

## **Chapter 14 Questions**

### **Real Estate Financing: Principles**

1. Under an installment contract, the title to the property is held by the
  - a. vendor.
  - b. vendee.
  - c. trustor.
  - d. trustee.
  
2. Charging more interest than is legally allowed is known as
  - a. escheat.
  - b. usury.
  - c. a deficiency.
  - d. an estoppel.
  
3. A mortgagor is the one who
  - a. gives a mortgage.
  - b. holds a mortgage.
  - c. provides mortgage funds.
  - d. forecloses on a mortgage.
  
4. A promissory note
  - a. may not be executed in connection with a real estate loan.
  - b. is an agreement to perform or not to perform certain acts.
  - c. makes the borrower personally liable for the debt.
  - d. is a guarantee by a government agency.
  
5. A land contract provides for the
  - a. sale of unimproved land only.
  - b. sale of real property under an option agreement.
  - c. conveyance of legal title at a future date.
  - d. immediate transfer of reversionary rights.

6. The fee charged by a mortgage broker to arrange a loan is a(n)
  - a. prepayment penalty.
  - b. advance interest payment.
  - c. loan origination fee.
  - d. prepayment of mortgage insurance.
  
7. If the amount realized at a sheriff's sale as part of a mortgage foreclosure is more than the amount of the indebtedness and expenses, then the excess belongs to
  - a. the mortgagor.
  - b. the mortgagee.
  - c. the sheriff's office.
  - d. the county.
  
8. LaShawn has just made the final payment on her home mortgage to her lender. There will still be a lien on her property until the lender records a(n)
  - a. satisfaction of mortgage.
  - b. reconveyance of mortgage.
  - c. alienation of mortgage.
  - d. reversion of mortgage.
  
9. An existing mortgage loan can have its lien priority lowered through the use of a
  - a. hypothecation agreement.
  - b. satisfaction of mortgage.
  - c. subordination agreement.
  - d. reconveyance of mortgage.
  
10. The right a mortgagor has to regain the property by paying the debt after a foreclosure sale is called
  - a. acceleration.
  - b. redemption.
  - c. reversion.
  - d. recapture.

11. The clause in a trust deed or mortgage that permits the lender to declare the entire unpaid balance immediately due and payable upon default is the
  - a. judgment clause.
  - b. escalator clause.
  - c. forfeiture clause.
  - d. acceleration clause.
  
12. A building was sold for \$115,000. Earnest money in the amount of \$15,000 was deposited in escrow, and the buyer obtained a new loan for the balance of the purchase price. The lender charged 2 discount points on the loan. What was the total amount of cash used by the buyer for this purchase?
  - a. \$2,300
  - b. \$15,000
  - c. \$17,000
  - d. \$17,300
  
13. When a mortgage loan has been paid in full, it is important for the borrower to be sure that
  - a. the paid note is placed in a safe deposit box.
  - b. he or she obtains a deed of partial reconveyance.
  - c. the paid mortgage is returned to the lender.
  - d. a satisfaction of mortgage is recorded.
  
14. In what way does a deed of trust differ from a mortgage?
  - a. In the number of parties involved in the loan
  - b. In the obligation of the borrower to repay the funds
  - c. In the redemption rights allowed after foreclosure
  - d. In the time period permitted to cure a default
  
15. A person who assumes an existing mortgage loan is
  - a. not personally liable for the repayment of the debt.
  - b. not in danger of losing the property by default.
  - c. personally responsible for paying the principal balance.
  - d. generally released from liability, but not always.

16. All the following clauses in a loan agreement enable the lender to demand the entire remaining debt be paid immediately *EXCEPT* a(an)
- due-on-sale clause.
  - defeasance clause.
  - acceleration clause.
  - alienation clause.
17. The mortgagee foreclosed on a property after the borrower defaulted on the loan payments. At the foreclosure sale, however, the house sold for only \$129,000. The unpaid balance of the loan at the time of the sale was \$140,000. What must the lender do to recover the \$11,000 the borrower still owes?
- Sue for damages
  - Sue for specific performance
  - Seek a judgment by default
  - Seek a deficiency judgment
18. The clause in a mortgage instrument that would prevent the assumption of the mortgage by a new purchaser is a
- due-on-sale clause.
  - power of sale clause.
  - defeasance clause.
  - certificate of sale clause.
19. The defeasance clause in a mortgage requires the mortgagee to execute a(n)
- assignment of mortgage.
  - satisfaction of mortgage.
  - subordination agreement.
  - partial release agreement.
20. The seller agrees to sell the house to the buyer for \$100,000. The buyer was unable to qualify for a mortgage loan for this amount so the seller and buyer enter into a contract for deed. The interest the buyer has in the property under a contract for deed is
- legal title.
  - equitable title.
  - joint title.
  - mortgagee in possession.

21. A "friendly foreclosure" enables a mortgagor to prevent the mortgagee from taking the property by statutory means. This can be accomplished by use of a(n)
- deed in lieu of foreclosure.
  - reconveyance deed.
  - assumption.
  - escrow deed.
22. Mortgage lenders want assurance that future real estate taxes will be paid. The most common way to do this is to require the borrower to
- obtain title insurance.
  - sign a note.
  - pay into an impound account.
  - submit paid tax receipts.
23. The pledging of property as security for payment of a loan without surrendering possession is
- disintermediation.
  - equity.
  - hypothecation.
  - subordination.
24. When real estate is sold under an installment land contract and the buyer takes possession of the property, the legal title
- is subject to a purchase money mortgage.
  - must be transferred to a land trust.
  - is kept by the seller until the purchase price is paid according to the contract.
  - is transferred to the buyer.
25. An agreement executed by the seller, buyer, and lender on an existing mortgage to be assumed that will release the seller from any future liability is called a
- novation
  - equitable title
  - defeasance clause
  - deed of trust

26. If a buyer obtains a \$50,000 mortgage with 4 points, how much will the lender charge at closing?
- a. \$6,000
  - b. \$200
  - c. \$2,000
  - d. \$40,000
27. In absence of an agreement to the contrary, the mortgage having priority will be the one
- a. for the highest amount.
  - b. which was recorded first.
  - c. which was signed first.
  - d. that is a construction loan.
28. The purpose of a mortgage is to
- a. provide security for a loan.
  - b. convey title of the property to a lender.
  - c. restrict the borrower's use of the property.
  - d. create a lien on the property.
29. If a property sold at a mortgage foreclosure does not bring an amount sufficient to satisfy the outstanding mortgage debt, the mortgagor may be responsible for
- a. a default judgment.
  - b. a deficiency judgment.
  - c. liquidated damages.
  - d. punitive damages.
30. If a house sold for \$80,000 and the buyer obtained a loan for \$72,000, how much money would the buyer pay if the lender charged 3 points?
- a. \$2400
  - b. \$2328
  - c. \$2160
  - d. \$240