

NORTH CAROLINA MORTGAGE LOAN ORIGINATOR (MLO) PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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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. 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

- 2. What is the maximum civil penalty the Commissioner may impose for a violation of the North Carolina S.A.F.E. Act?**
 - A. \$10,000
 - B. \$25,000
 - C. \$50,000
 - D. \$5,000

- 3. What does the term 'amortization' refer to?**
 - A. The process of acquiring a new loan
 - B. The gradual payment off of a loan
 - C. The assessment of property value
 - D. The official closing of a mortgage

- 4. Which organization oversees the licensing process for mortgage loan originators in North Carolina?**
 - A. The Federal Reserve
 - B. The North Carolina Secretary of State
 - C. The North Carolina Commissioner of Banks
 - D. The Consumer Financial Protection Bureau

- 5. When is a second Notice of Amortization required to be given after closing?**
 - A. No later than one week after closing
 - B. No later than five business days after closing
 - C. No later than three business days after closing
 - D. No later than one business day after closing

6. 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

7. What is the purpose of the Home Mortgage Disclosure Act (HMDA)?

- A. To establish interest rates
- B. To promote transparency in lending by requiring data disclosure about mortgage applications
- C. To regulate credit scores
- D. To simplify the loan approval process

8. What is a 'balloon loan'?

- A. A loan requiring only interest payments
- B. A type of loan with no monthly payments
- C. A loan requiring a large payment at the end
- D. A fixed-rate loan with no fees

9. How can a borrower avoid Private Mortgage Insurance (PMI)?

- A. By making a down payment of 20% or more on a conventional loan.
- B. By obtaining a government-backed mortgage.
- C. By securing a loan with a shorter repayment term.
- D. By paying off debts before applying for a mortgage.

10. What is referred to as prepayment in the mortgage context?

- A. Paying the interest before the principal amount
- B. Paying off the mortgage early
- C. Making payments on a loan that is in default
- D. Transferring the loan to another party

Answers

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

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Explanations

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1. 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.

2. What is the maximum civil penalty the Commissioner may impose for a violation of the North Carolina S.A.F.E. Act?

- A. \$10,000
- B. \$25,000**
- C. \$50,000
- D. \$5,000

The maximum civil penalty that the Commissioner can impose for a violation of the North Carolina S.A.F.E. Act is \$25,000. This amount reflects the seriousness with which regulatory bodies view compliance with mortgage lending laws and regulations, emphasizing the importance of ethical behavior in the financial industry. The \$25,000 figure is set in statutes to ensure that penalties are significant enough to deter violations while still providing a clear framework for enforcement actions. In comparison, penalties that are significantly lower would not address the potential harm caused by non-compliance, which could result in financial loss for consumers and damage to the integrity of the mortgage lending process. The provisions laid out in the S.A.F.E. Act and subsequent regulatory frameworks are designed to protect consumers and ensure that mortgage loan originators operate within the law.

3. What does the term 'amortization' refer to?

- A. The process of acquiring a new loan
- B. The gradual payment off of a loan**
- C. The assessment of property value
- D. The official closing of a mortgage

Amortization refers to the gradual process of paying off a loan through scheduled, regular payments over a specific period. In this context, each payment typically consists of both principal and interest components. As the loan progresses, a larger portion of each payment goes towards reducing the principal balance, while the interest portion decreases over time. This concept is fundamental in mortgage lending, as it affects how much a borrower ultimately pays in interest over the life of the loan and determines their payment structure. Proper understanding of amortization helps borrowers choose loan terms that align with their financial goals, as it impacts their monthly budget and the total cost of the loan. The other options relate to different aspects of the mortgage process but do not accurately define amortization. Acquiring a new loan focuses on obtaining financing rather than the repayment process. Assessing property value pertains to appraisals and market evaluations, while closing a mortgage involves finalizing the loan agreement rather than the breakdown of payment schedules.

4. Which organization oversees the licensing process for mortgage loan originators in North Carolina?

- A. The Federal Reserve
- B. The North Carolina Secretary of State
- C. The North Carolina Commissioner of Banks**
- D. The Consumer Financial Protection Bureau

The correct answer is that the North Carolina Commissioner of Banks oversees the licensing process for mortgage loan originators in North Carolina. This organization is responsible for regulating and supervising the mortgage industry within the state, ensuring that all mortgage loan originators comply with both state and federal laws. As part of this function, the Commissioner of Banks administers the licensing process, which includes the review of applications, conducting background checks, and ensuring that applicants meet the necessary educational and financial standards. This oversight is critical in maintaining the integrity of the mortgage lending process and helps to protect consumers from fraud and predatory lending practices. By having a dedicated regulatory body, North Carolina can enforce compliance with its laws and regulations regarding mortgage lending, ensuring a fair and safe borrowing environment for consumers. The Federal Reserve, while influential in setting monetary policy, does not oversee state licensing processes. The North Carolina Secretary of State primarily handles business registrations and other corporate filings, but not the licensing of mortgage loan originators. The Consumer Financial Protection Bureau is a federal agency focused on consumer protection in the financial sector, but it does not manage the state-level licensing process for mortgage loan originators in North Carolina.

5. When is a second Notice of Amortization required to be given after closing?

- A. No later than one week after closing
- B. No later than five business days after closing
- C. No later than three business days after closing**
- D. No later than one business day after closing

A second Notice of Amortization is required to be given three business days after closing to comply with federal regulations. This requirement helps ensure that borrowers receive clear information about their repayment obligations in a timely manner. The notice typically includes important details such as the payment schedule, principal and interest amounts, and any associated fees. Providing this information within three business days helps protect consumers by promoting transparency and ensuring they have a complete understanding of their mortgage terms right after closing. Timely disclosure also aligns with regulatory expectations to facilitate responsible lending practices. Sending the notice within this timeframe allows borrowers to ask questions or seek clarification if they have concerns about their mortgage, supporting effective communication between lenders and borrowers.

6. 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.

7. What is the purpose of the Home Mortgage Disclosure Act (HMDA)?

- A. To establish interest rates
- B. To promote transparency in lending by requiring data disclosure about mortgage applications**
- C. To regulate credit scores
- D. To simplify the loan approval process

The Home Mortgage Disclosure Act (HMDA) serves the vital purpose of promoting transparency in lending practices by mandating the disclosure of data regarding mortgage applications. This act was established to ensure that lending institutions report data that can help identify patterns of discrimination in mortgage lending and help enforce fair lending laws. Under HMDA, financial institutions must collect and report information on the home loans they originate, which includes details such as the applicant's race, ethnicity, and income, as well as the type of loan, its purpose, and whether it was approved or denied. This data makes it possible for regulators, community groups, and the public to monitor lending practices, evaluate the availability of mortgage credit in different communities, and identify potential disparities in lending. This focus on transparency and accessibility of lending data plays a crucial role in protecting consumers and promoting fair lending practices, thus reinforcing the significance of the correct response.

8. What is a 'balloon loan'?

- A. A loan requiring only interest payments
- B. A type of loan with no monthly payments
- C. A loan requiring a large payment at the end**
- D. A fixed-rate loan with no fees

A balloon loan is characterized by a large final payment that is due at the end of the loan term. This type of loan often involves lower monthly payments for a specific period, after which the remaining balance must be paid in a lump sum. The structure of a balloon loan allows borrowers to manage lower payments initially but requires them to be prepared for a substantial payment at the end, which can be a significant financial consideration. This type of financing can be appealing for individuals or businesses that anticipate income growth, enabling them to pay off the balance later. However, borrowers must be cautious as they could face difficulties if they are not able to make the final large payment or refinance the loan when it comes due. The other options do not accurately describe a balloon loan: an interest-only loan requires payments of only interest without a principal repayment structure until a certain date; a loan with no monthly payments isn't standard as most loans involve regular payments; and a fixed-rate loan with no fees typically refers to the interest rate being set without associated fees, which does not relate to the concept of a balloon payment.

9. How can a borrower avoid Private Mortgage Insurance (PMI)?

- A. By making a down payment of 20% or more on a conventional loan.**
- B. By obtaining a government-backed mortgage.
- C. By securing a loan with a shorter repayment term.
- D. By paying off debts before applying for a mortgage.

A borrower can avoid Private Mortgage Insurance (PMI) by making a down payment of 20% or more on a conventional loan. PMI is typically required by lenders when a borrower makes a down payment of less than 20% of the home's purchase price. This insurance protects the lender in case the borrower defaults on the loan. By contributing a down payment of 20% or more, borrowers demonstrate a stronger financial commitment and lower the lender's risk, thus eliminating the need for PMI. The other options do not directly address avoiding PMI. Government-backed mortgages, such as FHA loans, may require mortgage insurance regardless of the down payment. Securing a loan with a shorter repayment term does not inherently affect PMI requirements unless it is coupled with a sufficient down payment. Paying off debts before applying for a mortgage can improve a borrower's credit profile, potentially leading to better loan terms, but it does not directly impact PMI requirements. Therefore, making a substantial down payment is the most effective strategy for avoiding PMI.

10. What is referred to as prepayment in the mortgage context?

- A. Paying the interest before the principal amount
- B. Paying off the mortgage early**
- C. Making payments on a loan that is in default
- D. Transferring the loan to another party

Prepayment in the mortgage context refers specifically to paying off the mortgage early, which is captured accurately by the correct choice. This occurs when a borrower pays off a portion of the principal balance or the entire loan balance prior to the scheduled end of the loan term. This can happen through various means, such as refinancing, selling the property, or making extra payments toward the principal. Prepayment can have significant implications for both borrowers and lenders. For borrowers, it often means they can save on interest payments over the life of the loan, as interest is typically calculated on the remaining balance. For lenders, premature repayment may result in diminished interest income, which they constructed their financial projections around. The other options refer to different aspects of mortgage management or payment processes. Paying the interest before the principal amount describes a standard loan repayment structure but does not encapsulate the idea of prepayment. Making payments on a loan in default refers to a troubled financial situation rather than the voluntary act of prepaying. Transferring the loan to another party pertains to the assignment or assumption of the mortgage, which is distinct from prepayment, as it involves changing the parties responsible for the loan rather than settling the loan early.

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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