

# MLO Valid Test Tips - MLO Valid Torrent

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## MLO Test Questions with correct answers

Which of the following best describes a 2nd mortgage loan?

- (A) A conventional mortgage that is conforming
- (B) A conventional mortgage that is non-conforming
- (C) A conforming loan that is non-conventional
- (D) A non-conforming loan that is non-conventional Answer ✓ ✓ (B) A conventional mortgage that is non-conforming

WHY?

Non-conforming because it is a Second Mortgage and that falls outside the Frannie Mac - Freddie Mac guidelines

It is important to understand that a conforming loan can be a conventional loan but a conventional loan isn't always a conforming loan.

Conventional loans can be fixed rate mortgages, adjustable rate mortgages, balloon mortgages, or hybrid loans. Almost any type of loan, if not issued, guaranteed or insured by a government entity, is considered a conventional loan.

Which of the following best describes the fundamental reasons for the creation of the Home Mortgage Disclosure Act?

- (A) HMDA grew out of public concern over certain limitations on interest rates
- (B) HMDA grew out of public concern over credit shortages in certain urban neighborhoods
- (C) HMDA grew out of public concern over credit overages for affluent neighborhoods

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## **NMLS Mortgage Loan Origination (SAFE MLO) Exam Sample Questions (Q37-Q42):**

### **NEW QUESTION # 37**

A sign that an appraisal report may be overvaluing a property is that the:

- **A. Subject property address does not match the house number photographed by the appraiser.**
- B. Subject property and comparable properties were built by the same construction company.
- C. Subject property is in the same neighborhood as the comparable properties.
- D. Comparable properties are consistent with the subject property.

**Answer: A**

Explanation:

A mismatch between the subject property address and the house number photographed by the appraiser is a clear red flag. It suggests the photo may not be of the actual property being appraised, raising serious questions about the validity of the appraisal and possible overvaluation or fraud.

"Warning signs of appraisal fraud include... property photos that do not match the address or appearance of the subject property."

- Fannie Mae Appraiser Independence Requirements (AIR); SAFE MLO National Test Study Guide References:

Fannie Mae, Appraiser Independence Requirements

SAFE MLO National Test Study Guide

### **NEW QUESTION # 38**

Which of the following duties requires licensure under the SAFE Act?

- A. An individual who performs administrative or clerical tasks on behalf of a mortgage loan originator
- B. A licensed and registered real estate broker performing real estate brokerage activities
- **C. An individual who offers or negotiates terms of a residential mortgage loan for compensation or gain**
- D. An individual who performs processing and underwriting duties at the direction of and subject to the supervision of a licensed individual

**Answer: C**

Explanation:

Under the SAFE Act, an individual must be licensed as a mortgage loan originator (MLO) if they take a residential mortgage loan application and offer or negotiate terms for compensation or gain. Activities such as only performing clerical or support duties, or acting solely as a real estate broker in their normal capacity, do not require an MLO license.

"The term 'mortgage loan originator'... means an individual who (i) takes a residential mortgage loan application; and (ii) offers or negotiates terms of a residential mortgage loan for compensation or gain."

- SAFE Act, 12 USC § 5102(4)

References:

SAFE Act, 12 USC § 5102(4)

NMLS Uniform State Content Outline

### **NEW QUESTION # 39**

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. A letter from the borrower explaining that they paid it off
- B. No additional information required
- C. Oral confirmation from the borrower
- **D. An updated statement showing a zero balance**

**Answer: D**

Explanation:

To prove that an account listed on a credit report has been paid off, the borrower must provide an updated statement showing a zero balance. This is the most direct and verifiable method for a lender to confirm the account has been settled.

\* Oral confirmation (A) or a letter from the borrower (C) are not acceptable documentation, as they lack third-party verification.  
\* No further documentation would be required if the credit report already reflects the zero balance, but until then, updated documentation is necessary.

References:

- \* Fair Credit Reporting Act (FCRA)
- \* Standard mortgage underwriting documentation guidelines

#### NEW QUESTION # 40

A revised Closing Disclosure is not required to be provided before a loan consummation in which of the following circumstances?

- A. An addition of a prepayment penalty
- B. A change in APR
- C. A change in loan product
- D. An addition of an escrow account

**Answer: D**

Explanation:

Under TRID (TILA-RESPA Integrated Disclosure rule), a revised Closing Disclosure must be provided at least three business days prior to consummation if there is a change in APR, loan product, or the addition of a prepayment penalty. Adding an escrow account does not trigger the three-day waiting period requirement.

"Only three types of changes require a new three-business-day waiting period: (1) a change in the APR, (2) a change in the loan product, or (3) the addition of a prepayment penalty."

- CFPB, TILA-RESPA Integrated Disclosure Rule Small Entity Compliance Guide References:

CFPB, TILA-RESPA Integrated Disclosure Rule Guide (see "Changes before consummation requiring a new waiting period")

#### NEW QUESTION # 41

An advertisement only reads: "Looking for low rates on a new mortgage loan? I can get you a \$1,100 monthly payment on a \$200,000 loan." This statement is a violation of which of the following rules?

- A. Truth in Lending Act (TILA)
- B. Equal Credit Opportunity Act (ECOA)
- C. Real Estate Settlement Procedures Act (RESPA)
- D. Unfair Deceptive or Abusive Acts or Practices

**Answer: A**

Explanation:

The Truth in Lending Act (TILA) Regulation Z requires that if a mortgage advertisement states a specific payment amount, it must also clearly and conspicuously disclose all required terms such as the APR, loan amount, terms of repayment, and interest rate. An ad that only mentions a monthly payment and loan amount-without these other disclosures-is a violation of TILA advertising requirements.

"If an advertisement states the amount of any payment, the amount of any finance charge, or the number of payments or period of repayment, it must also state all required triggering terms, including the APR."

- 12 CFR § 1026.24(d); Regulation Z, TILA

References:

CFPB, TILA Advertising Requirements  
SAFE MLO National Test Study Guide

#### NEW QUESTION # 42

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