

# Reliable MLO Real Test - MLO Study Group

**Safe MLO Test Study Guide**

Prohibits Discrimination (including granting credit) - ANS - ECOA

When is the latest time frame by which the MLO can distribute the Loan Estimate - ANS - 3 business days after receiving the application

What is the difference between the note rate and the APR? - ANS - The note rate is the interest rate applied to the principal. The APR takes into account all fees and charges associated with a loan

What is the minimum number of items that an MLO must review and verify under the Ability-to-Repay Rule to be confident that a borrower qualifies for a mortgage - ANS - 8

The FTC Disposal Rule: - ANS - Requires the establishment of policies and procedures governing document disposal

If either the seller or buyer does not show up at the settlement, when should the Closing Disclosure be mailed - ANS - Immediately

What does reverse redlining mean - ANS - Intentionally lending to certain demographics

When applying for a mortgage, a joint financial statement is NOT required in which of the following circumstances - ANS - The potential borrower is over 50 years of age

Subpart E of TILA specifically includes rules related to - ANS - HOEPA defined loans

Which of the following is allowed under the Telemarketing Sales Rule - ANS - Calling a consumer at 8 AM in the consumer's time zone

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## NMLS Mortgage Loan Origination (SAFE MLO) Exam Sample Questions (Q171-Q176):

### NEW QUESTION # 171

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

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

**Answer: C**

Explanation:

Mortgage loan originators (MLOs) are subject to strict rules regarding compensation to prevent conflicts of interest and protect consumers. According to the Truth in Lending Act (TILA) Regulation Z, Loan Originator Compensation Rule (12 CFR § 1026.36(d)), an MLO may not receive compensation from both the borrower and any other person (such as a creditor or lender) in a single transaction. This is often referred to as the "anti- dual compensation rule" and is designed to prevent situations where an MLO could be incentivized to steer consumers into less favorable loans for higher pay.

"A loan originator may not receive compensation directly or indirectly from both the consumer and another person in connection with the same transaction."

- 12 CFR § 1026.36(d)(2), Regulation Z, Truth in Lending Act

Other options are not prohibited and are actually required or encouraged by law:

B: Presenting best program options is part of an MLO's fiduciary and ethical duties.

C: Providing required disclosures (e.g., Loan Estimate) within three business days of application is required under TILA/RESPA Integrated Disclosure (TRID) rules.

D: Providing a copy of the credit application is permissible and often requested.

References:

CFPB, "Loan Originator Compensation Requirements under the Truth in Lending Act (Regulation Z)" SAFE MLO National Test Study Guide

12 CFR § 1026.36(d) Regulation Z

### NEW QUESTION # 172

The upfront premium charged on an FHA mortgage transaction to protect a creditor in the event of borrower default is an example of:

- A. private mortgage insurance
- B. government mortgage insurance.
- C. force-placed hazard insurance.
- D. optional credit life insurance.

**Answer: B**

Explanation:

The upfront premium charged on an FHA mortgage is an example of government mortgage insurance. This upfront mortgage insurance premium (UFMIP) is required for FHA loans and protects the lender (creditor) in the event of borrower default. FHA loans are insured by the Federal Housing Administration (FHA), a government agency.

\* Private mortgage insurance (D) is used for conventional loans, while optional credit life insurance (A) and force-placed hazard insurance (B) are unrelated to FHA loans.

References:

FHA Single Family Housing Policy Handbook

HUD Guidelines on UFMIP

### NEW QUESTION # 173

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. 90%

- B. 88%
- **C. 80%**
- D. 89%

**Answer: C**

Explanation:

For a purchase transaction, the Loan-to-Value (LTV) ratio is calculated by dividing the loan amount by the lesser of the sales price or the appraised value.

"For purchase transactions, LTV is calculated by dividing the loan amount by the lesser of the property's sales price or appraised value."

- Fannie Mae Selling Guide, B2-1.2-03

Here:

Loan Amount: \$160,000

Sales Price: \$180,000

Appraised Value: \$200,000

Lesser of sales price/appraised value: \$180,000

$$\text{LTV} = (\$160,000 \div \$180,000) \times 100 = 88.89\%$$

However, the options provided are: 80%, 88%, 89%, 90%. The closest, and by rounding convention for mortgage lending, 89% would be correct. However, sometimes the answer is provided as a rounded figure, in which case 89% (C) would be the correct answer.

Let's verify the math:

$$\$160,000 \div \$180,000 = 0.8888 = 88.9\% \text{ (rounded to the nearest whole percent, 89%).}$$

So, the correct answer is: C

References:

Fannie Mae Selling Guide, B2-1.2-03: Purchase Transactions

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**NEW QUESTION # 174**

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

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

**Answer: C**

Explanation:

Under the TILA-RESPA Integrated Disclosure (TRID) rule, fees that are paid to third parties not controlled by the lender, such as property taxes, are not subject to tolerance limits. This means they can change from the Loan Estimate to the Closing Disclosure without restriction.

Lender fees (like tax service or processing fees) and escrow fees (when the borrower did not shop for the service) are subject to zero or 10% tolerance limits.

"Property taxes, homeowners insurance premiums, and similar charges are not subject to any tolerance limitation, and can change between the Loan Estimate and the Closing Disclosure."

- 12 CFR § 1026.19(e)(3)(iii); CFPB TILA-RESPA Small Entity Compliance Guide References:

CFPB, TRID Tolerance Categories (see "Which charges are not subject to a tolerance limitation?") SAFE MLO National Test Study Guide

**NEW QUESTION # 175**

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

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

## Answer: A

### Explanation:

When applying for a Home Equity Line of Credit (HELOC), consumers should carefully review the APR and the total costs of acquiring and maintaining the HELOC. The APR reflects the overall cost of borrowing, including interest and certain fees, and is crucial for understanding the long-term expense of the HELOC.

Additionally, consumers should consider fees associated with setting up and maintaining the HELOC, such as annual fees, transaction fees, and closing costs.

\* While HUD insurance (A) and FDIC deposit insurance (C) are unrelated to HELOCs, and private mortgage insurance (B) is generally not required for HELOCs, the APR and fees are critical factors that directly impact the cost of borrowing.

### References:

\* Truth in Lending Act (TILA) disclosure requirements for HELOCs

\* CFPB HELOC Guide

## NEW QUESTION # 176

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