WASHINGTON, June 7 (Reuters) - The Obama administration acted within its discretion two years ago when it reclassified mortgage loan officers as eligible for overtime pay, a federal judge has ruled in a case that tested the authority of U.S. labor officials to set overtime rules. The decision on Wednesday was a loss for mortgage lending companies, which had hoped to invalidate the rule change as they face lawsuits from loan officers for back overtime pay. The U.S. Labor Department said in 2010 that, based on the typical job duties of mortgage loan officers, they should receive overtime wages. The change restored the status of loan officers to what it had been prior to 2006, when the Bush administration termed loan officers ineligible. The Mortgage Bankers Association, a lobbying group for banks and other lenders, sued, calling the 2010 change "an abrupt reversal" of a policy that it had come to rely on. U.S. District Judge Reggie Walton in Washington, D.C., disagreed, ruling that the lenders failed to show that they relied on the 2006 policy in ways that had substantially hurt them. To the extent that lenders did rely on it, it was "short lived" given that they relied for years until 2006 on the idea that loan officers were eligible for overtime wages, Walton wrote. Bank of America, JPMorgan Chase & Co and Quicken Loans Inc are among the lenders that have faced claims from loan officers who say they are due back overtime pay. The Mortgage Bankers Association has not decided whether to appeal the ruling, association lawyer Howard Radzely said on Thursday. The case is Mortgage Bankers Association v. Hilda Solis, et al., U.S. District Court for the District of Columbia, No. 11-cv-73.