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## NMLS MLO Exam Questions and Answers

What must a borrower do to avoid having late payments reported to a credit bureau? - Answer-Pay within 30 days of due date

Max penalty if a borrower is required to use a specific title company or settlement agent? - Answer-3 times the fee

What should not be over-weighted in an analysis of borrower repayment capacity? - Answer-Credit scores

Max prepayment penalty on residential mortgages in the first year of the loan - Answer-3%

What must condominium associations do with respect to property insurance? - Answer-Keep a "blanket" policy that protects the entire structure

If a lender is planning on referring a borrower to a title company that the lender has ownership in, when must the AFBA must be provided to the borrower? - Answer-Before the referral to the title company is made

Website to obtain copy of your credit report that the credit bureaus are required to provide once per year at no charge - Answer-annualcreditreport.com

2/3/6 caps - Answer-ARM initial adjustment max is 2%, subsequent adjustment period max is 3%, and lifetime cap of 6%

What does FHLB stand for and what do they provide? - Answer-Federal Home Loan Bank, and they provide advances to financial institutions for residential mortgage loans

According to the Dodd-Frank Act, how much risk must be retained by the securitizer for a loan that does not meet QRM guidelines? - Answer-5%

On a purchase transaction, what document contains the purchase price for a property? - Answer-Sales Contract

After a loan has been closed and funded, the creditor notices a tolerance violation with a fee between the LE and CD. How long does the creditor have to reimburse the borrower for the overcharge before being considered in violation of the TRID rule? - Answer-60 days after closing

According to the Dodd-Frank Act, how much risk must be retained by the securitizer for a loan that does not meet QRM guidelines? - Answer-5%

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## NMLS Mortgage Loan Origination (SAFE MLO) Exam Sample Questions (Q211-Q216):

### NEW QUESTION # 211

Which of the following is a requirement for a mortgage loan originator (MLO) license?

- A. Have not had an MLO license revoked in the last five years
- B. Completed at least 10 hours of pre-licensing education
- C. Have never been convicted of a felony in a domestic, foreign or military court
- **D. Are covered by either a net worth or surety bond or pay into a state fund as required by the state loan originator's supervisory authority**

**Answer: D**

Explanation:

One of the requirements for obtaining an MLO (Mortgage Loan Originator) license under the SAFE Act is that the MLO must be covered by a net worth requirement, surety bond, or must pay into a state fund. This requirement ensures that MLOs have adequate financial backing to protect consumers and the public in the event of legal or financial disputes.

\* A (10 hours of pre-licensing education) is incorrect because the requirement is at least 20 hours of pre-licensing education.

\* B (license revoked) and C (conviction) are not fully accurate as they do not align with the exact licensing rules under the SAFE Act.

References:

\* SAFE Act, 12 USC §5101

\* NMLS Licensing Guidelines

### NEW QUESTION # 212

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

**Answer: A**

Explanation:

Lenders are permitted to accept the employment information provided by the borrower on the initial loan application without asking for a letter of explanation when the borrower has a stable employment history, such as being employed by the same company for three years or more. This provides sufficient documentation of employment stability, reducing the need for further explanation.

\* Other options (A, B, C) involve situations where the employment status or job stability may raise concerns, thus requiring additional documentation or explanation.

References:

\* Fannie Mae Selling Guide on employment verification

\* Freddie Mac Employment History Guidelines

### NEW QUESTION # 213

When obtaining a mortgage loan, title insurance is required to protect the:

- A. settlement agent.
- **B. lender providing the financing.**
- C. mortgage loan officer.
- D. seller of the property.

**Answer: B**

Explanation:

When obtaining a mortgage loan, title insurance is typically required to protect the lender. The lender's title insurance policy ensures that the lender has a valid lien on the property and protects against potential claims on the title, such as unpaid property taxes, liens, or ownership disputes.

\* While owner's title insurance protects the buyer, the lender's title insurance is required to protect the financial interest of the lender.

References:

\* TILA-RESPA Integrated Disclosure (TRID) Rule

\* ALTA Title Insurance Guidelines

#### NEW QUESTION # 214

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. 5% 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. 4% interest in years 1 and 2 and 6% interest in years 3 through 30

**Answer: C**

Explanation:

A 2-1 buydown provides for a reduced interest rate for the first two years:

Year 1: Note rate minus 2% ( $6\% - 2\% = 4\%$ )

Year 2: Note rate minus 1% ( $6\% - 1\% = 5\%$ )

Years 3-30: Note rate (6%)

"In a 2-1 buydown, the interest rate is reduced by 2% the first year and 1% the second year. The third and subsequent years, the rate is the note rate."

- SAFE MLO National Test Study Guide; CFPB Mortgage Glossary

References:

CFPB, Buydowns

SAFE MLO National Test Study Guide

#### NEW QUESTION # 215

Which of the following responses best defines a red flag?

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

**Answer: C**

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 # 216

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