Test (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

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- 1. Which statement about electronic closings in North Carolina is NOT true?**
 - A. Notarization must be done electronically**
 - B. Parties can request electronic notarization in writing**
 - C. Notarization may be done electronically but parties must request it in writing**
 - D. Electronic documents are not accepted for closings**
- 2. What is a key feature of a fixed-rate mortgage?**
 - A. The interest rate changes every year**
 - B. The interest rate may decrease over time**
 - C. The interest rate remains constant over the term of the loan**
 - D. The loan amount increases over time**
- 3. What is one primary duty of the Commissioner in relation to mortgage licensing?**
 - A. Provide mortgage loans**
 - B. Review applications for inaccuracies**
 - C. Monitor the housing market**
 - D. Facilitate mortgage originator training**
- 4. What is NOT a consequence under the Residential Mortgage Fraud Act?**
 - A. Revocation of licenses**
 - B. Permanent bar from licensure in any profession**
 - C. Imposition of fines**
 - D. Restitution to affected parties**
- 5. Which is a requirement for maintaining an active mortgage loan originator license?**
 - A. Working as a consultant**
 - B. Being employed by a mortgage lender or similar entity**
 - C. Conducting client meetings remotely**
 - D. Attending annual industry events**

6. What action is typically taken if a borrower defaults on their mortgage?

- A. Refinancing the loan at a lower rate**
- B. Forgiving the loan amount**
- C. Foreclosure proceedings are initiated**
- D. Providing additional loans**

7. What is a common characteristic of the borrowers who typically qualify for subprime loans?

- A. Excellent credit score**
- B. Limited income**
- C. Poor credit history**
- D. High net worth**

8. What action is required if a licensee is found to be committing mortgage fraud?

- A. Immediate reporting to state authorities**
- B. Withdrawal from the business**
- C. Voluntary termination of license**
- D. Engaging in remedial training**

9. Which body primarily regulates mortgage lending in North Carolina?

- A. The North Carolina Housing Authority**
- B. The North Carolina Commissioner of Banks**
- C. The Federal Housing Finance Agency**
- D. The North Carolina Department of Insurance**

10. Under North Carolina law, a prepayment penalty is never allowed for which type of mortgage loan?

- A. Conventional loan**
- B. Fixed-rate loan**
- C. Home equity line of credit**
- D. Adjustable-rate mortgage**

Answers

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

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Explanations

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1. Which statement about electronic closings in North Carolina is NOT true?

- A. Notarization must be done electronically**
- B. Parties can request electronic notarization in writing**
- C. Notarization may be done electronically but parties must request it in writing**
- D. Electronic documents are not accepted for closings**

The statement that electronic documents are not accepted for closings is not true, as North Carolina does recognize and allow electronic documents to be used in the closing process. The state has implemented laws and regulations that support electronic closings, including the use of electronic signatures and electronic notarization, making it integral for modern real estate transactions. In North Carolina, electronic notarization is permitted, provided certain conditions are met. This includes that notarization can be performed electronically, aligning with the growing trend towards digital solutions in the mortgage industry. It's also important to note that while electronic notarization may be used, parties involved in the transaction do have the option to request this service in writing, which contributes to the flexibility and accessibility of the closing process. Therefore, the ability to utilize electronic documents is vital to streamline transactions and improve efficiency in mortgage closings.

2. What is a key feature of a fixed-rate mortgage?

- A. The interest rate changes every year**
- B. The interest rate may decrease over time**
- C. The interest rate remains constant over the term of the loan**
- D. The loan amount increases over time**

A fixed-rate mortgage is characterized by a consistent interest rate throughout the entire loan term, which can typically range from 15 to 30 years. This feature provides borrowers with the certainty of stable monthly payments, making it easier to budget and plan for future expenses. The fixed interest rate protects the borrower from fluctuations in market interest rates, ensuring that their financial obligations remain predictable over time. In contrast, adjustable-rate mortgages, which can fluctuate based on market conditions, do not offer the same stability. A fixed-rate loan is particularly advantageous in a rising interest rate environment, as borrowers can lock in a lower rate than what they might face in the future if they opted for an adjustable-rate loan. This assurance is especially valuable for long-term financial planning and stability.

3. What is one primary duty of the Commissioner in relation to mortgage licensing?

- A. Provide mortgage loans**
- B. Review applications for inaccuracies**
- C. Monitor the housing market**
- D. Facilitate mortgage originator training**

One primary duty of the Commissioner in relation to mortgage licensing is to review applications for inaccuracies. This responsibility is essential to ensure that all information provided by prospective mortgage loan originators is accurate, complete, and compliant with state and federal regulations. By meticulously reviewing applications, the Commissioner helps maintain the integrity of the mortgage lending process and protects consumers from potential fraud or misrepresentation. This oversight is critical to upholding the standards of the mortgage industry and ensuring that only qualified individuals are licensed to originate loans.

4. What is NOT a consequence under the Residential Mortgage Fraud Act?

- A. Revocation of licenses**
- B. Permanent bar from licensure in any profession**
- C. Imposition of fines**
- D. Restitution to affected parties**

The consequence that does not fall under the Residential Mortgage Fraud Act is a permanent bar from licensure in any profession. This Act primarily focuses on ensuring that those who engage in fraudulent activities related to residential mortgages face specific penalties which include revocation of licenses, fines, and restitution to affected parties. Revocation of licenses is a common penalty to prevent individuals who have committed fraud from continuing to operate in the mortgage industry, safeguarding consumer interests. Imposition of fines serves both as punishment and a deterrent to others contemplating similar actions. Restitution is aimed at compensating victims of mortgage fraud, ensuring they are made whole for any financial losses suffered due to the illegal activities. While a permanent ban could be considered in extreme cases, it is not a standard consequence outlined in the Residential Mortgage Fraud Act itself, making it the correct response concerning the scope of consequences defined by this specific legislation.

5. Which is a requirement for maintaining an active mortgage loan originator license?

- A. Working as a consultant**
- B. Being employed by a mortgage lender or similar entity**
- C. Conducting client meetings remotely**
- D. Attending annual industry events**

To maintain an active mortgage loan originator license, being employed by a mortgage lender or a similar entity is a fundamental requirement. This requirement ensures that mortgage loan originators are practicing within an established framework that upholds regulatory standards and industry practices. Employment with a licensed lender provides the necessary support, resources, and oversight critical to the loan origination process. Moreover, working within a regulated environment contributes to the continuous professional development of the loan originator, as they are able to engage with experienced colleagues, participate in training programs, and stay informed about current industry regulations and best practices. This employment relationship also allows for the supervision necessary for compliance with state and federal laws governing mortgage lending, which is crucial in protecting consumers and maintaining the integrity of the mortgage industry. While conducting client meetings remotely and attending industry events can be beneficial for professional networking and client service, they are not specific requirements for maintaining active licensing. Additional activities, such as being a consultant, do not fulfill the core requirement of having a formal employment arrangement.

6. What action is typically taken if a borrower defaults on their mortgage?

- A. Refinancing the loan at a lower rate**
- B. Forgiving the loan amount**
- C. Foreclosure proceedings are initiated**
- D. Providing additional loans**

When a borrower defaults on their mortgage, the typical action taken by the lender is to initiate foreclosure proceedings. This legal process allows the lender to reclaim the property used as collateral for the mortgage loan. Foreclosure occurs when a borrower fails to make the required payments, and the lender must take steps to protect its financial interest. Foreclosure serves as a means for the lender to recover the balance owed on the mortgage by selling the property, and it involves several steps, including notifying the borrower of the default and often providing a period during which the borrower may try to remedy the situation by catching up on overdue payments. If the borrower cannot resolve the default, the property will be sold at auction or through other means to recover the lender's investment. This process illustrates the importance of fulfilling mortgage obligations and the serious consequences that can arise from defaulting. The other actions listed, such as refinancing the loan at a lower rate, forgiving the loan amount, or providing additional loans, are generally not associated with situations where a borrower is in default. Refinancing typically requires a borrower to have a good credit standing, while forgiving a loan is an uncommon practice, as lenders need to recover their losses. Providing additional loans is also unlikely, as lenders generally do not extend

7. What is a common characteristic of the borrowers who typically qualify for subprime loans?

- A. Excellent credit score**
- B. Limited income**
- C. Poor credit history**
- D. High net worth**

Borrowers who typically qualify for subprime loans are characterized by having a poor credit history. Subprime loans are primarily designed for individuals who do not meet the traditional credit criteria required for prime loans. This often includes those who have had previous delinquencies, bankruptcies, or limited credit experience, which results in lower credit scores. Lenders offering subprime loans are willing to accept higher risk in exchange for charging higher interest rates and fees. This option highlights the fundamental aspect of subprime lending, which exists to provide financing opportunities for borrowers who have had financial difficulties in the past. Other factors, while they can contribute to a subprime borrowing profile, do not primarily define the classification of subprime borrowers.

8. What action is required if a licensee is found to be committing mortgage fraud?

- A. Immediate reporting to state authorities**
- B. Withdrawal from the business**
- C. Voluntary termination of license**
- D. Engaging in remedial training**

When a licensee is found to be committing mortgage fraud, immediate reporting to state authorities is required because it ensures that regulatory bodies are made aware of potentially illegal activities in the mortgage industry. This reporting is crucial for several reasons: it helps to protect consumers, maintain the integrity of the mortgage lending process, and allows state authorities to take appropriate action against fraudulent activities. Reporting also contributes to the overall surveillance of the mortgage market, fostering transparency and accountability. While withdrawal from the business, voluntary termination of license, and engaging in remedial training may be considerations for addressing the individual's situation, they do not fulfill the immediate responsibility to report wrongful conduct. Reporting to authorities is a legal obligation and a critical first step in addressing fraud effectively and protecting all parties involved in the mortgage transaction.

9. Which body primarily regulates mortgage lending in North Carolina?

- A. The North Carolina Housing Authority**
- B. The North Carolina Commissioner of Banks**
- C. The Federal Housing Finance Agency**
- D. The North Carolina Department of Insurance**

The North Carolina Commissioner of Banks is responsible for the regulation of mortgage lending within the state. This office oversees the licensing and operation of mortgage lenders and brokers, ensuring compliance with state laws and regulations related to lending practices. The Commissioner of Banks also has the authority to enforce consumer protection regulations, which are vital in maintaining fair lending practices within North Carolina. In addition to overseeing licensing, the Commissioner conducts regular examinations and audits of mortgage companies to ensure that they adhere to the legal standards set forth by state and federal regulations. This regulatory body plays a crucial role in fostering a stable mortgage lending environment while protecting the interests of consumers in the state. While other entities mentioned, such as the North Carolina Housing Authority, focus on housing policy and development, and the Federal Housing Finance Agency has oversight of the secondary mortgage market, they do not primarily regulate mortgage lending at the state level like the Commissioner of Banks does. The North Carolina Department of Insurance primarily deals with insurance aspects rather than direct mortgage lending regulations.

10. Under North Carolina law, a prepayment penalty is never allowed for which type of mortgage loan?

- A. Conventional loan**
- B. Fixed-rate loan**
- C. Home equity line of credit**
- D. Adjustable-rate mortgage**

In North Carolina, prepayment penalties are prohibited for home equity lines of credit (HELOCs). This means that borrowers can repay the loan early without incurring additional fees or penalties. The rationale behind this regulation is to encourage responsible borrowing and to provide consumers with flexibility in managing their debts. Home equity lines of credit function differently from other types of loans, as they often have variable interest rates and are designed to allow borrowers to draw funds as needed. By not allowing prepayment penalties on these loans, consumers are empowered to pay off their debts more quickly without financial repercussions, making it an attractive option for those looking to utilize their home equity strategically. In contrast, conventional loans, fixed-rate loans, and adjustable-rate mortgages can have prepayment penalties depending on the terms set forth in the loan agreement. These types of mortgages may include specific provisions allowing lenders to charge penalties for early repayment, thus providing them with a level of financial security against borrowers paying off loans sooner than expected.

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://ncmlo.examzify.com>

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

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