

South Carolina Mortgage Loan Originator (MLO) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain from reliable sources accurate, complete, and timely information about this product.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	6
Answers	9
Explanations	11
Next Steps	17

SAMPLE

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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

SAMPLE

Questions

SAMPLE

- 1. When must an adverse action letter be provided to a consumer?**
 - A. Within 24 hours of application**
 - B. Within three days of application if specific documents have not been delivered**
 - C. After the loan is approved**
 - D. Immediately upon loan denial**
- 2. Which of the following is NOT a prohibited practice under mortgage regulations?**
 - A. Misrepresentation of facts**
 - B. Notification of loan satisfaction**
 - C. Failure to practice due diligence**
 - D. False advertising**
- 3. What does the term “equity” refer to in home financing?**
 - A. The amount paid towards the loan principal**
 - B. The current market value of the home**
 - C. The difference between the home's market value and the mortgage balance**
 - D. The appreciation of the property over time**
- 4. In what situation might a borrower consider a hard money loan?**
 - A. When purchasing a primary residence with a low credit score**
 - B. When immediate financing is needed for a real estate investment**
 - C. When seeking a mortgage with the best interest rates on the market**
 - D. When refinancing an existing loan**
- 5. Which chapter outlines the regulations for the DCA?**
 - A. Chapter 15**
 - B. Chapter 28**
 - C. Chapter 32**
 - D. Chapter 50**

6. What information must the maximum rate schedule contain?

- A. A list of current interest rates**
- B. The total amount of loans granted**
- C. The maximum rate of loan finance charges intended to be charged**
- D. The minimum payment amount required**

7. What is the primary purpose of requiring a credit score from the borrower?

- A. To determine the loan amount**
- B. To assess the borrower's creditworthiness**
- C. To calculate insurance costs**
- D. To decide on collateral value**

8. What is typically included in a Good Faith Estimate?

- A. Borrower's credit score and debt history**
- B. Estimated closing costs and terms of the mortgage**
- C. A list of potential properties available for loan**
- D. Information on local housing market trends**

9. When must a mortgage broker provide a mortgage broker fee agreement?

- A. Within 72 hours of application**
- B. Within three business days of receiving an application**
- C. On the loan closing date**
- D. Before loan application submission**

10. In what situation is a lender allowed to collect additional fees related to a borrower's loan?

- A. For personal management services**
- B. For official fees and taxes**
- C. For financing insurance premiums**
- D. For application processing**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. When must an adverse action letter be provided to a consumer?

- A. Within 24 hours of application**
- B. Within three days of application if specific documents have not been delivered**
- C. After the loan is approved**
- D. Immediately upon loan denial**

An adverse action letter must be provided to a consumer within three days of the application if specific documents have not been delivered. This requirement is in line with the Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA), which mandate that lenders must inform consumers of the reasons for adverse actions, including denial of credit or unfavorable terms. The requirement for this timeline ensures that consumers are promptly informed, which helps them understand their credit situation and take steps to improve it if necessary. Providing the letter within three days allows enough time for the lender to process the application and determine whether any adverse action has been taken, ensuring compliance with regulations while protecting consumers' rights. The options related to immediacy or timing that imply longer periods are not aligned with these regulatory expectations. Therefore, understanding the significance of timely communication in the instance of adverse actions is crucial for compliance and for maintaining transparency with consumers.

2. Which of the following is NOT a prohibited practice under mortgage regulations?

- A. Misrepresentation of facts**
- B. Notification of loan satisfaction**
- C. Failure to practice due diligence**
- D. False advertising**

Notification of loan satisfaction is considered a legitimate and necessary practice in the mortgage industry. This refers to the process of informing borrowers that their loan has been paid off, which is an essential step in concluding the lender-borrower relationship and ensuring that the borrower receives a clear title to the property without the encumbrance of the mortgage. In contrast, the other options involve unethical or illegal behaviors that can harm consumers and undermine the integrity of the mortgage lending process. Misrepresentation of facts and false advertising can mislead borrowers about the terms and costs of a mortgage, while failure to practice due diligence can lead to irresponsible lending and potential financial harm to borrowers. Each of these actions violates various regulations established to protect consumers in the mortgage industry.

3. What does the term “equity” refer to in home financing?

- A. The amount paid towards the loan principal**
- B. The current market value of the home**
- C. The difference between the home's market value and the mortgage balance**
- D. The appreciation of the property over time**

The term "equity" in home financing specifically refers to the difference between the home's current market value and the outstanding balance on the mortgage. Essentially, equity represents the portion of the property that the homeowner truly owns, free and clear of any debt. For example, if a home is valued at \$300,000 and the mortgage balance is \$200,000, the homeowner has \$100,000 in equity. This concept is crucial for homeowners because it can impact borrowing options, financial security, and the ability to tap into funds through home equity loans or lines of credit. Understanding equity helps homeowners make informed decisions regarding selling their property, refinancing, or taking advantage of financing options based on their ownership stake in the home.

4. In what situation might a borrower consider a hard money loan?

- A. When purchasing a primary residence with a low credit score**
- B. When immediate financing is needed for a real estate investment**
- C. When seeking a mortgage with the best interest rates on the market**
- D. When refinancing an existing loan**

A borrower might consider a hard money loan primarily in the context of needing immediate financing for a real estate investment. Hard money loans are typically provided by private lenders and are secured by real estate. They are often used when traditional financing options take too long or are not available, particularly for investment purposes such as flipping properties or acquiring distressed properties quickly. These loans are generally easier and quicker to obtain than conventional loans because they focus on the value of the collateral (the property itself) rather than the borrower's creditworthiness. This makes them appealing for investors looking to seize time-sensitive opportunities in real estate markets. In contrast, options such as purchasing a primary residence with a low credit score, seeking the best interest rates, or refinancing existing loans would typically not align with the purpose or benefits of hard money loans, as these situations generally require more favorable terms and longer financing durations that hard money loans do not provide.

5. Which chapter outlines the regulations for the DCA?

- A. Chapter 15
- B. Chapter 28**
- C. Chapter 32
- D. Chapter 50

The correct answer is based on the specific structure of the South Carolina Code of Laws, which defines and regulates various entities and activities, including those under the jurisdiction of the Department of Consumer Affairs (DCA). Chapter 28 outlines regulations pertaining to the DCA, including the licensing and operation of mortgage loan originators, as well as consumer protection provisions. This chapter is critical for ensuring compliance with state laws regarding financial practices and consumer rights. Understanding this chapter is vital for mortgage loan originators as it informs them of their legal obligations and the framework within which they operate to serve consumers in South Carolina effectively.

6. What information must the maximum rate schedule contain?

- A. A list of current interest rates
- B. The total amount of loans granted
- C. The maximum rate of loan finance charges intended to be charged**
- D. The minimum payment amount required

The maximum rate schedule is a crucial document that outlines the maximum loan finance charges that a lender may impose on a borrower. This schedule provides transparency to potential borrowers about the upper limits of costs associated with their loans, ensuring they are informed about what they might be required to pay. By stipulating the maximum rate of loan finance charges, the schedule helps protect borrower's interests and fosters fair lending practices. Borrowers can gauge their financial commitments and make informed decisions about entering into loan agreements. This guideline adheres to regulatory requirements, ensuring lenders disclose the potential financial obligations involved in borrowing. Other options, while they refer to relevant aspects of lending, do not represent the core purpose of the maximum rate schedule itself. For example, a list of current interest rates would provide practical context but doesn't meet the regulatory requirement for maximum potential charges. Total loan amounts granted or minimum payment amounts required are also important pieces of information, but they are not part of the maximum rate schedule definition, which focuses solely on the highest allowable charges.

7. What is the primary purpose of requiring a credit score from the borrower?

- A. To determine the loan amount**
- B. To assess the borrower's creditworthiness**
- C. To calculate insurance costs**
- D. To decide on collateral value**

The primary purpose of requiring a credit score from the borrower is to assess the borrower's creditworthiness. A credit score is a numerical representation of a borrower's credit history and financial behavior, which lenders use to predict the likelihood of repayment. It reflects the borrower's ability to manage debt and make payments on time, which are critical factors in determining how risky it would be for a lender to issue a loan. By evaluating the credit score, lenders can make informed decisions about whether to approve a loan application, what interest rates to offer, or whether additional conditions are necessary to mitigate risk. This process helps ensure responsible lending practices and protects both the lender and the borrower in the long run. The other options, while relevant to the lending process, do not directly reflect the main reason for obtaining a credit score. The loan amount determination, insurance costs, and collateral value assessment are influenced by various factors, but the credit score itself is primarily focused on evaluating the borrower's ability and reliability as a borrower.

8. What is typically included in a Good Faith Estimate?

- A. Borrower's credit score and debt history**
- B. Estimated closing costs and terms of the mortgage**
- C. A list of potential properties available for loan**
- D. Information on local housing market trends**

The correct choice encompasses the purpose of a Good Faith Estimate (GFE), which is to provide borrowers with an estimate of the closing costs they can expect when obtaining a mortgage. The GFE is designed to give consumers a clear idea of the potential expenses involved in the mortgage process, including lender fees, title insurance, and other costs associated with closing the loan. This transparency helps borrowers make informed decisions about their financing options and encourages comparison shopping among lenders. In contrast, while a borrower's credit score and debt history are crucial aspects of the mortgage application process, they are typically not included in the GFE. Similarly, potential properties available for loan do not fall under the GFE's scope, as it focuses solely on the financial aspects of the loan rather than specific real estate listings. Information on local housing market trends might be useful for a borrower, but it is also not part of the GFE, as it does not pertain directly to the estimated costs and terms surrounding a particular mortgage transaction.

9. When must a mortgage broker provide a mortgage broker fee agreement?

- A. Within 72 hours of application**
- B. Within three business days of receiving an application**
- C. On the loan closing date**
- D. Before loan application submission**

A mortgage broker is required to provide a mortgage broker fee agreement within three business days of receiving a loan application. This timeframe is established to ensure that borrowers have a clear understanding of any fees associated with the mortgage broker's services before committing to the loan process. It allows borrowers to review the terms, ask questions, and make informed decisions about whether to proceed with the broker or explore other options. Providing the fee agreement promptly protects consumers by promoting transparency in the lending process. It helps borrowers understand the costs involved and ensures that they can weigh the broker's fees against potential lenders without feeling rushed. This requirement aligns with consumer protection regulations that aim to provide borrowers with all necessary information so they can make educated financial decisions. The other options reflect timelines that either do not comply with regulatory requirements or suggest actions that do not align with the process of informing the borrower. For instance, providing the agreement on the loan closing date does not allow adequate time for the borrower to review the fees, which could lead to misunderstandings or dissatisfaction.

10. In what situation is a lender allowed to collect additional fees related to a borrower's loan?

- A. For personal management services**
- B. For official fees and taxes**
- C. For financing insurance premiums**
- D. For application processing**

The correct answer is that a lender is allowed to collect additional fees related to a borrower's loan for official fees and taxes. This is because such fees are typically tied to the transaction of securing a loan, including costs related to title searches, recording fees, and various taxes that are legally required to be paid when property changes ownership or is financed. Official fees and taxes are recognized by regulatory bodies and are necessary expenses that ensure the legal and proper processing of the loan. These fees are established by law, making it permissible for lenders to collect them as part of the overall cost of obtaining a mortgage. In contrast, other options, like personal management services or application processing fees, may not be universally applicable or necessary for every borrower. Financing insurance premiums doesn't fall under required fees for the loan but refers more to optional insurance products that could be financed. Therefore, while lenders may charge for various services, only official fees and taxes are mandated costs associated with the loan process.

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://southcarolinamlo.examzify.com>

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

SAMPLE