

RHODE ISLAND MORTGAGE LAW PRACTICE TEST (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

<https://rhodeislandmortgagelaw.examzify.com>



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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. If a mortgage meets the points or fees thresholds under the HLP, which of the following is prohibited?**
 - A. Financing points and fees totaling more than 5% of the loan or \$800, whichever is greater
 - B. Charging a late fee on the loan
 - C. Offering discounts on loan fees
 - D. Not providing a detailed fee overview
- 2. When is a mortgage loan originator required to be licensed?**
 - A. When they originate loans
 - B. When they process loan applications
 - C. When they offer financial advice
 - D. When they conduct appraisals
- 3. Which of the following roles is typically exempt from licensure requirements?**
 - A. Loan originators
 - B. Processing clerks
 - C. Financial analysts
 - D. Real estate agents
- 4. What happens if a mortgage servicer fails to comply with state regulations?**
 - A. The servicer may receive praise and commendation
 - B. They may face legal penalties and sanctions
 - C. No consequences are typically enforced
 - D. Borrowers usually compensate for the servicer's oversight
- 5. What is a common responsibility of a mortgage loan originator?**
 - A. To undergo training in real estate
 - B. To complete residential loan applications
 - C. To conduct property appraisals
 - D. To manage loan servicing

- 6. What is the maximum amount for residential loan origination fees that can be charged in Rhode Island?**
- A. There is a state limit of 1%
 - B. There is no state limit, but federal regulations apply
 - C. Origination fees cannot exceed 3%
 - D. Lenders are prohibited from charging any origination fees
- 7. What does the term 'foreclosure' mean in relation to mortgages?**
- A. The process of selling a home voluntarily
 - B. A legal process where the lender takes possession of the property due to payment default
 - C. A method of refinancing a mortgage
 - D. The requirement to sell the home for less than owed
- 8. How is a "mortgage loan originator" defined under Rhode Island law?**
- A. An individual applying for a mortgage loan
 - B. A person managing foreclosure proceedings
 - C. An individual negotiating residential mortgage terms for compensation
 - D. A company offering mortgage insurance
- 9. Federal law limits prepayment penalties to ____ during the first two years and ____ during the third year of the loan term.**
- A. 5%; 3%
 - B. 3%; 5%
 - C. 6%; 4%
 - D. 4%; 6%
- 10. Which law prohibits loan flipping as an unethical practice?**
- A. Consumer Financial Protection Act
 - B. Rhode Island General Laws
 - C. Truth in Lending Act
 - D. Equal Credit Opportunity Act

Answers

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

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Explanations

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1. If a mortgage meets the points or fees thresholds under the HLP, which of the following is prohibited?

A. Financing points and fees totaling more than 5% of the loan or \$800, whichever is greater

B. Charging a late fee on the loan

C. Offering discounts on loan fees

D. Not providing a detailed fee overview

The prohibition under the Home Loan Protection Act (HLP) specifically targets the financing of points and fees when they exceed certain thresholds. In this case, if the total points and fees amount to more than 5% of the loan amount or \$800 (whichever is greater), the mortgage would be considered high-cost, and financing those excessive points and fees is not permitted. This provision is designed to protect borrowers from predatory lending practices that could lead to adverse financial consequences. The other options do not fall under the same restrictions as outlined in the HLP. Charging a late fee, for instance, is a common practice in mortgage loans and can be structured in a way that complies with legal standards. Similarly, offering discounts on loan fees and not providing a detailed fee overview, while potentially subject to consumer protection regulations, do not directly violate the specific prohibitions regarding financing excessive points and fees. Hence, the focus of the HLP's restrictions is firmly centered on the scrutiny of financing high levels of points and fees, which is why it is crucial for lenders to adhere to those thresholds to ensure compliance and protect borrowers.

2. When is a mortgage loan originator required to be licensed?

A. When they originate loans

B. When they process loan applications

C. When they offer financial advice

D. When they conduct appraisals

A mortgage loan originator must be licensed when they originate loans. This requirement exists to ensure that individuals engaging in the process of creating new mortgage loans comply with established regulations and standards intended to protect consumers and maintain the integrity of the lending process. Licensing mandates that these professionals meet certain educational and ethical standards, undergo background checks, and adhere to specific rules and regulations that vary by state. By requiring a license, the law aims to facilitate accountability and competency within the mortgage industry, providing consumers with confidence in the professionals they are working with. In contrast, processing loan applications, offering financial advice, and conducting appraisals, while they may be essential parts of the mortgage process, do not inherently require a mortgage loan originator's license. Depending on the nature and scope of the activities, other professional designations or qualifications may be necessary for those roles, but they do not fall under the same specific licensing requirements aimed at those originating loans.

3. Which of the following roles is typically exempt from licensure requirements?

- A. Loan originators
- B. Processing clerks**
- C. Financial analysts
- D. Real estate agents

Processing clerks are typically exempt from licensure requirements because their role involves administrative tasks related to the processing of mortgage applications and documentation rather than engaging in activities that require a license, such as originating loans or providing direct financial advice to clients. Their functions are generally supportive and do not entail decision-making related to loan approvals or negotiating terms with borrowers. In contrast, loan originators are required to be licensed because they play a key role in securing loans for borrowers, involving customer interaction, financial assessments, and compliance with specific regulatory standards. Financial analysts may also be required to have specific credentials due to their involvement in analyzing financial data, which often informs lending decisions. Real estate agents have their own licensure requirements as they facilitate the buying and selling of properties, which directly impacts the mortgage industry. Thus, processing clerks stand out as the role that does not necessitate a specific license, focusing primarily on support rather than independent decision-making or client interaction.

4. What happens if a mortgage servicer fails to comply with state regulations?

- A. The servicer may receive praise and commendation
- B. They may face legal penalties and sanctions**
- C. No consequences are typically enforced
- D. Borrowers usually compensate for the servicer's oversight

If a mortgage servicer fails to comply with state regulations, they may face legal penalties and sanctions. This consequence is crucial for maintaining a fair and orderly lending environment. State regulations are designed to protect borrowers and ensure that servicers act in accordance with the law. When a servicer neglects these regulations, it undermines the trust in the mortgage system and can lead to violations that harm borrowers, such as improper fee assessments or mishandling of payments. As a result, state authorities have the ability to impose legal penalties, which may include fines, the requirement to make restitution to affected borrowers, or even losing their license to operate within that jurisdiction. This framework is essential as it motivates servicers to adhere to the rules and provides borrowers with a pathway for recourse if they are wronged. The consequences for non-compliance are an important aspect of ensuring accountability in mortgage servicing.

5. What is a common responsibility of a mortgage loan originator?

- A. To undergo training in real estate
- B. To complete residential loan applications**
- C. To conduct property appraisals
- D. To manage loan servicing

A primary responsibility of a mortgage loan originator is to complete residential loan applications. This role involves gathering pertinent financial information from borrowers, assessing their qualifications for different mortgage products, and helping them navigate the application process. This step is crucial, as it lays the foundation for lenders to evaluate the risk associated with granting a loan and for determining how much money the borrower can afford or qualify for. Although the other roles mentioned are important within the broader scope of mortgage lending and real estate transactions, they do not directly pertain to the specific duties of a mortgage loan originator. For instance, training in real estate may be beneficial, but it is not a fundamental requirement of the originator's role. Similarly, conducting property appraisals is typically performed by licensed appraisers, and managing loan servicing falls under the responsibilities of loan servicing departments, not the originator. Thus, focus on completing residential loan applications is uniquely aligned with the mortgage loan originator's key function in facilitating the lending process.

6. What is the maximum amount for residential loan origination fees that can be charged in Rhode Island?

- A. There is a state limit of 1%
- B. There is no state limit, but federal regulations apply**
- C. Origination fees cannot exceed 3%
- D. Lenders are prohibited from charging any origination fees

In Rhode Island, while there is no specific state limit on the amount that can be charged for residential loan origination fees, federal regulations do impose certain requirements and limitations that lenders must adhere to. These federal regulations are primarily outlined in the Truth in Lending Act (TILA) and implemented through Regulation Z, which can set standards for various aspects of loan origination costs, including origination fees. The absence of a state limit allows for flexibility in pricing by lenders, but borrowers are still protected by federal guidelines that help ensure transparency and fairness in the lending process. As a result, lenders must comply with these federal regulations to maintain ethical lending practices and avoid excessive fees that could burden borrowers. Other options misrepresent the regulatory framework: stating that a specific limit exists at state level or implying that no fees can be charged does not accurately reflect the legal landscape for loan origination fees in Rhode Island.

7. What does the term 'foreclosure' mean in relation to mortgages?

- A. The process of selling a home voluntarily
- B. A legal process where the lender takes possession of the property due to payment default**
- C. A method of refinancing a mortgage
- D. The requirement to sell the home for less than owed

The term 'foreclosure' refers specifically to a legal process wherein a lender takes possession of a property after the borrower defaults on their mortgage payments. This process is initiated when the homeowner fails to adhere to the terms of the loan, typically after a series of missed payments. In such cases, the lender may pursue foreclosure to recoup the outstanding debt by selling the property. This definition is crucial because it distinguishes foreclosure from other mortgage-related concepts. For instance, it is different from voluntary sale where homeowners choose to sell their property, or refinancing, which entails altering the existing mortgage terms rather than losing them. Additionally, foreclosure does not imply the requirement to sell a home for less than what is owed; instead, it typically involves selling the property to recover the loan amount, which may or may not result in a financial shortfall for the homeowner. Thus, the correct understanding of foreclosure is fundamental to grasping mortgage law and the implications for both lenders and borrowers.

8. How is a "mortgage loan originator" defined under Rhode Island law?

- A. An individual applying for a mortgage loan
- B. A person managing foreclosure proceedings
- C. An individual negotiating residential mortgage terms for compensation**
- D. A company offering mortgage insurance

The definition of a "mortgage loan originator" under Rhode Island law specifically encompasses individuals who engage in the negotiation of residential mortgage terms for compensation. This role is pivotal in the mortgage industry, as such professionals actively assist borrowers in navigating the lending process, determining loan options, and ultimately securing financing for real estate transactions. This definition implies that the mortgage loan originator must be involved in the transaction process beyond mere referral, exercising discretion and expertise in negotiating loan terms that best meet the needs of the borrower. The compensation aspect is a crucial element, as it distinguishes these professionals from other parties involved in real estate transactions who may not receive payment for their services. The other choices describe roles or activities that do not align with the specific duties of a mortgage loan originator. An individual applying for a mortgage loan refers to the borrower, not the originator. A person managing foreclosure proceedings deals with a different aspect of real estate law entirely, focusing on the legal processes following a borrower's failure to repay. A company offering mortgage insurance provides a different service related to risk management for lenders rather than negotiating loan terms. Hence, the correct identification of a mortgage loan originator as one who negotiates residential mortgage terms for compensation is essential for understanding this role within Rhode

9. Federal law limits prepayment penalties to ____ during the first two years and ____ during the third year of the loan term.

A. 5%; 3%

B. 3%; 5%

C. 6%; 4%

D. 4%; 6%

The correct answer reflects the restrictions set by federal law on prepayment penalties for certain types of loans, particularly those that are covered under the Home Ownership and Equity Protection Act (HOEPA). According to these regulations, during the first two years of the loan term, lenders are permitted to impose a prepayment penalty that cannot exceed a maximum of 2% of the outstanding balance. However, in the third year, the limit increases to a maximum of 1%. The answer options presented may not perfectly align with these figures, suggesting there may be a miscommunication regarding the terms. Nonetheless, the structure of the limits indicates that during the initial two years, the penalties are more substantial and gradually decrease as the loan matures. This progression is designed to reduce the financial burden on borrowers over time. Understanding these limits is essential for borrowers to ensure they are aware of any potential costs associated with paying off a loan early and to comply with federal mortgage law. These laws aim to protect borrowers from excessive fees when they choose to refinance or pay off their mortgages ahead of schedule, thus promoting fairness and transparency in lending practices.

10. Which law prohibits loan flipping as an unethical practice?

A. Consumer Financial Protection Act

B. Rhode Island General Laws

C. Truth in Lending Act

D. Equal Credit Opportunity Act

The Rhode Island General Laws specifically address various consumer protection issues, including predatory lending practices such as loan flipping. Loan flipping occurs when a borrower is induced to refinance a loan repeatedly, often with little benefit and at significant cost, which can lead to increased debt and financial hardship for the borrower. This practice is viewed as unethical and harmful, particularly in the context of vulnerable consumers. The Rhode Island General Laws incorporate regulations that help safeguard borrowers from such predatory practices by establishing clear standards and prohibitions. These laws set forth requirements for transparency in lending, ensuring that consumers are fully informed about the terms and consequences of their loans, which directly counteracts the tactics involved in loan flipping. In contrast, while the Consumer Financial Protection Act, the Truth in Lending Act, and the Equal Credit Opportunity Act address various aspects of consumer protection in lending, they do not specifically target loan flipping in the same comprehensive manner as the Rhode Island General Laws. Thus, the correct answer is rooted in the state-specific regulations that are designed to protect consumers from unethical lending practices like loan flipping.

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:

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

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