

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

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 3

Which of the following factors is not required to be taken into account when determining a borrower's ability to repay a loan?

- A. Current debt obligations, alimony and child support
- B. Credit history
- C. Proceeds from the sale of the property securing the loan
- D. Monthly payment on simultaneous loans

Answer: C

NEW QUESTION 4

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 5

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 6

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 7

Which of the following characteristics is unique to a home equity line of credit (HELOC)?

- A. A borrower is permitted to receive additional advances.
- B. A borrower is permitted to make interest-only payments for the term of the loan.
- C. A borrower is permitted to borrow more than the property is worth.
- D. A borrower is permitted to sell the property without paying off the loan.

Answer: A

NEW QUESTION 8

When providing documents to a state regulator regarding a consumer complaint that was submitted to the state regulator, a licensed company should:

- A. Send the documents by U.
- B. mail rather than electronically for privacy reasons.
- C. Contact the consumer to get their authorization to provide documents to the regulator.
- D. Provide the documents along with the company's explanation of what caused the complaint.
- E. Redact any names and personal information before providing the documents for privacy reasons.

Answer: C

NEW QUESTION 9

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

Answer: D

NEW QUESTION 10

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 10

If an applicant provides a waiver for the requirement to receive their appraisal three business days prior to a loan's consummation and the transaction ends up not closing at all, a creditor must still provide a copy of the appraisal no later than how many days after the creditor determines consummation will not occur?

- A. 10 days
- B. 30 days
- C. 45 days
- D. 60 days

Answer: B

NEW QUESTION 13

A lender will require private mortgage insurance for first lien loans with loan-to-value over what percentage?

- A. 70%
- B. 75%
- C. 78%
- D. 80%

Answer: D

NEW QUESTION 14

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 19

Which of the following responses describes the required amount of flood insurance coverage?

- A. The original appraised value of the home
- B. The outstanding principal balance of the loan
- C. The minimum amount of National Flood Insurance Program coverage available
- D. The property value on file with the county property valuation administrator office

Answer: B

NEW QUESTION 22

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 27

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 30

When a mortgage loan originator (MLO) receives information from a borrower that indicates potential employment fraud, the MLO should:

- A. Take no additional action because it is not confirmed.
- B. Take no additional action unless the borrower admits that they submitted false employment information.
- C. Report the information to another MLO for their opinion.
- D. Report the information to the company's compliance officer.

Answer: D

NEW QUESTION 32

A charge payable by the consumer and imposed by the creditor as an incident to or a condition of the extension of credit is the:

- A. Title fee
- B. Attorney fee
- C. Escrow charge
- D. Finance charge

Answer: D

NEW QUESTION 35

The purpose of a Suspicious Activity Report (SAR) is to report known or suspected violations or suspicious activity observed by financial institutions subject to the:

- A. Bank Secrecy Act (BSA).
- B. Truth in Lending Act (TILA).
- C. Gramm-Leach-Bliley Act (GLBA).
- D. Real Estate Settlement Procedures Act (RESPA).

Answer: A

NEW QUESTION 39

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 41

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 45

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 47

A title insurance policy ensures that:

- A. A condominium is warrantable.
- B. The title commitment is accurate.
- C. The borrower owns the property.
- D. The borrower can repay the loan.

Answer: C

NEW QUESTION 49

Consumer complaints and the analysis of complaints play a vital role in identifying weaknesses in elements of a company's:

- A. hiring procedures and training.
- B. compliance management training and internal controls
- C. secondary marketing practices of selling loans to investors.
- D. compliance management, senior management and branch locations.

Answer: B

NEW QUESTION 52

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 55

Under the TILA-RESPA Integrated Disclosure rule (TRID), what is the minimum time period that must pass between a borrower's receipt of a Loan Estimate and the closing of a mortgage loan?

- A. 7 business days
- B. 15 business days
- C. 30 business days
- D. 45 calendar days

Answer: A

NEW QUESTION 60

A lender is permitted to accept the employment information provided by the borrower on the initial loan application without asking for a letter of explanation in which of the following circumstances?

- A. The borrower lacks a history in an industry that requires specific skills.
- B. A recent college graduate holds a high-level position in the organization.
- C. The residence is more than 120 miles from the work location on a refinance.
- D. The borrower has been employed by the same company for three years.

Answer: D

NEW QUESTION 61

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 63

Which of the following information is required to be included on Uniform Residential Loan Application?

- A. Assets and liabilities
- B. Appraiser name and address
- C. Homeowners insurance provider
- D. Proof of homeownership counseling

Answer: A

NEW QUESTION 66

Which of the following statements is not true concerning "higher-priced mortgage loans" as defined in the Truth in Lending Act (TILA)?

- A. Creditors must verify income and assets in order to determine whether the loan applicant has the ability to repay the loan.
- B. Creditors must establish an escrow account for taxes and property insurance on first lien mortgage loans.
- C. There are restrictions on prepayment penalties.
- D. Borrowers have a five-day right of rescission.

Answer: D

NEW QUESTION 69

A second (subordinate) mortgage loan includes:

- A. government home purchase loan.
- B. conventional home purchase loan.
- C. home equity conversion mortgage.
- D. home equity lines of credit (HELOCs);

Answer: D

NEW QUESTION 74

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 77

Which of the following statements is true regarding a fixed-rate mortgage?

- A. The rate is fixed for 5 years and is followed by a step-up for 5 years.
- B. The rate is fixed for 10 years and then adjusts every year thereafter.
- C. The rate is fixed for 15 years and is followed by a single balloon payment.
- D. The rate is fixed for 30 years with no adjustment.

Answer: D

NEW QUESTION 82

Which of the following responses describes the main purpose of the secondary market?

- A. To fund additional loans
- B. To fund a second home loan
- C. To fund second mortgage loans
- D. To service second mortgage loans

Answer: A

NEW QUESTION 83

What is the maximum APR that will qualify as a Safe Harbor qualified mortgage?

- A. An APR equal to or less than the average prime offer rate (APOR)
- B. An APR less than the APOR + 1.0%
- C. An APR less than the APOR + 1.5%
- D. An APR less than the APOR + 2.5%

Answer: C

NEW QUESTION 86

The debt-to-income analysis should assess a borrower's total monthly housing related payments as a percentage of the:

- A. net monthly income
- B. gross monthly income.
- C. taxable income.
- D. loan amount.

Answer: B

NEW QUESTION 88

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 92

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 96

Which of the following loans are covered by TILA-RESPA Integrated Disclosure (TRID)?

- A. Second home loans
- B. Chattel-dwelling loans
- C. Reverse mortgage loans
- D. Home equity lines of credit (HELOCs)

Answer: A

NEW QUESTION 97

Which of the following is an example of a loan expense that is permitted to change without any tolerance restrictions?

- A. Property taxes paid by the borrower
- B. A lender's tax service fee that is paid by the borrower
- C. A lender's processing fee that is paid by the borrower
- D. An escrow fee that is paid by the borrower and the borrower did not shop for the fee

Answer: A

NEW QUESTION 98

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 99

An interest-only mortgage is a mortgage with scheduled payments that require the consumer to have:

- A. Payments of interest for a specified amount of time.
- B. Fixed payments every month, but the interest rate adjusts monthly.
- C. Adjustable payments every month based on an adjustable interest rate.
- D. Monthly payments for a specified amount of time that then roll over to principal-only payments because the interest has already been paid.

Answer: A

NEW QUESTION 100

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 101

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 103

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 108

Which of the following activities is an example of redlining in mortgage lending?

- A. Ensuring that all creditworthy borrowers are afforded equal treatment when applying for a mortgage loan
- B. The mortgage loan originator convincing the underwriter to move their loan file to the front of the line or "redline" it
- C. The act of the mortgage lender putting a "red line" under the borrower's name in a file to indicate they are a substandard applicant
- D. The systematic denial of various services to residents of specific, often racially associated, neighborhoods or communities, either explicitly or through the selective raising of prices

Answer: D

NEW QUESTION 110

On an FHA-insured loan, the FHA insurance protects the lender in the event that:

- A. The borrower is unable to pay the loan.
- B. There is a prior lien against the property.
- C. The lender is not able to find an investor to purchase the loan.
- D. The property suffers damage causing the value to fall below the appraised value.

Answer: A

NEW QUESTION 112

The SAFE Act defines a nontraditional mortgage as all of the following except:

- A. A 30-year fixed rate mortgage with a 25% down payment.
- B. A payment option ARM with a down payment of 5%.
- C. 15-year mortgage with an interest rate of 10%.
- D. An interest-only mortgage.

Answer: A

NEW QUESTION 114

Which of the following sources of funds is acceptable to utilize for down payments, closing costs or financial reserves?

- A. Virtual currency funds
- B. Community second funds
- C. Personal unsecured loans
- D. Foreign assets located outside of the U.
- E. or its territories

Answer: B

NEW QUESTION 119

According to the SAFE Act, which of the following activities requires licensure as a mortgage loan originator?

- A. Providing a consumer with a Homebuyer's Toolkit
- B. Providing a consumer with the loan policies of the lender
- C. Communicating with a consumer to arrange a loan closing
- D. Communicating the details of an offer for the first time over the phone

Answer: D

NEW QUESTION 123

How many business days after issuance is an unlocked Loan Estimate considered expired?

- A. 3 days
- B. 5 days
- C. 7 days

D. 10 days

Answer: D

NEW QUESTION 126

A mortgage loan in which a large portion of the borrowed principal is repaid at the end of the loan period is known as a:

- A. FHA mortgage.
- B. balloon mortgage.
- C. qualified mortgage.
- D. deferred-payment mortgage.

Answer: B

NEW QUESTION 128

Which of the following is an example of a non-fluctuating income source?

- A. Salaried W-2 position
- B. Self-employed income
- C. Commission-based W-2 income
- D. Part-time work with irregular hours

Answer: A

NEW QUESTION 131

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 134

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 135

During the closing the borrower notices that the interest rate increased from 3.250% to 3.875%. The lender must:

- A. tell the borrower to close the loan.
- B. close the loan, then re-disclose after the loan funds.
- C. postpone the closing, re-disclose and wait three days.
- D. postpone the closing, re-disclose and wait three business days.

Answer: D

NEW QUESTION 137

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 141

A mortgage loan originator (MLO) originates a 5/1 ARM where the indexed rate is likely to be higher than the introductory rate. The Truth in Lending Act (TILA) states that an MLO must calculate a borrower's monthly Payment amount based on which of the following?

- A. Payment amount during the fixed introductory period
- B. An average of the varying payment amounts over the life of the loan
- C. The total amount of the payments
- D. Fully indexed rate of the loan

Answer: D

NEW QUESTION 145

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 150

No more than how many days before calling any consumer should a company access the National Do Not Call Registry and maintain records documenting this process?

- A. 14 days
- B. 31 days
- C. 45 days
- D. 60 days

Answer: C

NEW QUESTION 154

Which of the following acts or practices violates appraisal independence?

- A. The mortgage loan originator (MLO) asks the appraiser to correct errors on the appraisal.
- B. The MLO asks the appraiser for a minimum valuation of the property so that the loan-to-value meets lending requirements.
- C. The MLO asks the appraiser to consider additional comparable properties to make or support an appraisal.
- D. The MLO asks the appraiser to provide further detail or explanation for the appraiser's value conclusion.

Answer: B

NEW QUESTION 159

Closed-end residential mortgage loan products, which are always classified as nontraditional mortgage loans, include:

- A. Interest-only mortgage loans.
- B. High-interest mortgage loans.
- C. Fully amortizing mortgage loans.
- D. 30-year, fixed-rate mortgage loans.

Answer: A

NEW QUESTION 161

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 164

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 166

An easement:

- A. is a mortgage modification.
- B. is a right to cross or otherwise use someone else's land for a specified purpose.
- C. allows a loan applicant to close on a loan even if all the stipulations have not been met.
- D. allows a borrower to make less than the required payments without going through a full mortgage modification.

Answer: B

NEW QUESTION 170

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