

# PRACTICE TEST 11

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**Instructions:** Select the best answer for each question. Mark your answers carefully. You have 190 minutes to complete this examination.

1. Under RESPA, which statement about the transfer of loan servicing is TRUE?

- A. Borrowers must consent to servicing transfers before they occur
- B. Servicing transfers require 60 days advance notice to borrowers
- C. Borrowers cannot be charged late fees for 60 days if payments are sent to the old servicer
- D. Servicing transfers automatically change the terms of the loan

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2. A creditor receives a loan application on Monday at 3 PM. Tuesday and Wednesday are regular business days. What is the deadline for providing the Loan Estimate?

- A. Thursday, which is 3 business days after application receipt
- B. Wednesday, which is 2 business days after application receipt
- C. Friday, which is 4 business days after application receipt
- D. The following Monday, which is 5 business days after receipt

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3. Under TILA, which disclosure is required for all closed-end credit transactions?

- A. The Special Information Booklet from HUD for the borrower
- B. The Homeownership Counseling List from HUD approved agencies
- C. The Affiliated Business Arrangement Disclosure from lender
- D. The Annual Percentage Rate showing total cost of credit

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4. Under ECOA, a creditor may request which information from an applicant?

- A. The applicant's religious affiliation for demographic purposes
- B. The number of dependents and ages for alimony obligations
- C. The applicant's plans for having children in the future
- D. The applicant's political party affiliation for file records

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5. A servicer's escrow analysis reveals a shortage of \$600. Under RESPA, the servicer may:

- A. Require immediate payment of the full shortage amount
- B. Require the shortage be paid within 15 days of notice
- C. Spread shortage payments over at least 12 months if over \$50
- D. Add the full shortage to the next monthly payment due

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6. Under HMDA, which transaction must be reported by a covered institution?

- A. A home purchase loan application that was approved and closed

- B. A commercial loan secured by business property only
- C. A loan made to another financial institution for resale
- D. A loan secured by property located in a foreign country

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7. Under FCRA, a consumer has the right to dispute information and the credit bureau must:

- A. Immediately remove all disputed information from the file
- B. Notify the consumer's employer of the disputed items
- C. Increase the consumer's credit score by 50 points
- D. Complete its investigation within 30 days of the dispute

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8. Under the Fair Housing Act, which statement about advertising is TRUE?

- A. Advertisements may indicate preferences based on familial status
- B. Advertisements must not indicate preferences based on protected classes
- C. Advertisements must include the Fair Housing logo prominently
- D. Advertisements may indicate preferences for certain religions

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9. A loan has an APR of 8.25% when the APOR is 5.5%. This loan is classified as:

- A. A standard conventional mortgage with no special requirements
- B. A Qualified Mortgage with safe harbor legal protection

- C. A higher-priced mortgage loan subject to special requirements
- D. A HOEPA high-cost loan requiring pre-loan counseling

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10. Under TRID, which fee is subject to zero tolerance for increases?

- A. The lender's origination fee disclosed on the Loan Estimate
- B. The title insurance premium when borrower shops providers
- C. The homeowner's insurance premium selected by borrower
- D. The survey fee when borrower selects their own provider

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11. Under RESPA Section 8, which payment arrangement is PERMITTED?

- A. A title company paying \$100 per referral to real estate agents
- B. A lender paying referral fees to mortgage brokers for leads
- C. An appraiser giving gifts to MLOs for repeat business
- D. An employer paying bonuses to employees for closed loans

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12. A borrower closes on a refinance of their primary residence on Wednesday. When does the rescission period expire?

- A. Friday at midnight, which is two business days after closing
- B. The following Monday at midnight, counting Saturday as business day
- C. Thursday at midnight, which is one business day after closing

D. The following Wednesday at midnight, seven days after close

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13. Under the Homeowners Protection Act, automatic PMI termination occurs when:

A. The borrower requests cancellation at 80% LTV based on value

B. The loan has been paid on time for 24 consecutive months

C. LTV reaches 78% based on original value and amortization

D. The property value has increased by 20% since purchase

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14. Under ECOA, when must a creditor notify an applicant of action taken on a completed application?

A. Within 30 days of receiving the completed credit application

B. Within 45 days of receiving the completed credit application

C. Within 60 days of receiving the completed credit application

D. Within 90 days of receiving the completed credit application

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15. Under TILA, which transaction does NOT have a right of rescission?

A. A home equity line of credit on a primary residence property

B. A cash-out refinance transaction on a primary residence

C. A rate-and-term refinance on a borrower's primary residence

D. A purchase money mortgage on the borrower's primary residence

16. Under RESPA, the Annual Escrow Statement must be provided within:

- A. 15 days after completion of the escrow computation year
- B. 30 days after completion of the escrow computation year
- C. 45 days after completion of the escrow computation year
- D. 60 days after completion of the escrow computation year

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17. Under the BSA/AML, which activity would require filing a SAR?

- A. A cash deposit of exactly \$10,000 from a business account
- B. A wire transfer of \$5,000 to a customer's family member
- C. A borrower providing inconsistent information about income sources
- D. A borrower making regular monthly mortgage payments on time

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18. Under ECOA Regulation B, which factor is a PROHIBITED basis for discrimination?

- A. The applicant's receipt of income from public assistance programs
- B. The applicant's current debt-to-income ratio from verified debts
- C. The applicant's credit score from the three credit bureaus
- D. The applicant's employment history over the past two years

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19. Under TRID, which change to a loan triggers a new 3-day waiting period?

- A. A decrease in the total closing costs from the Loan Estimate
- B. An increase in the seller credit amount to the borrower
- C. A decrease in the cash to close from the Loan Estimate
- D. A change in the loan product from fixed-rate to adjustable

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20. Under the Gramm-Leach-Bliley Act, consumers have the right to:

- A. Access all internal notes in their loan file upon request
- B. Opt out of information sharing with nonaffiliated third parties
- C. Prevent any sharing of information including with affiliates
- D. Receive their credit score free of charge upon request

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21. Under HMDA, data collection and reporting serves which purpose?

- A. Setting maximum interest rates for mortgage loans nationally
- B. Determining individual loan approval decisions for applicants
- C. Identifying potential discriminatory lending patterns in communities
- D. Calculating debt-to-income ratios for individual applicants

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22. Under RESPA, a Qualified Written Request must be responded to within:

- A. 30 days for most requests with possible 15-day extension

- B. 15 days for most requests with no possible extension
- C. 45 days for most requests with possible 30-day extension
- D. 60 days for most requests with possible 15-day extension

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23. Under the E-Sign Act, electronic signatures are valid when:

- A. The consumer verbally agrees to use electronic records
- B. The document is notarized electronically by a notary public
- C. The lender provides a printed copy within 10 days
- D. The consumer provides affirmative consent after proper disclosure

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24. Under TILA, the finance charge does NOT include:

- A. Points paid to reduce the interest rate on the loan
- B. Application fees charged before credit decision is made
- C. Private mortgage insurance premiums required by lender
- D. Loan origination fees charged by the creditor directly

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25. Under the Dodd-Frank ATR rule, lenders must verify:

- A. Only the borrower's stated income without documentation
- B. Only the borrower's credit score from one credit bureau

- C. The borrower's income, assets, debts, and credit history
- D. Only the borrower's employment for the past six months

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26. Under RESPA Section 10, the maximum escrow cushion permitted is:

- A. One-sixth of total annual escrow disbursements for taxes and insurance
- B. One-fourth of total annual escrow disbursements for taxes and insurance
- C. One-twelfth of total annual escrow disbursements for taxes and insurance
- D. One-third of total annual escrow disbursements for taxes and insurance

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27. Under ECOA, an adverse action notice must include:

- A. Only the date of the denial and the creditor's name
- B. Only the applicant's credit score from the bureaus
- C. Only the name of the credit bureau that was used
- D. Specific reasons for denial or notice of right to request

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28. Under the Fair Housing Act, steering refers to:

- A. Varying loan terms based on the property's market value
- B. Directing buyers to or away from areas based on protected class
- C. Requiring larger down payments for lower credit scores

D. Charging higher rates based on documented credit risk

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29. Under TRID, which disclosure must be provided at least 3 business days before consummation?

- A. The initial Loan Estimate showing estimated loan terms
- B. The Affiliated Business Arrangement disclosure form
- C. The Closing Disclosure showing final loan terms and costs
- D. The Special Information Booklet for purchase transactions

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30. Under the SAFE Act, which individual must be licensed as an MLO?

- A. An employee of a non-depository mortgage company taking applications
- B. An employee of a national bank who processes loan documents
- C. A real estate agent who refers clients to mortgage lenders
- D. An attorney who provides legal advice on mortgage documents

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31. Under the SAFE Act, the national test component covers:

- A. Only state-specific mortgage regulations and guidelines
- B. Only real estate appraisal techniques and property valuation
- C. Only federal lending laws and closing procedures only
- D. Federal law, ethics, and mortgage origination standards

32. An MLO fails the national test twice. The waiting period before the third attempt is:

- A. 60 days from the date of the second failed attempt
- B. 30 days from the date of the second failed attempt
- C. 90 days from the date of the second failed attempt
- D. 180 days from the date of the second failed attempt

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33. Under the SAFE Act, pre-licensing education must include:

- A. Only 10 hours of general mortgage education courses
- B. Only 15 hours of state-specific mortgage regulations
- C. 20 hours including federal law, ethics, and nontraditional products
- D. Only 25 hours of real estate appraisal training courses

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34. Under the SAFE Act, which activity requires an MLO license?

- A. Negotiating residential mortgage loan terms for compensation
- B. Providing general information about available loan products
- C. Performing clerical tasks under supervision of licensed MLO
- D. Conducting real estate appraisals for mortgage transactions

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35. Under state regulatory authority, an MLO license may be revoked for:

- A. Failing to originate a minimum number of loans annually
- B. Changing employers without providing 30-day advance notice
- C. Having a credit score below the state minimum requirement
- D. Engaging in fraud or dishonesty in mortgage transactions

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36. The NMLS unique identifier serves to:

- A. Calculate the interest rate that may be offered to borrowers
- B. Track MLOs and provide public access to licensing information
- C. Determine the maximum loan amount for each transaction
- D. Set commission rates for MLOs at their mortgage company

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37. Under the SAFE Act, continuing education requirements total:

- A. 12 hours annually including only federal law requirements
- B. 10 hours annually with no specific content requirements
- C. 8 hours annually including federal law, ethics, and nontraditional
- D. 15 hours annually including only state law requirements

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38. Under the SAFE Act, a loan processor may work without a license if:

- A. They work under supervision and do not negotiate loan terms
- B. They have completed 20 hours of pre-licensing education
- C. They only process loans with amounts under \$100,000
- D. They have been in the industry for at least five years

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39. Under the SAFE Act, temporary authority allows an MLO to:

- A. Originate loans without completing any education requirements
- B. Work without sponsorship from any licensed mortgage company
- C. Avoid background checks for the first year of licensure
- D. Originate in a new state while their license application is pending

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40. Under the SAFE Act, which criminal conviction would disqualify an applicant?

- A. A misdemeanor traffic violation from five years ago
- B. A felony conviction involving fraud within the past seven years
- C. A minor civil infraction for parking violations only
- D. Any criminal conviction regardless of type or timing

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41. Under state regulatory authority, grounds for license denial include:

- A. Having previously worked for multiple mortgage companies

- B. Living in a different state than the licensing state
- C. Material misstatement or omission on the license application
- D. Having a credit score below the national average score

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42. Under the SAFE Act, an MLO must complete continuing education by:

- A. December 31 of each year to maintain license for next year
- B. March 31 of each year following the license renewal date
- C. June 30 of each year following the license renewal date
- D. The anniversary date of their original license issuance

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43. A borrower is purchasing a home for \$425,000 with 15% down. The loan amount is:

- A. \$63,750 representing the down payment on the property
- B. \$425,000 representing the full purchase price amount
- C. \$340,000 after subtracting a 20% down payment
- D. \$361,250 after subtracting the 15% down payment

44. A borrower has gross monthly income of \$9,000. Their PITIA is \$2,250 and other debts total \$1,350. The back-end DTI ratio is:

- A. 25% calculated using only the housing payment amount
- B. 40% calculated using housing and all other monthly debts
- C. 15% calculated using only the other monthly debts
- D. 50% calculated incorrectly adding extra amounts

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45. A 7/1 ARM has an initial rate of 5.0%, margin of 2.5%, and caps of 5/2/5. At first adjustment, the index is 4.25%. The new rate is:

- A. 5.0% remaining at the initial rate with no change
- B. 4.25% using only the index without the margin
- C. 6.75% calculated as the fully indexed rate within caps
- D. 10.0% exceeding the periodic cap structure on loan

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46. Under FHA guidelines, the minimum credit score for 3.5% down payment is:

- A. 580, which allows the minimum down payment option
- B. 620, which is required for all FHA loan programs
- C. 500, which allows any down payment percentage
- D. 640, which is the minimum for all government loans

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47. A VA loan's Certificate of Eligibility shows:

- A. The property's value as determined by VA appraisal
- B. The lender's approval status to originate VA loans
- C. The borrower's credit score from the three bureaus
- D. The veteran's entitlement to VA loan guaranty benefits

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48. Which feature would disqualify a loan from QM status?

- A. A loan term of 30 years with fixed interest rate
- B. Negative amortization that increases principal balance
- C. Points and fees totaling 2.5% of the loan amount
- D. A debt-to-income ratio of 42% for the borrower

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49. The secondary mortgage market includes:

- A. Banks that originate loans directly to consumer borrowers
- B. Title companies that provide insurance for transactions
- C. Entities like Fannie Mae and Freddie Mac that purchase loans
- D. Appraisers who determine property values for lenders

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50. A borrower's three credit scores are 705, 720, and 695. The qualifying score is:

- A. 705, which is the middle score of the three pulled
- B. 720, which is the highest score of the three pulled
- C. 695, which is the lowest score of the three pulled
- D. 707, which is the average of all three scores

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51. Under conventional guidelines, PMI is required when LTV exceeds:

- A. 95% of the property value or purchase price used
- B. 90% of the property value or purchase price used
- C. 85% of the property value or purchase price used
- D. 80% of the property value or purchase price used

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52. A reverse mortgage (HECM) is designed for borrowers who:

- A. Want to purchase a home with no down payment
- B. Are age 62 or older and want to access home equity
- C. Need financing for investment properties only
- D. Have poor credit and cannot qualify for traditional loans

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53. The sales comparison approach to appraisal:

- A. Calculates value based on the income the property produces
- B. Determines value based on replacement cost minus depreciation
- C. Compares the subject property to similar recently sold properties
- D. Uses capitalization rates to determine investment value

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54. A borrower earns \$5,500 monthly salary plus \$800 nontaxable VA disability. With 25% gross-up, qualifying income is:

- A. \$6,500, which applies the gross-up to disability income
- B. \$5,500, which excludes all nontaxable income sources
- C. \$6,300, which does not apply any gross-up calculation
- D. \$7,875, which incorrectly grosses up all income sources

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55. Under conventional guidelines, investment properties typically require:

- A. 3% minimum down payment for single-family properties
- B. 10% minimum down payment for single-family properties
- C. 5% minimum down payment for single-family properties
- D. 15-25% minimum down payment depending on property type

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56. The debt-to-income ratio is calculated using:

- A. Net income after all taxes and deductions are removed
- B. Gross monthly income before taxes and deductions
- C. Only income from the primary employment source
- D. Annual income without converting to monthly amount

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57. A balloon mortgage features:

- A. Payments that decrease each year over the loan term

- B. An interest rate that adjusts monthly based on index
- C. A large final payment due at the end of the loan
- D. Negative amortization throughout the entire loan term

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58. Under FHA guidelines, seller concessions are limited to:

- A. 6% of the lesser of sale price or appraised value
- B. 3% of the lesser of sale price or appraised value
- C. 9% of the lesser of sale price or appraised value
- D. No limit on seller concession amounts is imposed

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59. The LTV ratio is calculated by dividing the loan amount by:

- A. The borrower's annual gross income from all sources
- B. The total closing costs for the transaction
- C. The borrower's total liquid assets available
- D. The lesser of purchase price or appraised value

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60. A construction-to-permanent loan:

- A. Requires two separate closings with separate costs
- B. Converts from construction to permanent financing automatically

- C. Provides only short-term construction financing
- D. Is only available for commercial property projects

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61. Under USDA guidelines, income limits are based on:

- A. Only the borrower's income from primary employment
- B. Only income from the borrowers on the loan application
- C. Total household income including non-borrowing members
- D. Only income that is taxable under federal guidelines

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62. A borrower's pay stub shows YTD earnings of \$78,000 as of November 30. Monthly income is:

- A. \$7,091, dividing YTD earnings by 11 months worked
- B. \$6,500, dividing YTD earnings by 12 months
- C. \$7,800, dividing YTD earnings by 10 months
- D. \$6,000, using an incorrect number of months

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63. Private mortgage insurance protects:

- A. The borrower against property value decreases
- B. The title company against errors in title search
- C. The appraiser against overvaluation claims

D. The lender against borrower default on the loan

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64. A borrower with a Chapter 7 bankruptcy must typically wait how long for a conventional loan?

- A. 2 years from the discharge date of the bankruptcy
- B. 4 years from the discharge date of the bankruptcy
- C. 7 years from the discharge date of the bankruptcy
- D. 10 years from the discharge date of the bankruptcy

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65. The front-end DTI ratio includes:

- A. All monthly debts including housing, cars, and credit
- B. Only existing rent payment before new home purchase
- C. All monthly expenses including utilities and food
- D. Only housing expenses including PITIA payment

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66. An interest-only loan during the interest-only period:

- A. Has lower payments because no principal is repaid
- B. Builds equity faster than fully amortizing loans
- C. Has higher payments than comparable amortizing loans
- D. Reduces the loan balance through monthly payments

67. Under TRID, which information triggers the requirement to provide a Loan Estimate?

- A. A signed loan application with authorization to pull credit
- B. Payment of an application fee by the prospective borrower
- C. A pre-qualification request from a prospective borrower
- D. Name, income, SSN, property address, value, and loan amount

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68. A borrower's bank statement shows a \$20,000 deposit inconsistent with income. The MLO should:

- A. Ignore the deposit if total funds are sufficient for closing
- B. Require written explanation and documentation of the source
- C. Accept a verbal explanation from the borrower as adequate
- D. Proceed without documentation if the borrower has good credit

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69. Under TRID, the Closing Disclosure must be received:

- A. On the same day as consummation of the loan transaction
- B. At least 7 business days before consummation of loan
- C. At least 3 business days before consummation of loan
- D. At least 10 business days before consummation of loan

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70. A self-employed borrower must typically provide:

- A. Two years of personal and business tax returns filed
- B. Only the most recent year of personal tax returns
- C. Only a letter from their accountant confirming income
- D. Only bank statements showing business deposits made

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71. Under TRID, origination charges are subject to:

- A. 10% cumulative tolerance for all origination fees charged
- B. No tolerance limit allowing unlimited increases
- C. 5% individual tolerance for each specific charge
- D. Zero tolerance, meaning no increases are permitted

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72. A title search reveals an unreleased mortgage from a previous owner. Before closing:

- A. The buyer must assume the old mortgage as condition
- B. The lien must be satisfied or released to provide clear title
- C. The lien automatically transfers to the new buyer
- D. The lien can be ignored if over five years old

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73. For a VA loan, which fee may be financed into the loan amount?

- A. The real estate agent's commission on the transaction

- B. The homeowner's insurance premium for the first year
- C. The VA funding fee required for the loan guaranty
- D. The earnest money deposit made on the purchase

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74. A borrower is purchasing a condo. The project review evaluates:

- A. Whether the project meets investor and program guidelines
- B. Only the individual borrower's creditworthiness factors
- C. Only the appraised value of the specific unit
- D. Only the seller's financial situation and motivation

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75. Under RESPA, the new servicer must provide transfer notice:

- A. At least 30 days before the effective date of transfer
- B. At least 60 days before the effective date of transfer
- C. Within 5 business days after the transfer is complete
- D. No later than 15 days after the effective date of transfer

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76. A borrower's credit report shows a 60-day late from 18 months ago. This:

- A. Automatically disqualifies the borrower from all loans
- B. May require explanation but doesn't automatically disqualify

- C. Requires a 7-year waiting period before financing
- D. Must be removed from the credit report before closing

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77. Under TRID, a valid changed circumstance includes:

- A. The lender discovering it underestimated its own fees
- B. The loan officer making a calculation error on estimate
- C. A natural disaster affecting the property being financed
- D. The lender wanting to increase profit on the transaction

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78. Rental income for qualification is typically calculated at:

- A. 75% of gross rent to account for vacancy and expenses
- B. 100% of gross rent shown on the lease agreement
- C. 50% of gross rent to be conservative on income
- D. 125% of gross rent to provide cushion for borrower

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79. A borrower's VOE shows recent promotion with salary increase. The underwriter should:

- A. Use only the previous salary amount before promotion
- B. Automatically deny due to income instability shown
- C. Require the borrower to return to previous position

D. Use the new salary if the promotion is documented

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80. Which change does NOT require a new 3-day waiting period?

A. A change from fixed-rate to adjustable-rate mortgage

B. A decrease in the total cash required to close

C. Addition of a prepayment penalty to the loan terms

D. APR increase of 0.20% on a fixed-rate mortgage

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81. For FHA loans, the upfront MIP is typically:

A. A monthly payment included in the regular payment

B. Waived for all first-time homebuyers under age 30

C. Financed into the loan amount as one-time charge

D. Only required for borrowers with credit below 620

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82. Gift funds for down payment require:

A. Gift letter, evidence of transfer, and donor ability to give

B. Only a deposit slip showing the funds were deposited

C. Only verbal confirmation from the donor by phone

D. Only the borrower's statement showing current balance

83. Under RESPA, the Annual Escrow Statement must be provided:

- A. Within 15 days after the escrow computation year ends
- B. Within 45 days after the escrow computation year ends
- C. Within 60 days after the escrow computation year ends
- D. Within 30 days after the escrow computation year ends

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84. A borrower's PITIA is \$2,100 and gross monthly income is \$7,500. Front-end ratio is:

- A. 35%, which exceeds most conventional guidelines
- B. 28%, which is within most conventional guidelines
- C. 40%, which is significantly above program limits
- D. 25%, which is below most program maximums

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85. Which income source requires a 2-year history for qualification?

- A. Base salary from W-2 employment at current job
- B. Social Security retirement benefits received monthly
- C. Commission, bonus, and self-employment income sources
- D. Child support income with documented court order

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86. A property appraisal reveals the home is in a flood zone. The lender must:

- A. Require flood insurance as a condition of approval
- B. Deny the loan since flood zone properties are ineligible
- C. Reduce the appraised value by 25% for risk
- D. Waive escrow requirements for this particular loan

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87. Under TRID, the Loan Estimate expires if intent not indicated within:

- A. 5 business days from the date of Loan Estimate
- B. 30 calendar days from the date of Loan Estimate
- C. 3 business days from the date of Loan Estimate
- D. 10 business days from the date of Loan Estimate

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88. A student loan shows \$0 payment due to income-based repayment. For DTI:

- A. The debt is completely excluded from all calculations
- B. A calculated payment of 0.5% to 1% of balance is used
- C. The full outstanding balance must be paid before close
- D. The borrower must exit repayment plan to qualify

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89. When a loan is sold on the secondary market:

- A. The borrower must approve the sale in writing first

- B. The interest rate automatically increases by 0.5%
- C. All original loan terms and conditions remain unchanged
- D. The borrower may renegotiate all terms with new owner

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90. A borrower is refinancing to consolidate credit card debt. This is:

- A. A rate-and-term refinance with standard guidelines
- B. A reverse mortgage with no monthly payments
- C. A home equity line of credit with draw period
- D. A cash-out refinance with applicable restrictions

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91. Under TRID, recording fees fall into which tolerance category?

- A. Zero tolerance with no increases permitted from LE
- B. No tolerance limit allowing unlimited fee increases
- C. 5% individual tolerance for each recording charge
- D. 10% cumulative tolerance with other fees in category

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92. Tax returns showing depreciation expense require:

- A. Reducing qualifying income by the depreciation amount
- B. Adding depreciation back as it's a non-cash expense

- C. Ignoring depreciation with no impact on calculations
- D. Doubling depreciation to account for future expenses

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93. The VA funding fee may be waived for:

- A. All first-time homebuyers using VA loan benefits
- B. Veterans who served less than two years active duty
- C. Veterans receiving VA disability compensation benefits
- D. All veterans regardless of disability status or service

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94. Assets in a retirement account may be considered:

- A. For reserves at a discounted value after penalties
- B. Only if fully liquidated before application date
- C. At full value without any discount applied
- D. Only for borrowers over age 65 on retirement

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95. Under ECOA, joint applicants denied must receive:

- A. A single notice addressed to both applicants jointly
- B. Only verbal notification of the denial decision
- C. Notice only if specifically requested in writing

D. Individual adverse action notices with reasons

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96. A property inspection reveals needed roof repairs. The lender may:

- A. Deny the loan immediately without remediation option
- B. Require repairs completed before or after close with escrow
- C. Only require a letter from seller about future repairs
- D. Ignore repairs if the borrower waives the requirement

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97. The Loan Estimate's "Costs at Closing" section shows:

- A. Only the loan terms including rate and payment
- B. Only the comparison of this loan to other options
- C. The estimated total closing costs and cash to close
- D. Only the contact information for all parties involved

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98. Compensating factors for higher DTI ratios include:

- A. Multiple recent late payments on existing credit accounts
- B. High credit card utilization on all revolving accounts
- C. No employment history or verified income sources
- D. Significant reserves, excellent credit, and low LTV

99. A borrower asks the MLO to omit a monthly debt from the application. The MLO should:

- A. Comply if it helps the borrower qualify for the loan
- B. Omit the debt but note it in the originator file only
- C. Ignore the request without responding to borrower
- D. Explain that all debts must be disclosed accurately

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100. Under RESPA Section 8, which is PROHIBITED?

- A. A lender paying an employee salary for work performed
- B. A title company paying referral fees to real estate agents
- C. A broker receiving compensation for loans originated
- D. An attorney receiving payment for services rendered

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101. An MLO discovers a colleague is falsifying documents. The MLO should:

- A. Discuss privately with the colleague and take no action
- B. Ignore since it doesn't directly affect their loans
- C. Report through appropriate compliance channels available
- D. Help the colleague to maintain working relationship

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102. A borrower wants to include expected income starting in six months. The MLO should:

- A. Explain that only current, documented income can be used
- B. Include expected income since borrower anticipates it
- C. Estimate the income and include without documentation
- D. Include half the expected income as a compromise

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103. Under fair lending laws, an MLO may NOT:

- A. Charge different rates based on credit risk factors
- B. Require income documentation from self-employed borrowers
- C. Offer different products based on loan amount requested
- D. Steer borrowers to costlier loans based on ethnicity

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104. An appraiser asks what value is needed to make the deal work. The MLO should:

- A. Provide the minimum value needed to achieve target LTV
- B. Decline to discuss target values and report the request
- C. Suggest adding a cushion to the purchase contract price
- D. Provide the purchase contract price as helpful info

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105. A borrower's down payment is borrowed from a family member. The MLO should:

- A. Record it as a gift since it comes from family

- B. Ignore if the borrower has good credit score
- C. Document as a loan creating liability affecting DTI
- D. Proceed without disclosure if funds are deposited

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106. Under the SAFE Act, an MLO must conduct business with:

- A. Honesty, good faith, and fair dealing with all parties
- B. Maximum focus on generating highest loan volume
- C. Speed prioritized over accuracy in loan processing
- D. Primary loyalty to employer over consumer interests

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107. A real estate agent offers \$500 per referral that closes. The MLO should:

- A. Accept if disclosed to the borrower at closing
- B. Accept if payment is less than 1% of loan amount
- C. Accept only for purchase transactions processed
- D. Decline as this is a prohibited referral fee under RESPA

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108. Income documents show inconsistencies between pay stubs and VOE. The MLO should:

- A. Proceed with whichever shows higher income for borrower
- B. Investigate the discrepancy before proceeding with loan

- C. Ignore discrepancy if borrower has sufficient income
- D. Use average of the two documents to calculate income

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109. Under ECOA, an MLO may NOT discourage applying based on:

- A. Credit risk factors documented on the credit report
- B. Insufficient income to qualify for requested amount
- C. The racial composition of the property neighborhood
- D. Property type not eligible for the requested program

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110. A borrower requests skipping income verification for faster closing. The MLO should:

- A. Skip verification to provide excellent customer service
- B. Skip if the borrower signs a waiver of all liability
- C. Explain verification is required and cannot be waived
- D. Skip verification for loans under \$200,000 only

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111. An MLO learns a colleague accepts gifts from title company for referrals. The MLO should:

- A. Accept gifts too since it appears to be standard practice
- B. Discuss privately with colleague and take no action
- C. Ignore since it doesn't involve their own business

D. Report through appropriate compliance channels available

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112. A borrower's documents appear to have been altered. The MLO should:

- A. Proceed if the alterations are minor and harmless
- B. Report to compliance and not proceed until resolved
- C. Accept if the borrower provides verbal explanation
- D. Request original documents and proceed if clear

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113. Under Regulation N, which advertising statement is PROHIBITED?

- A. "Competitive rates available for qualified borrowers"
- B. "FHA and VA loans available through our company"
- C. "Guaranteed lowest rates—we beat any competitor"
- D. "Call for current rates on purchase and refinance"

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114. A borrower asks the MLO to backdate a document for deadline. The MLO should:

- A. Refuse as backdating is fraud regardless of reason
- B. Backdate if it is only a few days difference
- C. Backdate but note actual date elsewhere in file
- D. Backdate if borrower signs a waiver of responsibility

115. Signs of a straw buyer arrangement include:

- A. Buyer attending all property inspections personally
- B. Buyer asking detailed questions about the property
- C. Buyer providing complete and consistent documentation
- D. Buyer having limited knowledge of transaction details

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116. Under the Loan Originator Rule, compensation may NOT be based on:

- A. The number of loans closed during a specific period
- B. The loan's interest rate, points, or other terms
- C. The principal amount of loans originated by MLO
- D. Customer satisfaction scores from closed borrowers

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117. A borrower provides inconsistent information about occupancy intent. The MLO should:

- A. Accept the most recent statement without any inquiry
- B. Proceed since occupancy is difficult to verify
- C. Document concerns and seek clarification from borrower
- D. Let underwriter resolve any occupancy questions later

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118. An MLO has a personal interest in a title company. For affiliated business:

- A. Written disclosure must be provided including right to shop
- B. No disclosure required if interest is below 10 percent
- C. Disclosure only required for government loan transactions
- D. Disclosure is optional at the MLO's personal discretion

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119. A borrower's application reveals debt not on the credit report. The MLO should:

- A. Ignore debts not appearing on the credit report
- B. Include only half the disclosed debt for DTI
- C. Exclude the debt since credit report is official source
- D. Include the debt in DTI since borrower disclosed it

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120. Under fair lending laws, redlining is the practice of:

- A. Requiring additional documentation from self-employed
- B. Denying loans based on neighborhood racial composition
- C. Charging higher rates based on credit risk factors
- D. Offering competitive rates in high-income neighborhoods

## Answer Key and Explanations

- 1. C.** (Borrowers cannot be charged late fees for 60 days if payments are sent to the old servicer) - Under RESPA, borrowers are protected during servicing transfers. If a borrower mistakenly sends payment to the old servicer within 60 days of transfer, they cannot be charged late fees or reported to credit bureaus.
- 2. A.** (Thursday, which is 3 business days after application receipt) - The Loan Estimate must be provided within 3 business days of receiving an application. Monday is day 0, Tuesday is day 1, Wednesday is day 2, Thursday is day 3.
- 3. D.** (The Annual Percentage Rate showing total cost of credit) - TILA requires disclosure of the APR on all closed-end credit transactions, allowing borrowers to compare the true cost of credit across different loan offers.
- 4. B.** (The number of dependents and ages for alimony obligations) - ECOA permits questions about dependents when relevant to determining financial obligations like alimony or child support that affect the borrower's ability to repay.
- 5. C.** (Spread shortage payments over at least 12 months if over \$50) - Under RESPA, when an escrow shortage exceeds \$50, the servicer must allow the borrower to repay the shortage over at least 12 months rather than requiring immediate payment.
- 6. A.** (A home purchase loan application that was approved and closed) - HMDA requires covered institutions to report data on home purchase loans, refinances, and home improvement loans that are approved and closed.
- 7. D.** (Complete its investigation within 30 days of the dispute) - Under FCRA, credit bureaus must complete investigations of consumer disputes within 30 days, which may be extended to 45 days if the consumer provides additional information.
- 8. B.** (Advertisements must not indicate preferences based on protected classes) - The Fair Housing Act prohibits advertising that indicates preferences, limitations, or discrimination based on race, color, religion, sex, handicap, familial status, or national origin.
- 9. C.** (A higher-priced mortgage loan subject to special requirements) - The APR exceeds APOR by 2.75% (8.25% - 5.5%), which exceeds the 1.5% HPML threshold for first-lien loans, making this an HPML subject to additional requirements.
- 10. A.** (The lender's origination fee disclosed on the Loan Estimate) - Origination charges are zero-tolerance fees under TRID. Any increase from the Loan Estimate amount is a tolerance violation.
- 11. D.** (An employer paying bonuses to employees for closed loans) - RESPA Section 8(c)(2) specifically permits employers to pay employees, including bonuses, for loan production as part of their employment relationship.

- 12. B.** (The following Monday at midnight, counting Saturday as business day) - Wednesday closing means Thursday is day 1, Friday is day 2, Saturday is day 3 (Saturdays count for rescission). Rescission expires Monday at midnight.
- 13. C.** (LTV reaches 78% based on original value and amortization) - Under the Homeowners Protection Act, automatic PMI termination occurs when LTV reaches 78% based on the original property value and original amortization schedule.
- 14. A.** (Within 30 days of receiving the completed credit application) - ECOA Regulation B requires creditors to notify applicants of action taken within 30 days of receiving a completed application.
- 15. D.** (A purchase money mortgage on the borrower's primary residence) - The right of rescission does not apply to purchase money mortgages. It only applies to refinances and home equity transactions on the borrower's principal dwelling.
- 16. B.** (30 days after completion of the escrow computation year) - Under RESPA, servicers must provide the Annual Escrow Statement within 30 days of the end of the escrow account computation year.
- 17. C.** (A borrower providing inconsistent information about income sources) - Inconsistent information about income sources is a red flag for potential fraud or money laundering, requiring a SAR to be filed.
- 18. A.** (The applicant's receipt of income from public assistance programs) - ECOA prohibits discrimination based on receipt of public assistance income. DTI, credit score, and employment history are permissible factors.
- 19. D.** (A change in the loan product from fixed-rate to adjustable) - Three changes trigger a new 3-day waiting period: APR increase above tolerance, loan product change (fixed to ARM or vice versa), or addition of prepayment penalty.
- 20. B.** (Opt out of information sharing with nonaffiliated third parties) - GLBA gives consumers the right to opt out of sharing their nonpublic personal information with nonaffiliated third parties.
- 21. C.** (Identifying potential discriminatory lending patterns in communities) - HMDA data helps regulators identify potential discriminatory lending patterns and assess whether financial institutions serve community credit needs.
- 22. A.** (30 days for most requests with possible 15-day extension) - Under RESPA, servicers must respond to Qualified Written Requests within 30 days, extendable by 15 days with written notice.
- 23. D.** (The consumer provides affirmative consent after proper disclosure) - The E-Sign Act requires consumers to affirmatively consent to electronic records after receiving disclosures about hardware/software requirements.
- 24. B.** (Application fees charged before credit decision is made) - Application fees charged before the credit decision is made are generally not included in the finance charge under TILA.

- 25. C.** (The borrower's income, assets, debts, and credit history) - The Dodd-Frank ATR rule requires lenders to verify income, assets, employment, debts, and credit history before making a loan.
- 26. A.** (One-sixth of total annual escrow disbursements for taxes and insurance) - RESPA Section 10 permits a maximum escrow cushion of 1/6 (two months) of total annual escrow disbursements.
- 27. D.** (Specific reasons for denial or notice of right to request) - ECOA requires adverse action notices to include specific reasons for denial or inform applicants of their right to request reasons within 60 days.
- 28. B.** (Directing buyers to or away from areas based on protected class) - Steering is the illegal practice of directing buyers toward or away from certain neighborhoods based on protected class characteristics.
- 29. C.** (The Closing Disclosure showing final loan terms and costs) - Under TRID, the Closing Disclosure must be received by the borrower at least 3 business days before consummation.
- 30. A.** (An employee of a non-depository mortgage company taking applications) - MLOs at non-depository institutions (mortgage brokers, mortgage companies) must be state-licensed. Bank and credit union employees are registered, not licensed.
- 31. D.** (Federal law, ethics, and mortgage origination standards) - The national test component covers federal mortgage law, ethics, and mortgage origination standards applicable across all states.
- 32. B.** (30 days from the date of the second failed attempt) - After the first and second failed attempts, the waiting period is 30 days. The 180-day waiting period applies after the third failure.
- 33. C.** (20 hours including federal law, ethics, and nontraditional products) - SAFE Act pre-licensing education requires 20 hours: 3 hours federal law, 3 hours ethics, 2 hours nontraditional products, plus electives.
- 34. A.** (Negotiating residential mortgage loan terms for compensation) - The SAFE Act defines an MLO as someone who takes applications or negotiates loan terms for compensation, requiring licensure.
- 35. D.** (Engaging in fraud or dishonesty in mortgage transactions) - Fraud, dishonesty, or unethical conduct in mortgage transactions are grounds for license revocation under the SAFE Act.
- 36. B.** (Track MLOs and provide public access to licensing information) - The NMLS unique identifier allows consumers and regulators to track MLO licensing status, employment history, and disciplinary actions.
- 37. C.** (8 hours annually including federal law, ethics, and nontraditional) - SAFE Act CE requires 8 hours annually: 3 hours federal law, 2 hours ethics, 2 hours nontraditional products, plus electives.
- 38. A.** (They work under supervision and do not negotiate loan terms) - Loan processors working under supervision of a licensed MLO and not negotiating terms are exempt from licensing requirements.

- 39. D.** (Originate in a new state while their license application is pending) - Temporary authority allows MLOs to originate in a new state for up to 120 days while their license application is pending.
- 40. B.** (A felony conviction involving fraud within the past seven years) - The SAFE Act bars individuals with felony convictions involving fraud, dishonesty, or breach of trust from MLO licensure.
- 41. C.** (Material misstatement or omission on the license application) - Material misstatements or omissions on license applications demonstrate lack of integrity and are grounds for denial.
- 42. A.** (December 31 of each year to maintain license for next year) - CE must be completed by December 31 annually. Failure to complete CE by this date results in license expiration.
- 43. D.** (\$361,250 after subtracting the 15% down payment) - Loan amount = Purchase price - Down payment =  $\$425,000 - (\$425,000 \times 15\%) = \$425,000 - \$63,750 = \$361,250$ .
- 44. B.** (40% calculated using housing and all other monthly debts) - Back-end DTI =  $(\text{PITIA} + \text{Other debts}) \div \text{Income} = (\$2,250 + \$1,350) \div \$9,000 = \$3,600 \div \$9,000 = 40\%$ .
- 45. C.** (6.75% calculated as the fully indexed rate within caps) - Fully indexed rate = Index + Margin =  $4.25\% + 2.5\% = 6.75\%$ . The 5% initial cap would allow up to 10%, so 6.75% is the new rate.
- 46. A.** (580, which allows the minimum down payment option) - FHA requires a minimum credit score of 580 for the 3.5% down payment option. Scores 500-579 require 10% down.
- 47. D.** (The veteran's entitlement to VA loan guaranty benefits) - The Certificate of Eligibility confirms the veteran's eligibility for VA loan benefits and available entitlement amount.
- 48. B.** (Negative amortization that increases principal balance) - QM loans cannot have negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years.
- 49. C.** (Entities like Fannie Mae and Freddie Mac that purchase loans) - The secondary market consists of entities that purchase loans from originators, providing capital for new lending.
- 50. A.** (705, which is the middle score of the three pulled) - When three credit scores are available, lenders use the middle score. Arranged: 695, 705, 720. Middle is 705.
- 51. D.** (80% of the property value or purchase price used) - PMI is typically required for conventional loans when LTV exceeds 80%.
- 52. B.** (Are age 62 or older and want to access home equity) - HECM reverse mortgages are available to homeowners age 62 or older who want to convert home equity to cash without monthly payments.
- 53. C.** (Compares the subject property to similar recently sold properties) - The sales comparison approach is the primary method for valuing single-family residences.

- 54. A.** (\$6,500, which applies the gross-up to disability income) - Salary: \$5,500. Grossed-up VA disability:  $\$800 \times 1.25 = \$1,000$ . Total:  $\$5,500 + \$1,000 = \$6,500$ .
- 55. D.** (15-25% minimum down payment depending on property type) - Investment properties typically require 15% down for single units and 25% for 2-4 units under conventional guidelines.
- 56. B.** (Gross monthly income before taxes and deductions) - DTI ratios use gross monthly income (before taxes and deductions) in the denominator.
- 57. C.** (A large final payment due at the end of the loan) - Balloon mortgages feature regular payments during the term followed by a large final payment.
- 58. A.** (6% of the lesser of sale price or appraised value) - FHA limits seller concessions to 6% of the lesser of sale price or appraised value.
- 59. D.** (The lesser of purchase price or appraised value) -  $LTV = \text{Loan amount} \div \text{Lesser of purchase price or appraised value}$ .
- 60. B.** (Converts from construction to permanent financing automatically) - Construction-to-permanent loans automatically convert from construction financing to permanent mortgage upon completion.
- 61. C.** (Total household income including non-borrowing members) - USDA considers total household income for program eligibility, not just borrower income.
- 62. A.** (\$7,091, dividing YTD earnings by 11 months worked) - YTD earnings through November 30 = 11 months. Monthly income =  $\$78,000 \div 11 = \$7,091$ .
- 63. D.** (The lender against borrower default on the loan) - PMI protects lenders against losses when borrowers default on loans with LTV above 80%.
- 64. B.** (4 years from the discharge date of the bankruptcy) - Conventional guidelines typically require a 4-year waiting period after Chapter 7 bankruptcy discharge.
- 65. D.** (Only housing expenses including PITIA payment) - The front-end DTI ratio includes only housing expenses: principal, interest, taxes, insurance, and association dues.
- 66. A.** (Has lower payments because no principal is repaid) - Interest-only payments are lower because no principal reduction occurs during the interest-only period.
- 67. D.** (Name, income, SSN, property address, value, and loan amount) - TRID defines an application as receipt of these six pieces of information, triggering the LE requirement.
- 68. B.** (Require written explanation and documentation of the source) - Large deposits inconsistent with income must be sourced with written explanation and supporting documentation.

- 69. C.** (At least 3 business days before consummation of loan) - The Closing Disclosure must be received by the borrower at least 3 business days before consummation.
- 70. A.** (Two years of personal and business tax returns filed) - Self-employed borrowers typically must provide 2 years of both personal and business tax returns.
- 71. D.** (Zero tolerance, meaning no increases are permitted) - Origination charges are zero-tolerance fees. Any increase from the LE amount is a violation.
- 72. B.** (The lien must be satisfied or released to provide clear title) - Existing liens must be satisfied and released before closing to provide clear title.
- 73. C.** (The VA funding fee required for the loan guaranty) - The VA funding fee may be paid at closing or financed into the loan amount.
- 74. A.** (Whether the project meets investor and program guidelines) - Condo project reviews evaluate whether the project meets Fannie Mae, Freddie Mac, or FHA guidelines.
- 75. D.** (No later than 15 days after the effective date of transfer) - Under RESPA, the new servicer must provide notice within 15 days after the transfer effective date.
- 76. B.** (May require explanation but doesn't automatically disqualify) - A 60-day late from 18 months ago requires explanation but doesn't automatically disqualify.
- 77. C.** (A natural disaster affecting the property being financed) - Natural disasters affecting the property constitute valid changed circumstances allowing revised disclosures.
- 78. A.** (75% of gross rent to account for vacancy and expenses) - Rental income is typically calculated at 75% of gross rent to account for vacancies and expenses.
- 79. D.** (Use the new salary if the promotion is documented) - Documented promotions with salary increases can be used for qualification if properly verified.
- 80. B.** (A decrease in the total cash required to close) - Decreases in cash to close benefit the borrower and don't require a new waiting period. Product changes, prepayment penalty additions, and APR increases above tolerance trigger new waiting periods.
- 81. C.** (Financed into the loan amount as one-time charge) - FHA UFMIP is a one-time upfront payment typically financed into the loan amount.
- 82. A.** (Gift letter, evidence of transfer, and donor ability to give) - Complete gift documentation includes gift letter, transfer evidence, and proof donor had funds.
- 83. D.** (Within 30 days after the escrow computation year ends) - RESPA requires the Annual Escrow Statement within 30 days of the computation year ending.

- 84. B.** (28%, which is within most conventional guidelines) - Front-end DTI = PITIA ÷ Income = \$2,100 ÷ \$7,500 = 28%.
- 85. C.** (Commission, bonus, and self-employment income sources) - Variable income requires 2-year history. Base salary, Social Security, and court-ordered support have different requirements.
- 86. A.** (Require flood insurance as a condition of approval) - Properties in FEMA-designated flood zones require flood insurance for federally-related mortgages.
- 87. D.** (10 business days from the date of Loan Estimate) - The Loan Estimate expires 10 business days from issuance unless the borrower indicates intent to proceed.
- 88. B.** (A calculated payment of 0.5% to 1% of balance is used) - For student loans with \$0 payments, conventional guidelines require using a calculated payment for DTI.
- 89. C.** (All original loan terms and conditions remain unchanged) - When loans are sold, all contractual terms remain unchanged. Only ownership transfers.
- 90. D.** (A cash-out refinance with applicable restrictions) - Refinancing to pay off non-housing debt (credit cards) is classified as cash-out refinance with different guidelines and pricing.
- 91. D.** (10% cumulative tolerance with other fees in category) - Recording fees fall under the 10% cumulative tolerance category under TRID.
- 92. B.** (Adding depreciation back as it's a non-cash expense) - Depreciation is a non-cash expense that reduces taxable income but not actual cash flow, so it's added back.
- 93. C.** (Veterans receiving VA disability compensation benefits) - The VA funding fee is waived for veterans receiving VA disability compensation.
- 94. A.** (For reserves at a discounted value after penalties) - Retirement accounts may count as reserves at discounted value (typically 60-70%) to account for taxes and penalties.
- 95. D.** (Individual adverse action notices with reasons) - Under ECOA, all co-applicants must receive individual adverse action notices.
- 96. B.** (Require repairs completed before or after close with escrow) - Needed repairs may be required before closing or with escrow holdback for post-closing completion.
- 97. C.** (The estimated total closing costs and cash to close) - The "Costs at Closing" section on Page 1 of the LE shows total closing costs and cash to close.
- 98. D.** (Significant reserves, excellent credit, and low LTV) - Strong compensating factors include significant reserves, excellent credit history, and low LTV that can offset higher DTI.

- 99. D.** (Explain that all debts must be disclosed accurately) - MLOs must ensure all debts are disclosed. Excluding known debts is misrepresentation.
- 100. B.** (A title company paying referral fees to real estate agents) - RESPA Section 8 prohibits referral fees between settlement service providers.
- 101. C.** (Report through appropriate compliance channels available) - MLOs have an obligation to report known fraud through proper channels.
- 102. A.** (Explain that only current, documented income can be used) - Only current, verified income can be used for qualification, not expected future income.
- 103. D.** (Steer borrowers to costlier loans based on ethnicity) - Steering based on protected characteristics violates fair lending laws.
- 104. B.** (Decline to discuss target values and report the request) - Appraiser independence rules prohibit target value discussions. Such requests should be refused and reported.
- 105. C.** (Document as a loan creating liability affecting DTI) - Borrowed down payment funds create debt obligations that must be included in DTI.
- 106. A.** (Honesty, good faith, and fair dealing with all parties) - The SAFE Act requires MLOs to conduct business with honesty, good faith, and fair dealing.
- 107. D.** (Decline as this is a prohibited referral fee under RESPA) - RESPA prohibits referral fees between settlement service providers.
- 108. B.** (Investigate the discrepancy before proceeding with loan) - Income discrepancies require investigation and resolution before proceeding.
- 109. C.** (The racial composition of the property neighborhood) - Discouraging applications based on neighborhood racial composition is illegal discrimination.
- 110. C.** (Explain verification is required and cannot be waived) - Income verification is a regulatory requirement that cannot be waived regardless of borrower requests.
- 111. D.** (Report through appropriate compliance channels available) - Known RESPA violations must be reported through proper channels.
- 112. B.** (Report to compliance and not proceed until resolved) - Document alteration concerns require compliance review before proceeding.
- 113. C.** ("Guaranteed lowest rates—we beat any competitor") - Unsubstantiated guarantee claims violate Regulation N advertising rules.

**114. A.** (Refuse as backdating is fraud regardless of reason) - Backdating documents constitutes fraud regardless of purpose.

**115. D.** (Buyer having limited knowledge of transaction details) - Straw buyers typically lack knowledge of transaction details and don't actively participate.

**116. B.** (The loan's interest rate, points, or other terms) - The Loan Originator Rule prohibits compensation based on loan terms.

**117. C.** (Document concerns and seek clarification from borrower) - Occupancy inconsistencies require documentation and clarification.

**118. A.** (Written disclosure must be provided including right to shop) - Affiliated business arrangements require written disclosure including borrower's right to shop.

**119. D.** (Include the debt in DTI since borrower disclosed it) - All known debts must be included in DTI regardless of credit report status.

**120. B.** (Denying loans based on neighborhood racial composition) - Redlining is the illegal practice of denying credit based on neighborhood demographics.