

SOUTH CAROLINA 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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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

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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 is a loan modification?**
 - A. A new loan to pay off an existing loan
 - B. A change made to the terms of an existing loan
 - C. A penalty fee for late payments
 - D. An additional loan secured by a property
- 2. Which of the following must an originator report to maintain compliance with state regulations?**
 - A. Changes in personal business practices
 - B. Changes in team employee roles
 - C. Cessation of business in South Carolina
 - D. New product offerings
- 3. What is a conventional loan?**
 - A. A loan secured by the government
 - B. A loan not insured by the government
 - C. A type of adjustable-rate mortgage
 - D. A loan with lower down payment requirements
- 4. Which of the following fees is not allowed in a high-cost home loan?**
 - A. Application fees
 - B. Points and fees exceeding 2.5% of the total loan amount
 - C. Title search fees
 - D. Appraisal fees
- 5. What information must be included in a broker fee agreement?**
 - A. Date of agreement
 - B. Borrower's credit score
 - C. Property type
 - D. Borrower's loan-to-value ratio
- 6. What type of loan is insured by the Federal Housing Administration?**
 - A. VA loan
 - B. FHA loan
 - C. Conventional loan
 - D. Home equity line of credit

- 7. What is the key factor evaluated during the underwriting process?**
- A. The borrower's educational background
 - B. The borrower's creditworthiness
 - C. The current market trends in real estate
 - D. The history of property taxes
- 8. What is the impact of a prepayment penalty on a mortgage loan?**
- A. It encourages borrowers to pay off their loan faster.
 - B. It charges a fee for paying off the loan early.
 - C. It allows borrowers to refinance without any additional costs.
 - D. It reduces the total interest paid over the life of the loan.
- 9. What are the points and fees threshold for high-cost loans exceeding \$20,000?**
- A. 3% total loan amount
 - B. 4% total loan amount
 - C. 5% total loan amount
 - D. 6% total loan amount
- 10. What type of conviction can lead to a criminal disclosure for a mortgage loan originator?**
- A. Charge for a misdemeanor involving financial services
 - B. Conviction for a traffic violation
 - C. Charge, conviction, or plea for a felony
 - D. Guilty plea for a civil offense

Answers

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

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Explanations

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1. What is a loan modification?

- A. A new loan to pay off an existing loan
- B. A change made to the terms of an existing loan**
- C. A penalty fee for late payments
- D. An additional loan secured by a property

A loan modification involves making changes to the terms of an existing loan agreement. This process is often initiated when a borrower is struggling to meet their current loan payments, and it can include adjustments to interest rates, loan duration, or monthly payment amounts. The primary goal of a loan modification is to make the loan more affordable for the borrower, thereby helping them avoid default or foreclosure. In this context, the focus is on the fact that a loan modification is not about taking out a new loan or incurring additional debt, but rather about adapting the existing loan to better suit the borrower's financial situation. This is particularly important in the mortgage industry, as modifications can help stabilize the borrower's financial status and maintain their homeownership.

2. Which of the following must an originator report to maintain compliance with state regulations?

- A. Changes in personal business practices
- B. Changes in team employee roles
- C. Cessation of business in South Carolina**
- D. New product offerings

To maintain compliance with state regulations, it is essential for an originator to report the cessation of business in South Carolina. When a mortgage loan originator decides to halt operations, this significantly impacts their licensing status and regulatory obligations. Reporting such a change ensures that the state is kept informed about active business practices and can monitor compliance with all necessary regulations. Notifying the state regarding the cessation of business helps prevent unauthorized lending activities and protects consumers from dealing with lenders who may not be compliant or regulated. This practice safeguards the integrity of the mortgage industry within the state. In contrast, changes in personal business practices, employee roles, or new product offerings may not necessitate immediate reporting to the state. While these changes can have operational implications, they do not fundamentally alter the status of the business in terms of compliance and licensing requirements as the cessation of business does.

3. What is a conventional loan?

- A. A loan secured by the government
- B. A loan not insured by the government**
- C. A type of adjustable-rate mortgage
- D. A loan with lower down payment requirements

A conventional loan is defined as a mortgage that is not backed or insured by any government agency. This distinguishes it from government-insured loans, such as FHA or VA loans, which are designed to encourage homeownership among specific groups of borrowers. Conventional loans typically adhere to guidelines set by Fannie Mae and Freddie Mac, two government-sponsored enterprises that provide liquidity in the mortgage market. Because conventional loans are not federally insured, they may have stricter credit score and underwriting requirements compared to government-backed loans. Borrowers may also face higher interest rates if they do not meet these criteria. This non-reliance on government insurance allows for more flexibility in loan structuring, which can include a variety of terms and conditions based on the lender's policies.

4. Which of the following fees is not allowed in a high-cost home loan?

- A. Application fees
- B. Points and fees exceeding 2.5% of the total loan amount**
- C. Title search fees
- D. Appraisal fees

In the context of high-cost home loans, certain fees are regulated to protect consumers from predatory lending practices. The key point regarding fees in this type of loan is that they must not exceed specific thresholds set by the law. In a high-cost loan, points and fees combined should not exceed 5% of the total loan amount for loans over \$22,052, or 8% for loans under that amount. Therefore, if the points and fees exceed 2.5% of the total loan amount, it signifies that they are surpassing regulatory limits, rendering this fee unacceptable in the context of high-cost home loans. Understanding this regulation helps maintain affordability and transparency in lending, ensuring borrowers are not unduly burdened by excessive fees that could lead to financial strain. On the other hand, application fees, title search fees, and appraisal fees may be charged, provided they fall within permissible limits established for high-cost loans. These fees can be legitimate costs associated with the loan process, but they must comply with the relevant laws governing high-cost loans to protect the borrower's financial interests.

5. What information must be included in a broker fee agreement?

- A. Date of agreement**
- B. Borrower's credit score
- C. Property type
- D. Borrower's loan-to-value ratio

The inclusion of the date of the agreement in a broker fee agreement is essential because it establishes the timeline of the transaction and signifies the point at which the terms outlined in the agreement become effective. This date is crucial for both the broker and the borrower, as it allows for the tracking of time-sensitive elements such as the validity of the agreement, the duration of services offered, and the timing of the closing process. Moreover, having a clear date helps ensure that both parties are aligned on the start of their contractual obligations. Other information, while potentially important in the broader context of the transaction, is not typically mandated to be included in a broker fee agreement, which is primarily focused on the terms of the compensation arrangement between the broker and the borrower.

6. What type of loan is insured by the Federal Housing Administration?

- A. VA loan
- B. FHA loan**
- C. Conventional loan
- D. Home equity line of credit

The loan that is insured by the Federal Housing Administration is the FHA loan. This government-backed mortgage option is designed to make homeownership more accessible, particularly for first-time homebuyers or those with less-than-perfect credit. An FHA loan allows for a lower down payment compared to conventional loans, often as low as 3.5%, and the insurance provided by the FHA protects lenders against losses in case of borrower default. This insurance is crucial in helping to stabilize the housing market and provides lenders with reassurance, enabling them to offer more favorable lending terms to borrowers who may not qualify for conventional financing. The other options do not provide the same insurance through the FHA. VA loans are backed by the Department of Veterans Affairs, conventional loans are not insured by any government entity, and home equity lines of credit are secured against the equity in a borrower's home rather than being a specific type of insurance-backed mortgage. Understanding these distinctions is important for recognizing the different types of financing options available to borrowers.

7. What is the key factor evaluated during the underwriting process?

- A. The borrower's educational background
- B. The borrower's creditworthiness**
- C. The current market trends in real estate
- D. The history of property taxes

The underwriting process is primarily focused on assessing the borrower's creditworthiness. This evaluation is crucial because it helps lenders determine the likelihood of a borrower being able to repay the loan. Factors such as credit scores, credit history, income stability, debt-to-income ratio, and other financial indicators are analyzed to gauge the borrower's ability to handle the mortgage payments. Understanding creditworthiness is essential for lenders to minimize risk and make informed decisions about extending credit. A comprehensive review of the borrower's past financial behavior, including any defaults, bankruptcies, or payment delays, plays a substantial role in this process. Consequently, a strong credit profile may lead to more favorable loan terms, while a weaker profile could result in higher interest rates or loan denial. While other aspects, such as educational background, market trends, and property tax history, may have relevance in broader financial assessments, they do not hold the same critical weight in the underwriting decision-making process as creditworthiness does.

8. What is the impact of a prepayment penalty on a mortgage loan?

- A. It encourages borrowers to pay off their loan faster.
- B. It charges a fee for paying off the loan early.**
- C. It allows borrowers to refinance without any additional costs.
- D. It reduces the total interest paid over the life of the loan.

A prepayment penalty is a clause in a mortgage or loan contract that imposes a fee on the borrower for paying off the loan early. This penalty is typically designed to protect the lender's interest, as lenders rely on the interest payments from the loan over its full term. When a borrower pays off their mortgage early, the lender loses out on future interest income they anticipated receiving. By charging a fee for early repayment, the lender is compensated to some extent for this lost interest. This can make the option of early repayment less attractive to the borrower, as they may need to consider this additional cost when deciding whether to pay off the loan sooner than scheduled. The other options suggest benefits or situations that do not align with the nature of a prepayment penalty. For example, while reducing the total interest paid would generally be a goal for borrowers, a prepayment penalty can result in a financial disincentive to pay off the loan swiftly. Thus, the correct understanding of a prepayment penalty is that it specifically charges a fee for early repayment, making option B the accurate choice.

9. What are the points and fees threshold for high-cost loans exceeding \$20,000?

- A. 3% total loan amount
- B. 4% total loan amount
- C. 5% total loan amount**
- D. 6% total loan amount

For high-cost loans that exceed \$20,000, the threshold for points and fees is set at 5% of the total loan amount. This standard is established to protect borrowers from excessive fees and points that can be charged on high-cost mortgages. When a loan meets certain criteria defined by federal regulations, including high-cost loan designations, lenders are restricted from charging points and fees above this threshold. The purpose of this regulation is to ensure that borrowers are not exploited by predatory lending practices and have a clearer understanding of the true cost of borrowing. Therefore, setting the threshold at 5% allows for a balance between permitting lenders to recover necessary costs while also protecting consumers from unreasonably high expenses that could make repayment unmanageable. This regulation is part of the efforts to promote responsible lending and protect consumers' rights in the mortgage process.

10. What type of conviction can lead to a criminal disclosure for a mortgage loan originator?

- A. Charge for a misdemeanor involving financial services
- B. Conviction for a traffic violation
- C. Charge, conviction, or plea for a felony**
- D. Guilty plea for a civil offense

A conviction for a felony is significant in the context of mortgage loan origination because felonies often indicate serious misconduct that can impact a person's fitness to serve in a role involving financial transactions and consumer trust. The mortgage industry is heavily regulated, and a felony conviction may raise concerns about the individual's integrity, judgment, and ability to act in a responsible manner. This is particularly relevant in ensuring that all mortgage loan originators maintain a standard of ethical conduct and financial accountability. In many jurisdictions, laws require mortgage loan originators to disclose felony convictions to regulatory authorities and may even bar individuals with such convictions from obtaining or renewing their licenses. This is aimed at protecting consumers and ensuring that only those with a trustworthy background are allowed to handle sensitive financial matters. Other types of charges, such as misdemeanors involving financial services, traffic violations, or civil offenses, do not carry the same level of severity as felonies and typically have different implications in the licensing process for mortgage loan originators.

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!

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