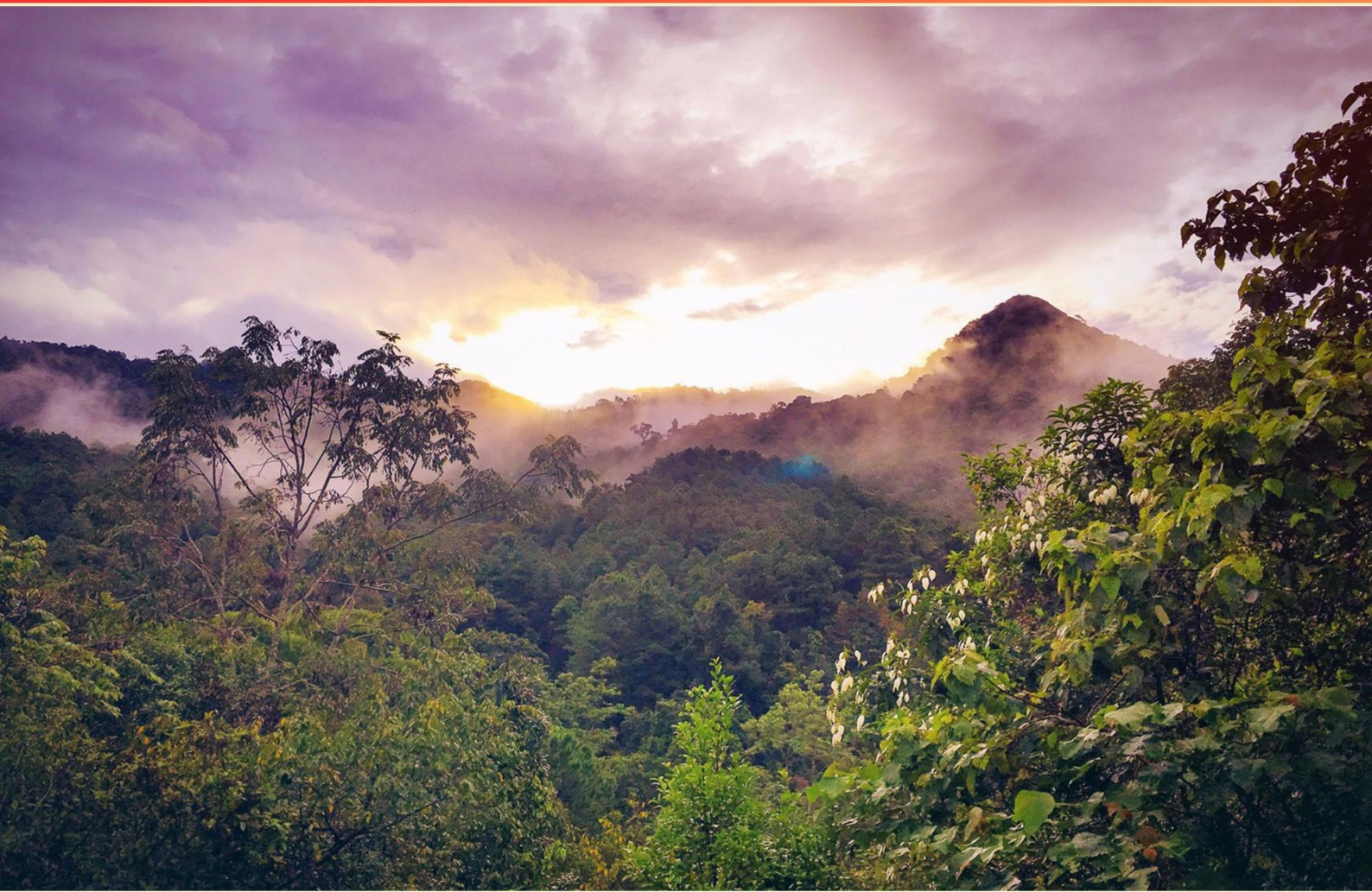


WEST VIRGINIA MORTGAGE LOAN ORIGINATOR (MLO) PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

**VISIT US ONLINE FOR
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 is least likely to be accepted as verification of repayment ability?**
 - A. Bank statements
 - B. Pay stubs
 - C. Tax returns
 - D. Verbal statements of earnings from the loan applicant

- 2. What may be included in a finance charge?**
 - A. Only the interest on the loan amount
 - B. All costs except for insurance
 - C. Interest, service charges, and other fees
 - D. Property taxes

- 3. Under the Consumer Credit and Protection Act, when can consumer reporting agencies not report credit information?**
 - A. If the consumer disputes the information
 - B. If the consumer has filed for bankruptcy
 - C. If the consumer has placed a security freeze on their information
 - D. If the consumer has a low credit score

- 4. Which activity is permitted for a licensed mortgage loan originator?**
 - A. Charge upfront fees
 - B. Collect compensation after completion of services
 - C. Require documentation for pre-approval
 - D. Broker loans only for established clients

- 5. What is the threshold amount for triggering a requirement for a Good Faith Estimate (GFE)?**
 - A. Any loan amount over \$5,000
 - B. Any loan secured by real estate
 - C. Loans with an interest rate above 4%
 - D. Any mortgage loan application

- 6. What is the term for the percentage of a loan that is charged as interest to the borrower?**
- A. Annual Percentage Rate (APR)
 - B. Finance Charge
 - C. Interest Rate
 - D. Loan Origination Fee
- 7. What is the purpose of the Truth in Lending Act?**
- A. To prevent discrimination in lending
 - B. To ensure consumers are informed about the costs of credit
 - C. To outline the procedures for real estate transactions
 - D. To regulate the appraisal process for properties
- 8. What type of loan is secured by a mortgage on a property with existing mortgages?**
- A. Traditional mortgage loan
 - B. Nontraditional mortgage loan
 - C. Conventional mortgage loan
 - D. Government-backed mortgage loan
- 9. How long must an MLO keep records for each loan transaction?**
- A. Two years
 - B. Three years
 - C. Five years
 - D. Seven years
- 10. In mortgage lending, what does the term "escrow" refer to?**
- A. A financial product used for investment
 - B. A third-party account that holds funds for specific purposes
 - C. A process to remove negative items from a credit report
 - D. A type of credit score

Answers

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

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Explanations

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1. Which of the following is least likely to be accepted as verification of repayment ability?

- A. Bank statements
- B. Pay stubs
- C. Tax returns

D. Verbal statements of earnings from the loan applicant

Verification of repayment ability is a crucial part of the mortgage loan application process, as it helps lenders assess whether a borrower has the financial capacity to repay the loan. The least reliable option for verifying repayment ability is the verbal statements of earnings from the loan applicant. While verbal statements might provide some insight into a borrower's financial situation, they lack the independent verification that is necessary for a lender to make a confident assessment. Unlike documented sources of financial information, verbal statements can be subjective and vulnerable to exaggeration or misrepresentation. In contrast, bank statements, pay stubs, and tax returns are all official documents that provide concrete evidence of a borrower's income and financial history. Bank statements show actual deposits and savings, pay stubs reflect current wages, and tax returns provide a comprehensive overview of income over a longer period. These documents can be verified easily against external data, adding a layer of security and reliability that verbal statements do not offer. Therefore, verbal statements are considered the least reliable source of information for assessing repayment ability.

2. What may be included in a finance charge?

- A. Only the interest on the loan amount
- B. All costs except for insurance
- C. Interest, service charges, and other fees**
- D. Property taxes

A finance charge encompasses the total cost of borrowing and is not limited to just one component. It typically includes interest, as well as any service charges and other related fees that a borrower may incur in relation to the loan. This means that when calculating the finance charge, various costs associated with facilitating the loan are considered. For example, if a borrower is charged an application fee, an underwriting fee, or any other service charge in addition to the interest on the principal amount borrowed, these would all be included in the finance charge. This comprehensive approach ensures that borrowers understand the full cost of the loan they are taking out. It is important to note that certain costs, like insurance premiums or property taxes, typically do not form part of the finance charge under federal regulations. Such distinctions help clarify what constitutes a finance charge and provide transparency to borrowers about the costs associated with mortgage loans.

3. Under the Consumer Credit and Protection Act, when can consumer reporting agencies not report credit information?

- A. If the consumer disputes the information
- B. If the consumer has filed for bankruptcy
- C. If the consumer has placed a security freeze on their information**
- D. If the consumer has a low credit score

The Consumer Credit and Protection Act outlines specific conditions under which consumer reporting agencies are prohibited from reporting certain credit information. One significant requirement is that if a consumer has placed a security freeze on their credit information, the reporting agencies cannot disclose any information in the consumer's credit report. A security freeze is essentially a request made by a consumer to restrict access to their credit report, making it more challenging for identity thieves to open accounts in their name. In contrast, the other options do not inherently prevent the reporting of credit information. For instance, if a consumer disputes information, the reporting agency is required to investigate the claim but can still report the information unless the dispute proves that the information is inaccurate. Similarly, while filing for bankruptcy can affect a consumer's credit reporting, it does not completely stop the reporting of credit information. A low credit score does not restrict the reporting of information either, as it reflects the consumer's creditworthiness but does not influence the ability to report. Thus, the accurate answer reflects the established rights provided to consumers under the act in relation to security freezes, emphasizing consumer protection within the credit reporting framework.

4. Which activity is permitted for a licensed mortgage loan originator?

- A. Charge upfront fees
- B. Collect compensation after completion of services**
- C. Require documentation for pre-approval
- D. Broker loans only for established clients

The option indicating that a licensed mortgage loan originator is permitted to collect compensation after completion of services is correct because it aligns with standard practices within the mortgage industry. Mortgage loan originators are typically compensated for their work after they have successfully assisted clients in obtaining a mortgage loan. This ensures that clients receive the necessary services, including loan processing and underwriting, before any fees are charged. Collecting compensation after the completion of services can also enhance trust between the client and the originator, as clients can feel more secure knowing that they are paying for tangible results. In addition, it complies with regulations that often seek to prevent upfront fees that can lead to predatory practices or abuse of the loan process. In contrast, other options can raise concerns about compliance with regulations. Charging upfront fees may lead to charges that can be seen as predatory or unjustified if the services are not delivered. Requiring extensive documentation for pre-approval could also be problematic depending on the specific requirements set by regulations and could deter potential borrowers. Finally, limiting lending activity to only established clients restricts the originator's ability to expand their client base and does not align with the fair lending practices designed to offer opportunities to a wider range of borrowers.

5. What is the threshold amount for triggering a requirement for a Good Faith Estimate (GFE)?

- A. Any loan amount over \$5,000
- B. Any loan secured by real estate**
- C. Loans with an interest rate above 4%
- D. Any mortgage loan application

The requirement for a Good Faith Estimate (GFE) is triggered by any loan secured by real estate. This means that when a borrower applies for a mortgage loan, regardless of the specific amount or interest rate, the lender is obligated to provide a GFE. This estimate outlines the expected closing costs and other fees associated with the loan, ensuring transparency in the loan process. While the other options may suggest various conditions involving loan amounts, interest rates, or types of loans, they do not encompass the broader requirement that a GFE is necessary for all mortgage loans secured by real estate. This approach to providing a GFE serves to protect consumers by allowing them to make informed decisions regarding their mortgage options and understanding the costs involved before finalizing the loan.

6. What is the term for the percentage of a loan that is charged as interest to the borrower?

- A. Annual Percentage Rate (APR)
- B. Finance Charge
- C. Interest Rate**
- D. Loan Origination Fee

The term that specifically refers to the percentage of a loan that is charged as interest to the borrower is the interest rate. This is a crucial concept in lending, as the interest rate is the cost of borrowing money expressed as a percentage of the loan amount over a specified period. It directly influences the borrower's monthly payments and the total cost of the loan over its duration. The interest rate is distinct from other terms often used in lending. For instance, the annual percentage rate (APR) encompasses not only the interest rate but also other fees and charges associated with the loan, providing a broader picture of the total cost of borrowing on an annual basis. Similarly, the finance charge represents the total cost of borrowing including both the interest rate and any additional fees, giving a comprehensive view of what the borrower will pay. The loan origination fee is a specific charge for processing the loan application and does not pertain directly to the interest charged on the principal amount borrowed. Each of these terms plays a vital role in understanding the financial obligations of a borrower, but the interest rate specifically denotes the percentage charged purely as interest.

7. What is the purpose of the Truth in Lending Act?

- A. To prevent discrimination in lending
- B. To ensure consumers are informed about the costs of credit**
- C. To outline the procedures for real estate transactions
- D. To regulate the appraisal process for properties

The Truth in Lending Act (TILA) was enacted to ensure that consumers are fully informed about the costs associated with borrowing money. The primary objective of TILA is to promote transparency and protect consumers from misleading practices. To achieve this, the Act requires lenders to disclose key terms and conditions of credit, including interest rates, fees, and the total cost of borrowing over the life of a loan. By mandating clear and standardized disclosures, TILA helps consumers make informed decisions when comparing different credit offers. This enhances their understanding of what they are committing to financially and promotes competition among lenders to provide better terms. The emphasis on transparency is fundamental to the consumer protection spirit of the Act, ensuring that borrowers are aware of the implications of their loan agreements. The other options pertain to different regulatory objectives, such as regulating discrimination in lending or outlining transaction procedures, but do not capture the primary goal of the Truth in Lending Act. Focus on consumer education regarding credit costs is what distinguishes TILA and makes it a vital component in the lending industry.

8. What type of loan is secured by a mortgage on a property with existing mortgages?

- A. Traditional mortgage loan
- B. Nontraditional mortgage loan**
- C. Conventional mortgage loan
- D. Government-backed mortgage loan

A nontraditional mortgage loan is designed to accommodate borrowers who may not fit the criteria for standard mortgage options. This type of loan can include various structures, such as interest-only loans, adjustable-rate mortgages with lower initial payments, or loans that are secured against a property already encumbered by existing mortgages. In contrast to traditional and conventional loans, which typically require borrowers to meet strict underwriting guidelines and often must stand alone regarding the primary lien on a property, nontraditional loans provide flexibility. They are often favored in situations where borrowers may have varying income levels or where the property itself carries multiple liens. This adaptability makes nontraditional loans particularly useful in complex financial scenarios related to real estate transactions. Government-backed and conventional loans are generally associated with more traditional lending practices, where the borrower's ability to repay is measured against stricter criteria without considering any existing liens in a nontraditional sense. Thus, understanding the characteristics of nontraditional loans is essential for those pursuing unconventional property financing paths where existing mortgages may already be present.

9. How long must an MLO keep records for each loan transaction?

- A. Two years
- B. Three years**
- C. Five years
- D. Seven years

Mortgage Loan Originators are required to retain records related to each loan transaction for a minimum of three years. This timeframe is important for several reasons, primarily linked to regulatory compliance and the ability to provide necessary documentation during potential audits or investigations. Keeping records for three years ensures that lenders can meet the requirements set forth under various regulations, including those from the Consumer Financial Protection Bureau (CFPB) and other state and federal laws. The three-year retention period aligns with federal regulations, which dictate the duration for which financial documents must be stored to protect both lenders and consumers. This includes maintaining documentation related to loan applications, disclosures, and other pertinent information. Retaining such records is essential not just for compliance, but also for providing transparency in the lending process and ensuring a trail of accountability. In contrast, the other options suggest longer or shorter retention periods, which do not align with the established requirements. Therefore, the correct answer emphasizes the regulatory standard for record-keeping that is crucial for MLOs in their fiduciary responsibilities.

10. In mortgage lending, what does the term "escrow" refer to?

- A. A financial product used for investment
- B. A third-party account that holds funds for specific purposes**
- C. A process to remove negative items from a credit report
- D. A type of credit score

The term "escrow" refers to a third-party account that holds funds for specific purposes, which is the correct understanding in the context of mortgage lending. In real estate transactions, an escrow account is typically established to manage funds related to the closing of a property sale or to set aside money for future expenses, such as property taxes and homeowners insurance. The involvement of a neutral third party is essential as it ensures that the funds are protected and only released when certain conditions are met, such as the completion of a real estate transaction. This process helps safeguard the interests of both the buyer and the seller, as well as any lenders involved. By holding the funds in escrow, it mitigates risks and ensures that everyone fulfills their obligations before the transaction is finalized. Understanding escrow is crucial for mortgage professionals because it impacts how transactions are structured and how clients manage their financial obligations after closing.

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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