

# North Carolina Mortgage Loan Originator (MLO) Practice Test (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

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- 1. Which entity has supervisory and regulatory authority for mortgage licensees in North Carolina?**
  - A. NCCOB**
  - B. FHA**
  - C. NC Division of Banks**
  - D. Consumer Financial Protection Bureau**
  
- 2. Which of the following is NOT a typical requirement assessed during the loan approval process?**
  - A. Employment verification**
  - B. Property appraisal**
  - C. Verification of other loans**
  - D. Neighborhood demographics**
  
- 3. What percentage of annual continuing education for MLOs must focus on ethics?**
  - A. 1 hour**
  - B. 3 hours**
  - C. 5 hours**
  - D. 10 hours**
  
- 4. The Commissioner may impose a civil penalty of up to what amount for each violation?**
  - A. \$10,000**
  - B. \$25,000**
  - C. \$50,000**
  - D. \$100,000**
  
- 5. What role does an underwriter play in mortgage lending?**
  - A. Approves the loan application**
  - B. Collects mortgage payments**
  - C. Conducts property appraisals**
  - D. Coordinates real estate closings**

- 6. During the closing process, which of the following documents is most likely signed by the buyer?**
- A. Property deed**
  - B. Home inspection report**
  - C. Listing agreement**
  - D. Loan application**
- 7. What are "trigger terms" in the context of mortgage advertising?**
- A. Phrases that enhance a property's description**
  - B. Specific terms requiring additional disclosures**
  - C. General statements about loan availability**
  - D. Discouragement of specific loan types**
- 8. What does the loan-to-value (LTV) ratio represent?**
- A. The total amount of money borrowed from all lenders.**
  - B. The ratio of the loan amount to the appraised value of the property.**
  - C. The percentage of the borrower's income used to pay the mortgage.**
  - D. The duration of the mortgage repayment period.**
- 9. Why is a criminal background check important for MLO applicants?**
- A. It determines the applicant's creditworthiness**
  - B. It ensures consumer protection against unethical practices**
  - C. It verifies the applicant's educational qualifications**
  - D. It assesses the applicant's financial stability**
- 10. Which situation commonly leads to the need for a loan modification?**
- A. Increase in property value**
  - B. Financial hardship**
  - C. Long-term fixed interest rates**
  - D. High credit scores**

## Answers

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

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## **Explanations**

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**1. Which entity has supervisory and regulatory authority for mortgage licensees in North Carolina?**

**A. NCCOB**

**B. FHA**

**C. NC Division of Banks**

**D. Consumer Financial Protection Bureau**

The North Carolina Commissioner of Banks (NCCOB) is the entity responsible for the supervisory and regulatory authority over mortgage licensees in the state. This includes oversight of mortgage lenders, brokers, and loan originators to ensure compliance with state laws and regulations. The NCCOB is tasked with protecting consumers and ensuring a fair and transparent mortgage lending process. The agency conducts examinations and audits, enforces compliance with applicable laws, and has the authority to take disciplinary actions against licensees who violate regulations. By regulating the mortgage industry within North Carolina, the NCCOB plays a crucial role in maintaining the integrity of the lending environment in the state. Other entities, such as the Federal Housing Administration (FHA) and the Consumer Financial Protection Bureau (CFPB), have regulatory functions as well, but their authority extends beyond just North Carolina and often involve federal guidelines rather than state-specific oversight. The NC Division of Banks does oversee banks and other financial institutions, but in the context of mortgage licensees, the NCCOB is specifically designated for that role within the state.

**2. Which of the following is NOT a typical requirement assessed during the loan approval process?**

**A. Employment verification**

**B. Property appraisal**

**C. Verification of other loans**

**D. Neighborhood demographics**

In the loan approval process, lenders typically assess a range of factors to determine the borrower's ability to repay the loan and the risk associated with lending. Employment verification is crucial as it confirms the borrower's income and job stability, while a property appraisal establishes the market value of the property being financed, ensuring that it aligns with the loan amount. Verification of other loans helps lenders understand the borrower's existing debt obligations and assess their overall financial health. Neighborhood demographics, however, are not a standard requirement during the loan approval process. While lenders may consider the overall economic conditions of the area when pricing loans or making broader lending decisions, specific demographic information about the neighborhood does not typically factor into the approval of an individual loan application. This focus on employment, property, and financial obligations is directly related to creditworthiness and risk assessment, making the other options more relevant in determining loan approval.

**3. What percentage of annual continuing education for MLOs must focus on ethics?**

- A. 1 hour
- B. 3 hours**
- C. 5 hours
- D. 10 hours

The requirement for continuing education for Mortgage Loan Originators includes a specific focus on ethics to ensure that MLOs uphold high standards of integrity and professional conduct in their practices. The correct percentage of annual continuing education that must focus on ethics is 3 hours. This emphasis reflects the importance of ethical practice in the mortgage industry, helping to safeguard consumer interests and maintain trust in financial transactions. By mandating a set amount of educational time dedicated to ethics, regulatory bodies promote awareness and understanding of the ethical challenges MLOs may face in their work and encourage them to develop strategies for navigating those challenges effectively. Understanding the necessity of these ethical guidelines is essential in the mortgage industry, where MLOs play a critical role in assisting borrowers.

**4. The Commissioner may impose a civil penalty of up to what amount for each violation?**

- A. \$10,000
- B. \$25,000**
- C. \$50,000
- D. \$100,000

The correct amount for the civil penalty that the Commissioner may impose for each violation is indeed \$25,000. This is established by regulations that outline the authority of the Commissioner in enforcing compliance within the mortgage industry. Such penalties are essential for maintaining the integrity and professionalism of mortgage lending practices. Understanding this guideline helps MLOs appreciate the serious nature of compliance and regulatory oversight, as financial penalties can significantly impact a mortgage company and its affiliated professionals. This amount reflects the regulatory framework's aim to deter non-compliance and protect consumers, ensuring that all mortgage practices are conducted within the legal requirements and ethical standards set forth by the state.

**5. What role does an underwriter play in mortgage lending?**

- A. Approves the loan application**
- B. Collects mortgage payments**
- C. Conducts property appraisals**
- D. Coordinates real estate closings**

The role of an underwriter in the mortgage lending process is crucial for assessing the risk associated with a loan application. The underwriter evaluates various factors, including the borrower's creditworthiness, financial history, and the property's value, to determine whether the loan should be approved or denied. By analyzing these components, the underwriter helps ensure that the lender does not take on more risk than is acceptable, which contributes to the overall health of the lending institution. In contrast, the other options reflect different responsibilities that do not fall under the underwriter's purview. For instance, collecting mortgage payments is handled by the loan servicer, conducting property appraisals is typically performed by appraisers rather than underwriters, and coordinating real estate closings is a task usually managed by closing agents or real estate attorneys. Each of these roles supports the mortgage process but focuses on different aspects, while the underwriter specifically focuses on evaluating and approving loan applications.

**6. During the closing process, which of the following documents is most likely signed by the buyer?**

- A. Property deed**
- B. Home inspection report**
- C. Listing agreement**
- D. Loan application**

The property deed is a legal document that officially transfers ownership of a property from the seller to the buyer during the closing process. The buyer must sign the deed to acknowledge their acceptance of ownership and to record that transfer with the relevant authorities. This document is crucial as it serves as the public record of the buyer's ownership and is pivotal in establishing their legal rights to the property. The home inspection report and the listing agreement are important documents in the real estate transaction, but they do not typically require the buyer's signature during closing. The home inspection report is generally completed before closing, and its purpose is to inform the buyer about the property's condition. The listing agreement is a contract between the seller and the real estate agent, not involving the buyer directly during the closing phase. The loan application is also signed prior to closing as part of the mortgage process but is not specific to the finalization of ownership at closing.

**7. What are "trigger terms" in the context of mortgage advertising?**

- A. Phrases that enhance a property's description**
- B. Specific terms requiring additional disclosures**
- C. General statements about loan availability**
- D. Discouragement of specific loan types**

In the context of mortgage advertising, "trigger terms" refer to specific phrases that indicate a loan product's specific details, such as the amount of the payment, the interest rate, or the terms of the loan. When these trigger terms are used in advertising, they necessitate additional disclosures to ensure that potential borrowers are provided with all necessary information to make an informed decision. This requirement is established under the Truth in Lending Act to promote transparency and protect consumers. The incorrect options touch on other aspects of advertising or mortgage descriptions but do not accurately describe what trigger terms are. Enhancing property descriptions does not relate to the specific requirements for disclosures. General statements about loan availability lack the specificity needed to qualify as trigger terms. Lastly, discouragement of specific loan types does not align with the principle of trigger terms, which focuses exclusively on the need for clarity and precise information when certain details are mentioned in advertising materials.

**8. What does the loan-to-value (LTV) ratio represent?**

- A. The total amount of money borrowed from all lenders.**
- B. The ratio of the loan amount to the appraised value of the property.**
- C. The percentage of the borrower's income used to pay the mortgage.**
- D. The duration of the mortgage repayment period.**

The loan-to-value (LTV) ratio is a fundamental concept in mortgage lending that expresses the relationship between the amount of the loan and the appraised value of the property being financed. Specifically, it is calculated by taking the loan amount requested and dividing it by the appraised value of the property, then multiplying by 100 to express it as a percentage. For example, if a borrower seeks a loan of \$200,000 to purchase a home valued at \$250,000, the LTV ratio would be calculated as  $(\$200,000 / \$250,000) \times 100$ , resulting in an LTV of 80%. This ratio is crucial because it helps lenders assess risk; a higher LTV indicates a greater risk, as it shows that the borrower is financing a larger portion of the property's value. Furthermore, various lenders and loan programs have different requirements regarding acceptable LTV ratios, as it often plays a role in determining interest rates and insurance requirements. A lower LTV may allow for better loan terms, while a higher LTV may require private mortgage insurance (PMI) to mitigate the lender's risk. The other choices reference unrelated concepts that do not pertain specifically to the relationship of the loan amount to the property's value

**9. Why is a criminal background check important for MLO applicants?**

- A. It determines the applicant's creditworthiness**
- B. It ensures consumer protection against unethical practices**
- C. It verifies the applicant's educational qualifications**
- D. It assesses the applicant's financial stability**

A criminal background check is crucial for Mortgage Loan Originator (MLO) applicants primarily because it ensures consumer protection against unethical practices. The role of an MLO involves significant interaction with clients and the handling of sensitive financial information. A clean criminal record suggests that the applicant is trustworthy, responsible, and less likely to engage in fraudulent activities or unethical behavior that could harm consumers or the financial system. Regulatory standards, such as those established by the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act), require MLOs to undergo background checks to screen for felony convictions related to financial crimes. This is to instill trust in the lending process and maintain the integrity of the mortgage industry. By employing candidates who have been vetted effectively through background checks, lenders can help ensure a safer environment for consumers engaging in significant financial transactions.

**10. Which situation commonly leads to the need for a loan modification?**

- A. Increase in property value**
- B. Financial hardship**
- C. Long-term fixed interest rates**
- D. High credit scores**

A loan modification is commonly pursued when a borrower experiences financial hardship. This situation can arise from various circumstances such as job loss, decreased income, medical emergencies, or unexpected expenses that make it challenging for the borrower to meet their current mortgage obligations. A loan modification typically involves changing the terms of the existing loan, such as adjusting the interest rate, extending the loan term, or reducing the principal balance, to make the payments more manageable for the borrower during tough financial times. In contrast, an increase in property value typically benefits the borrower, as it may enhance their equity in the home and could lead to more favorable refinancing options rather than necessitating a modification. Long-term fixed interest rates are generally stable and provide predictability to borrower payments, making them less likely to lead to a need for modification. Similarly, high credit scores indicate good credit health and responsible financial management, which would typically position a borrower more favorably with lenders and reduce the likelihood of needing a modification due to financial issues.

## 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](mailto: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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