

NMLS

Exam Questions MLO

Mortgage Loan Origination (SAFE MLO) Exam



NEW QUESTION 1

A borrower obtains a 2-1 buydown mortgage loan with a 30-year term and a 6% note rate. The borrower's payments will be calculated based upon which of the following?

- A. 4% interest in year 1 and 6% interest in years 2 through 30
- B. 4% interest in years 1 and 2 and 6% interest in years 3 through 30
- C. 4% interest in year 1, 5% interest in year 2 and 6% interest in years 3 through 30
- D. 5% interest in years 1 and 2 and 6% interest in years 3 through 30

Answer: C

NEW QUESTION 2

If a borrower is using commission income for 25% or more of their total income, the FHA lender will:

- A. Disregard the commission income completely.
- B. Only accept one-half of the claimed commission income.
- C. Only accept the commission income if it has been steady for three years.
- D. Request two years of signed tax returns proving receipt of the income.

Answer: D

NEW QUESTION 3

According to Fannie Mae, a loan with a purchase transaction loan amount of \$160,000, sales price of \$180,000, and an appraised value of \$200,000 has a loan-to-value ratio of what percentage?

- A. 80%
- B. 88%
- C. 89%
- D. 90%

Answer: A

NEW QUESTION 4

A borrower obtaining a VA loan is deployed at the time of loan closing. Which of the following individuals is able to sign on behalf of the borrower?

- A. A co-borrower
- B. A purchasing spouse
- C. A non-purchasing spouse
- D. Someone with designated power of attorney

Answer: D

NEW QUESTION 5

Which of the following statements best describes the index on an ARM?

- A. Mortgage lenders control the value of the index.
- B. The index rate is fixed for the life of the loan.
- C. Index rates vary as the general level of interest rates change.
- D. The Federal Reserve adjusts the discount rate index.

Answer: C

NEW QUESTION 6

Which of the following fees must remain the same unless a valid changed circumstance occurs?

- A. Total per diem interest
- B. Homeowner's insurance
- C. Owner's title insurance premium
- D. Fees paid to an affiliate of the lender

Answer: D

NEW QUESTION 7

A revised Closing Disclosure is not required to be provided before a loan consummation in which of the following circumstances?

- A. A change in APR
- B. A change in loan product
- C. An addition of an escrow account
- D. An addition of a prepayment penalty

Answer: C

NEW QUESTION 8

Upon becoming employed by a state-licensed mortgage company, an individual who works for a depository institution as a mortgage loan originator (MLO) shall not be deemed to have temporary authority to act as an MLO in an application state if which of the following events has occurred?

- A. The individual has been a witness in a trial at which the defendant was convicted of felony fraud.
- B. The individual has been subject to a court order for payment of child support.
- C. The individual had an application for an MLO license denied or an MLO license revoked or suspended in any Governmental jurisdiction.
- D. The individual has submitted an application to be a state-licensed MLO in the application state and was registered in the NMLS as an MLO by the prior employer.

Answer: C

NEW QUESTION 9

A borrower's monthly debt-to-income ratio is calculated by taking the:

- A. borrower's gross monthly housing expense divided by the principal, interest, and appraised value.
- B. eligible total monthly debt obligations, including the monthly housing expense, divided by the borrower's gross monthly income.
- C. eligible total monthly debt obligations for trade lines greater than 12 months multiplied by the borrower's net monthly income.
- D. eligible total monthly debt obligations excluding the monthly housing expense divided by the borrower's net monthly income

Answer: B

NEW QUESTION 10

Which of the following practices is a prudent and reasonable cybersecurity precaution regarding laptop computers?

- A. A laptop should never be taken out of the office.
- B. A laptop should be shared by no more than five people.
- C. Passwords should only be shared with a direct supervisor.
- D. A laptop should automatically shut down and require a new login if not used for a period of time.

Answer: D

NEW QUESTION 10

Which of the following settlement service charges is considered a finance charge for the purpose of calculating a loan's APR?

- A. Credit report fee
- B. Origination charge
- C. Transfer tax charge
- D. Public record recording fee

Answer: B

NEW QUESTION 14

The appraiser valuation independence obligates appraisers to perform their duties in a manner free from outside influence through which of the following actions?

- A. Encouraging a target value
- B. Withholding payment from an appraiser
- C. Asking the appraiser to substantiate a value
- D. Communication directly between the loan officer and the appraiser

Answer: C

NEW QUESTION 16

According to the Truth in Lending Act (TILA), a dwelling includes which of the following?

- A. An unimproved lot
- B. A six-unit apartment complex
- C. An individual condominium unit
- D. A timeshare

Answer: C

NEW QUESTION 18

Which of the following circumstances may indicate fraud with respect to the assets a borrower will use for closing?

- A. Bank deposits that are not supported by income or other disclosures
- B. Disclosure of gift funds
- C. Parental loans disclosed but not yet received
- D. Borrower's receipt of a large bonus from an employer

Answer: A

NEW QUESTION 22

A mortgage loan originator is not required to provide an applicant with an initial Loan Estimate within the three business day period requirement if the applicant does which of the following?

- A. Signs a Truth in Lending statement
- B. Withdraws the application within three business days
- C. Has not selected a loan program
- D. Waives the right to receive a Loan Estimate

Answer: B

NEW QUESTION 25

The practice of denying a creditworthy applicant a loan for housing because of the location of the property is sometimes referred to as:

- A. steering.
- B. redlining.
- C. appraising.
- D. low balling.

Answer: B

NEW QUESTION 29

Which of the following responses describes the purpose of an appraisal in satisfying requirements for underwriting?

- A. To ensure that the home is not an outlier to its comparables
- B. To ensure that the market value is appropriate for the loan amount
- C. To allow the seller a final opportunity to cancel the transaction
- D. To allow the borrower a final opportunity to negotiate terms of the loan

Answer: B

NEW QUESTION 32

What are the maximum basis points added to the average prime offer rate (APOR) that keep a loan's APR as a qualified mortgage under the Consumer Financial Protection Bureau's (CFPB's) Safe Harbor Rule?

- A. 85 basis points
- B. 100 basis points
- C. 150 basis points
- D. 300 basis points

Answer: B

NEW QUESTION 37

How many days must a borrower's mortgage loan be delinquent before the mortgage company is permitted to submit the first notice filing in the foreclosure process?

- A. 30 days
- B. 60 days
- C. 90 days
- D. 120 days

Answer: D

NEW QUESTION 39

What is the loan amount on the purchase price of \$249,955.00 if the borrower is putting 18% down?

- A. \$204,693.10
- B. \$204,936.10
- C. \$204,963.10
- D. \$204,966.10

Answer: A

NEW QUESTION 44

Which of the following loan types is covered by the Real Estate Settlement Procedures Act (RESPA)?

- A. Auto loan
- B. Student loan
- C. Residential real estate loan
- D. Commercial real estate loan

Answer: C

NEW QUESTION 48

On an annual basis, a licensed state mortgage loan originator must complete three hours of continuing education on federal law and regulations, two hours on nontraditional mortgage products, and two hours on:

- A. Ethics
- B. Government loan programs

- C. How to complete the loan application
- D. The operations of the secondary market

Answer: A

NEW QUESTION 53

A borrower may rescind their mortgage loan until midnight of the third:

- A. Calendar day or delivery of all material disclosures, whichever occurs first.
- B. Calendar day following consummation or delivery of all material disclosures, whichever occurs last.
- C. Business day following consummation or delivery of all material disclosures, whichever occurs last.
- D. Business day following consummation or delivery of all material disclosures, whichever occurs first.

Answer: C

NEW QUESTION 54

Which of the following must be included in advertisements displayed by mortgage loan originators (MLOs) on their social media pages for mortgage services including payment amounts?

- A. The APR
- B. The MLO's personal website
- C. The MLO's business address
- D. The number of days that the rate is available

Answer: A

NEW QUESTION 58

A person paying or receiving a portion of a fee that has not been earned in connection with the settlement statement is which of the following practices?

- A. Actual fees
- B. Splitting fees
- C. Average fees
- D. Third-party fees

Answer: B

NEW QUESTION 62

Which of the following items is a liquid asset?

- A. Antique jewelry
- B. Publicly traded stocks
- C. Net worth of a business
- D. An automobile owned free and clear

Answer: B

NEW QUESTION 66

Which of the following does a higher-priced mortgage require if the seller acquired the home 90 days or fewer prior to the date of the purchase contract and the sales price exceeds the seller's acquisition price by more than 10%?

- A. One written appraisal and one broker price opinion
- B. One written appraisal only and one automated valuation model
- C. Two written appraisals only
- D. Two written appraisals and one automated valuation model

Answer: C

NEW QUESTION 70

A mortgage loan originator (MLO) cannot be approved for licensure if the applicant has:

- A. been convicted of a felony within the past seven years.
- B. had an MLO license suspended in any governmental jurisdiction.
- C. taken and failed the SAFE MLO National Test three times within the last year.
- D. never been licensed or registered as an MLO in any governmental jurisdiction.

Answer: A

NEW QUESTION 71

Which of the following conditions must be met when presenting loan product options to a consumer?

- A. The presentation of loan products with prepayment penalties
- B. The presentation of loan products with the highest interest rates
- C. The presentation of loan products for which the consumer likely qualifies
- D. The presentation of loan products from creditors with which the mortgage loan originator does not regularly do business

Answer: C

NEW QUESTION 76

Which of the following facets of a loan could be considered predatory lending or steering?

- A. Cash-out
- B. Fixed interest rate
- C. Prepayment penalty
- D. Lowered interest rate

Answer: C

NEW QUESTION 81

When there is no tax return history for a rental property, the Federal Housing Administration (FHA) requires gross rental income to be documented and reduced by what percentage?

- A. 10%
- B. 15%
- C. 20%
- D. 25%

Answer: D

NEW QUESTION 83

When a consumer applies for an ARM, the creditor must provide a variable-rate program disclosure:

- A. No later than three business days before loan consummation.
- B. No later than seven business days before loan consummation.
- C. After the creditor has received documents verifying information related to the consumer's application.
- D. At the time an application form is provided or before the consumer pays a nonrefundable fee, whichever is earlier.

Answer: D

NEW QUESTION 87

If a borrower only receives commission pay for 18 months, which of the following actions should a mortgage loan originator (MLO) take?

- A. Take the application but tell the borrower that they will need a cosigner
- B. Take the application because positive factors may offset the short income history
- C. Tell the borrower they need a steady income and not one that fluctuates
- D. Tell the borrower to come back in 6 months when they will have 24 months of commission pay

Answer: B

NEW QUESTION 88

Under which of the following programs is a creditor required to provide disclosures to the consumer that fully describe each of the creditor's variable-rate loan programs in which the consumer expresses an interest?

- A. ARM
- B. FHA
- C. Fixed
- D. Construction

Answer: A

NEW QUESTION 93

How often must a nonexempt telemarketing entity check their call list against the National Do Not Call Registry?

- A. Every 7 days
- B. Every 2 weeks
- C. Every 31 days
- D. Annually

Answer: C

NEW QUESTION 97

The ability to originate loans under temporary authority applies to which of the following?

- A. Previously licensed real estate brokers
- B. Previously registered mortgage loan originators (MLOs)
- C. An MLO who has scheduled their test but not completed it
- D. An MLO who is still waiting for their credit check to be completed

Answer: B

NEW QUESTION 101

Which of the following statements is permissible in an advertisement?

- A. "Current interest rates as low as 3.50% with an APR of 3.99%. Contact us today!"
- B. "Looking for a VA loan? We are endorsed by and affiliated with the VA administration."
- C. "Take out a reverse mortgage loan with us, and you can stay in your home as long as you want and never make a payment."
- D. "Close a mortgage loan with us within the next 60 days and when interest rates drop, we will refinance your loan at a lower rate guaranteed."

Answer: A

NEW QUESTION 104

According to the Truth in Lending Act (TILA), the term "finance charge" includes which of the following charges?

- A. Daily or per diem interest paid by borrower
- B. Seller's points offered to reduce the borrower's closing costs
- C. A standard credit application fee charged to all loan applicants
- D. Document preparation fees for items such as mortgages and deeds

Answer: A

NEW QUESTION 106

The loan-to-value ratio for an FHA loan is calculated by dividing the loan amount by:

- A. the purchase price of the property.
- B. the appraised value of the property.
- C. the lesser of the purchase price or appraised value.
- D. the purchase price, plus the mortgage insurance for FHA loans.

Answer: C

NEW QUESTION 107

Which of the following documents is required to be issued to a customer when a mortgage loan originator is also a real estate broker on the same transaction?

- A. Loan application
- B. Appraisal disclosure
- C. Special information booklet
- D. Affiliated business arrangement disclosure

Answer: D

NEW QUESTION 111

In a federally related mortgage loan transaction, a charge for a settlement service by a person for which no services or nominal services are performed is prohibited:

- A. regardless of the sources of payment.
- B. only if it is paid by the borrower's real estate agent.
- C. unless it is paid by the seller or the seller's real estate agent.
- D. unless it is paid by the mortgage loan originator on the borrower's behalf.

Answer: A

NEW QUESTION 114

In a loan transaction subject to the TILA-RESPA Integrated Disclosure rule (TRID), the creditor must ensure that the consumer receives a Closing Disclosure reflecting the actual terms of the transaction:

- A. Within three business days of the loan application date.
- B. No later than one business day before consummation.
- C. No later than three business days before consummation.
- D. No later than seven business days before consummation.

Answer: C

NEW QUESTION 115

Which of the following property value approaches does an appraiser use on a rental property?

- A. Cost approach
- B. Income approach
- C. Annual approach
- D. Sales comparison approach

Answer: B

NEW QUESTION 119

A mortgage loan originator (MLO) closes a high-cost mortgage for a borrower. Seven months later, the borrower returns to the MLO to apply for a cash-out refinance as the borrower intends to use the cash to purchase a collector car. The MLO determines that the only loan the borrower qualifies for is a high-cost mortgage at a higher interest rate. In which of the following ways should the MLO proceed?

- A. Deny the loan, unless it is in the best interest of the borrower
- B. Close the loan as normal with no further action required
- C. Close the loan as normal and take the vehicle as additional collateral
- D. Close the loan as normal, as the borrower can refinance a high-cost mortgage after six months

Answer: A

NEW QUESTION 122

In the loan application process, when must specific disclosures be provided to a borrower for an ARM?

- A. At closing
- B. At first mention of an ARM loan
- C. When a loan is locked in
- D. Within three days of a complete application

Answer: D

NEW QUESTION 126

After receiving a completed application for a creditor's approval of a counteroffer, the creditor must notify an applicant of action taken within how many calendar days?

- A. 15 calendar days
- B. 20 calendar days
- C. 30 calendar days
- D. 60 calendar days

Answer: C

NEW QUESTION 130

Within three business days of receiving an application, which of the following information is a creditor required to provide to an applicant?

- A. The applicant's right to receive a copy of the appraisal report
- B. The applicant's right to select the appraiser
- C. A copy of the appraisal report
- D. Timeline of the appraisal process

Answer: A

NEW QUESTION 135

What is the maximum civil penalty that is permitted to be imposed for each violation or failure to comply with the SAFE Act?

- A. \$2,500 for each act or omission
- B. 000 for each act or omission
- C. \$2,500 for each act or omission; \$25,000 maximum
- D. \$25, 000 for each act or omission: \$250,000 maximum

Answer: A

NEW QUESTION 137

Which of the following lender payments is prohibited according to Real Estate Settlement Procedures Act (RESPA)?

- A. A payment to an attorney for services actually rendered
- B. A payment to a real estate agent for loan referral activities
- C. A payment to its own employees for lender referral activities
- D. A payment to the lender's duly appointed agent or contractor for services actually performed in the origination, processing or funding of a loan

Answer: B

NEW QUESTION 138

Which of the following reasons is acceptable for denying a loan under the Equal Credit Opportunity Act (ECOA)?

- A. Receipt of child support
- B. Immigration status
- C. Marital status
- D. Country of birth

Answer: B

NEW QUESTION 140

A mortgage loan originator who informs a prospective borrower that a certain loan interest rate can only be guaranteed if an application is submitted within the next 30 minutes is committing:

- A. Redlining
- B. Coercion
- C. Exaggeration

D. Discrimination

Answer: B

NEW QUESTION 141

Which of the following data should not be included in a borrower's personal data collected under the Home Mortgage Disclosure Act (HMDA)?

- A. Race
- B. Religion
- C. Ethnicity
- D. Sex

Answer: B

NEW QUESTION 146

How often is the state licensing agency permitted to review, investigate or examine any mortgage loan originator?

- A. Annually
- B. Semiannually
- C. Upon renewal only
- D. As often as necessary

Answer: D

NEW QUESTION 147

Which of the following loan types may be considered a qualified loan under ability-to-pay rules

- A. An interest-only mortgage
- B. A loan with a balloon payment
- C. A loan with negative amortization
- D. A mortgage with an adjustable rate

Answer: D

NEW QUESTION 148

Which of the following activities is a function of the Consumer Financial Protection Bureau (CFPB)?

- A. Regulating the federal funds rate at which money is lent to banks
- B. Regulating the number of mortgage loan originators in the mortgage industry
- C. Regulating mortgage lenders on their mortgage origination practices and procedures
- D. Deciding what quantity of mortgage-backed securities are purchased by the government

Answer: C

NEW QUESTION 149

A loan applicant inquires about refinancing his primary residence. He reports receiving a competitor's quote of a 3.5% interest rate with no points. The mortgage loan originator (MLO) discovers that the best interest rate available at this time is 3.75% with no points. To get the applicant a 3.5% interest rate, the applicant needs to pay a 1.00% discount point. Which of the following interest rates is the MLO permitted to offer to the applicant?

- A. 3.00% interest rate with a 0.50% discount point
- B. 3.25% interest rate with no points
- C. 3.50% interest rate with no points
- D. 3.50% interest rate with a 1.00% discount point

Answer: D

NEW QUESTION 152

A borrower visits a mortgage loan originator (MLO) for Mortgage ABC to discuss getting a home equity line of credit (HELOC) loan from Bank LMN. The MLO encourages the borrower to apply with Bank XYZ instead because ABC does not provide HELOC loans. When the borrower submits an application directly to XYZ, XYZ pays the MLO \$100 from the 1% origination fee that it collected from the borrower. Is this fee permissible?

- A. The fee is permitted if the fee is disclosed on the final settlement statement.
- B. The fee is permitted as the MLO performed origination services for the borrower.
- C. The fee is not permitted as the MLO did not perform any actual origination services for the borrower.
- D. The fee is not permitted as the MLO did not perform any actual origination services for the borrower, unless the fee was paid directly by the borrower.

Answer: C

NEW QUESTION 153

Which of the following statements defines the term "business day" in a mortgage rescission under the Truth in Lending Act (TILA)?

- A. Every day from 9 a.
- B. to 5 p.m.
- C. Every day except Sunday and legal holidays
- D. Any days except Saturdays and Sundays

E. Any days that employees may access the office to work

Answer: B

NEW QUESTION 154

Which of the following loan types is regulated by the Home Ownership and Equity Protection Act (HOEPA)?

- A. Refinance
- B. Construction
- C. Reverse mortgage
- D. USDA Rural Development

Answer: A

NEW QUESTION 158

A borrower has told the mortgage loan originator that they had recently paid off an account that was listed on their credit report. Which of the following information will they need to provide the lender to prove the account has been paid off?

- A. Oral confirmation from the borrower
- B. An updated statement showing a zero balance
- C. A letter from the borrower explaining that they paid it off
- D. No additional information required

Answer: B

NEW QUESTION 163

According to Regulation Z, which of the following is a prohibited act?

- A. Including undocumented child support payments made by the borrower
- B. Issuing disclosures to applicants
- C. Redisclosing a Loan Estimate immediately after locking the rate
- D. Advertising rates not currently available to applicants

Answer: D

NEW QUESTION 168

For an FHA loan, which of the following payments must a borrower make to protect a lender in case of a foreclosure?

- A. Down payment
- B. Hazard insurance premium
- C. Mortgage insurance premium
- D. Homeowners association dues

Answer: C

NEW QUESTION 169

Which of the following actions by a mortgage loan originator is prohibited regarding credit secured by a dwelling?

- A. Receiving compensation from both the borrower and the lender
- B. Presenting program options that best qualify and satisfy the consumer
- C. Providing disclosures within three days of an application
- D. Providing a copy of the credit application to the primary borrower

Answer: A

NEW QUESTION 172

Under the SAFE Act, which of the following individuals is not a "mortgage loan originator"?

- A. An individual who takes a loan application for compensation
- B. An individual who quotes interest rates to a consumer for compensation
- C. An individual who negotiates credit terms on behalf of a consumer for compensation
- D. An individual who handles the collection of a mortgage payment from a consumer for compensation

Answer: D

NEW QUESTION 176

A veteran borrower obtains a VA loan to purchase a property for \$200,000 and opts to finance the entire purchase price plus the VA funding fee of 2.15%. The initial payment for principal and interest will be calculated based on a loan amount of:

- A. \$200,000
- B. \$204,300
- C. \$200,000 plus lender's attorney fees
- D. \$204,300 plus lender's attorney fees

Answer: B

NEW QUESTION 181

Which of the following responses describes the loan-to-value ratio when buying a home?

- A. The loan amount divided by the appraised value
- B. The loan amount divided by the lesser of the appraised value or the sales price
- C. The total loan amount, plus closing costs, divided by the appraised value
- D. The total loan amount, plus mortgage insurance, divided by the appraised value

Answer: B

NEW QUESTION 186

The SAFE Act requires a mortgage loan originator (MLO) to:

- A. Obtain and annually maintain a license.
- B. Maintain a valid unique identifier issued by the AARMR.
- C. Register with the Conference of State Bank Supervisors (CSBS).
- D. Retake the SAFE MLO National Test after failing to maintain a valid license for a period of four years.

Answer: A

NEW QUESTION 188

A mortgage loan originator (MLO) submits a refinance application for a primary residence. However, if the MLO later discovers that the property is no longer occupied by the borrower, which of the following actions, if any, should the MLO take?

- A. Allow the application to be underwritten before raising any concerns
- B. Take no action as the property was occupied at the time of application
- C. Notify the MLO's employer and/or the mortgage lender of the discovery
- D. Allow the mortgage loan processor and/or underwriter to discover this through their due diligence processes

Answer: C

NEW QUESTION 191

Which of the following activities is considered a settlement service as defined by the Real Estate Settlement Procedures Act (RESPA)?

- A. Origination of a timeshare loan
- B. Origination of a chattel-secured loan
- C. Origination of an interim unsecured loan
- D. Origination of a federally related mortgage loan

Answer: D

NEW QUESTION 192

Which of the following loans is subject to the Real Estate Settlement Procedures Act (RESPA)?

- A. Federally related mortgage loan
- B. Standard county related mortgage loan
- C. State registration related mortgage loan
- D. Unified commerce related mortgage loan

Answer: A

NEW QUESTION 194

A loan that is meant to be offered to prospective borrowers with poor credit history is generally referred to by which of the following terms?

- A. Balloon
- B. Subprime
- C. Fixed-rate
- D. Interest-only

Answer: B

NEW QUESTION 199

A mortgage company is permitted to verify which of the following information?

- A. Sex
- B. Religion
- C. Employment status
- D. Childbearing intentions

Answer: C

NEW QUESTION 200

A borrower who knowingly makes false statements on a federally related mortgage loan to obtain property may be:

- A. imprisoned for 10 to 16 months
- B. fined up to JB10,000 or imprisoned for 6 months.
- C. fined up to \$1 million and imprisoned for 30 years.
- D. fined up to the total purchase price of their home.

Answer: C

NEW QUESTION 204

Maximum available flood insurance structure coverage for a residential property from the National Flood Insurance Program is what amount?

- A. £250,000
- B. £500,000
- C. \$750,000
- D. \$1,000,000

Answer: A

NEW QUESTION 207

A customer wants an estimate of closing costs for the purchase of a \$300,000 property with a 20% down payment. Although she has provided the other five pieces of information, a loan application, per Regulation X, has not been triggered because she has not yet found a property to purchase. Which of the following responses best describes what should be done, if anything, according to Regulation Z when a written cost estimate is given prior to a Loan Estimate?

- A. Use a fictitious address in order to trigger a loan application so that a Loan Estimate can be provided
- B. Regulation Z does not allow a creditor to provide any estimate of costs until a complete loan application has been made by the borrower.
- C. Provide an estimate with the following in 12-point font: "This is not an Official Consumer Financial Protection Board (CFPB) Loan Estimate."
- D. Provide an estimate with the words: "Your actual rate, payment, and costs could be high"
- E. Get an official Loan Estimate before choosing a loan."

Answer: D

NEW QUESTION 212

Which of the following is a requirement for a mortgage loan originator (MLO) license?

- A. Completed at least 10 hours of pre-licensing education
- B. Have not had an MLO license revoked in the last five years
- C. Have never been convicted of a felony in a domestic, foreign or military court
- D. Are covered by either a net worth or surety bond or pay into a state fund as required by the state loan originator's supervisory authority

Answer: D

NEW QUESTION 213

Which of the following responses best defines a red flag?

- A. Proof that specific activity shows identity theft
- B. Effective oversight by lenders to prevent borrower identity theft
- C. Reasonably foreseeable risk taken by borrowers to prevent identity theft
- D. A pattern, practice or specific activity that indicates the possible existence of identity theft

Answer: D

NEW QUESTION 216

When two borrowers are refinancing a mortgage loan, the notice of the right to rescind:

- A. must be given to both borrowers, but either borrower is permitted to rescind the loan.
- B. must be given to both borrowers, and both borrowers must agree to rescind the loan.
- C. is permitted to be given to either of the borrowers, and only one borrower is needed to rescind the loan.
- D. is permitted to be given to either of the borrowers, but both borrowers need to sign the notice to rescind the loan.

Answer: A

NEW QUESTION 218

Which of the following fees is a finance charge?

- A. A notary fee
- B. An origination fee
- C. An appraisal fee
- D. A late payment fee

Answer: B

NEW QUESTION 223

Prepaid charges include which of the following items?

- A. Origination fee
- B. Credit report fee

- C. Conveyance tax
- D. Per diem interest

Answer: D

NEW QUESTION 227

Which of the following actions should a mortgage loan originator (MLO) take if a real estate broker offers the MLO \$500 to obtain a purchase-money mortgage for the real estate broker's client?

- A. Decline the money
- B. Apply the \$500 towards the downpayment
- C. Receive the \$500 fee and include it on the Closing Disclosure
- D. Accept the money after obtaining the requested loan for the client

Answer: A

NEW QUESTION 229

If a borrower is provided a written estimate of the terms or costs specific to them before they receive the Loan Estimate, the written estimate must clearly and conspicuously provide which of the following statements at the top front of the first page?

- A. "Your actual rate, payment and costs will be higher."
- B. "Your actual rate, payment and costs could be higher."
- C. "Get an official Loan Estimate before choosing a loan."
- D. "By signing, you confirm that you have received this form."
- E. "You do not have to accept this loan because you have received this form."
- F. "By signing, you are only confirming that you have received this form."
- G. "You do not have to accept this loan because you have signed or received this form."

Answer: B

NEW QUESTION 230

When applying for a home equity line of credit (HELOC), consumers should review documentation carefully and be sure that they consider:

- A. if the HELOC is insured by HUD.
- B. if the HELOC requires private mortgage insurance
- C. if the company offering the HELOC has deposit accounts insured by the FDIC.
- D. the APR and the costs of acquiring and maintaining the HELOC.

Answer: D

NEW QUESTION 233

Interest-only mortgages are considered high risk compared to traditional mortgage products because:

- A. scheduled payments do not reduce the loan's principal balance.
- B. the borrower's ability to repay is not considered when making the credit decision.
- C. the interest rate exceeds the average prime offer (APOR) rate by 1.5 percentage points.
- D. the interest rate exceeds the APOR by 6.5 percentage points.

Answer: A

NEW QUESTION 234

Which of the following components of an ARM adjusts periodically?

- A. Index and margin only
- B. Index and interest rate only
- C. Margin and interest rate only
- D. Margin, Index and interest rate

Answer: B

NEW QUESTION 236

Which of the following factors does not affect the funding fee on a VA purchase?

- A. Service-connected disability
- B. First-time user
- C. Marital status
- D. Loan-to-value ratio

Answer: C

NEW QUESTION 240

Which of the following acts requires mortgage loan originators to complete annual continuing education to satisfy the requirement for licensure?

- A. The SAFE Act
- B. The Dodd-Frank Act

- C. The Truth in Lending Act (TILA)
- D. The Equal Credit Opportunity Act

Answer: A

NEW QUESTION 245

A borrower works at Company XYZ and was recently approved for a cash-out refinance of her primary residence. The closing is scheduled for Friday. On Monday of closing week, the mortgage loan originator (MLO) sees on the local news that XYZ is closing and the employees have been let go. Which of the following actions, if any, should the MLO take?

- A. Tell the borrower not to say anything at closing
- B. Nothing, as the loan has already been approved
- C. Recommend that the borrower attend homeownership counseling
- D. Notify the underwriter regarding possible change of borrower's employment status

Answer: D

NEW QUESTION 246

A mortgage loan originator (MLO) takes an application for a borrower who is obtaining an owner-occupied maximum amount refinance loan. The borrower also asks for a loan application for a new house that they are purchasing that will not be finished until 60 days after the refinance loan closes. Although the MLO advises the borrower that the terms of the refinance loan require that they occupy the property for 12 months, the borrower says that the new purchase loan will not close until after the refinance loan has closed. The MLO must:

- A. refer the purchase loan to another MLO in their company to obtain a referral fee.
- B. refer the borrower to another lender for the purchase loan so that the MLO is permitted to get a commission on the refinance loan.
- C. take both applications and do one loan "in house" and broker the second loan to another lender.
- D. advise the borrower that the MLO can do the refinance loan as a non-owner-occupied loan and the purchase loan as an owner-occupied loan.

Answer: D

NEW QUESTION 251

A qualified mortgage:

- A. Results in a balloon payment.
- B. Results in an increase of the principal balance.
- C. Allows the consumer to defer repayment of principal.
- D. Provides for regular periodic payments that are substantially equal.

Answer: D

NEW QUESTION 256

Which of the following applicant characteristics is legally permitted to be considered in evaluating credit risk?

- A. Whether the applicant seems likely to have children
- B. Whether the applicant has a phone number listing in their name
- C. Whether the applicant's age makes them ineligible for credit-related insurance
- D. Whether the alimony payments the applicant relies on for income are likely to continue and to be consistently made

Answer: D

NEW QUESTION 258

What is the minimum amount of flood insurance a lender must require on a residential building located in a special flood hazard area?

- A. \$50,000 for residential property structures
- B. \$150,000 for residential property structures
- C. \$250,000 for residential property structures
- D. \$350,000 for residential property structures

Answer: C

NEW QUESTION 262

Which of the following situations requires further documentation when reviewing bank statements for documentation of assets for down payment and closing costs?

- A. When the bank statement shows very little activity on the account
- B. When the bank statement comes from an institution that does not have a local presence
- C. When there is a large deposit that is not a payroll deposit
- D. When there are two borrowers on a loan and only one of the borrowers' names is shown on a bank statement

Answer: C

NEW QUESTION 264

A borrower has been approved for a new home loan and has completed all necessary paperwork. When should the borrower receive the Closing Disclosure?

- A. 4 business days prior to consummation

- B. 3 business days prior to consummation
- C. 1 business day prior to consummation
- D. On the day of consummation

Answer: B

NEW QUESTION 266

How long does Regulation Z of the Truth in Lending Act (TILA) require a mortgage company to retain the Closing Disclosure for a closed mortgage loan?

- A. 2 years
- B. 3 years
- C. 4 years
- D. 5 years

Answer: D

NEW QUESTION 270

Which of the following factors is considered when determining the interest rate for a subprime mortgage?

- A. The term of the loan
- B. The property location
- C. The sales price of the property
- D. The credit score of the applicants]

Answer: D

NEW QUESTION 271

According to the TILA-RESPA Integrated Disclosure rule (TRID), changed circumstances that may result in a revised Loan Estimate include which of the following situations?

- A. Market fluctuations on a locked loan
- B. The borrower receiving a salary increase
- C. A natural disaster in the area where the loan will close
- D. Changes that the MLO should have known at the time the Loan Estimate was provided

Answer: C

NEW QUESTION 276

An appraiser agrees to give a mortgage loan originator (MLO) half of her appraisal fees in return for the MLO's future business. This illegal practice is known as:

- A. redlining.
- B. fee splitting.
- C. blockbusting.
- D. paying it forward.

Answer: B

NEW QUESTION 279

Which of the following components of an ARM adjusts periodically?

- A. Index and margin only
- B. Index and interest rate only
- C. Margin and interest rate only
- D. Margin, index and interest rate

Answer: B

NEW QUESTION 283

Which of the following responses best describes redlining?

- A. The identification of minority census tracts
- B. The identification of low and moderate income census tracts
- C. The identification of locations in which the lender will not lend
- D. The analysis of the points and fees charged on loan transactions

Answer: C

NEW QUESTION 287

A written agreement guaranteeing a specific rate is called:

- A. A loan application
- B. A lock-in agreement
- C. A preapproval letter
- D. An intent to proceed agreement

Answer: B

NEW QUESTION 289

The term "primary mortgage market" refers to which of the following responses?

- A. The medium in which mortgages are bought and sold following origination
- B. The role of Fannie Mae, Freddie Mac and Ginnie Mae in the mortgage industry
- C. The process by which mortgages are pooled and converted to marketable securities
- D. The confluence of borrowers and mortgage loan originators to negotiate loan terms and complete mortgage transactions

Answer: D

NEW QUESTION 294

Which of the following service providers is a mortgage loan originator permitted to require a borrower to use in obtaining a mortgage?

- A. An appraiser
- B. A title company
- C. A home inspection company
- D. A homeowners insurance provider

Answer: A

NEW QUESTION 298

Under which of the following conditions, if any, is a mortgage lender permitted to charge a fee for the preparation of a Closing Disclosure?

- A. The borrower requests additional copies of the Closing Disclosure after the closing.
- B. The borrower requests that the Closing Disclosure be prepared before the scheduled closing.
- C. The lender has an affiliated business arrangement with the escrow agent.
- D. The lender is not allowed to charge a fee for the preparation of the Closing Disclosure.

Answer: D

NEW QUESTION 303

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