FEDERAL MORTGAGE-RELATED LAWS PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://fedmortgagerelatedlaws.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 16

SAMPLE

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.

SAMPLE

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!

SAMPLE

Questions

SAMPLE

1. Which of the following concepts refers to the unfair rejection of loan applications?

A. Underwriting

B. Denial

C. Redlining

D. Foreclosure

2. What does the term “wrapping” mean in mortgage financing?

A. Refinancing a loan with a better rate

B. Bundling an existing mortgage with newer financing into a single loan

C. Creating a new mortgage separate from existing loans

D. Increasing the interest rate on an existing loan

3. If a mortgage broker decides to use telemarketing to establish leads for loan origination, what must be done?

A. The broker should invest in a state-of-the-art predictive dialer

B. The broker should stop calling current customers unless they have given consent

C. The broker should only call former and current customers to ask for referrals

D. The broker should obtain access to the Do-Not-Call Registry

4. What does the term "servicing" refer to in mortgage finance?

A. Management of borrower relationships

B. Management of mortgage loans

C. Assessment of property values

D. Collection of credit scores

5. Under which regulation must lenders provide a Closing Disclosure before closing?

A. TILA

B. RESPA

C. ECOA

D. HMDA

SAMPLE

6. Which of the following describes a qualified mortgage under the Dodd-Frank Act?

A. A loan that has no fees

B. A loan that meets specific ability-to-repay criteria

C. A loan with flexible repayment terms

D. A loan guaranteed by the government

7. Who must receive a Notice of Right to Cancel in a refinance transaction?

A. Anyone with ownership interest in the property

B. Only parties who are signing the mortgage

C. Only parties with 51% or more ownership in the property

D. Only the primary borrower

8. What is a key requirement of the Truth in Lending Act regarding credit cards?

A. Prohibition of interest charges

B. Disclosure of minimum payment amounts

C. Mandatory credit limit increases

D. Immediate approval upon application

9. What does the MARS Rule prohibit mortgage assistance relief providers from stating?

A. Stating that payment is not due to the MARS provider until services are complete

B. Stating that there are some federal programs that may offer relief

C. Stating that the consumer is not obligated to make scheduled mortgage payments

D. Stating that the consumer should continue trying to make regularly scheduled payments

10. Which law requires lenders to report detailed information about loan transactions and borrower demographics?

A. HMDA

B. RESPA

C. TILA

D. Gramm-Leach-Bliley Act

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which of the following concepts refers to the unfair rejection of loan applications?

A. Underwriting

B. Denial

C. Redlining

D. Foreclosure

The concept that refers to the unfair rejection of loan applications is known as redlining. This practice involves lenders deliberately denying loans or offering unfavorable terms to individuals based on their race, ethnicity, or the demographic characteristics of the neighborhood in which they live, rather than on their creditworthiness or ability to repay the loan. Redlining is considered a discriminatory practice and is illegal under various federal laws, including the Fair Housing Act. Understanding redlining is crucial, as it highlights the broader issues of systemic inequality in access to housing and financial services. Addressing such discriminatory practices is essential to promote fair treatment and equal opportunity in the lending market, ultimately contributing to a more equitable society. While underwriting refers to the overall process of evaluating a borrower's risk, denial specifically pertains to the rejection of loan applications. Foreclosure, on the other hand, is a legal process that occurs when a borrower fails to make mortgage payments. These concepts do not encapsulate the notion of rejection based on discriminatory factors, making redlining the correct choice for the unfair rejection of loan applications based on prejudiced criteria.

2. What does the term “wrapping” mean in mortgage financing?

A. Refinancing a loan with a better rate

B. Bundling an existing mortgage with newer financing into a single loan

C. Creating a new mortgage separate from existing loans

D. Increasing the interest rate on an existing loan

The term "wrapping" in mortgage financing refers to the process of bundling an existing mortgage with newer financing into a single loan. In this arrangement, the original mortgage remains in place, and a new mortgage (referred to as the "wraparound" mortgage) is created that encompasses both the existing mortgage and the additional financing. This can be an advantageous solution for buyers and sellers in certain situations, as it allows the buyer to make payments on the combination of loans, often at a higher interest rate than the existing mortgage. This way, the seller can receive the difference in payments, potentially enabling a profitable arrangement while easing the buying process for the new homeowner. This option is distinct from refinancing, which focuses solely on modifying the conditions of an existing loan. Creating a new mortgage separate from existing loans indicates a different strategy where the existing loans are not integrated, and simply increasing the interest rate on an existing loan does not encapsulate the concept of "wrapping," which involves both integration and a blended financial product.

SAMPLE

3. If a mortgage broker decides to use telemarketing to establish leads for loan origination, what must be done?

A. The broker should invest in a state-of-the-art predictive dialer

B. The broker should stop calling current customers unless they have given consent

C. The broker should only call former and current customers to ask for referrals

D. The broker should obtain access to the Do-Not-Call Registry

When a mortgage broker uses telemarketing as a strategy to generate leads for loan origination, it is essential to comply with the Do-Not-Call (DNC) regulations established by the Federal Trade Commission (FTC). These regulations are part of the Telephone Consumer Protection Act (TCPA) and serve to protect consumers from unwanted solicitation calls. Therefore, obtaining access to the Do-Not-Call Registry is essential. This registry allows the mortgage broker to ensure they do not contact individuals who have opted out of receiving telemarketing calls, thus avoiding potential legal issues and penalties that could arise from calling those on the list. Compliance with these regulations helps maintain ethical standards in marketing practices and fosters a respectful relationship with potential customers. While investing in a predictive dialer, calling current customers, or contacting former customers for referrals may seem beneficial strategies, they do not address the critical requirement of compliance with telemarketing laws, particularly regarding the DNC registry. Being proactive by obtaining access to this registry is the most pertinent action to take in this scenario.

4. What does the term "servicing" refer to in mortgage finance?

A. Management of borrower relationships

B. Management of mortgage loans

C. Assessment of property values

D. Collection of credit scores

In mortgage finance, the term "servicing" primarily refers to the management of mortgage loans. This encompasses a variety of tasks that are essential to overseeing a loan after it has been originated. Tasks include collecting monthly mortgage payments from borrowers, ensuring those payments are properly applied to the loan, managing escrow accounts for property taxes and insurance, providing timely account statements, handling customer service inquiries, and managing the loan's status (including any defaults). Servicing is critical because it ensures that the loan is maintained correctly over its duration, thereby protecting the interests of both the borrower and the lender. Effective servicing also involves keeping track of payment schedules and providing borrowers with necessary information regarding their loans. By focusing on the management of mortgage loans, servicing plays a pivotal role in the overall mortgage process and impacts the financial stability of both the borrower and the mortgage holder.

SAMPLE

5. Under which regulation must lenders provide a Closing Disclosure before closing?

A. TILA

B. RESPA

C. ECOA

D. HMDA

The correct answer is TILA, which stands for the Truth in Lending Act. TILA requires that lenders disclose key terms and costs associated with a mortgage transaction to borrowers, ensuring that they are well-informed before they close on a loan. Specifically, under TILA regulations, lenders must provide a Closing Disclosure at least three business days before the closing date of the mortgage. This document includes details about the loan terms, monthly payments, and other closing costs, allowing borrowers to review the information thoroughly and prepare for the transaction. While RESPA (the Real Estate Settlement Procedures Act) also mandates certain disclosures related to closing costs and settlement services, TILA plays a more direct role regarding the timing and specifics of the Closing Disclosure in the context of loan closing. ECOA (the Equal Credit Opportunity Act) focuses on preventing discrimination in lending practices, and HMDA (the Home Mortgage Disclosure Act) relates to reporting and monitoring lending practices for fair housing laws, neither of which involve the requirement for providing a Closing Disclosure before closing.

6. Which of the following describes a qualified mortgage under the Dodd-Frank Act?

A. A loan that has no fees

B. A loan that meets specific ability-to-repay criteria

C. A loan with flexible repayment terms

D. A loan guaranteed by the government

A qualified mortgage, as defined by the Dodd-Frank Act, refers to a loan that meets specific ability-to-repay criteria established to protect consumers from taking on loans that they cannot afford. The ability-to-repay rule requires lenders to evaluate a borrower's financial situation comprehensively, including their income, assets, employment status, credit history, and other relevant financial factors. The underlying principle is to ensure that borrowers can comfortably repay their loans without facing undue financial hardship. Meeting these criteria not only safeguards consumers but also provides certain protections to lenders from legal challenges regarding borrower defaults. The classification as a qualified mortgage can lead to various benefits for lenders as well, including reduced legal risk in cases of foreclosure. Thus, the ability-to-repay requirement encapsulates the essence of what qualifies a mortgage under these regulations, making it a cornerstone of responsible lending practices introduced by the Dodd-Frank Act.

SAMPLE

7. Who must receive a Notice of Right to Cancel in a refinance transaction?

A. Anyone with ownership interest in the property

B. Only parties who are signing the mortgage

C. Only parties with 51% or more ownership in the property

D. Only the primary borrower

In a refinance transaction, the Notice of Right to Cancel must be provided to anyone with an ownership interest in the property. This is a critical component of federal regulations, specifically under the Truth in Lending Act (TILA), which aims to protect consumers during certain credit transactions. The notice ensures that all parties who hold an ownership interest are informed of their right to cancel the refinancing transaction within a specified timeframe. This requirement is in place to guarantee that all individuals with a stake in the property have the opportunity to reconsider their decision, given that refinancing can affect their equity and overall financial situation. Therefore, providing the notice to all owners helps to ensure transparency and fairness in the refinancing process.

8. What is a key requirement of the Truth in Lending Act regarding credit cards?

A. Prohibition of interest charges

B. Disclosure of minimum payment amounts

C. Mandatory credit limit increases

D. Immediate approval upon application

The Truth in Lending Act (TILA) was designed to promote informed use of consumer credit by requiring disclosures about its terms and costs. A key requirement of TILA as it pertains to credit cards is the disclosure of minimum payment amounts. This requirement ensures that consumers are aware of the minimum payment they must make each month, which helps them understand the terms of repayment and the potential costs of carrying a balance. By providing this information upfront, TILA enables consumers to make better-informed financial decisions regarding their credit card usage, including the impact of interest if they do not pay their balance in full. Other aspects of consumer credit, like limiting interest charges or mandating credit limit increases, are not part of the TILA's requirements. Additionally, while immediate approval upon application could be a feature of some credit card offerings, it is not a standardized requirement under the Act. Therefore, the requirement for disclosing minimum payment amounts stands out as a critical part of the transparency objectives outlined by the Truth in Lending Act.

SAMPLE

9. What does the MARS Rule prohibit mortgage assistance relief providers from stating?

A. Stating that payment is not due to the MARS provider until services are complete

B. Stating that there are some federal programs that may offer relief

C. Stating that the consumer is not obligated to make scheduled mortgage payments

D. Stating that the consumer should continue trying to make regularly scheduled payments

The MARS Rule, which stands for the Mortgage Assistance Relief Services rule, was put in place to protect consumers from misleading claims by mortgage assistance relief providers. Under this rule, it is prohibited for these providers to state that the consumer is not obligated to make scheduled mortgage payments. This prohibition is crucial because such a statement could lead consumers to believe they are not required to fulfill their mortgage obligations, potentially resulting in foreclosure or damage to their credit score. In the context of mortgage assistance, it is essential that consumers understand their responsibilities regarding payment to avoid falling into further financial difficulty. Thus, the MARS Rule ensures that providers do not create a false sense of security that could mislead consumers about the reality of their financial situation, thereby promoting transparency and protecting consumers from deceptive practices in the mortgage assistance sector.

10. Which law requires lenders to report detailed information about loan transactions and borrower demographics?

A. HMDA

B. RESPA

C. TILA

D. Gramm-Leach-Bliley Act

The Home Mortgage Disclosure Act (HMDA) is the law that requires lenders to report detailed information about loan transactions and borrower demographics. This reporting helps ensure transparency in lending practices, allowing regulatory agencies to monitor and identify patterns of discrimination or unfavorable lending practices in various communities. HMDA aims to provide the public with information that can be used to understand the lending patterns of financial institutions, allowing stakeholders, including policy makers, advocates, and the general public, to assess whether lenders are serving the housing needs of their communities. The data collected under HMDA includes information such as the types of loans, the purposes of the loans, and details about the borrower's race, ethnicity, and income. This transparency is crucial for enforcing fair lending laws and promoting equal access to credit for all borrowers.

SAMPLE

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://fedmortgagerelatedlaws.examzify.com

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

SAMPLE