

WEST VIRGINIA MORTGAGE LOAN ORIGINATOR (MLO) PRACTICE TEST (SAMPLE) STUDY GUIDE



Prepare with structure. Pass with confidence



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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 document is primarily responsible for detailing the terms and conditions of a mortgage loan?**
 - A. Promissory note
 - B. Closing disclosure
 - C. Loan estimate
 - D. Mortgage agreement

- 2. Is Aaron allowed to provide loan documents electronically?**
 - A. Yes, if he has consent from the Crowleys
 - B. No, electronic documents are not permitted
 - C. Yes, but only with a physical copy
 - D. No, only verbal agreements are allowed

- 3. What is the primary purpose of the Good Funds Settlement Act?**
 - A. To enhance loan marketing
 - B. To regulate loan fees
 - C. To ensure proper settlement funds
 - D. To protect borrower rights

- 4. What is the purpose of the Home Mortgage Disclosure Act (HMDA)?**
 - A. To regulate the mortgage rates offered by lenders
 - B. To require financial institutions to provide mortgage data to help ensure fair lending practices
 - C. To oversee the issuance of credit scores
 - D. To assist borrowers in loan applications

- 5. What is the legal consequence for each violation of the Residential Mortgage Lender, Broker and Servicer Act in West Virginia?**
 - A. Fine only
 - B. Imprisonment only
 - C. Misdemeanor
 - D. Felony

6. In the context of mortgage lending, what does it mean to "confess judgment"?
- A. Admit to delinquency
 - B. Authorize a credit report check
 - C. Agree to the terms of a loan
 - D. Submit to legal action
7. Which of the following is typically included in closing costs?
- A. Insurance premiums
 - B. Only the down payment
 - C. Cash reserves
 - D. Savings account balances
8. If the Attorney General finds a willful violation of the law by a licensee, what is the maximum civil penalty they can impose per violation?
- A. \$1,000
 - B. \$2,500
 - C. \$5,000
 - D. \$10,000
9. Which federal law must mortgage licensees comply with when delivering electronic records and signatures?
- A. The Electronic Records Privacy Act
 - B. The E-Sign Act
 - C. The Digital Communication Act
 - D. The Electronic Transmission Act
10. Which type of mortgage is most likely to require private mortgage insurance (PMI)?
- A. A conventional mortgage with a 20% down payment
 - B. A FHA loan with a low down payment
 - C. An adjustable-rate mortgage
 - D. A reverse mortgage

Answers

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

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Explanations

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1. What document is primarily responsible for detailing the terms and conditions of a mortgage loan?

- A. Promissory note
- B. Closing disclosure
- C. Loan estimate
- D. Mortgage agreement**

The mortgage agreement is the document that primarily outlines the terms and conditions of a mortgage loan. This document provides crucial details such as the loan amount, interest rate, payment schedule, and any conditions or covenants that the borrower must adhere to during the loan term. It serves as a legally binding contract between the borrower and the lender, ensuring that both parties are aware of their rights and obligations regarding the mortgage. In contrast, the promissory note is a separate document that specifically details the borrower's promise to repay the loan, including the amount owed and the repayment schedule, but it does not encompass the broader terms of the mortgage itself. The closing disclosure is a document provided before closing that outlines the final costs of the loan, including fees, which are important but secondary to the fundamental terms of the mortgage. The loan estimate, provided earlier in the loan process, gives borrowers an initial overview of the loan's terms and costs but is not the definitive contract like the mortgage agreement.

2. Is Aaron allowed to provide loan documents electronically?

- A. Yes, if he has consent from the Crowleys**
- B. No, electronic documents are not permitted
- C. Yes, but only with a physical copy
- D. No, only verbal agreements are allowed

Aaron is allowed to provide loan documents electronically if he has received consent from the Crowleys. This aligns with federal regulations, which include the E-Sign Act, that stipulate consumers must give their consent before electronic documents can be used. Consent ensures that the borrowers are aware and agree to receive electronic communications rather than traditional paper forms. This practice not only facilitates smoother transactions but also aligns with modern conveniences while maintaining legal compliance. The other responses do not accurately reflect the legal framework governing electronic documents. For instance, the notion that electronic documents are not permitted entirely disregards the accepted methods for conducting electronic transactions, which are widely recognized and utilized in the industry today. Providing loan documents only with a physical copy runs contrary to the industry's transition towards digital solutions, and asserting that only verbal agreements are allowed is incorrect as it overlooks the necessity for documented agreements in mortgage lending.

3. What is the primary purpose of the Good Funds Settlement Act?

- A. To enhance loan marketing
- B. To regulate loan fees
- C. To ensure proper settlement funds**
- D. To protect borrower rights

The primary purpose of the Good Funds Settlement Act is to ensure proper settlement funds. This act was established to require that all funds necessary for closing a real estate transaction be "good funds," meaning that the money must be guaranteed and readily available upon disbursement. This provision helps protect all parties involved in the transaction by minimizing the risk of bounced checks or unverified funds, which can lead to delays and complications during the closing process. By requiring that funds be delivered in a way that guarantees their availability, the Act provides a more secure and reliable framework for real estate transactions. As a result, it helps create transparency and efficiency in the settlement process, fostering greater confidence among buyers, sellers, and lenders. The focus on valid funds streamlines transactions and contributes to the overall integrity of the real estate market, aligning all parties' interests and facilitating smoother closings.

4. What is the purpose of the Home Mortgage Disclosure Act (HMDA)?

- A. To regulate the mortgage rates offered by lenders
- B. To require financial institutions to provide mortgage data to help ensure fair lending practices**
- C. To oversee the issuance of credit scores
- D. To assist borrowers in loan applications

The Home Mortgage Disclosure Act (HMDA) serves a crucial function in promoting transparency and fairness in the lending industry. It requires financial institutions to collect and report data about their mortgage lending activities, which includes information on the demographics of borrowers, the types of loans made, and the location of the properties financed. The purpose of collecting this data is to identify any patterns of discrimination and ensure that all applicants have fair access to credit, regardless of their race, ethnicity, gender, or other characteristics. This act aims to facilitate public scrutiny of lending practices, allowing regulators, advocacy groups, and the public to assess whether lenders are serving the needs of their communities and complying with fair lending laws. By making this information available, HMDA helps promote fair lending practices and holds financial institutions accountable, thereby fostering greater equity in the housing market.

5. What is the legal consequence for each violation of the Residential Mortgage Lender, Broker and Servicer Act in West Virginia?

- A. Fine only
- B. Imprisonment only
- C. Misdemeanor**
- D. Felony

The appropriate consequence for a violation of the Residential Mortgage Lender, Broker, and Servicer Act in West Virginia is classified as a misdemeanor. This classification indicates that while violations are taken seriously and are subject to legal penalties, they are not classified as felonies, which are more severe offenses. A misdemeanor typically carries less severe penalties than a felony and can include fines, community service, or a short term of imprisonment (generally less than one year). This framework is intended to ensure that mortgage professionals maintain ethical standards and compliance with regulations within the industry, while also providing a structure for addressing misconduct that does not warrant more severe criminal consequences. Classifying violations as misdemeanors allows regulatory authorities to penalize licensees for improper conduct effectively while still encouraging adherence to industry standards, ultimately aiming to protect consumers and maintain the integrity of the mortgage lending process.

6. In the context of mortgage lending, what does it mean to "confess judgment"?

- A. Admit to delinquency
- B. Authorize a credit report check
- C. Agree to the terms of a loan
- D. Submit to legal action**

In mortgage lending, to "confess judgment" means to submit to legal action, specifically to acknowledge the validity of a claim against oneself in a court of law. When a borrower confesses judgment, they are effectively waiving their right to contest a lawsuit related to a loan default and agree to the court entering a judgment against them without further proceedings. This can facilitate the lender's ability to secure a judgment for the amount owed, potentially allowing them to expedite the collection process. This process is significant for lenders as it allows them to seek recovery without the time and expense of a protracted legal battle. Understanding this term is crucial for anyone involved in mortgage lending, as it reflects the legal implications borrowers may face when they fall behind on their mortgage obligations.

7. Which of the following is typically included in closing costs?

- A. Insurance premiums**
- B. Only the down payment
- C. Cash reserves
- D. Savings account balances

Closing costs typically encompass a variety of fees and expenses that are incurred when completing a real estate transaction. Insurance premiums, particularly for homeowners insurance, are commonly included in these costs. This is because lenders often require borrowers to obtain insurance coverage as a condition of the mortgage, and the cost of the initial premium may be collected at closing. In contrast, the down payment is not considered a closing cost; it is the upfront amount paid by the buyer toward the purchase price of the home. Cash reserves refer to the funds that borrowers may need to hold in their bank accounts after closing, often required by lenders to ensure that borrowers can cover future mortgage payments. Savings account balances, while related to the financial status of the borrower, are not included in closing costs. Thus, among the options given, insurance premiums are the only component typically classified as part of closing costs.

8. If the Attorney General finds a willful violation of the law by a licensee, what is the maximum civil penalty they can impose per violation?

- A. \$1,000
- B. \$2,500
- C. \$5,000**
- D. \$10,000

The maximum civil penalty that can be imposed per violation by the Attorney General for a willful violation of the law by a licensee is indeed \$5,000. This amount is stipulated to ensure that there are significant repercussions for actions that go against legal standards in the real estate and mortgage lending practices. It serves as a deterrent to licensees, encouraging them to adhere strictly to the regulations governing their profession. In this context, a civil penalty like this is crucial for maintaining the integrity of the industry. Should the penalty be lower, it may not adequately dissuade misconduct. A higher penalty would be disproportionate and could be deemed excessively punitive for violations that may not have caused extensive harm. Thus, \$5,000 strikes a balance as a serious but fair penalty for willful violations, reflecting the importance of compliance in protecting consumers and ensuring fair practices in the mortgage industry.

9. Which federal law must mortgage licensees comply with when delivering electronic records and signatures?

- A. The Electronic Records Privacy Act
- B. The E-Sign Act**
- C. The Digital Communication Act
- D. The Electronic Transmission Act

The E-Sign Act, formally known as the Electronic Signatures in Global and National Commerce Act, is the correct law that mortgage licensees must comply with when delivering electronic records and signatures. This law was enacted to facilitate the use of electronic records and signatures in commercial transactions, ensuring that they have the same legal standing as their traditional paper counterparts. Under the E-Sign Act, consumers must be given certain disclosures about their rights, and they must consent to receiving documents electronically. It also mandates that if a consumer requests paper copies after agreeing to electronic communications, those requests must be honored. This law is especially relevant for mortgage transactions, as they often involve numerous disclosures and documents that need to be presented in a legally compliant manner. The other laws mentioned do not specifically govern electronic signatures and records in the context of mortgage transactions. While the Electronic Records Privacy Act offers privacy protections for electronic communications, it is not focused on electronic signatures. The Digital Communication Act and the Electronic Transmission Act do not have established relevance in the context of electronic signatures or records in financial dealings. Thus, the E-Sign Act is the pivotal legislation ensuring the legality and security of electronic signatures and records in the mortgage industry.

10. Which type of mortgage is most likely to require private mortgage insurance (PMI)?

A. A conventional mortgage with a 20% down payment

B. A FHA loan with a low down payment

C. An adjustable-rate mortgage

D. A reverse mortgage

Private mortgage insurance (PMI) is typically required when a borrower is unable to make a substantial down payment, specifically when the down payment is less than 20% of the home's purchase price. FHA loans are designed to assist borrowers with limited savings, often allowing for down payments as low as 3.5%. Since these down payments are generally below the 20% threshold, PMI becomes a necessary addition to protect lenders in the event of borrower default. In the context of conventional mortgages, when there is a down payment of 20% or more, PMI is usually not required because the lender considers the overall risk lower. Adjustable-rate and reverse mortgages also do not inherently require PMI, as their structures and purposes differ from those of traditional purchasing loans. Thus, the requirement of PMI is most associated with loans that involve lower down payments, such as an FHA loan with a low down payment, making it the correct choice in this context.

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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://wvmlo.examzify.com>

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

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