

National Test Content Outline

PLEASE READ CAREFULLY

Legislative Updates

Legislative changes may occur throughout the test administration cycle. Candidates should answer test questions based on the current statutes, regulations and rules.

Candidates are responsible for keeping abreast of changes made to the applicable statutes, regulations and rules regardless of whether they appear on this outline or the test. The outline is not intended to list every aspect of a topic mentioned. Although the test items are developed from these categories, each topic is not necessarily tested on each examination.

STRUCTURE OF THE SAFE MLO TEST

The test consists of 120 multiple-choice items (115 scored test questions and 5 unscored test questions) that are distributed among the five major content areas listed in the table below. References can be found starting on page 8.

Content Area	Percentage of Test
Federal Mortgage Related Laws	24%
Uniform State Content	11%
General Mortgage Knowledge	20%
Mortgage Loan Origination Activities	27%
Ethics	18%

I. FEDERAL MORTGAGE RELATED LAWS (24%)

A. Real Estate Settlement Procedures Act (RESPA), 12 CFR Part 1024 (Regulation X)

1. RESPA origins and purpose; definition of "mortgage broker"
2. Applicable loan types
3. RESPA prohibitions, limitations, & exemptions
4. Settlement services
5. Required borrower information on application (Regulation X)
6. Foreclosure process
7. Initial escrow statements

B. Equal Credit Opportunity Act (ECOA), 12 CFR Part 1002 (Regulation B)

1. ECOA permissible acts
2. Factors that cannot be used to discriminate
3. Circumstances where loan can be denied
4. Regulation B
5. Notifying borrower of action taken (timing)
6. Required disclosures when application denied
7. Adverse action: definition/examples/notifications/timing
8. Information required on application; definition of "elderly"
9. Mortgage loan originator (MLO) actions when borrower refuses to provide race/gender information

10. Co-signer requirements
11. Acceptable income for loan review
12. Creditworthiness factors

C. Truth in Lending Act (TILA), 12 CFR Part 1026 (Regulation Z)

1. Purpose of TILA
2. Loans covered under TILA
3. Definitions including APR, finance charge, dwelling, residential mortgage loan
4. "Notice of right to rescind"; refinance rescind scenarios; defining "seller contributions"
5. Home Ownership and Equity Protection Act (HOEPA), high-cost mortgages (12 CFR 1026.32)
6. Higher-priced mortgage loans (12 CFR 1026.35)
7. MLO compensation (12 CFR 1026.36(d))

D. TILA-RESPA Integrated Disclosure Rule (TRID) ("Know Before You Owe")

1. Purpose of TRID
2. Loans covered under TRID
3. Loan estimates: facts, required information, charges/fees
4. Definition of "loan consummation"
5. Special information booklet
6. Closing Disclosure
7. Disclosures timing
8. MLO actions if TRID disclosure is incomplete
9. "Change of circumstances"
10. Information that must be provided to consumer upon request
11. Borrower's right to rescission
12. Annual escrow statement

E. Other Federal Laws and Guidelines

1. Home Mortgage Disclosure Act (HMDA), 12 CFR Part 1003 (Regulation C)
2. Fair Credit Reporting Act (FCRA)/Fair and Accurate Credit Transactions Act (FACTA) 15 USC § 1681 et seq.
3. Federal Trade Commission Red Flag rules, 16 CFR Part 681
4. Bank Secrecy Act/Anti-money Laundering (BSA/AML)
5. Gramm-Leach-Bliley Act (GLBA) – Privacy, Federal Trade Commission Safeguard Rules and Do-Not-Call
6. Mortgage Acts and Practices – Advertising, 12 CFR Part 1014 (Regulation N)
7. Electronic Signatures in Global and National Commerce Act (E-Sign Act)
8. USA PATRIOT Act
9. Homeowners' Protection Act (Private Mortgage Insurance (PMI) Cancellation Act)
10. Dodd-Frank Act

F. Regulatory Authority

1. Consumer Financial Protection Bureau (CFPB)
2. Department of Housing and Urban Development (HUD)

II. UNIFORM STATE CONTENT (11%)

A. SAFE Act and CSBS/AARMR Model State Law

1. SAFE Act:
 - a) General purpose and scope
 - b) Documents to be filed for public record
2. State Mortgage Regulatory Agencies:
 - a) Regulatory powers and responsibilities
 - b) NMLS Registry and relationship with state regulators
 - c) Frequency of exams
 - d) MLO unique identifiers
 - e) CFPB authority and CFPB Loan Originator rule (dual compensation)
3. License Law and Regulation:
 - a) People required to be licensed
 - b) MLO-licensed services
 - c) Allowable activities by underwriters, clerical staff and loan processors
 - d) Entities requiring licensed MLO
 - e) Businesses not required to be licensed (depository institutions)
 - f) Licensee qualifications & application process:
 - i. Pre-license education
 - ii. Background checks
 - iii. Other requirements
 - iv. Felony charges
 - g) Waiting period for test retakes
 - h) Sponsorship requirement
 - i) Definition of "MLO"
 - j) Grounds for denying a license
 - k) License maintenance:
 - i. Renewal period
 - ii. Continuing Education requirements
 - iii. Maintaining active license
 - iv. Retaking 80-3 test if inactive
 - l) NMLS requirements:
 - i. Change of employment notifications
 - ii. Required submissions/disclosures
 - iii. NMLS identifier requirements
 - m) Temporary Authority to Originate – Economic Growth, Regulatory Relief, and Consumer Protection Act
4. Compliance:
 - a) State regulator's authority to examine a licensee's books and records and interview employees
 - b) Prohibited acts:
 - i. Paying for real estate agent ads

- ii. Using supervisor's NMLS unique identifier
 - iii. Omitting debt not on credit report
 - iv. "Bait-and-switch"
- c) Required conduct:
 - i. Providing documents in complaint investigations
 - ii. Record retention
 - iii. Providing records to state regulators
- d) Assumable loans
- e) Permissible acts
- f) Penalties for failure to conduct certain duties
- g) General loan origination scenarios
- h) Advertising:
 - i. Requirement to include NMLS unique identifier in advertisements

III. GENERAL MORTGAGE KNOWLEDGE (20%)

A. Qualified and Non-qualified Mortgage Programs

1. Qualified mortgages
2. Conventional/conforming
 - a) Includes Fannie Mae and Freddie Mac
3. Government
 - a) Includes FHA, VA, USDA
4. Conventional/nonconforming
 - a) Jumbo, Alt-A
 - b) Subprime mortgage
 - c) Guidance on nontraditional mortgage product risk
 - d) Non-qualified mortgage

B. Mortgage Loan Products

1. Fixed-rate mortgages
2. Adjustable-rate mortgages (ARMs)
3. Purchase money second mortgages
4. Balloon mortgages
5. Reverse mortgages
6. Home equity line of credit (HELOC)
7. Construction mortgages
8. Interest-only mortgages

C. Terms Used in the Mortgage Industry

1. Loan terms: subordinate loans, escrow accounts, lien, tolerances, rate lock agreement, table funding
2. Disclosure terms: yield spread premiums, federal mortgage loans, servicing transfers, lender credits

3. Financial terms: discount points, 2-1 buy-down, loan-to-value (LTV) ratio, accrued interest, finance charges, daily simple interest
4. General terms: subordination, conveyance, primary/secondary market, third-party providers, assumable loan, APR

IV. MORTGAGE LOAN ORIGINATION ACTIVITIES (27%)

A. Loan Inquiry and Application Process Requirements

1. Loan inquiry process – includes required disclosures
2. Borrower application:
 - a) Accepting applications
 - b) Offering/negotiating terms
 - c) Managing information
 - d) Permissible questions
 - e) Gift donors
3. Verification:
 - a) Authorization forms
 - b) Percentage of bank account assets attributable toward a loan application
 - c) Verifying employment
4. Suitability of products & programs – reflecting the type of loan on a mortgage application
5. Accuracy (tolerances):
 - a) Violation scenarios
 - b) Zero tolerance service charges
 - c) 10% tolerance service charges
6. Disclosure timing:
 - a) "Know Before You Owe"
 - b) Notification of action taken
 - c) Early disclosures
 - d) Affiliated business arrangements
7. Loan estimate timing:
 - a) Initial Loan Estimate
 - b) Revised Loan Estimate
 - c) Expiration of Loan Estimate settlement charges
 - d) Tolerance corrections
8. Closing Disclosure
 - a) Homeownership Counseling Disclosure

B. Qualification: Processing & Underwriting

1. Borrower Analysis:
 - a) Assets
 - b) Liabilities
 - c) Income
 - d) Credit report
 - e) Qualifying ratios (LTV, debt-to-income)
 - f) Ability to repay

2. Appraisals:
 - a) Purpose/definitions
 - b) Approaches (market, income, cost)
 - c) Timing
 - d) Independent appraisal requirement
3. Title Report:
 - a) Obtaining title reports
 - b) Timing of title reports and commitments
 - c) Preliminary title reports
4. Insurance:
 - a) Flood insurance
 - b) PMI
 - c) Hazard/homeowner insurance
 - d) Government mortgage insurance

C. Closing

1. Title and title insurance
2. Settlement/Closing Agent:
 - a) Eligible signatures on security instrument
 - b) Power of attorney
3. Explanation of fees – HUD-1, title insurance, pre-pays, escrow expenses, loan origination fees
4. Required closing documents
5. Funding – rescission periods

D. Financial Calculations

1. Periodic interest
2. Monthly payments
3. Down payments
4. Closing costs/prepays
5. ARM adjustments – interest rates and payments

V. Ethics (18%)

A. Ethical Issues

1. Prohibited acts:
 - a) Redlining
 - b) RESPA prohibitions
 - c) Kickbacks/compensation
 - d) Permitted/prohibited duties
2. Fairness in lending:
 - a) Referral (Definition/required disclosures)
 - b) Coercion
 - c) Appraiser conflict of interest
 - d) Discrimination/fairness
3. Fraud detection:

- a) Asset/income/employment fraud
- b) Sales contract/application red flags
- c) Occupancy fraud
- d) General red flags
- 4. Suspicious bank and other activity; information not provided to borrower; verifying application information
- 5. Advertising:
 - a) Misleading information
 - b) Due diligence review
 - c) "Unfair, deceptive, or abusive acts"
 - d) Federal regulation
- 6. Predatory lending and steering

B. Ethical behavior related to loan origination activities

- 1. Financial responsibility:
 - a) Permitted fees/compensation; fee changes; closing cost scenarios; referral fees; fee splitting
- 2. Handling borrower complaints
- 3. Mortgage company compliance:
 - a) Discovery of material information; information supplied by employers
- 4. Relationships with consumers:
 - a) Handling personal information/cybersecurity; disclosing conflicts of interest; requesting credit reports
 - b) Changes in down payments or offered interest rates; powers of attorney; non-resident co-borrowers
 - c) Unreported/fluctuating income; gifts/unexplained deposits; appraiser interactions; multiple applications
 - d) Truth in marketing and advertising – permissible statements in advertising
 - e) General business ethics:
 - i. Falsified information by borrower or MLO
 - ii. Giving solicited/unsolicited advice
 - iii. Outside parties seeking information

National Test Component Reference List

NOTE: The following is a list of the sources used in the development of the National Test Component. It is not intended to be an all-inclusive list but may be used as a guide in preparing to take the test.

- [CHAPTER 27 - REAL ESTATE SETTLEMENT PROCEDURES ACT \(RESPA\)](#)
- [Title XII Banks and Banking](#)
- [12 CFR 1024 – RESPA \(REG X\)](#)
- [12 CFR 1002 – EQUAL CREDIT OPPORTUNITY ACT - ECOA \(REGULATION B\)](#)
- [12 CFR 1026 – TRUTH-IN-LENDING ACT \(TILA - REG Z\)](#)
 - [Home Ownership and Equity Protection Act \(HOEPA\) Rule](#)
 - [Escrow Rule](#)
 - [Federal Mortgage Disclosure Requirements under the Truth in Lending Act \(Regulation Z\)](#)
- [12 CFR 1024 1026 – INTEGRATED DISCLOSURES UNDER RESPA \(Reg X\) AND TILA \(Reg Z\)](#)
- [12 CFR 1003 – HOME MORTGAGE DISCLOSURE \(REGULATION C\)](#)
- [12 CFR 1022 – FAIR CREDIT REPORTING \(REGULATION V\)](#)
- [15 USC 1681 et seq. – FAIR CREDIT REPORTING ACT](#)
- [12 CFR 1016 – PRIVACY OF CONSUMER FINANCIAL INFORMATION \(REGULATION P\)](#)
- [15 USC 6101 et seq. DO NOT CALL – TELEMARKETING AND CONSUMER FRAUD AND ABUSE PREVENTION ACT](#)
- [15 USC 6151 – DO NOT CALL](#)
- [47 CFR 64.1200 – SUBPART L RESTRICTIONS ON TELEMARKETING, TELEPHONE SOLICITATION AND FACSIMILIE ADVERTISING](#)
- [16 CFR 310 – TELEMARKETING SALES RULE](#)
- [16 CFR 313 – Privacy of Consumer Financial Information](#)
- [16 CFR 681 – IDENTITY THEFT RULES](#)
- [31 CFR 1029.320 – Rules for Loan or Finance Companies \(AML Rules\)](#)
- [15 USC 6801-6809 – DISCLOSURE OF NONPUBLIC PERSONAL INFORMATION](#)
 - [PRIVACY OF CONSUMER FINANCIAL INFORMATION](#)
 - [STANDARDS FOR SAFEGUARDING CUSTOMER INFORMATION](#)
- [12 CFR 1014 – MORTGAGE ACTS AND PRACTICES - ADVERTISING \(REGULATION N\)](#)
- [USA PATRIOT Act](#)
- [Homeowners Protection Act](#)

- [4506-T – Request for Transcript of Tax Return](#)
- [HUD Home Equity Conversion Mortgages \(HECM\) homepage](#)
- [The Federal Housing Administration \(FHA\)](#)
- [FHA Mortgage Limits](#)
- [VA Purchase & Cash Out Refinance Home Loans](#)
- [FHA Handbook 4000.1](#)
- [HUD – Single Family Housing – Insurance Premiums](#)
- [Consumer Finance Protection Bureau \(CFPB\)](#)
 - [CFPB: Final Rules](#)
 - [CFPB: Compliance and Guidance](#)
- [CFPB Ability to Repay and Qualified Mortgage Standards, Small entity compliance guide](#)
 - [CFPB: Balloon Payment](#)
 - [CFPB: Construction Loan](#)
 - [CFPB: Loan to Value Ratio](#)
 - [CFPB: Private Mortgage Insurance](#)
 - [CFPB: Interest Rate and APR](#)
 - [CFPB: Discount Points](#)
 - [CFPB: Right to Rescind](#)
 - [CFPB: Mortgages](#)
 - [CFPB: Property or Flood Insurance](#)
- [Consumer handbook on adjustable-rate mortgages](#)
- [The Electronic Signatures in Global and National Commerce Act \(E-Sign Act\)](#)
- [Fannie Mae](#)
 - [Fannie Mae: Loan Limits](#)
 - [Fannie Mae: Selling Guide](#)
- [Federal Financial Institutions Examination Council \(FFIEC\) - The Detection and Deterrence of Mortgage Fraud Against Financial Institutions](#)
- [Freddie Mac](#)
- [FTC: Real Estate Marketplace Glossary](#)
- [CSBS/AARMR Guidance on Nontraditional Mortgage Product Risks](#)
- [SAFE Mortgage Licensing Act of 2008](#)
- [12 USC Chapter 51 – SECURE AND FAIR ENFORCEMENT FOR MORTGAGE LENDING](#)
- [12 CFR 1008-- S.A.F.E. MORTGAGE LICENSING ACT—STATE COMPLIANCE AND BUREAU REGISTRATION SYSTEM \(REGULATION H\)](#)