



# NMLS Mortgage Loan

Free Practice Test — 30 Real Exam-Style Questions

with full answer key & explanations

**Unlock the full bank of 884 questions  
+ unlimited timed mock exams + mistake book**

Practice on the web: <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99 / week · \$6.99 / month · cancel anytime

**What you unlock: all 884 questions • unlimited timed mock exams • mistake book • instant explanations**

Also on iOS & Android — and watch the full Q&A walkthrough on [YouTube @CertsQuizPrep](#)



**Unlock all 884 questions + timed mock exams**  
→ <https://certs.theorypractice.app/nmls-mortgage-loan>  
\$2.99/week or \$6.99/month · cancel anytime · scan to start



## Practice Questions

Try all 30 first, then check the answer key at the back.

Want the other 854+ questions & full timed mock exams? Unlock at  
<https://certs.theorypractice.app/nmls-mortgage-loan>

### 1. What is the primary purpose of the Real Estate Settlement Procedures Act (RESPA)?

- A. To set the maximum interest rate lenders may charge on home loans
- B. To require disclosure of settlement costs and to prohibit kickbacks for referrals
- C. To guarantee mortgage loans made to first-time homebuyers
- D. To establish federal licensing standards for real estate agents

### 2. In a mortgage transaction, the promissory note is the document that:

- A. Pledges the property as security for the loan
- B. Contains the borrower's promise to repay the debt and the loan terms
- C. Transfers title to the lender
- D. Lists the closing costs

### 3. An FHA loan is:

- A. A loan made directly by the federal government
- B. A loan insured by the Federal Housing Administration and made by approved lenders
- C. A loan only for veterans
- D. A loan with no mortgage insurance

Also on iOS & Android — and watch the full Q&A walkthrough on [YouTube](#)  
[@CertsQuizPrep](#)

### 4. The standard residential loan application form used in the industry is commonly known as the:

- A. HUD-1
- B. Uniform Residential Loan Application (Form 1003)
- C. Closing Disclosure
- D. Form 1098



Unlock all 884 questions + timed mock exams  
→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start



**5. Steering a borrower into a loan with less favorable terms to increase the originator's compensation is:**

- A. A permitted sales technique
- B. Prohibited and a violation of loan originator compensation rules
- C. Required by RESPA
- D. Only an issue for adjustable-rate loans

**6. The Nationwide Multistate Licensing System (NMLS) serves to:**

- A. Set interest rates nationwide
- B. Provide a single system for licensing and registering mortgage companies and loan originators across states
- C. Insure mortgage loans
- D. Appraise properties

Want the other 854+ questions & full timed mock exams? Unlock at  
<https://certs.theorypractice.app/nmls-mortgage-loan>

**7. The TRID rule integrated which earlier disclosures into the Loan Estimate and Closing Disclosure?**

- A. The 1003 and the appraisal
- B. The TILA disclosure and the RESPA Good Faith Estimate/HUD-1
- C. The W-2 and the credit report
- D. The promissory note and the deed of trust

**8. A home appraises for \$250,000 and the buyer borrows \$200,000. What is the loan-to-value ratio?**

- A. 75%
- B. 80%
- C. 85%
- D. 90%

**9. According to FACTA, red flags do NOT fall into which category?**

- A. Alerts, notifications, or warnings from a consumer reporting agency.
- B. Suspicious activity relating to a covered account.
- C. Notices from consumers or law enforcement authorities about possible identity theft.
- D. Straw buyers involved in a transaction.



Unlock all 884 questions + timed mock exams  
→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start



Also on iOS & Android — and watch the full Q&A walkthrough on [YouTube](#)  
[@CertsQuizPrep](#)

**10. According to Page 5 of the Closing Disclosure, under Other Disclosures, what is true when the borrower borrows more than the value of the property?**

- A. The interest on the loan amount above this property's fair market value is still deductible on federal income taxes.
- B. The excess loan amount can be recovered through a deficiency judgment by the lender in a trustee's sale.
- C. The borrower will have to pay the remaining debt after foreclosure.
- D. The interest on the loan amount above this property's fair market value is not deductible on federal income taxes.

**11. What does Section 8 of RESPA NOT consider to be prohibited things of value?**

- A. Money.
- B. Services at special rates.
- C. Opportunities.
- D. Hats.

**12. A title company gives a loan originator a \$200 gift card each time the originator refers a borrower for title insurance. Under RESPA, this arrangement is:**

- A. A prohibited kickback for the referral of settlement-service business
- B. Permitted because the payment is under \$500
- C. Permitted as long as it is disclosed on the Closing Disclosure
- D. Permitted because title insurance is optional

Want the other 854+ questions & full timed mock exams? Unlock at  
<https://certs.theorypractice.app/nmls-mortgage-loan>

**13. A mortgage or deed of trust functions to:**

- A. Create a lien on the property as security for repayment of the note
- B. Set the borrower's interest rate
- C. Transfer ownership to the lender at closing
- D. Guarantee the loan against default



Unlock all 884 questions + timed mock exams  
→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start



**14. The minimum down payment on a standard FHA purchase loan for a borrower with qualifying credit is:**

- A. 0%
- B. 5%
- C. 3.5%
- D. 10%

**15. Under TRID, an 'application' is triggered once a consumer submits which six pieces of information?**

- A. Down payment, credit score, employer, assets, debts, and rate
- B. Appraisal, title, insurance, taxes, income, and credit report
- C. Name, income, Social Security number, property address, estimated value, and loan amount sought
- D. Name, address, phone, email, employer, and bank

Also on iOS & Android — and watch the full Q&A walkthrough on [YouTube](#)  
[@CertsQuizPrep](#)

**16. An originator who pays a referral fee to a real estate agent for sending borrowers violates:**

- A. RESPA's prohibition on kickbacks and unearned fees
- B. The Fair Credit Reporting Act
- C. The Home Mortgage Disclosure Act
- D. The Truth in Lending Act's rescission rule

**17. State MLO licenses generally must be renewed:**

- A. Annually, with continuing education completed
- B. Every five years
- C. Only once at initial licensing
- D. Every month

**18. The Loan Estimate is a standardized form that is:**

- A. Three pages long
- B. One page long
- C. Ten pages long
- D. As long as the lender wants



**Unlock all 884 questions + timed mock exams**  
→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start



Want the other 854+ questions & full timed mock exams? Unlock at  
<https://certs.theorypractice.app/nmls-mortgage-loan>

**19. A buyer purchases a \$300,000 home with a \$60,000 down payment. What is the LTV?**

- A. 70%
- B. 75%
- C. 80%
- D. 85%

**20. Which disclosure may NOT be given to a consumer following the consummation of the loan?**

- A. Escrow Closing Notice.
- B. Partial Payment Policy Disclosure.
- C. Servicing Transfer Disclosure Statement.
- D. Mortgage Servicing Disclosure Statement.

**21. How does a seller-paid buydown work?**

- A. The seller pays the upfront discount points out-of-pocket for the buyer.
- B. The buyer signs the note for the smaller amount reflecting the buydown.
- C. A seller-paid buydown is always a permanent buydown.
- D. The buyer signs the note for the full amount but the seller agrees to receive less.

Also on iOS & Android — and watch the full Q&A walkthrough on [YouTube](#)  
[@CertsQuizPrep](#)

**22. What is the worst effect of an inflated appraisal scheme?**

- A. The appraiser participating in such a scheme makes extra money to produce dishonest results.
- B. The lender funds a loan that shouldn't have happened.
- C. Dishonest MLOs and investors get away with fraud.
- D. Even legitimate appraisers rely on inflated sale prices as comps.

**23. The Truth in Lending Act (TILA) is primarily designed to:**

- A. Require all borrowers to receive a fixed interest rate
- B. Prohibit discrimination in lending
- C. Promote informed credit use through disclosure of credit terms and cost
- D. Insure depositors against bank failure



Unlock all 884 questions + timed mock exams  
→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start



**24. A deed of trust involves three parties: the borrower (trustor), the lender (beneficiary), and the:**

- A. Appraiser
- B. Realtor
- C. Trustee, who holds legal title until the loan is repaid
- D. Underwriter

**Want the other 854+ questions & full timed mock exams? Unlock at**  
<https://certs.theorypractice.app/nmls-mortgage-loan>

**25. FHA loans require mortgage insurance premiums (MIP) consisting of:**

- A. An upfront premium plus an annual premium paid monthly
- B. Only a one-time premium at closing
- C. No mortgage insurance
- D. A premium paid only if the borrower defaults

**26. After receiving a complete application, the lender must deliver or mail the Loan Estimate within:**

- A. Three business days
- B. Seven business days
- C. Ten business days
- D. Thirty calendar days

**27. Falsifying a borrower's income documents to help them qualify is:**

- A. An acceptable accommodation
- B. Only a problem if the loan defaults
- C. Mortgage fraud that can lead to criminal and civil penalties
- D. Required by underwriting

**Also on iOS & Android — and watch the full Q&A walkthrough on [YouTube](#)**  
[@CertsQuizPrep](#)

**28. An MLO must include their NMLS unique identifier on:**

- A. Only their business cards
- B. Their tax return
- C. Residential mortgage loan application documents and certain communications
- D. The appraisal report



**Unlock all 884 questions + timed mock exams**  
→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start



**29. The Closing Disclosure form is:**

- A. One page
- B. Three pages
- C. Five pages
- D. Twelve pages

**30. A buyer wants 20% down on a \$350,000 home. How much is the down payment?**

- A. \$70,000
- B. \$35,000
- C. \$52,500
- D. \$80,000



**Unlock all 884 questions + timed mock exams**

→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start



## Answer Key & Explanations

You just practised 30 of 884. Unlock every question + timed mocks at  
<https://certs.theorypractice.app/nmls-mortgage-loan>

**1. B — To require disclosure of settlement costs and to prohibit kickbacks for referrals**

RESPA is a consumer-protection statute focused on settlement-cost transparency and on banning kickbacks and unearned fees for the referral of settlement-service business. It does not cap interest rates.

**2. B — Contains the borrower's promise to repay the debt and the loan terms**

The promissory note is the borrower's written promise to repay, stating the amount, rate, and terms. The mortgage or deed of trust is the separate instrument that pledges the property as collateral.

**3. B — A loan insured by the Federal Housing Administration and made by approved lenders**

FHA does not lend; it insures loans made by FHA-approved lenders, which lets lenders offer lower down payments and more flexible qualifying to borrowers.

**4. B — Uniform Residential Loan Application (Form 1003)**

The Uniform Residential Loan Application (URLA / Fannie Mae Form 1003) collects the borrower's personal, employment, income, asset, and property information to begin underwriting.

**5. B — Prohibited and a violation of loan originator compensation rules**

Steering a borrower toward a costlier loan to boost the MLO's pay violates Regulation Z's anti-steering and loan-originator compensation provisions, which protect consumers from conflicts of interest.

**6. B — Provide a single system for licensing and registering mortgage companies and loan originators across states**

The NMLS is the system of record for state-licensed and federally registered MLOs and companies, streamlining licensing, renewals, and regulatory oversight across jurisdictions.

**7. B — The TILA disclosure and the RESPA Good Faith Estimate/HUD-1**

TRID (TILA-RESPA Integrated Disclosure) combined the old TILA disclosure and GFE into the Loan Estimate, and the final TILA and HUD-1 into the Closing Disclosure.

**8. B — 80%**

$LTV = \text{loan} / \text{value} = 200,000 / 250,000 = 0.80 = 80\%$ . At exactly 80%, PMI is generally not required on a conventional loan.

**9. D — Straw buyers involved in a transaction.**

Usually, identity theft and false credit information don't involve straw buyers.

**10. D — The interest on the loan amount above this property's fair market value is not deductible on federal income taxes.**

According to Page 5 of the Closing Disclosure, under Other Disclosures, the interest on the loan amount exceeding this property's fair market value is not deductible on federal income taxes if the borrower borrows more money than the value of the property.



Unlock all 884 questions + timed mock exams

→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start



**11. D — Hats.**

Hats are one example of a low-value items mentioned in the list of items used for promotion.

**12. A — A prohibited kickback for the referral of settlement-service business**

RESPA Section 8 bans giving or accepting any thing of value pursuant to an agreement to refer settlement-service business. There is no de-minimis dollar exception and disclosure does not cure an illegal kickback.

**13. A — Create a lien on the property as security for repayment of the note**

The security instrument pledges the property as collateral, giving the lender the right to foreclose if the borrower defaults. The note is the debt; the mortgage/deed of trust secures it.

**14. C — 3.5%**

FHA requires a minimum 3.5% down payment for borrowers with a credit score at or above the program threshold; lower scores may require 10% down.

**15. C — Name, income, Social Security number, property address, estimated value, and loan amount sought**

TRID defines an application as receipt of these six items: name, income, SSN, property address, estimated property value, and loan amount. Receipt starts the LE clock.

**16. A — RESPA's prohibition on kickbacks and unearned fees**

Paying for referrals of settlement-service business violates RESPA Section 8; only fees for services actually performed (at fair market value) are allowed.

**17. A — Annually, with continuing education completed**

Most state MLO licenses are renewed annually through the NMLS, contingent on completing required continuing education and meeting other standards.

**18. A — Three pages long**

The Loan Estimate is a 3-page form summarizing loan terms, projected payments, costs at closing, and comparisons so consumers can shop and compare offers.

**19. C — 80%**

Loan = 300,000 - 60,000 = 240,000. LTV = 240,000 / 300,000 = 80%.

**20. D — Mortgage Servicing Disclosure Statement.**

After the application is completed, a Mortgage Servicing Disclosure Statement is delivered within three business days.

**21. D — The buyer signs the note for the full amount but the seller agrees to receive less.**

The lender receives the same amount as if the rate had not been lowered because the seller does not pay the discount points out of pocket; instead, the seller simply receives less.

**22. D — Even legitimate appraisers rely on inflated sale prices as comps.**

The most serious consequence of an inflated appraisal scheme is that higher-than-market values seem justified. Even honest appraisers are unable to distinguish between the two appraisals without thoroughly analyzing each.



**Unlock all 884 questions + timed mock exams**

→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start

Unofficial study material · not affiliated with any certifying body



**23. C — Promote informed credit use through disclosure of credit terms and cost**

TILA, implemented by Regulation Z, promotes the informed use of consumer credit by requiring meaningful disclosure of credit terms, most notably the Annual Percentage Rate (APR) and finance charge.

**24. C — Trustee, who holds legal title until the loan is repaid**

In a deed-of-trust state, a neutral third-party trustee holds title and can conduct a non-judicial foreclosure if the borrower defaults, then reconveys title when the loan is paid.

**25. A — An upfront premium plus an annual premium paid monthly**

FHA charges an upfront MIP (UFMIP) financed into the loan plus an annual MIP divided into monthly payments. On most FHA loans MIP lasts the life of the loan.

**26. A — Three business days**

TRID requires the Loan Estimate to be delivered or placed in the mail no later than 3 business days after the lender receives the application's six items.

**27. C — Mortgage fraud that can lead to criminal and civil penalties**

Knowingly using falsified income documents to obtain a loan is fraud for housing/profit, exposing the originator to license revocation, civil liability, and criminal prosecution.

**28. C — Residential mortgage loan application documents and certain communications**

The SAFE Act requires the unique identifier to appear on loan documents and is commonly required on the application, advertisements, and certain borrower communications.

**29. C — Five pages**

The Closing Disclosure is a 5-page form detailing final loan terms, the itemized closing costs, cash to close, and loan disclosures, mirroring the Loan Estimate for comparison.

**30. A — \$70,000**

20% of 350,000 =  $0.20 \times 350,000 = \$70,000$ .



Unlock all 884 questions + timed mock exams

→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start



# Ready to pass?

Unlock the full NMLS Mortgage Loan bank, every explanation, and unlimited timed mock exams.

**Scan to start practising**

<https://certs.theorypractice.app/nmls-mortgage-loan>

Watch the full video walkthrough on YouTube @CertsQuizPrep



**Unlock all 884 questions + timed mock exams**

→ <https://certs.theorypractice.app/nmls-mortgage-loan>

\$2.99/week or \$6.99/month · cancel anytime · scan to start