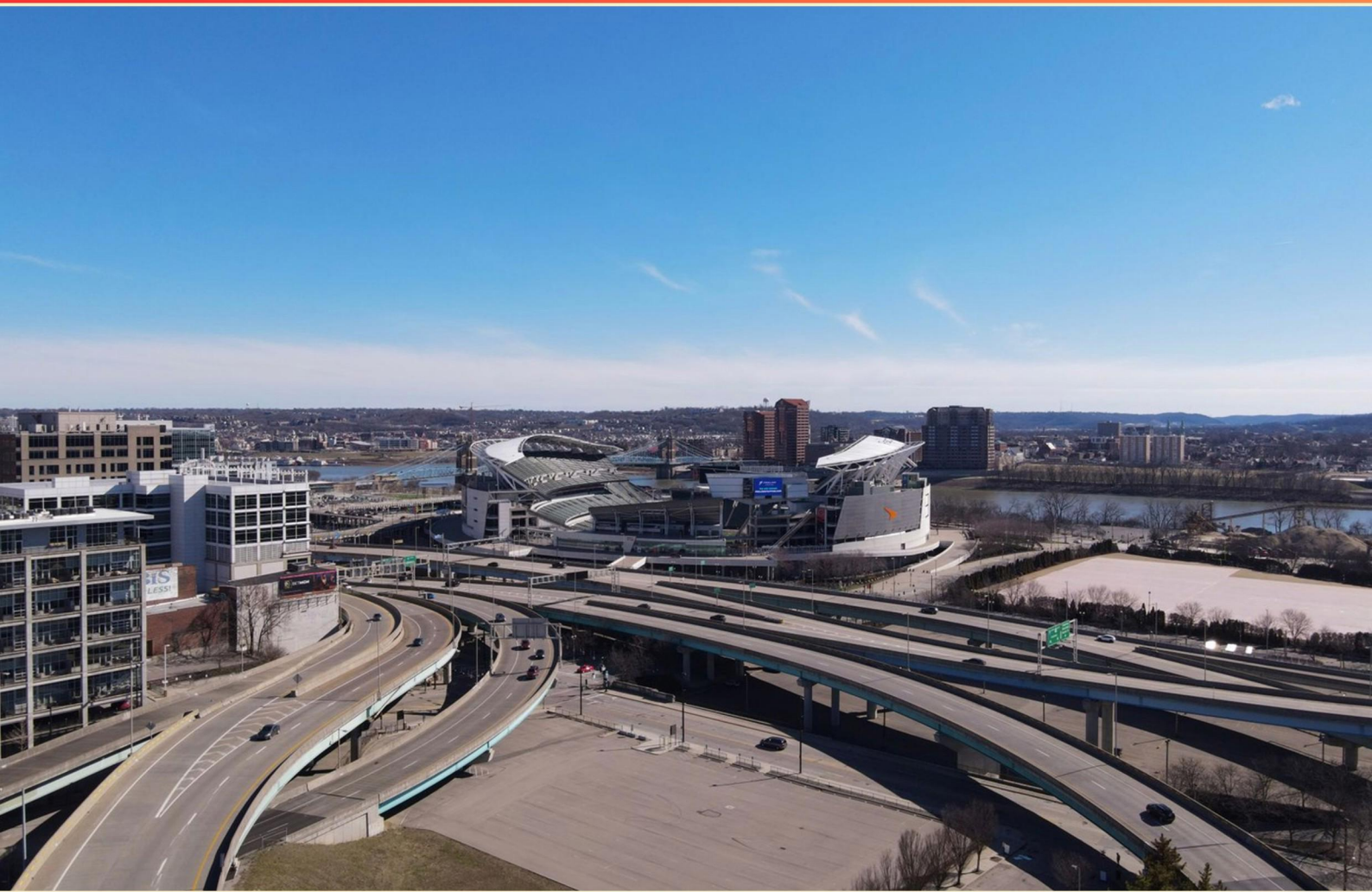


OHIO MORTGAGE LOAN ORIGINATOR (MLO) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

**VISIT US ONLINE FOR
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. What does "reserves" mean for mortgage borrowers?**
 - A. Funds needed for down payment
 - B. Cash or liquid assets set aside to cover future mortgage payments
 - C. Funds held in an escrow account
 - D. An amount paid upfront to the lender
- 2. Which of the following is considered a trigger term in a closed-end mortgage loan advertisement?**
 - A. Interest rate
 - B. Down payment amount
 - C. Loan term
 - D. Monthly payment
- 3. What are the components of the required 20 hours of pre-licensing education for MLOs?**
 - A. 4 hours of federal law, 2 hours of ethics, and 4 hours of nontraditional mortgage lending
 - B. 3 hours of federal law, 3 hours of ethics, and 2 hours of nontraditional mortgage lending
 - C. 5 hours of federal law, 5 hours of ethics, and 5 hours of nontraditional mortgage lending
 - D. 3 hours of federal law, 5 hours of ethics, and 2 hours of nontraditional mortgage lending
- 4. What agency is responsible for regulating the mortgage industry in Ohio?**
 - A. Federal Trade Commission
 - B. Ohio Department of Commerce
 - C. Division of Financial Institutions
 - D. Ohio Mortgage Association
- 5. Acting as a mortgage loan originator without a license is punishable by a fine of up to ____ and/or imprisonment for up to ____.**
 - A. \$500; 90 days
 - B. \$1,000; 180 days
 - C. \$2,500; 1 year
 - D. \$1,500; 6 months

- 6. What factor primarily influences a borrower's credit score?**
- A. Length of employment
 - B. Payment history
 - C. Type of mortgage applied for
 - D. Loan-to-value ratio
- 7. Which document is typically used to secure a mortgage loan?**
- A. Promissory Note
 - B. Deed of Trust
 - C. Purchase Agreement
 - D. Loan Application
- 8. What can a borrower do to improve their credit score before applying for a mortgage?**
- A. Maximize credit usage
 - B. Pay bills on time
 - C. Close old credit accounts
 - D. Open new credit lines
- 9. What does "conforming loan" mean?**
- A. A loan that is backed by the Federal Housing Administration
 - B. A loan that meets the underwriting standards set by Fannie Mae and Freddie Mac
 - C. A loan that is considered subprime
 - D. A loan that exceeds maximum limits set by GSEs
- 10. What does the term "escrow account" mean?**
- A. An account set up for loan repayment
 - B. An account held by a lender to cover property taxes and insurance premiums
 - C. An account for mortgage insurance payments
 - D. An investment account for property appreciation

Answers

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

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Explanations

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1. What does "reserves" mean for mortgage borrowers?

- A. Funds needed for down payment
- B. Cash or liquid assets set aside to cover future mortgage payments**
- C. Funds held in an escrow account
- D. An amount paid upfront to the lender

Reserves refer to the cash or liquid assets that mortgage borrowers set aside to cover future mortgage payments. This concept is significant in mortgage underwriting because lenders want to ensure that borrowers have additional financial resources that can be accessed if they encounter a financial disruption or unforeseen expenses after securing the loan. By having reserves, a borrower demonstrates financial stability and the ability to make mortgage payments even in challenging circumstances. These reserves often come into play when determining the borrower's overall financial profile and risk level. Lenders typically assess the amount of reserves alongside income, credit history, and other financial indicators to make informed lending decisions. The presence of sufficient reserves can also enhance a borrower's chances of obtaining better loan terms or approval. The other options do not accurately reflect the concept of reserves in the context of mortgage lending. For instance, while funds needed for a down payment are critical to securing a mortgage, they do not represent the same financial safety net as reserves. Additionally, cash held in an escrow account refers to funds set aside related to property taxes and insurance but is not indicative of the borrower's readiness to manage future mortgage payments. Finally, an upfront payment made to the lender, such as points or closing costs, is also not related to reserves, as it does not pertain

2. Which of the following is considered a trigger term in a closed-end mortgage loan advertisement?

- A. Interest rate
- B. Down payment amount**
- C. Loan term
- D. Monthly payment

In the context of mortgage advertising, trigger terms refer to specific details that can prompt the need for additional disclosures under the Truth in Lending Act (TILA). When advertisers use certain key phrases or terms, they must provide more comprehensive information about the loan's terms to ensure consumers can make informed decisions. The down payment amount qualifies as a trigger term because it directly affects the actual costs that a borrower will face when obtaining the loan. Stating a specific down payment in advertising can lead the consumer to assume the loan's costs based on that amount, thereby necessitating the disclosure of additional terms, such as the annual percentage rate (APR), total amount financed, and payment terms. This inclusion of details is crucial for transparency in lending practices. In contrast, while interest rate, loan term, and monthly payment can also greatly inform a consumer about the mortgage, they do not automatically require the same level of detailed disclosures when mentioned. Therefore, the down payment amount stands out as a clear trigger term that necessitates further elaboration in advertisements to protect consumer understanding and compliance with regulatory standards.

3. What are the components of the required 20 hours of pre-licensing education for MLOs?

- A. 4 hours of federal law, 2 hours of ethics, and 4 hours of nontraditional mortgage lending
- B. 3 hours of federal law, 3 hours of ethics, and 2 hours of nontraditional mortgage lending**
- C. 5 hours of federal law, 5 hours of ethics, and 5 hours of nontraditional mortgage lending
- D. 3 hours of federal law, 5 hours of ethics, and 2 hours of nontraditional mortgage lending

The required 20 hours of pre-licensing education for Mortgage Loan Originators (MLOs) includes a specific distribution of hours that align with federal guidelines. The correct answer details the requirement: 3 hours of federal law, 3 hours of ethics, and 2 hours of nontraditional mortgage lending. Federal law education is critical as it provides MLOs with the foundational knowledge of regulations that govern the mortgage industry, including the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA). The ethics component is essential for ensuring that MLOs understand the importance of ethical practices in lending, fostering transparency and trustworthiness in financial transactions. Lastly, the focus on nontraditional mortgage lending is increasingly relevant as the market evolves to include various mortgage products that don't fit conventional classifications. Each of these components equips MLOs with the necessary knowledge and skills to meet regulatory standards and serve consumers effectively in the mortgage lending process. Understanding these educational requirements is crucial for anyone pursuing a career as an MLO.

4. What agency is responsible for regulating the mortgage industry in Ohio?

- A. Federal Trade Commission
- B. Ohio Department of Commerce
- C. Division of Financial Institutions**
- D. Ohio Mortgage Association

The Division of Financial Institutions is the agency responsible for regulating the mortgage industry in Ohio. This division operates under the Ohio Department of Commerce, overseeing mortgage loan originators, brokers, and other entities involved in the mortgage lending process. Its primary role includes licensing, ensuring compliance with state and federal regulations, and protecting consumers in their financial transactions related to mortgages. The other options do not have the specific regulatory authority required for overseeing the mortgage industry in Ohio. The Federal Trade Commission primarily deals with consumer protection and competition issues across various industries, including finance, but does not directly regulate mortgages at the state level. The Ohio Department of Commerce encompasses various sectors, but it is the Division of Financial Institutions that specifically addresses mortgage regulation. Lastly, the Ohio Mortgage Association is a trade organization that represents the interests of mortgage professionals, but it does not have regulatory power or authority to enforce mortgage laws.

5. Acting as a mortgage loan originator without a license is punishable by a fine of up to ____ and/or imprisonment for up to ____.

- A. \$500; 90 days
- B. \$1,000; 180 days**
- C. \$2,500; 1 year
- D. \$1,500; 6 months

The correct answer, which states that acting as a mortgage loan originator without a license can lead to a fine of up to \$1,000 and/or imprisonment for up to 180 days, aligns with regulatory standards regarding mortgage practices. Such penalties are set to deter unlicensed activity in the mortgage industry, which can negatively impact borrowers and compromise the integrity of financial transactions. In this context, the specific figures represent a level of severity deemed appropriate to address the potential risks posed by unlicensed loan origination. The fine amount signals to individuals the importance of adhering to licensing requirements and the legal framework governing mortgage practices in Ohio. Overall, the combination of financial penalties and potential jail time reflects law enforcement's commitment to maintaining ethical standards in the mortgage industry.

6. What factor primarily influences a borrower's credit score?

- A. Length of employment
- B. Payment history**
- C. Type of mortgage applied for
- D. Loan-to-value ratio

Payment history is the most significant factor influencing a borrower's credit score. This component accounts for about 35% of a FICO credit score, which is the most commonly used scoring model. A strong payment history indicates to lenders that a borrower is responsible and dependable in meeting their financial obligations. Timely payments on loans and credit cards help to improve the score, while late payments, defaults, and bankruptcies can severely damage it. Other factors, such as the length of employment, type of mortgage applied for, and loan-to-value ratio, play roles in the overall lending decision but do not have as direct an impact on a credit score as payment history does. Length of employment may suggest job stability but does not reflect financial behavior. The type of mortgage and loan-to-value ratio are more relevant to the mortgage application process itself rather than directly affecting the borrower's creditworthiness as measured by the credit score.

7. Which document is typically used to secure a mortgage loan?

- A. Promissory Note
- B. Deed of Trust**
- C. Purchase Agreement
- D. Loan Application

The Deed of Trust is the correct document that secures a mortgage loan. In the context of real estate transactions, a Deed of Trust establishes a legal relationship between the borrower, the lender, and a third party known as the trustee. When a borrower takes out a mortgage to purchase a home, they grant the lender a security interest in the property, which is represented by the Deed of Trust. In essence, this document allows the lender to take possession of the property if the borrower defaults on the loan, thus providing the lender with assurance that they will have recourse to recover their investment. Understanding this function is crucial, as it differentiates the Deed of Trust from other important documents involved in the mortgage process. For instance, a Promissory Note outlines the borrower's promise to repay the loan but does not provide security against the property. The Purchase Agreement is the contract between the buyer and seller regarding the sale terms of the property, and it doesn't serve as a security instrument for the lender. Likewise, the Loan Application is a document submitted by the borrower to the lender containing necessary financial information but does not provide any security for the loan itself. This distinction highlights the vital role of the Deed of Trust in the mortgage process.

8. What can a borrower do to improve their credit score before applying for a mortgage?

- A. Maximize credit usage
- B. Pay bills on time**
- C. Close old credit accounts
- D. Open new credit lines

Paying bills on time is one of the most effective ways a borrower can improve their credit score before applying for a mortgage. Credit scores take into account payment history as a significant factor, and consistently making payments by their due dates demonstrates responsible financial behavior. This positive record not only helps to improve the score but also establishes trust with potential lenders, as timely payments indicate that a borrower is likely to meet future obligations. Improving credit scores through on-time payments can lead to better mortgage terms, such as lower interest rates, which can ultimately save the borrower money over the life of the loan. It is particularly important for borrowers to focus on this aspect, especially in the months leading up to applying for a mortgage, as it can have a direct impact on the options and rates available to them. Other approaches, such as maximizing credit usage, closing old credit accounts, or opening new credit lines, could have negative effects on credit scores or complicate a borrower's financial profile at the time of application, which is why they are not advisable strategies for improving credit before seeking a mortgage.

9. What does "conforming loan" mean?

- A. A loan that is backed by the Federal Housing Administration
- B. A loan that meets the underwriting standards set by Fannie Mae and Freddie Mac**
- C. A loan that is considered subprime
- D. A loan that exceeds maximum limits set by GSEs

A conforming loan is defined as a loan that adheres to the underwriting guidelines established by Fannie Mae and Freddie Mac, the two government-sponsored enterprises (GSEs) that purchase mortgages in order to create liquidity in the housing market. These guidelines include specific criteria related to loan amount, credit score, debt-to-income ratio, and other factors that determine the eligibility of borrowers. The importance of conforming loans lies in their increased access to lower interest rates and broader funding, as they can be bought and sold easily in the secondary market. This helps stabilize the mortgage market and makes home financing more accessible for qualified borrowers. In contrast, a loan backed by the Federal Housing Administration is considered an FHA loan, which has different criteria and insurance requirements. Subprime loans typically have higher interest rates and are aimed at borrowers with low credit scores, which does not fit the conforming loan definition. Loans that exceed the maximum limits set by the GSEs are termed non-conforming or jumbo loans, as they do not meet the necessary guidelines for conventional conforming status. Hence, the correct answer accurately reflects the specific requirements and implications associated with conforming loans.

10. What does the term "escrow account" mean?

- A. An account set up for loan repayment
- B. An account held by a lender to cover property taxes and insurance premiums**
- C. An account for mortgage insurance payments
- D. An investment account for property appreciation

An escrow account is specifically established by lenders to hold funds that are designated for certain recurring expenses associated with homeownership, primarily property taxes and homeowners insurance premiums. Funds are deposited into the account monthly along with mortgage payments, creating a reserve that the lender can draw from when these bills are due. This arrangement helps ensure that these important expenses are paid on time, which protects both the lender's investment and the homeowner's property. The other options provided do not accurately capture the primary function of an escrow account. An account set up for loan repayment pertains more directly to the mortgage payment itself, while accounts for mortgage insurance payments are separate and specific to that insurance. Investment accounts for property appreciation refer to investment strategies rather than the practice of managing ongoing property-related expenses. Therefore, understanding an escrow account's role in safeguarding property taxes and insurance costs is crucial for homeowners and those involved in lending practices.

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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