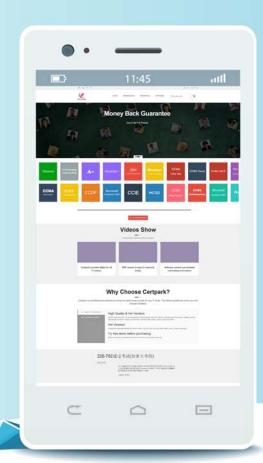
## CERTPARK QUESTION & ANSWER

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Exam: MLO

**Title**: Mortgage Loan Origination

(SAFE MLO) Exam

Version: DEMO

- 1. Which of the following loan types may be considered a qualified loan under ability-to-pay rules
- A. An interest-only mortgage
- B. A loan with a balloon payment
- C. A loan with negative amortization
- D. A mortgage with an adjustable rate

Answer: D Explanation:

Under the Ability-to-Repay (ATR) Rule and Qualified Mortgage (QM) standards, mortgages with adjustable rates can be considered qualified mortgages if they meet certain criteria, such as having fully amortizing payments and adhering to limits on points and fees. Adjustable-rate mortgages (ARMs) are qualified as long as the borrower's ability to repay is assessed using the maximum rate that could apply in the first five years.

Loans like interest-only mortgages (A), balloon payment loans (B), and negative amortization loans (C) are not typically considered qualified mortgages because they carry higher risks of default.

References:

CFPB Ability-to-Repay and Qualified Mortgage Rule

Dodd-Frank Act standards for Qualified Mortgages

- 2. How often must a nonexempt telemarketing entity check their call list against the National Do Not Call Registry?
- A. Every 7 days
- B. Every 2 weeks
- C. Every 31 days
- D. Annually

Answer: C

## **Explanation:**

According to the Telemarketing Sales Rule (TSR) and the National Do Not Call Registry requirements, nonexempt telemarketing entities must check their call lists against the National Do Not Call Registry at least every 31 days. This ensures that they do not call individuals who have opted out of receiving telemarketing calls.

The 31-day rule helps ensure compliance and reduces the likelihood of violating the Do Not Call regulations.

References:

Telemarketing Sales Rule (TSR), 16 CFR Part 310

Federal Trade Commission (FTC) Guidelines

- 3. Which of the following services is included in the definition of a settlement service?
- A. Flood insurance
- B. Homeowners association fees
- C. Title company/escrow agent services
- D. Sale of the mortgage loan on the secondary market

Answer: C Explanation:

Under RESPA (Real Estate Settlement Procedures Act), settlement services include activities related to

closing the mortgage loan, such as title company services and escrow agent services. These services are integral to the settlement process and ensure that the transaction is completed legally and correctly. Flood insurance (A) is required for properties in flood zones but is not considered a settlement service. Homeowners association fees (B) and the sale of the mortgage loan on the secondary market (D) are also not part of the settlement services.

References:

RESPA (Real Estate Settlement Procedures Act), 12 USC §2602

CFPB RESPA Guidelines on settlement services

4.If a mortgage loan includes a prepayment penalty, it must be included on which of the following disclosures?

A. Loan Estimate only

B. Closing Disclosure only

C. Uniform Residential Loan Application

D. Both the Loan Estimate and Closing Disclosure

Answer: D **Explanation:** 

If a mortgage loan includes a prepayment penalty, it must be disclosed on both the Loan Estimate (LE) and the Closing Disclosure (CD). These disclosures, mandated under the TILA-RESPA Integrated Disclosure (TRID) rule, ensure that borrowers are aware of any penalties they may face for paying off the loan early. The prepayment penalty must be clearly stated to comply with TILA (Truth in Lending Act) requirements.

The Loan Estimate provides an early overview of loan terms, and the Closing Disclosure finalizes those terms.

References:

TILA-RESPA Integrated Disclosure Rule (TRID), 12 CFR §1026.38

CFPB Guidelines on prepayment penalties

5. Which of the following applicant characteristics is legally permitted to be considered in evaluating credit risk?

A. Whether the applicant seems likely to have children

- B. Whether the applicant has a phone number listing in their name
- C. Whether the applicant's age makes them ineligible for credit-related insurance
- D. Whether the alimony payments the applicant relies on for income are likely to continue and to be consistently made

Answer: D

## **Explanation:**

When evaluating credit risk, lenders are legally permitted to consider whether alimony payments that the applicant relies on for income are likely to continue and be consistently made. Lenders need to assess the reliability of income sources, and documented alimony that is expected to continue is a valid consideration under ECOA (Equal Credit Opportunity Act) guidelines.

Factors like the applicant's likelihood of having children (A), phone listing (B), and age (C) are not permissible criteria for evaluating creditworthiness under ECOA, as these would constitute discrimination.

References:

Equal Credit Opportunity Act (ECOA), 15 U.S.C. §1691 CFPB ECOA Guidelines