

# Free PDF Quiz NMLS - Authoritative MLO Sample Questions Answers

## MLO SAFE NMLS Practice Test 2024 (Updated) Questions & Correct Answers

Taking advantage of ill-informed consumers through excessively high fees, misrepresented loan terms, frequent refinancing that does not benefit the borrower and other prohibited acts is called \_\_\_\_\_. - Answer - Predatory Lending.

RESPA-Real Estate Settlement Procedures Act - Answer - The Federal Statute that deals with the settlement of residential mortgage loans.

RESPA's section 9 Prohibits - Answer - Home sellers from requiring home buyers to purchase title insurance from a particular company providing title services.

The Dodd-Frank Act modifies ECOA to require a creditor to furnish a copy of an appraisal developed in connection with a first mortgage \_\_\_\_\_ and absolutely not later than \_\_\_\_\_ business days prior to closing. - Answer - upon completion and 3 business days

TIL (Truth In Lending Disclosure) & GFE (Good Faith Estimate) - Answer - Per the Dodd Frank Act, a single disclosure form combines these 2 statements.

Per the Dodd-Frank Act, to be a "qualified mortgage" total points and fees may not exceed \_\_\_\_\_% of the total loan amount. - Answer - 3% (three percent)

Per a provision of the Dodd-Frank Act mortgage lenders are to determine that a borrower has a reasonable ability to repay a loan. Does this provision apply to all loans or just owner occupied loans? - Answer - All loans, whether owner occupied or not.

A loan subject to HOEPA allows prepayment penalties for the first \_\_\_\_\_ years of the loan. - Answer - 2 (two) years

Per the Dodd-Frank Act an abusive act would include which of the following:  
1. One that materially interferes with the consumers ability to understand the product or service.  
2. One that take unreasonable advantage of a consumers' lack of understanding.

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## **NMLS Mortgage Loan Origination (SAFE MLO) Exam Sample Questions (Q197-Q202):**

### **NEW QUESTION # 197**

A loan that is meant to be offered to prospective borrowers with poor credit history is generally referred to by which of the following terms?

- A. Balloon
- B. Fixed-rate
- C. Interest-only
- **D. Subprime**

**Answer: D**

Explanation:

A subprime loan is a type of loan offered to borrowers with low credit scores or other risk factors. These loans typically have higher interest rates to compensate for increased risk.

"Subprime loans are made to borrowers who have poor or limited credit histories and pose a higher risk of default."

- SAFE MLO National Test Study Guide

References:

CFPB, Subprime Mortgage Definition

### **NEW QUESTION # 198**

Which of the following information must be included in advertisements?

- A. A statement of an unrealistic interest rate
- **B. An NMLS unique identifier**
- C. Estimated loan closing time frames
- D. Mortgage loan originator contact information

**Answer: B**

Explanation:

The SAFE Act and Regulation Z require that all mortgage loan originator advertisements include the MLO's NMLS unique identifier. This ensures transparency and accountability.

"Any advertisement by a state-licensed mortgage loan originator must clearly show the unique identifier of the mortgage loan originator."

- SAFE Act, 12 U.S.C. § 5104(a)(2); 12 CFR § 1026.36(g)(1)

References:

SAFE Act, 12 U.S.C. § 5104

Regulation Z, 12 CFR § 1026.36(g)

### **NEW QUESTION # 199**

Which of the following property value approaches does an appraiser use on a rental property?

- A. Cost approachB Income approach
- **B. Annual approach**
- C. Sales comparison approach

**Answer: B**

Explanation:

For rental properties, an appraiser will typically use the Income Approach to estimate the property's value.

This method is based on the income-generating potential of the property, which is most relevant for investment properties, including

rentals.

\* The Income Approach assesses the property's ability to generate future cash flow by evaluating the income that can be derived from renting it. The formula often involves determining the net operating income (NOI) and applying a capitalization rate (cap rate) to estimate value.

\* This method is most appropriate for rental properties because their value is inherently tied to their profitability.

Other methods:

\* Cost approach: More suited for unique properties or new construction.

\* Sales comparison approach: Often used for owner-occupied properties, comparing recent sales of similar properties.

References:

Uniform Standards of Professional Appraisal Practice (USPAP)

Fannie Mae's Appraisal Guidelines for Rental Properties

### NEW QUESTION # 200

Which of the following actions should a mortgage loan originator (MLO) take if a real estate broker offers the MLO \$500 to obtain a purchase-money mortgage for the real estate broker's client?

- A. Receive the \$500 fee and include it on the Closing Disclosure
- B. Accept the money after obtaining the requested loan for the client
- C. Apply the \$500 towards the downpayment
- **D. Decline the money**

**Answer: D**

Explanation:

The Real Estate Settlement Procedures Act (RESPA) prohibits kickbacks, referral fees, and unearned fees in any transaction involving a federally related mortgage loan. If a real estate broker offers the MLO \$500 to obtain a purchase-money mortgage for the broker's client, the MLO must decline the money. Accepting payment for a referral is illegal under Section 8 of RESPA.

\* Options such as applying the money toward the down payment (B) or including it on the Closing Disclosure (C)\*\* do not make the payment legal, as it would still violate RESPA.

References:

\* RESPA Section 8 - Prohibition on kickbacks and referral fees

\* CFPB Guidelines on RESPA compliance

### NEW QUESTION # 201

Which of the following scenarios describes an assumable loan?

- A. A borrower has an option to choose a loan servicer.
- B. A borrower has an option to take out a second mortgage
- C. A loan holder can sell the loan.
- **D. A purchaser of a property may be able to take over the existing loan payments.**

**Answer: D**

Explanation:

An assumable loan is a loan in which a purchaser of a property has the option to take over the existing loan payments under the same terms as the original borrower. This can happen with certain types of loans, such as FHA or VA loans, which allow the buyer to assume the mortgage, potentially at a more favorable interest rate than current market rates.

\* Options like taking out a second mortgage (A), choosing a loan servicer (B), or selling the loan (D) do not describe assumable loans.

References:

\* FHA Guidelines on Assumable Loans

\* VA Loan Assumption Guidelines

### NEW QUESTION # 202

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