

TILA MORTGAGE LOAN OFFICER PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. Which of the following describes the reassessment of loan conditions after default under HOEPA?**
 - A. Loans can have increased interest rates
 - B. No excessive pre-payment penalties can be imposed
 - C. Negative amortization can be applied
 - D. Prior approved conditions may be altered
- 2. What does the Average Prime Offer Rate (APOR) represent?**
 - A. An average rate for personal loans
 - B. An annual percentage rate based on average interest rates and terms on mortgages
 - C. A fixed rate for government-backed loans
 - D. A fluctuating rate based on market indices
- 3. What does HOEPA stand for in mortgage law?**
 - A. Home Ownership and Equity Planning Act
 - B. Home Ownership and Equity Protection Act
 - C. Housing and Equity Protection Act
 - D. Homeowner's Equity Protection Act
- 4. What is the maximum percentage of points and fees allowed for a loan to still be classified as a Qualified Mortgage?**
 - A. 2%
 - B. 3%
 - C. 4%
 - D. 5%
- 5. Which situation indicates a change of circumstances involving a construction loan?**
 - A. Project completion anticipated within 30 days
 - B. Loan amount exceeding 60% of property value
 - C. Settlement expected to occur more than 60 days after the initial LE
 - D. Loan to value ratio alteration

- 6. What disclosures does TILA require regarding variable rate mortgages?**
- A. Information on how and when the interest rate may change
 - B. Details regarding fixed rate stability
 - C. Monthly payment amounts only
 - D. Information about loan origination fees
- 7. What is the maximum period for which an adjustable-rate mortgage (ARM) that fits the qualified mortgage rule can have verified income with an acceptable DTI for the highest payment?**
- A. 3 years
 - B. 5 years
 - C. 7 years
 - D. 10 years
- 8. When is an adjustable payment (AP) table used in mortgage lending?**
- A. When fixed payment loans are applicable
 - B. When an adjustment payment term is present
 - C. In all mortgage types regardless of payment terms
 - D. Only for loans with longer terms
- 9. What does the 3/7/3 Rule specify about the waiting period before closing?**
- A. Mediators must wait 3 days before issuing a new estimate
 - B. Lenders must wait 3 days after sending the Loan Estimate to close
 - C. Borrowers must wait 3 days after closing
 - D. 3 days before the Loan Estimate must be approved
- 10. What does a bona fide discount point relate to in mortgage lending?**
- A. A cost associated with high-cost home loans
 - B. A type of adjustable rate mortgage
 - C. A method of calculating down payment
 - D. A fee for late loan payments

Answers

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

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Explanations

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1. Which of the following describes the reassessment of loan conditions after default under HOEPA?

- A. Loans can have increased interest rates
- B. No excessive pre-payment penalties can be imposed**
- C. Negative amortization can be applied
- D. Prior approved conditions may be altered

Under the Home Ownership and Equity Protection Act (HOEPA), one of the key provisions is the regulation of pre-payment penalties. Specifically, HOEPA prohibits excessive pre-payment penalties on high-cost loans. This means that if a borrower defaults, lenders cannot impose severe or unreasonable penalties that would further harm the borrower's financial situation. This protection is crucial for consumers, as it ensures that they are not unfairly penalized for trying to pay off their loans early or seeking alternatives after defaulting. The focus on reasonable pre-payment penalties is part of the broader intent of HOEPA to offer protections to borrowers considered high-risk, ensuring they have rights and fair treatment in times of financial distress. While changes to loan conditions after default can occur, they must not include excessive penalties that could exacerbate the borrower's financial predicament.

2. What does the Average Prime Offer Rate (APOR) represent?

- A. An average rate for personal loans
- B. An annual percentage rate based on average interest rates and terms on mortgages**
- C. A fixed rate for government-backed loans
- D. A fluctuating rate based on market indices

The Average Prime Offer Rate (APOR) is a critical benchmark because it reflects the average interest rates and terms on mortgage loans that are offered to borrowers with excellent credit. Specifically, APOR is derived from actual loan data collected from various lenders and serves as a guide to help determine whether a mortgage is considered a high-cost or non-conforming loan under the guidelines of the Truth in Lending Act (TILA). By providing a standard for what borrowers should expect in terms of rates, APOR can help loan officers and consumers understand how specific loan offers compare to prevailing market conditions. This particular definition underscores the importance of APOR in ensuring transparency and fairness in lending practices, as it aids in fulfilling the regulatory requirements set forth to protect consumers in their borrowing activities. The focus on average interest rates and terms highlights its significance in evaluating mortgage offers, making it an essential aspect of the mortgage lending landscape.

3. What does HOEPA stand for in mortgage law?

- A. Home Ownership and Equity Planning Act
- B. Home Ownership and Equity Protection Act**
- C. Housing and Equity Protection Act
- D. Homeowner's Equity Protection Act

HOEPA stands for the Home Ownership and Equity Protection Act. This federal law was enacted to protect consumers from predatory lending practices associated with high-cost mortgages. It requires lenders to provide additional disclosures and imposes certain restrictions on loan terms and practices, especially for loans that exceed certain thresholds in terms of points and fees. One of the key features of HOEPA is that it mandates clear disclosures about the terms and costs associated with a mortgage, ensuring that borrowers are fully informed. It also provides borrowers with certain rights, such as the ability to cancel a loan under specific circumstances, which is intended to help prevent situations where consumers might fall victim to abusive lending. The other options provided refer to various possible interpretations of HOEPA but do not correctly represent the full legal name of the act, highlighting the importance of understanding the exact terminology in the context of mortgage law. This precision is crucial for mortgage professionals who need to adhere to regulations and ensure compliance in their dealings with clients.

4. What is the maximum percentage of points and fees allowed for a loan to still be classified as a Qualified Mortgage?

- A. 2%
- B. 3%**
- C. 4%
- D. 5%

For a mortgage loan to be classified as a Qualified Mortgage (QM), it must adhere to specific criteria regarding points and fees. The Consumer Financial Protection Bureau (CFPB) sets regulations that stipulate that the total points and fees for a loan should not exceed 3% of the loan amount for loans greater than \$110,000. This is to ensure that borrowers are not overwhelmed by excessive costs associated with obtaining a mortgage, promoting responsible lending practices and consumer protection. The 3% limit is significant because it reflects an effort to strike a balance between allowing lenders to cover their costs and ensuring that consumers are not subjected to unreasonably high fees that could lead them into financial distress. This qualification is part of a broader set of rules designed to promote safe and sound lending, contributing to the prevention of future financial crises.

5. Which situation indicates a change of circumstances involving a construction loan?

- A. Project completion anticipated within 30 days
- B. Loan amount exceeding 60% of property value
- C. Settlement expected to occur more than 60 days after the initial LE**
- D. Loan to value ratio alteration

In the context of a construction loan, a change of circumstances refers to any significant alteration that affects the terms or the assessment of the loan. The anticipated timeline for project completion is critical. If settlement is expected to occur more than 60 days after the initial Loan Estimate (LE), this indicates a significant change in the timeline and potential changes in costs, interest rates, or other terms of the loan. A delay in settlement can arise from numerous factors like construction delays, changes in project scope, or financing issues. This change can require the lender to issue a revised LE to reflect the updated terms based on the new settlement date, thereby complying with the regulations surrounding TILA and RESPA. The other choices may reflect significant aspects of the loan but do not necessarily indicate a "change of circumstances." For instance, if the loan amount exceeds 60% of the property value, this could reflect a borrowing guideline but not a change to previously agreed-upon terms related to timing. Similarly, alterations in the loan-to-value ratio might affect underwriting or approval but do not inherently signify a change in the payment or settlement schedule compared to the initial LE. Thus, the correct answer pertains specifically to the significant impact of a settlement delay exceeding 60 days.

6. What disclosures does TILA require regarding variable rate mortgages?

- A. Information on how and when the interest rate may change**
- B. Details regarding fixed rate stability
- C. Monthly payment amounts only
- D. Information about loan origination fees

The Truth in Lending Act (TILA) mandates that lenders provide clear and comprehensive disclosures concerning variable rate mortgages, particularly focusing on how and when the interest rates may change. This is crucial for borrowers, as variable rate mortgages can have fluctuating interest rates that impact monthly payments and the overall cost of the loan. By informing borrowers about the potential changes in interest rates, lenders help ensure that consumers can make informed decisions about whether these types of loans align with their financial goals and risk tolerance. This includes details such as the frequency of rate adjustments, the margin applied to the index rate, and any potential caps on how high or low the interest rate could go over the life of the loan. Other options do not align with TILA's primary focus on the variability of interest rates in variable rate mortgages. For instance, fixed rate stability is unrelated to variable rate disclosures, as it pertains to a different mortgage type altogether. Similarly, just providing monthly payment amounts doesn't adequately prepare borrowers for the way those payments may change over time. Lastly, information about loan origination fees, while important, is separate from the specific disclosures regarding interest rate fluctuations. Therefore, the requirement for clear communication about how and when interest rates may change is a key focus of TILA's protections

7. What is the maximum period for which an adjustable-rate mortgage (ARM) that fits the qualified mortgage rule can have verified income with an acceptable DTI for the highest payment?

- A. 3 years
- B. 5 years**
- C. 7 years
- D. 10 years

The maximum period for which an adjustable-rate mortgage (ARM) can have verified income with an acceptable debt-to-income (DTI) ratio for the highest payment, according to the qualified mortgage rule, is five years. This guideline is in place to ensure that lenders assess a borrower's ability to repay the loan based on their financial situation at the time of the loan origination, specifically under the worst-case scenario where interest rates rise. In the context of ARMs, the initial fixed-rate period can lead to significantly higher payments once the loan adjusts. Consequently, for a mortgage to be considered a qualified mortgage, lenders must evaluate a borrower's capacity to afford those payments for a period of up to five years after loan origination. This three-to-five-year period allows for a reasonable balance between borrower protection and lender risk management, especially in fluctuating economic environments. Understanding this timeframe is crucial for both borrowers and loan officers to ensure compliance with TILA and to make informed lending decisions.

8. When is an adjustable payment (AP) table used in mortgage lending?

- A. When fixed payment loans are applicable
- B. When an adjustment payment term is present**
- C. In all mortgage types regardless of payment terms
- D. Only for loans with longer terms

An adjustable payment (AP) table is specifically utilized in situations where an adjustment payment term is present within the mortgage agreement. This means that the loan has terms that allow for periodic adjustments of the interest rate and consequently the monthly payment amount based on prevailing market conditions or specific indices. The AP table helps lenders and borrowers understand how these adjustments will affect future payment amounts over time, providing clarity on how the payment structure may change once the initial fixed period of the loan expires. Understanding that an AP table is not used for fixed payment loans or for all mortgage types helps to clarify its specific application. Additionally, it is not limited to only long-term loans but is instead associated with the terms of payment structure and the nature of the loan itself. This focus on the adjustment payment term makes option B the accurate choice.

9. What does the 3/7/3 Rule specify about the waiting period before closing?

- A. Mediators must wait 3 days before issuing a new estimate
- B. Lenders must wait 3 days after sending the Loan Estimate to close**
- C. Borrowers must wait 3 days after closing
- D. 3 days before the Loan Estimate must be approved

The 3/7/3 Rule is a regulation under the Truth in Lending Act (TILA) that sets specific timelines related to the Loan Estimate and closing processes of a mortgage. It particularly emphasizes the waiting period for lenders after providing the Loan Estimate to the borrower. The correct answer reflects that lenders are required to wait a minimum of 3 business days after they send the Loan Estimate to the borrower before closing the loan. This waiting period is crucial because it ensures that borrowers have ample time to review the terms and costs of the loan, compare them with other offers, and make informed decisions before the transaction is finalized. The intention behind this rule is to promote transparency and protect consumers in the mortgage lending process. In contrast, the other options either misinterpret the requirements or state rules that are not part of the 3/7/3 Rule. For instance, there is no regulation specifying that mediators need to wait a certain amount of time to issue a new estimate, nor do borrowers need to wait after closing. The assertion regarding Loan Estimate approval is also misleading, as the rule is focused on the time after the estimate has been provided, not on the approval of it. Understanding these timelines is essential for mortgage professionals in ensuring compliance with TILA

10. What does a bona fide discount point relate to in mortgage lending?

- A. A cost associated with high-cost home loans**
- B. A type of adjustable rate mortgage
- C. A method of calculating down payment
- D. A fee for late loan payments

A bona fide discount point refers specifically to a fee that a borrower pays at closing to lower their mortgage interest rate. This fee allows the borrower to "buy down" the rate, making their monthly payments more affordable. Each discount point is typically equivalent to 1% of the loan amount, and it is important for making loans more manageable for borrowers by reducing the overall interest paid over the life of the loan. In the context of mortgage lending, bona fide discount points are directly related to creating an effective loan structure that takes into account the cost of borrowing versus the upfront costs associated with obtaining a loan. This understanding is crucial for loan officers as they help borrowers navigate their financing options and associated costs. While the other options reference various concepts in mortgage lending, they do not pertain directly to the concept of bona fide discount points. High-cost home loans involve different factors like APR thresholds that determine if a loan is subject to specific regulations, adjustable-rate mortgages deal with fluctuating interest rates over time rather than flat costs at initiation, and late loan payments incur fees related to payment schedules rather than upfront costs paid to adjust interest rates.

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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