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Mortgage Loan Origination (SAFE MLO) Exam

NMLS MLO

Version Demo

Total Demo Questions: 21

Total Premium Questions: 215

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Topic Break Down

Topic	No. of Questions
Topic 1, Federal Mortgage Related Laws	116
Topic 2, General Mortgage Knowledge	51
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Topic 4, Ethics	13
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Total	215

QUESTION NO: 1

Which of the following is not a primary function for compensation undertaken by a mortgage loan originator on an FHA loan?

A. Taking an application

B. Offering or negotiating credit terms

C. Assisting a consumer in applying for credit

D. Performing real estate brokerage activities

ANSWER: D

Explanation:

Performing real estate brokerage activities is the correct choice because it is not included in the core activities that define mortgage loan origination. Under the SAFE Act's implementing Regulation H, an individual acts as a mortgage loan originator when, for compensation or gain, the individual takes a residential mortgage loan application, offers or negotiates terms of a residential mortgage loan, or assists a consumer in obtaining or applying to obtain such a loan. Those duties relate directly to arranging mortgage financing, including FHA-insured financing. Real estate brokerage, by contrast, concerns representing parties in a transaction involving the purchase, sale, lease, or exchange of real property. Although one person may hold both mortgage-originator and real-estate licenses where permitted, the activities remain distinct and are governed by separate licensing, supervision, and consumer-protection requirements. Therefore, brokerage activity is not a primary mortgage loan originator function merely because the related transaction includes an FHA loan. The applicable federal definition is available in 12 CFR § 1008.103. The CFPB also provides SAFE Act information at Regulation H—SAFE Mortgage Licensing Act.

QUESTION NO: 2

If a borrower believes that there is incorrect information on their credit report, which of the following actions should they take?

A. Ask the lender to fix the error

B. Call the credit bureau to report the error

C. Make a written notification to the credit bureau to report the error

D. Ask the company that is reporting the error to the credit bureau to fix the error

ANSWER: C

Explanation:

Make a written notification to the credit bureau to report the error is the best answer because the Fair Credit Reporting Act gives consumers the right to dispute incomplete or inaccurate information in a consumer report with the consumer reporting agency that issued the report. A written dispute creates a clear record of the consumer's claim, identifies the specific information being challenged, and allows the borrower to include copies of supporting documentation. The credit reporting agency generally must conduct a reasonable reinvestigation, notify the data furnisher of the dispute as appropriate, and provide the consumer with the results. The investigation generally must be completed within 30 days, although the period may be extended in limited circumstances, such as when the consumer provides additional relevant information during the initial investigation period. For MLO purposes, borrowers should be directed to review reports from each bureau carefully and dispute any inaccurate account, payment-history, identity, or public-record information through the bureau's established dispute process. The Consumer Financial Protection Bureau recommends submitting disputes in writing and retaining copies of the letter and supporting records. See the CFPB's guidance on disputing credit-report errors and the FTC's consumer guidance on credit-report disputes.

QUESTION NO: 3

A borrower visits a mortgage loan originator (MLO) for Mortgage ABC to discuss getting a home equity line of credit (HELOC) loan from Bank LMN. The MLO encourages the borrower to apply with Bank XYZ instead because ABC does not provide HELOC loans. When the borrower submits an application directly to XYZ, XYZ pays the MLO $100 from the 1% origination fee that it collected from the borrower. Is this fee permissible?

A. The fee is permitted if the fee is disclosed on the final settlement statement.

B. The fee is permitted as the MLO performed origination services for the borrower.

C. The fee is not permitted as the MLO did not perform any actual origination services for the borrower.

D. The fee is not permitted as the MLO did not perform any actual origination services for the borrower, unless the fee was paid directly by the borrower.

ANSWER: C

Explanation:

The fee is not permitted as the MLO did not perform any actual origination services for the borrower. The described payment is compensation from Bank XYZ to the MLO based on the borrower being directed to XYZ. That is a referral payment, rather than payment for a distinct settlement service actually performed by the MLO in connection with the borrower's HELOC transaction. The borrower applied directly with Bank XYZ, and the facts do not establish that the MLO took the application, processed the loan, or provided another bona fide, compensable service to XYZ.

RESPA section 8 prohibits giving or accepting a fee, kickback, or thing of value pursuant to an agreement or understanding that settlement-service business will be referred. It also prohibits splitting a charge except for services actually performed. Calling the $100 a portion of an origination fee does not change its character where the payment compensates the MLO for referring the borrower rather than for actual services. Disclosure of a charge does not itself make a referral fee lawful; the payment must be for legitimate services actually performed. CFPB Regulation X implements these restrictions in 12 C.F.R. § 1024.14. See the CFPB's Regulation X, section 1024.14 and 12 U.S.C. § 2607.

QUESTION NO: 4

Which of the following factors does not affect the funding fee on a VA purchase?

A. Service-connected disability

B. First-time user

C. Marital status

D. Loan-to-value ratio

ANSWER: C

Explanation:

Marital status is correct because it is not among the statutory or VA-established variables used to calculate a VA purchase-loan funding fee. The funding fee is generally assessed as a percentage of the loan amount and helps reduce the cost of the VA home-loan program for taxpayers. For purchase loans, the applicable percentage is determined primarily by whether the borrower is using VA loan entitlement for the first time or after prior use, and by the amount of the down payment. A larger down payment, which corresponds to a lower loan-to-value ratio, can result in a lower funding-fee rate. Certain veterans and borrowers are exempt from the fee, including veterans receiving VA compensation for a service-connected disability and certain borrowers who are entitled to receive such compensation. VA also may permit a refund when a disability-compensation award is made effective before the loan closing date. None of these calculations depend on whether the borrower is single, married, divorced, or widowed. An MLO should identify applicable VA eligibility and funding-fee exemption documentation during origination, while recognizing that marital status itself does not change the fee. The VA publishes current funding-fee rates and exemption guidance at VA Funding Fee and Closing Costs and provides program details in the VA Lenders Handbook.

QUESTION NO: 5

A mortgage company is permitted to verify which of the following information?

A. Sex

B. Religion

C. Employment status

D. Childbearing intentions

ANSWER: C

Explanation:

Employment status is information a mortgage company may verify because it is directly relevant to evaluating a consumer's income, capacity to repay, and overall creditworthiness. Verification may include confirming that the applicant is currently employed, the nature and expected continuity of employment, compensation, and whether employment-related income is likely to continue. This review is a routine part of prudent mortgage underwriting and supports the creditor's assessment of the applicant's ability to meet the proposed loan obligation. Regulation B under the Equal Credit Opportunity Act permits a creditor to request information concerning employment status and income when evaluating an application. The rule allows creditors to obtain information necessary to make a credit decision, provided that the information is used consistently and in a nondiscriminatory manner. For mortgage loans, employment verification is commonly obtained through employer contacts, written verification of employment, pay documentation, or reliable third-party verification services. The applicable Regulation B provision is available at 12 CFR 1002.5. CFPB guidance on ECOA and Regulation B is available at CFPB's ECOA/Regulation B resources.

QUESTION NO: 6

Which of the following must be included on all residential mortgage loan application forms?

A. A mortgage loan originator's unique identifier

B. A borrower's driver's license number

C. The maiden name of the borrower's mother

D. The borrower's previous five year employment history

ANSWER: A

Explanation:

A mortgage loan originator's unique identifier must be included because federal Truth in Lending Act loan-originator rules require the individual loan originator's name and Nationwide Multistate Licensing System and Registry (NMLSR) unique identifier to appear on the loan application. This identifier is assigned through NMLS and remains associated with that individual, helping consumers, lenders, and regulators accurately identify the person who originated the mortgage transaction. The requirement supports the SAFE Act's nationwide licensing and registration framework by making an originator's licensing record more readily traceable and by promoting accountability across state lines. For exam purposes, the key point is that the NMLSR unique identifier is a mandatory application disclosure tied directly to the mortgage loan originator, rather than merely an item that may be collected during underwriting or identity verification. Regulation Z states that the loan application must include the loan originator's name and unique identifier. See 12 CFR § 1026.36(g). Additional background on the NMLS unique identifier system is available from the Nationwide Multistate Licensing System.

QUESTION NO: 7

How often is the state licensing agency permitted to review, investigate or examine any mortgage loan originator?

A. Annually

B. Semiannually

C. Upon renewal only

D. As often as necessary

ANSWER: D

Explanation:

“As often as necessary” is correct because the SAFE Act gives a state licensing agency continuing supervisory and enforcement authority over mortgage loan originators. This authority is not confined to a fixed examination cycle, such as an annual or renewal-based review. Instead, the agency may investigate, examine, or review an MLO whenever the agency determines that doing so is needed to carry out the purposes of the SAFE Act and to evaluate compliance with applicable state and federal requirements. The statute also authorizes regulators to access books, accounts, records, documents, and information relevant to the MLO’s activities, supporting oversight that can be responsive to complaints, suspected violations, licensing concerns, or broader compliance-monitoring needs. For SAFE MLO exam purposes, the key statutory phrase to recognize is that the frequency is determined by necessity, rather than by a prescribed calendar interval. This flexible authority helps state regulators protect consumers and maintain effective supervision of licensed mortgage loan originators. See the SAFE Act’s state licensing and enforcement provisions at 12 U.S.C. § 5117 and the Consumer Financial Protection Bureau’s SAFE Act regulation, 12 CFR Part 1008.

QUESTION NO: 8

A veteran borrower obtains a VA loan to purchase a property for $200,000 and opts to finance the entire purchase price plus the VA funding fee of 2.15%. The initial payment for principal and interest will be calculated based on a loan amount of:

A. $200,000

B. $204,300

C. $200,000 plus lender's attorney fees

D. $204,300 plus lender's attorney fees

ANSWER: B

Explanation:

$204,300 is correct because a VA borrower may finance the VA funding fee in addition to the base loan amount. Here, financing the entire $200,000 purchase price creates a base loan of $200,000. The funding fee is 2.15% of that base loan: $200,000 × 0.0215 = $4,300. Adding the financed fee to the base loan produces a total note amount of $204,300.

The borrower’s initial principal-and-interest payment is calculated using the amount financed in the loan note, which includes the financed funding fee. Therefore, the payment calculation uses $204,300, subject to the loan’s applicable interest rate and amortization term. This treatment is specifically permitted for VA-guaranteed loans: the funding fee may be paid in cash at closing or included in the loan. VA guidance distinguishes the base loan from the total loan amount when the funding fee is financed, helping ensure the payment is calculated from the complete indebtedness reflected by the note.

See the VA’s Funding Fee and Closing Costs guidance and VA Lender’s Handbook, Chapter 8.

QUESTION NO: 9

A couple purchasing a house does not have enough money in reserve to meet the underwriting guidelines for their loan. They are required to bring $10,000 to closing, and they will be $3,000 short unless they can find additional cash. The mortgage loan originator may assist the borrowers by taking which of the following actions?

A. Editing the underwriter ' s copy of the purchase and sales agreement on the property to show a $3,000 contribution from the seller

B. Having the real estate agent deposit $3,000 into the borrowers ' bank account to generate a deposit record and then withdrawing the money immediately

C. Asking the borrowers if they have any previously undisclosed additional cash assets that can be documented

D. Suggesting that the borrowers temporarily borrow money from a relative to deposit into their bank account until the loan closes

ANSWER: C

Explanation:

Asking the borrowers if they have any previously undisclosed additional cash assets that can be documented is an appropriate action because a borrower may have legitimate assets that were not included in the original application or asset documentation. The mortgage loan originator may ask about those funds and help the borrowers provide the records needed for the lender and underwriter to evaluate them. Any funds used to satisfy the cash-to-close or reserve requirement must be accurately disclosed, sourced, and documented under the applicable loan program's requirements. For example, acceptable documentation may include recent account statements, evidence of ownership, and documentation of any significant deposits when required. The key is that the borrowers' actual financial position must be presented truthfully to the creditor; the MLO's role is to facilitate complete and accurate documentation, not create an appearance of funds or conceal the true source of money. Fannie Mae's Selling Guide explains requirements for verifying assets and documenting the source of large deposits, while federal law prohibits material misstatements or omissions in connection with a residential mortgage loan. See Fannie Mae Selling Guide: Verification of Deposits and Assets and CFPB Regulation H, 12 CFR Part 1008.

QUESTION NO: 10

A lender will require private mortgage insurance for first lien loans with loan-to-value over what percentage?

A. 70%

B. 75%

C. 78%

D. 80%

ANSWER: D

Explanation:

80% is correct. For a conventional first-lien residential mortgage, private mortgage insurance (PMI) is generally required by the lender when the loan-to-value (LTV) ratio exceeds 80%. LTV compares the amount borrowed with the property's value: a borrower making a 20% down payment finances 80% of the purchase price and has an 80% LTV. When the down payment is less than 20%, the LTV is greater than 80%, leaving the lender with less borrower equity protecting against potential losses if foreclosure occurs. PMI is insurance that protects the mortgage lender or investor, rather than the borrower, against a portion of the loss associated with borrower default. The federal Homeowners Protection Act establishes important PMI disclosure and cancellation rules for many covered conventional first-lien mortgages. In particular, for qualifying loans, borrowers may request cancellation when the principal balance reaches 80% of the property's original value, subject to applicable requirements, and automatic termination generally occurs at 78% if the borrower is current. These statutory cancellation benchmarks reinforce why an LTV above 80% is the standard exam threshold associated with lender-required PMI. See the CFPB's PMI overview and its PMI cancellation guidance.

QUESTION NO: 11

How long does Regulation Z of the Truth in Lending Act (TILA) require a mortgage company to retain the Closing Disclosure for a closed mortgage loan?

A. 2 years

B. 3 years

C. 4 years

D. 5 years

ANSWER: D

Explanation:

5 years is correct. Regulation Z's record-retention rule requires a creditor to retain copies of the Closing Disclosure and all related documents for five years after consummation of the transaction. Consummation generally occurs when the consumer becomes contractually obligated on the credit transaction under applicable state law; it is not necessarily the same as the closing or funding date. The retention requirement supports regulatory oversight and enables the creditor to demonstrate compliance with the TILA-RESPA Integrated Disclosure rule, including the requirement to provide accurate final disclosures of the loan's costs, terms, and cash-to-close information. For this purpose, the creditor must be able to preserve and produce the Closing Disclosure records for the full five-year period. The governing provision is 12 CFR § 1026.25(c)(1)(i), which specifically states that a creditor shall retain copies of the Closing Disclosure, and all related documents, for five years after consummation. The Consumer Financial Protection Bureau's Regulation Z materials also identify record-retention duties applicable to mortgage disclosures. See 12 CFR § 1026.25 and the CFPB's TILA-RESPA Integrated Disclosure resources.

QUESTION NO: 12

On an annual basis, a licensed state mortgage loan originator must complete three hours of continuing education on federal law and regulations, two hours on nontraditional mortgage products, and two hours on:

A. Ethics

B. Government loan programs

C. How to complete the loan application

D. The operations of the secondary market

ANSWER: A

Explanation:

Ethics is the required subject area. Under the SAFE Act, a state-licensed mortgage loan originator must complete at least eight hours of NMLS-approved continuing education each year. The statute specifies three required components within that annual total: three hours of federal law and regulations, two hours of ethics, and two hours related to lending standards for the nontraditional mortgage product marketplace. The ethics component must include instruction addressing fraud, consumer protection, and fair-lending issues. These mandated subjects account for seven of the required eight hours; the remaining hour may be satisfied by other approved education, including state-specific content when applicable. The annual education requirement supports continued competency and emphasizes the legal, ethical, and consumer-protection obligations that apply to MLO activity. The requirement is established in the SAFE Act at 12 U.S.C. § 5105(b)(2) and is reflected in NMLS education requirements for state-licensed MLOs. See the statutory text at 12 U.S.C. § 5105 and the NMLS overview of MLO education requirements.

QUESTION NO: 13

A mortgage loan originator paying compensation to a real estate agent for client referrals is:

A. Prohibited unless the client is notified and consents to the payment.

B. Considered an illegal kickback prohibited by the Real Estate Settlement Procedures Act (RESPA).

C. Permissible if the compensation is limited to meals or other noncash gifts.

D. Permissible if the compensation is limited to payment for the real estate agent ' s related business expenses.

ANSWER: B

Explanation:

“Considered an illegal kickback prohibited by the Real Estate Settlement Procedures Act (RESPA)” is correct when the referrals involve settlement-service business connected with a federally related mortgage loan. RESPA Section 8 prohibits a person from giving or accepting any fee, kickback, or thing of value under an agreement or understanding that settlement-service business will be referred. A mortgage loan originator and a real estate agent are both typically positioned to refer consumers for services associated with a mortgage transaction. Therefore, compensation paid because the agent sent clients to the originator is a prohibited referral payment, whether the compensation is cash, gifts, entertainment, credits, or another item of value. The rule applies to express arrangements as well as informal understandings inferred from the parties’ conduct; documentation or disclosure does not transform a referral fee into a permissible payment. RESPA’s anti-kickback provision protects consumers by reducing incentives that can distort referral decisions and unnecessarily increase settlement costs. The statutory prohibition appears in 12 U.S.C. § 2607(a), and Regulation X implements it at 12 CFR § 1024.14. See the CFPB’s Regulation X, § 1024.14 and the text of 12 U.S.C. § 2607.

QUESTION NO: 14

A mortgage loan in which a large portion of the borrowed principal is repaid at the end of the loan period is known as a:

A. FHA mortgage.

B. balloon mortgage.

C. qualified mortgage.

D. deferred-payment mortgage.

ANSWER: B

Explanation:

A balloon mortgage is the correct term because it has a payment structure in which the scheduled periodic payments do not fully repay the loan principal during the stated term. Instead, a substantial remaining principal balance becomes due in one lump-sum payment at the end of that term, commonly called the balloon payment. For example, a loan may be calculated using a longer amortization period but require full repayment after a shorter period, leaving a significant final amount due at maturity. The defining feature is therefore not the loan’s purpose, property type, or government insurance status; it is the large final payment required to satisfy the unpaid balance. Under the federal Ability-to-Repay/Qualified Mortgage framework, a balloon-payment mortgage is specifically identified as a transaction requiring a payment more than two times a regular periodic payment, with limited exceptions for certain small creditors in rural or underserved areas. This regulatory treatment reinforces that “balloon mortgage” is the established industry and legal name for the loan described. See the CFPB’s Regulation Z §1026.43 Ability-to-Repay and Qualified Mortgage standards and the CFPB’s consumer explanation of balloon payments.

QUESTION NO: 15

An appraiser agrees to give a mortgage loan originator (MLO) half of her appraisal fees in return for the MLO ' s future business. This illegal practice is known as:

A. redlining.

B. fee splitting.

C. blockbusting.

D. paying it forward.

ANSWER: B

Explanation:

fee splitting. is the correct answer because the appraiser proposes to divide appraisal-fee revenue with the MLO as consideration for directing future appraisal business to her. In a mortgage transaction, an appraisal is a settlement service, and the arrangement ties compensation to the referral of that settlement-service business rather than to the performance of actual, compensable services by the MLO. This is commonly described as fee splitting and constitutes a prohibited referral-fee or kickback arrangement under the Real Estate Settlement Procedures Act (RESPA).

RESPA section 8 prohibits giving or accepting any fee, kickback, or thing of value pursuant to an agreement or understanding that business involving a settlement service will be referred. The prohibition applies whether the agreement is explicit or inferred from the parties' conduct or course of dealing. It also supports the rule that settlement-service charges may not be divided except for services actually performed. An MLO must preserve consumer choice, avoid financial incentives connected to referrals, and ensure that appraiser selection and compensation remain free from improper influence. The Consumer Financial Protection Bureau's RESPA compliance materials describe the anti-kickback restriction at 12 CFR § 1024.14, and the statutory prohibition appears at 12 U.S.C. § 2607.

QUESTION NO: 16

The TILA-RESPA Integrated Disclosure rule (TRID) applies to most closed-end consumer credit transactions secured by real property, which includes:

A. reverse mortgages.B home equity lines of credit (HELOCs;

B. refinance of a condominium property.

C. loans secured by a mobile home on a leased lot.

ANSWER: B

Explanation:

The refinance of a condominium property is covered by the TILA-RESPA Integrated Disclosure rule when it is a closed-end consumer-credit transaction secured by the condominium, which is real property. A refinance replaces an existing mortgage obligation with a new loan, and the creditor must generally provide the integrated disclosures required by Regulation Z: the Loan Estimate within the applicable timing period after receiving an application and the Closing Disclosure before consummation. The fact that the collateral is a condominium does not remove the transaction from TRID coverage; condominium units are interests in real property and are commonly financed through closed-end mortgage loans. TRID was designed to combine and standardize key federal mortgage disclosures so consumers can understand loan costs, terms, and closing information before becoming obligated on a covered transaction. The Consumer Financial Protection Bureau states that the rule generally applies to most closed-end consumer-credit transactions secured by real property. Regulation Z contains the operative disclosure requirements and scope provisions for these transactions. See the CFPB's TILA-RESPA Integrated Disclosure Rule resources and 12 CFR § 1026.19.

QUESTION NO: 17

A licensed mortgage loan originator (MLO) sharing his commission with another licensed MLO at his company for actual services performed on a loan is considered which of the following terms?

A. Tip sharing

B. Fee splitting

C. Single fee method

D. Double fee method

ANSWER: B

Explanation:

Fee splitting is the applicable term when one licensed MLO shares commission compensation with another licensed MLO for real, identifiable services the second MLO performed in connection with the mortgage transaction. The critical compliance principle is that compensation must be tied to actual work rather than paid merely for referring a consumer or steering business. Under Section 8 of the Real Estate Settlement Procedures Act, a person may not accept a portion, split, or percentage of a charge for a settlement service unless it is for services actually performed. Thus, a commission allocation between appropriately licensed personnel can be characterized as fee splitting when it compensates bona fide work on the loan and is handled in accordance with applicable federal requirements, state licensing law, and the company's compensation policies. The Consumer Financial Protection Bureau's Regulation X implements RESPA's prohibition and specifically addresses fee splits in 12 C.F.R. § 1024.14. See the CFPB's Regulation X, § 1024.14 and RESPA Section 8, 12 U.S.C. § 2607.

QUESTION NO: 18

What is the loan amount on the purchase price of $249,955.00 if the borrower is putting 18% down?

A. $204,693.10

B. $204,936.10

C. $204,963.10

D. $204,966.10

ANSWER: C

Explanation:

The correct loan amount is **$204,963.10**. A borrower making an 18% down payment finances the remaining 82% of the purchase price. The calculation can therefore be completed either by first calculating the down payment and subtracting it from the price, or by multiplying the price by 82%. Here, the down payment is $249,955.00 × 0.18 = $44,991.90. Subtracting that amount from the purchase price gives $249,955.00 − $44,991.90 = $204,963.10. Equivalently, $249,955.00 × 0.82 = $204,963.10. No rounding is necessary because the result is already expressed to the nearest cent. For mortgage-loan calculations, it is important to distinguish the purchase price from the loan amount: the purchase price is the agreed value of the property, while the loan amount is the portion financed after the borrower's required or elected cash investment. This result assumes there are no financed closing costs, seller concessions added to the balance, or other loan-program adjustments. The Consumer Financial Protection Bureau explains that a down payment is the amount paid upfront toward the home purchase, while the mortgage finances the remaining amount. See the CFPB homebuying resources and its loan-cost and rate exploration tools.

QUESTION NO: 19

The debt-to-income analysis should assess a borrower ' s total monthly housing related payments as a percentage of the:

A. net monthly income

B. gross monthly income.

C. taxable income.

D. loan amount.

ANSWER: B

Explanation:

The correct measure is **gross monthly income.** In mortgage underwriting, the housing-expense ratio compares the borrower's total monthly housing obligation—commonly principal, interest, real-estate taxes, homeowners insurance, mortgage insurance when applicable, and qualifying association dues—to verified gross monthly income. Gross income means income before federal or state income taxes, payroll withholding, and other deductions. Using a consistent pre-tax income figure allows lenders and investors to evaluate whether the proposed housing payment is reasonably sustainable under established underwriting requirements.

This housing calculation is often called the “front-end” ratio. It is distinct from the total debt-to-income ratio, or “back-end” ratio, which adds recurring monthly liabilities such as installment loans, revolving-credit payments, alimony, child support, and other qualifying debts to the monthly housing obligation, then divides that total by gross monthly income. Fannie Mae’s Selling Guide describes DTI as monthly debt obligations divided by monthly qualifying income, and its housing expense definition identifies the payment components used in the housing obligation. The CFPB’s Ability-to-Repay rule likewise relies on the consumer’s monthly debt-to-income ratio or residual income as part of repayment evaluation.

References: Fannie Mae Selling Guide—Debt-to-Income Ratios; CFPB Regulation Z, §1026.43 Ability-to-Repay.

QUESTION NO: 20

A written agreement guaranteeing a specific rate is called:

A. A loan application

B. A lock-in agreement

C. A preapproval letter

D. An intent to proceed agreement

ANSWER: B

Explanation:

A lock-in agreement is correct because it is the lender’s written commitment to make a mortgage loan at a specified interest rate, typically for a stated period before closing. This arrangement is commonly called a “rate lock.” It protects the borrower from an increase in the interest rate during the lock period, provided the loan is closed within that period and the borrower continues to meet the applicable loan terms and conditions. A rate-lock agreement may also specify other locked terms, such as points or credits, the lock expiration date, and any conditions that could affect the final rate. The Consumer Financial Protection Bureau explains that a rate lock is a guarantee that the lender will give the borrower a particular interest rate at a particular price for a specified period. For SAFE MLO exam purposes, the key distinction is that the commitment is written, identifies a specific rate, and applies for a designated time. See the CFPB’s Loan Estimate guidance and its mortgage rate-shopping information.

QUESTION NO: 21

The Equal Credit Opportunity Act (ECOA) defines the term "elderly" as anyone:

A. 60 years of age or older.

B. 62 years of age or older.

C. 65 years of age or older.

D. 70 years of age or older.

ANSWER: B

Explanation:

“62 years of age or older” is correct. Regulation B, which implements the Equal Credit Opportunity Act, specifically defines an elderly applicant as an applicant who is age 62 or older. This definition is important because ECOA and Regulation B prohibit creditors from discriminating in any aspect of a credit transaction on the basis of age, among other protected bases. Age may be considered only in limited ways permitted by the regulation, such as in a properly designed empirically derived, demonstrably and statistically sound credit-scoring system. The elderly-applicant definition also supports special purpose credit programs and provisions that allow creditors to give lawful preferential treatment to applicants age 62 or older without violating ECOA’s general prohibition on age discrimination. For mortgage loan originators, the practical point is that an applicant’s age cannot be used to deny credit, discourage an application, or impose less favorable terms when doing so would be prohibited under Regulation B. The governing definition appears in 12 C.F.R. § 1002.2(o), and the CFPB’s

Regulation B guide provides additional context on ECOA's protections and creditor obligations. See 12 C.F.R. § 1002.2 and the CFPB Regulation B resources.