

# MLO Reliable Exam Pattern - Exam MLO Simulator Online

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## MLO PRACTICE EXAM

All of the following information is provided under Section X of the 1003, except:

- a.) Ethnicity
- b.) Name and address of employer
- c.) Sex
- d.) Race - Answer - b.) Name and address of employer

Section X of the URLA contains information on:

- a.) Assets and Liabilities
- b.) Information for Government Monitoring Purpose
- c.) Declarations
- d.) Details of transaction - Answer - b.) Information for Government Monitoring Purpose

When determining the best options for a potential borrower, an MLO must always find what?

- a.) Nonconventional
- b.) Federal Housing Administration
- c.) Nonconforming
- d.) Department of The Veterans Administration - Answer - c.) Nonconforming

Choose the best answer. All of the following are Government loan programs or types, except:

- a.) Nonconventional
- b.) Federal Housing Administration
- c.) Nonconforming
- d.) Department of the Veterans Administration - Answer - c.) Nonconforming

What is the purpose of Title IX? - Answer - To ensure the borrower acknowledges that the information provided in the application is accurate and correct

If you are an MLO speaking to a potential client in person and at section X of the URLA they refuse to provide the information for monitoring purposes, what must you do? - Answer - Mark only the ones you can confirm through visual observation

What type of income documentation must the processor collect for a self-employed borrower?

- a.) 2 years W2s
- b.) 2 years paystubs
- c.) 2 years 1099s
- d.) 2 years tax returns - Answer - d.) 2 years tax returns

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## NMLS Mortgage Loan Origination (SAFE MLO) Exam Sample Questions (Q13-Q18):

### NEW QUESTION # 13

Which of the following responses best defines a red flag?

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

**Answer: B**

Explanation:

A red flag is a pattern, practice, or specific activity that indicates the possible existence of identity theft. The Red Flags Rule requires financial institutions and creditors to develop and implement programs to detect, prevent, and mitigate identity theft.

"Red flags are patterns, practices, or specific activities that indicate the possible existence of identity theft."

- FTC, Red Flags Rule: Identity Theft Prevention Program

References:

FTC, Red Flags Rule

SAFE MLO National Test Study Guide

### NEW QUESTION # 14

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. Sex
- C. Ethnicity
- **D. Religion**

**Answer: D**

Explanation:

Under HMDA (Regulation C), lenders must collect and report applicant data including race, ethnicity, and sex, but not religion.

Collecting data on an applicant's religion would be prohibited by the Equal Credit Opportunity Act (ECOA).

"The data reported under HMDA includes the applicant's ethnicity, race, sex, and income... religion is not collected or reported."

- 12 CFR § 1003.4(a); Regulation C

References:

CFPB, HMDA Data Collection

12 CFR § 1003.4(a)

### NEW QUESTION # 15

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**

**Explanation:**

The debt-to-income (DTI) ratio is a key metric used by lenders to assess a borrower's ability to manage monthly payments and repay a mortgage. It is calculated by dividing the borrower's total monthly debt obligations, including:

- \* Monthly housing expenses (principal, interest, taxes, and insurance, also known as PITI).
- \* Any other recurring debt obligations (car loans, student loans, credit card payments, etc.).

This total is divided by the borrower's gross monthly income (before taxes and deductions). This calculation helps determine whether the borrower meets lending standards, with most lenders preferring a DTI ratio below 43% for qualified mortgages.

**References:**

- \* Fannie Mae and Freddie Mac guidelines on debt-to-income ratio
- \* CFPB Qualified Mortgage Rules

**NEW QUESTION # 16**

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

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

**Answer: B**

**Explanation:**

Standard guidelines recommend a 2-year history of commission income to count it as qualifying income.

However, lenders may consider a shorter history if there are positive factors to offset the shortfall. MLOs should always take the application and allow underwriting to review the overall credit risk.

"Generally, a minimum history of two years is recommended for commission income, but a shorter period may be considered with compensating factors."

- Fannie Mae Selling Guide, B3-3.1-05: Secondary Employment Income

**References:**

Fannie Mae, Commission Income Requirements  
SAFE MLO National Test Study Guide

**NEW QUESTION # 17**

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

**Answer: B**

**Explanation:**

Under HOEPA (Home Ownership and Equity Protection Act) rules for high-cost mortgages, a creditor may not refinance a high-cost mortgage into another high-cost mortgage within 12 months of the previous transaction unless the new loan is in the borrower's best interest. This is to prevent loan flipping and predatory lending.

"A creditor may not refinance a high-cost mortgage into another high-cost mortgage within one year unless the new loan is in the borrower's best interest."

- 12 CFR § 1026.34(a)(3)

Since the purpose here is a cash-out for a collector car (not generally a "best interest" purpose), the MLO should deny the loan unless a strong case can be made that it is in the borrower's best interest.

**References:**

CFPB, High-Cost Mortgages (HOEPA)

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