MORTGAGE LOAN ORIGINATOR (MLO) LICENSING PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://mlo.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. What is the purpose of a lock-in agreement?

A. To secure a loan without fees

B. To lock in a mortgage interest rate

C. To avoid appraisals

D. To ensure lower points on a loan

2. When is per diem interest applicable?

A. Only at loan origination

B. During the loan application process

C. At closing for the remaining days of the month

D. Only on weekends and holidays

3. Which change in the closing disclosure necessitates a new three-business-day waiting period?

A. Addition to prepayment penalty

B. Change in interest rate

C. Change in loan product type

D. Additional seller credit

4. Which document is typically assigned along with a mortgage?

A. Title deed

B. Promissory note

C. Loan agreement

D. Transfer certificate

5. What does the term 'good faith' refer to in the context of corrected disclosures?

A. Acting in the borrower's best interest

B. Being honest in all dealings

C. Refunds paid within 60 days of consummation

D. Providing lower interest rates

SAMPLE

6. Which form must be requested from a borrower who is a 40% shareholder in a C-Corporation?

A. Form 1065

B. Form W-2

C. Form 1120

D. Form 1040

7. What does ECOA allow an applicant to obtain a copy of?

A. Credit report

B. Property Appraisal Report

C. Loan estimate

D. Income verification

8. Which act regulates the practices of mortgage loan originators in terms of disclosure and licensing?

A. Real Estate Settlement Procedures Act (RESPA)

B. Dodd-Frank Act

C. Truth in Lending Act (TILA)

D. Home Mortgage Disclosure Act (HMDA)

9. How is verification of cash used in closing documented?

A. Credit reports

B. Last 2-3 months bank statements

C. Pay stubs

D. Tax returns

10. How are closing costs typically represented on a Loan Estimate?

A. As a percentage of the loan amount

B. As a flat fee

C. As a detailed breakdown

D. They are generally not disclosed

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What is the purpose of a lock-in agreement?

A. To secure a loan without fees

B. To lock in a mortgage interest rate

C. To avoid appraisals

D. To ensure lower points on a loan

A lock-in agreement is essential in the mortgage lending process as it serves to fix a borrower's mortgage interest rate for a specified period. This means that the borrower is guaranteed the stated interest rate, regardless of whether market rates rise before the loan closes. Lock-in agreements are particularly advantageous in volatile markets where interest rates may fluctuate significantly. By locking in a rate, the borrower can feel confident that their monthly mortgage payments will not increase due to changes in interest rates before the loan is finalized. This is crucial for financial planning and budgeting, allowing borrowers to make long-term decisions based on stable mortgage costs. Other options don't accurately represent the primary function of the lock-in agreement. While avoiding fees, appraisals, or ensuring lower points may be beneficial to borrowers, these aspects are not the core purpose of a lock-in agreement. The crux of the matter is that it primarily serves to secure the interest rate on the mortgage.

2. When is per diem interest applicable?

A. Only at loan origination

B. During the loan application process

C. At closing for the remaining days of the month

D. Only on weekends and holidays

Per diem interest refers to the daily interest that accrues on a mortgage from the closing date until the end of the month. This is applicable because, upon closing a loan, the lender expects to be compensated for the interest incurred on the loan amount from that date until the end of the month. During this time, the borrower will typically pay the interest for the days in that month during which the loan is funded. This is standard practice in mortgage transactions, and borrowers should be aware of this additional cost that may be included in the first mortgage payment. The other choices do not accurately represent when per diem interest is applicable. For example, loan origination refers to the initiation of the loan process but not the time at which interest starts accruing. Similarly, the loan application process is about assessing the borrower's eligibility and does not involve interest accrual. Finally, interest does not only apply on weekends and holidays; it accumulates each day, which is why a daily figure (per diem) is used for this calculation.

SAMPLE

3. Which change in the closing disclosure necessitates a new three-business-day waiting period?

A. Addition to prepayment penalty

B. Change in interest rate

C. Change in loan product type

D. Additional seller credit

A prepayment penalty is an additional cost that can significantly impact a borrower's financial obligations. If this cost is added to the loan after the initial closing disclosure has been issued, it represents a major change that directly affects the terms of the loan. The inclusion of a prepayment penalty could alter the borrower's decision regarding whether to accept the loan, as it may impose limitations on their ability to pay off the loan early without incurring fees. Under the TILA-RESPA Integrated Disclosure (TRID) rule, any change that results in a significant alteration to the loan terms, including the addition of a prepayment penalty, triggers a new three-business-day waiting period. This ensures that borrowers have adequate time to understand the implications of the changes before proceeding with the closing of the loan. In contrast, while changes in interest rates, loan product types, or additional seller credits can also affect the overall loan terms, they do not necessarily invoke the same waiting period under the regulations. Some adjustments, such as minor changes in interest rates within a specific range or seller credits not altering the fundamental structure of the loan, may not require a new waiting period, thereby allowing the closing to proceed more quickly.

4. Which document is typically assigned along with a mortgage?

A. Title deed

B. Promissory note

C. Loan agreement

D. Transfer certificate

The promissory note is a critical document that a borrower signs when taking out a mortgage. It is a legal agreement in which the borrower promises to repay the loan under specific terms, including the amount borrowed, the interest rate, and the repayment schedule. This document serves as a formal acknowledgment of the debt and outlines the borrower's obligations to the lender. When a mortgage is assigned, it usually involves the transfer of the promissory note as well, ensuring that the new holder of the mortgage also holds the borrower's debt obligation. This is significant because the promissory note directly correlates to the borrower's commitment to repay the loan, while assignment of the mortgage itself pertains to the lien on the property that secures that debt. Understanding this relationship helps clarify the financial mechanics of mortgage transactions and the rights and responsibilities of both borrowers and lenders. The other options, while related to the process of securing a loan or the ownership of property, do not serve the same fundamental purpose as the promissory note in terms of establishing and conveying the borrower's obligation to repay the debt.

SAMPLE

5. What does the term 'good faith' refer to in the context of corrected disclosures?

A. Acting in the borrower's best interest

B. Being honest in all dealings

C. Refunds paid within 60 days of consummation

D. Providing lower interest rates

The term 'good faith' in the context of corrected disclosures primarily refers to the obligations and practices that lenders must adhere to in ensuring that borrowers are properly informed and treated fairly throughout the mortgage process. The correct answer focuses on the specific requirement regarding refunds when errors in disclosures occur. When a lender provides corrected disclosures that affect the terms of the loan, 'good faith' implies that they are required to make adjustments, including the obligation to refund certain fees or charges within a specified period, typically 60 days after the loan is consummated. This demonstrates the lender's commitment to rectifying any mistakes to protect the borrower's interests and maintain transparency. In contrast, other options emphasize different facets of ethical practices in lending but do not directly align with the technical legal requirements surrounding corrected disclosures. While acting in the borrower's best interest and being honest in all dealings are essential principles of ethical lending practices, they are broader concepts that do not specifically address the procedural obligations linked to corrected disclosures. Similarly, providing lower interest rates can be seen as a competitive strategy but does not encapsulate the specific criteria implied by the term 'good faith' in this regulatory context.

6. Which form must be requested from a borrower who is a 40% shareholder in a C-Corporation?

A. Form 1065

B. Form W-2

C. Form 1120

D. Form 1040

A borrower who is a 40% shareholder in a C-Corporation must provide Form 1120 to demonstrate the corporation's income and financial status. Form 1120 is the U.S. Corporation Income Tax Return used by C-Corporations to report their income, gains, losses, deductions, and credits to the IRS. Since the income from a C-Corporation is taxed at the corporate level, this form provides essential information regarding the business's financial performance, which can influence the lender's assessment of the borrower's financial position and ability to repay the mortgage. In contrast, the other forms serve different purposes. Form 1065 is used for partnerships, so it wouldn't apply to a shareholder in a C-Corporation. Form W-2 reports wages and salaries for employees and is not relevant for corporation shareholders. Form 1040 is the individual income tax return form for personal income tax, which would not specifically detail the corporation's performance like Form 1120 does. Therefore, Form 1120 is essential for understanding the financial backdrop of a shareholder in a C-Corporation.

SAMPLE

7. What does ECOA allow an applicant to obtain a copy of?

A. Credit report

B. Property Appraisal Report

C. Loan estimate

D. Income verification

The correct answer is the property appraisal report. Under the Equal Credit Opportunity Act (ECOA), applicants have the right to receive a copy of any appraisal or other written valuation that is prepared in connection with their application for credit. The act ensures that applicants are informed about the valuation of the property being financed, providing transparency in the lending process. This right aims to combat potential discrimination in lending practices by keeping the applicants informed of the factors that influence credit decisions. While applicants certainly have the right to access certain documents related to their mortgage application, such as credit reports, loan estimates, and income verification documents, these are governed by different regulations, such as the Fair Credit Reporting Act and the Truth in Lending Act. Therefore, ECOA specifically highlights the property appraisal report as a document that must be shared with the applicant to promote fairness and equity in credit evaluations.

8. Which act regulates the practices of mortgage loan originators in terms of disclosure and licensing?

A. Real Estate Settlement Procedures Act (RESPA)

B. Dodd-Frank Act

C. Truth in Lending Act (TILA)

D. Home Mortgage Disclosure Act (HMDA)

The Dodd-Frank Act is a comprehensive piece of legislation enacted in response to the financial crisis of 2007-2008, with the primary aim of increasing transparency and reducing risks within the financial system. It introduced significant reforms in financial regulation, particularly in the mortgage industry. One of the key components of the Dodd-Frank Act is the establishment of the Consumer Financial Protection Bureau (CFPB), which has the authority to oversee and enforce regulations related to mortgage loan origination. Under this act, mortgage loan originators must be licensed, which includes satisfying specific educational and testing requirements. Additionally, the Dodd-Frank Act mandates certain disclosures to consumers regarding loan terms and costs, ensuring a higher standard of consumer protection. Other acts mentioned, while important in their own right, serve different purposes. The Real Estate Settlement Procedures Act (RESPA) primarily deals with disclosures related to the real estate settlement process, rather than licensing. The Truth in Lending Act (TILA) focuses on the terms of credit and requires disclosures about the costs of borrowing but does not regulate licensing. The Home Mortgage Disclosure Act (HMDA) is concerned with monitoring and reporting lending practices for fair lending purposes, rather than directly overseeing the licensing and operational conduct of mortgage loan origin

SAMPLE

9. How is verification of cash used in closing documented?

A. Credit reports

B. Last 2-3 months bank statements

C. Pay stubs

D. Tax returns

Verification of cash used in closing is documented through the last 2-3 months of bank statements. This documentation provides a clear and verified record of the borrower's financial activity, showing the amounts of cash available in their bank accounts. By reviewing these bank statements, lenders can confirm that sufficient funds are available for the transaction, ensuring that the borrower has the liquidity necessary for closing costs, down payments, and other related expenses. Bank statements are considered reliable evidence of cash because they reflect actual transactions and balances. This level of detail helps lenders assess the borrower's financial stability and the legitimacy of the cash being used for closing. In contrast, while credit reports, pay stubs, and tax returns provide valuable information about a borrower's overall financial situation, they do not specifically verify the current availability of cash needed for the closing process. Thus, bank statements are the most pertinent document for this purpose.

10. How are closing costs typically represented on a Loan Estimate?

A. As a percentage of the loan amount

B. As a flat fee

C. As a detailed breakdown

D. They are generally not disclosed

Closing costs on a Loan Estimate are typically represented as a detailed breakdown. This method provides borrowers with a comprehensive view of the various fees associated with closing a mortgage loan. The Loan Estimate includes specific line items for different types of costs, such as loan origination fees, title insurance, appraisal fees, and other relevant charges. This detailed presentation allows borrowers to better understand the different components of their closing costs, facilitating comparison with other loan offers and aiding in overall financial planning. By presenting the information in this way, the Loan Estimate enhances transparency and helps borrowers make more informed decisions about their mortgage options.

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://mlo.examzify.com

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

SAMPLE