

Ohio Mortgage Loan Originator (MLO) Practice Exam (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. What does the term "underwriting" mean in mortgage lending?**
 - A. The process of closing the loan**
 - B. The assessment of loan eligibility and risk**
 - C. The evaluation of property condition**
 - D. The calculation of monthly payment amounts**

- 2. What does a statement from a mortgage lender outlining terms and conditions for a loan represent?**
 - A. A letter of intent**
 - B. A loan application**
 - C. A loan estimate**
 - D. A loan commitment**

- 3. How many hours of federal law training is required in Ohio for Mortgage Loan Originators each year?**
 - A. 1 hour**
 - B. 2 hours**
 - C. 3 hours**
 - D. 4 hours**

- 4. In Ohio, what is the maximum allowable loan-to-value (LTV) ratio for FHA loans?**
 - A. 90%**
 - B. 96.5%**
 - C. 80%**
 - D. 100%**

- 5. What role does an appraisal play in the mortgage process?**
 - A. To provide a list of property repairs**
 - B. To determine the fair market value of the property being financed**
 - C. To estimate the future value of the property**
 - D. To assess the environmental impact of the property**

- 6. What is the "Closing Disclosure" (CD)?**
- A. A document provided after the loan is closed**
 - B. A detailed summary of the final loan terms and closing costs**
 - C. A summary of the borrower's credit history**
 - D. A marketing brochure for loan products**
- 7. What does a "debt service coverage ratio" (DSCR) measure?**
- A. The amount of income a borrower has**
 - B. The ability of a borrower to cover their loan payments from their income**
 - C. The total debt of a borrower**
 - D. The amount of equity in a property**
- 8. Which of the following is a key GSE involved in mortgage lending?**
- A. Fannie Mae or Freddie Mac**
 - B. Bank of America or Chase**
 - C. U.S. Treasury**
 - D. FHA or VA**
- 9. What is the primary objective of the ECOA?**
- A. To facilitate quicker loan processing**
 - B. To standardize mortgage rates**
 - C. To prevent discrimination in lending based on certain protected characteristics**
 - D. To increase the number of mortgage loans issued**
- 10. What fee is Kate allowed to collect before a Loan Estimate is issued?**
- A. Processing fee**
 - B. Application fee**
 - C. Credit report fee**
 - D. Underwriting fee**

Answers

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

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Explanations

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1. What does the term "underwriting" mean in mortgage lending?

- A. The process of closing the loan**
- B. The assessment of loan eligibility and risk**
- C. The evaluation of property condition**
- D. The calculation of monthly payment amounts**

Underwriting in mortgage lending refers to the assessment of loan eligibility and risk. This critical step involves evaluating a borrower's financial background, including credit history, income, debts, and assets, as well as examining the property that serves as collateral for the loan. The underwriter determines whether the borrower meets the lender's criteria for approval and assesses the risk involved in granting the loan. By analyzing these factors, the underwriter ensures that the lender is making an informed decision regarding the potential for loan repayment and the overall risk of default. The other options, while related to the mortgage process, refer to different stages. Closing the loan involves finalizing the transaction after underwriting and ensuring that all parties meet legal and financial obligations. Evaluating the property's condition, often through an appraisal, is focused on determining the property's market value and condition but does not encompass the broader risk assessment for the loan. Calculating monthly payment amounts, while important for borrowers to understand their financial obligations, is a separate process that occurs after a loan has been approved and is part of loan servicing rather than underwriting.

2. What does a statement from a mortgage lender outlining terms and conditions for a loan represent?

- A. A letter of intent**
- B. A loan application**
- C. A loan estimate**
- D. A loan commitment**

A statement from a mortgage lender outlining terms and conditions for a loan is identified as a loan commitment. This document signifies that the lender has approved the borrower's request for a mortgage and has agreed to lend a specific amount under certain conditions. It serves as a formal offer that includes the details of the loan, such as the interest rate, loan amount, and any contingencies that must be met before finalizing the loan. In contrast, a letter of intent is generally not a formal loan document but rather a preliminary agreement outlining the intention to enter into a loan or transaction, lacking the specificity required for a full commitment. A loan application is the initial document that a borrower fills out to apply for a mortgage, providing the lender with the necessary information to assess their eligibility. A loan estimate, on the other hand, is a document provided by the lender within three business days of receiving a loan application, giving a borrower an estimate of the fees and terms involved but does not represent final approval or terms as a loan commitment does.

3. How many hours of federal law training is required in Ohio for Mortgage Loan Originators each year?

- A. 1 hour
- B. 2 hours
- C. 3 hours**
- D. 4 hours

In Ohio, Mortgage Loan Originators are required to complete 3 hours of federal law training annually. This training is essential because it ensures that MLOs remain compliant with federal regulations governing mortgage lending practices. The emphasis on federal law is crucial as it helps MLOs understand updates to legislation, recent changes in compliance, and best practices aimed at protecting consumers' interests. Completing 3 hours of training allows MLOs to stay informed about important aspects such as the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act), Truth in Lending Act (TILA), Real Estate Settlement Procedures Act (RESPA), and other significant regulations impacting the mortgage industry. This knowledge not only enhances their professional competency but also contributes to more responsible lending practices. Therefore, the annual training requirement is designed to ensure that Mortgage Loan Originators are adequately prepared and knowledgeable about federal laws applicable to their field, which is fundamental in maintaining a trustworthy and effective mortgage lending environment.

4. In Ohio, what is the maximum allowable loan-to-value (LTV) ratio for FHA loans?

- A. 90%
- B. 96.5%**
- C. 80%
- D. 100%

The maximum allowable loan-to-value (LTV) ratio for FHA loans in Ohio is set at 96.5%. This means that borrowers can finance up to 96.5% of the home's value, requiring a down payment of only 3.5%. This relatively high LTV ratio makes FHA loans an attractive option for first-time homebuyers and those with less-than-perfect credit, as it lowers the barrier to entry into homeownership. The program aims to promote homeownership by allowing individuals to secure financing with a smaller upfront investment. In contrast, other options reflect lower LTV ratios, which are not characteristic of FHA loans and therefore do not provide the same accessibility for borrowers. The requirement of a lower down payment in FHA financing is a key feature that differentiates it from conventional loan products, where LTV ratios may typically be more conservative.

5. What role does an appraisal play in the mortgage process?

- A. To provide a list of property repairs**
- B. To determine the fair market value of the property being financed**
- C. To estimate the future value of the property**
- D. To assess the environmental impact of the property**

An appraisal plays a critical role in the mortgage process by determining the fair market value of the property being financed. This valuation is essential for lenders because it helps ensure that the amount they are willing to lend does not exceed the actual value of the property, thereby minimizing their risk. The appraisal is conducted by a licensed appraiser who evaluates various factors such as the property's condition, features, location, and comparable sales in the area. This assessment ultimately helps both lenders and borrowers understand the property's worth in the context of the mortgage transaction. While other roles might seem relevant, such as listing property repairs, estimating future values, and assessing environmental impacts, these are not the primary functions of the appraisal in the mortgage process. The appraisal is focused specifically on establishing a current market value, which is a foundational step before financing can proceed.

6. What is the "Closing Disclosure" (CD)?

- A. A document provided after the loan is closed**
- B. A detailed summary of the final loan terms and closing costs**
- C. A summary of the borrower's credit history**
- D. A marketing brochure for loan products**

The Closing Disclosure (CD) is a critical document in the mortgage process that provides a detailed summary of the final terms of the loan and the associated closing costs. It is designed to give borrowers a clear understanding of what they are agreeing to before the closing of the loan. This document outlines important financial details, including the loan amount, interest rate, monthly payments, and the total closing costs, allowing borrowers to compare these figures with the Loan Estimate they received earlier in the process. By summarizing these key loan details, the Closing Disclosure supports informed decision-making for the borrower, ensuring they know what to expect financially at closing. The requirement for lenders to provide this document at least three business days before the closing date is also designed to facilitate transparency and give borrowers enough time to review the information and ask questions if needed. This enhances the overall clarity and reliability of the mortgage transaction.

7. What does a "debt service coverage ratio" (DSCR) measure?

- A. The amount of income a borrower has**
- B. The ability of a borrower to cover their loan payments from their income**
- C. The total debt of a borrower**
- D. The amount of equity in a property**

The debt service coverage ratio (DSCR) is a financial metric used primarily to assess a borrower's ability to service debt obligations. It measures the relationship between a borrower's net operating income and their total debt service (which includes all principal and interest payments due on loans). When calculating DSCR, a ratio greater than 1 indicates that the borrower generates sufficient income to cover their debt payments, while a ratio below 1 suggests that the borrower's income is insufficient to meet their debt service requirements. This measurement is crucial when lenders evaluate the creditworthiness of borrowers, particularly for commercial real estate or investment properties. A strong DSCR reassures lenders that borrowers can maintain their debt payments even during fluctuations in income, which reduces the risk of default. The other choices do not accurately capture the essence of what the DSCR measures; for instance, while the amount of income (the total income a borrower has) is part of the calculation, it does not reflect the specific relationship between income and debt obligations that the DSCR emphasizes. Similarly, the total debt of a borrower and the amount of equity in a property do not relate to the borrower's capacity to make debt payments based on their income. Therefore, focusing on the relationship expressed by the DSCR is what

8. Which of the following is a key GSE involved in mortgage lending?

- A. Fannie Mae or Freddie Mac**
- B. Bank of America or Chase**
- C. U.S. Treasury**
- D. FHA or VA**

The correct answer identifies Fannie Mae and Freddie Mac as key Government-Sponsored Enterprises (GSEs) involved in mortgage lending. These entities play a critical role in the secondary mortgage market by purchasing loans from lenders, thereby providing liquidity and stability to the housing finance system. By buying these loans, Fannie Mae and Freddie Mac allow lenders to free up capital, which they can then use to make new loans to borrowers. This function is essential for maintaining a consistent flow of funds for home mortgages and ultimately helps to make housing more affordable. In contrast, while Bank of America and Chase are significant players in the mortgage lending industry, they are private financial institutions rather than GSEs. The U.S. Treasury, while it oversees the financial system and may have roles that impact mortgage lending, is not a mortgage lender and does not directly participate like Fannie Mae or Freddie Mac. Lastly, the FHA (Federal Housing Administration) and VA (Department of Veterans Affairs) provide insurance and guarantees for loans, which support certain loans but do not operate as secondary market entities like Fannie Mae and Freddie Mac. Thus, the focus on GSEs in this context makes Fannie Mae and Freddie Mac the correct and relevant choice.

9. What is the primary objective of the ECOA?

- A. To facilitate quicker loan processing**
- B. To standardize mortgage rates**
- C. To prevent discrimination in lending based on certain protected characteristics**
- D. To increase the number of mortgage loans issued**

The primary objective of the Equal Credit Opportunity Act (ECOA) is to prevent discrimination in lending based on certain protected characteristics. This federal law was enacted to ensure that all individuals have equal access to credit and financial resources, regardless of race, color, religion, national origin, sex, marital status, age, or because they receive public assistance. By promoting fair lending practices, the ECOA aims to eliminate discriminatory practices that could disproportionately affect certain groups of individuals, thereby fostering a more equitable financial environment. This emphasis on non-discrimination is crucial for maintaining trust in the lending process and ensuring that everyone has a fair chance to obtain credit. The ECOA sets the framework for lenders to operate in a manner that respects the rights of all consumers, promoting fairness and equality in the lending process.

10. What fee is Kate allowed to collect before a Loan Estimate is issued?

- A. Processing fee**
- B. Application fee**
- C. Credit report fee**
- D. Underwriting fee**

The ability to collect fees before a Loan Estimate is issued is governed by regulations set forth in the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA). According to these regulations, a loan originator may collect certain fees before the Loan Estimate is provided. The credit report fee is an allowable fee to collect at this stage because it is associated directly with obtaining a consumer report for underwriting the loan. It is not considered a "application fee" as defined in the regulations, which typically cover broader administrative costs related to processing a loan application. On the other hand, fees such as the application fee or processing fee may be viewed as a charge for services which might be tied to the loan application process as a whole, usually necessitating that the borrower receives a Loan Estimate before any fees are collected. The underwriting fee is generally related to a service performed later in the process and, like the application fee, would typically be subject to the same limitations as other upfront charges not explicitly permitted by TILA and RESPA prior to issuing the Loan Estimate. Thus, collecting the credit report fee before the Loan Estimate is issued aligns with regulatory guidelines, making it the correct answer.

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://ohiomlo.examzify.com>

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

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