

Chapter 15 Questions

Real Estate Financing: Practice

1. Kahlid has been making periodic payments of principal and interest on a loan, but the final payment will be larger than the others. This is a (n)
 - a. balloon payment loan
 - b. fully amortized loan
 - c. FHA loan
 - d. straight loan.

2. The amount of a loan expressed as a percentage of the value of the real estate offered as collateral is the
 - a. amortization ratio.
 - b. loan-to-value ratio.
 - c. debt-to-equity ratio.
 - d. capital-use ratio.

3. If the quarterly interest at 10½ percent is \$3,150, the principal amount of the loan is
 - a. \$30,000.
 - b. \$60,000.
 - c. \$90,000.
 - d. \$120,000.

4. Fannie Mae
 - a. makes FHA loans.
 - b. buys FHA loans.
 - c. services FHA loans.
 - d. insures FHA loans.

5. The grantor becomes the lessee and the grantee becomes the lessor under which of the following financing arrangements?
 - a. Partial sale
 - b. Wraparound mortgage
 - c. Sale and leaseback
 - d. Assumption of mortgage

6. Members of which of the following pairs of terms are synonymous?
 - a. Interim financing and construction loan
 - b. Construction loan and passthrough loan
 - c. Pass-through loan and takeout loan
 - d. Takeout loan and construction loan

7. The type of real estate loan that allows the lender to increase the outstanding balance of a loan up to the original sum in the note while advancing additional funds is the
 - a. wraparound mortgage.
 - b. open-end mortgage.
 - c. growing-equity mortgage.
 - d. graduated-payment mortgage.

8. Sandra's son starts college soon. She has lived in her home for 10 years. What financing option would be preferable for Sandra to obtain funds to pay for her son's schooling?
 - a. participation financing
 - b. open end loan
 - c. wraparound loan
 - d. home equity loan

9. All of the following loans to individuals are affected by the Truth in Lending Law under Regulation Z EXCEPT
 - a. Household use
 - b. Business use
 - c. Room additions
 - d. Swimming pools

10. An FHA-insured mortgage loan would be obtained from which of the following?
 - a. The Federal Housing Administration
 - b. The Department of Housing and Urban Development
 - c. Any FHA-approved lending institution
 - d. Any FHA-approved insuring institution

11. Fannie Mae, Ginnie Mae, and Freddie Mac all
 - a. originate residential mortgage loans.
 - b. purchase existing mortgage loans.
 - c. insure residential mortgage loans.
 - d. guarantee existing mortgage loans.

12. A mortgage broker generally offers which of the following services?
 - a. Handling the escrow procedures
 - b. Bringing the borrower and the lender together
 - c. Providing credit qualification and evaluation reports
 - d. Granting real estate loans using investor funds

13. An eligible veteran made a purchase offer of \$180,000 on a home he wants to finance with a VA-guaranteed loan. Four weeks after the offer was accepted, a certificate of reasonable value (CRV) for \$177,000 was issued for the property. In this situation, the veteran could do all of the following EXCEPT
 - a. Withdraw from the transaction without penalty
 - b. Purchase the property with a \$3,000 cash down payment
 - c. Negotiate with the seller to reduce the price \$3,000
 - d. Insist that the lender loan up to the allowable maximum of the certificate of eligibility

14. A borrower obtained a \$7,000 second mortgage loan for 5 years at 6 percent interest per annum. Monthly payments of principal and interest were \$50. The final payment included the remaining outstanding principal balance. What type of loan is this?
 - a. A fully amortized loan
 - b. A straight loan
 - c. A partially amortized loan
 - d. An accelerated loan

15. Which of the following is true about VA guaranteed mortgages?
 - a. discount points must be paid by the seller
 - b. .the borrower may have a prepayment penalty clause in the loan
 - c. funding fee amounts are negotiable
 - d. the borrower must apply for a certificate of eligibility.

16. The principal distinction between the primary mortgage market and the secondary mortgage market is in the
- insuring versus the guaranteeing of mortgage loans.
 - origination versus the purchase of mortgage loans.
 - use of mortgages versus the use of deeds of trust.
 - use of discount points versus the use of origination fees.
17. A real estate loan payable in periodic installments that are sufficient to pay the principal in full during the term of the loan is called a
- conventional loan.
 - straight loan.
 - partially amortized loan.
 - fully amortized loan.
18. An extension of credit from a seller to a buyer to allow the buyer to complete the transaction is called a
- growing equity mortgage.
 - purchase money mortgage.
 - package mortgage.
 - blanket mortgage.
19. When compared with a 30-year payment period, taking out a loan with a 20-year payment period would result in
- slower equity buildup.
 - greater impound requirements.
 - lower monthly payments.
 - higher monthly payments.
20. If the interest rate on an FHA-insured mortgage loan is 5 1/2 percent and the monthly payment is \$1,012 the principal sum would be
- \$22,080
 - \$220,800
 - \$184,000
 - \$667,920

21. PMI is the acronym for Private Mortgage Insurance often used by borrowers whose LTV (loan-to-value) ratio is less than 20 percent. Lenders must cease charging PMI when the LTV reaches
- a. 22 percent.
 - b. 27 percent.
 - c. 29 percent.
 - d. 35 percent.
22. Subdivider Jonathan had a mortgage loan on his entire housing subdivision. When he sold a lot to a buyer, he was able to deliver title to that lot free of the mortgage lien by obtaining a partial release. What type of loan did the developer have?
- a. Blanket mortgage
 - b. Purchase money mortgage
 - c. Package mortgage
 - d. Open-end mortgage
23. Which of the following would be considered a trigger item under Regulation Z?
- a. "low monthly payments"
 - b. "FHA financing available"
 - c. "A steal at only \$175,000!"
 - d. " Only \$10,000 down"
24. Freddie Mac
- a. operates mostly in the primary mortgage market.
 - b. operates mostly in the secondary mortgage market
 - c. guarantees payment of Freddie Mac mortgages.
 - d. buys mostly FHA loans.
25. A lender will take certain factors into consideration when deciding whether to grant a borrower a mortgage loan. Which of the following is a violation of the Equal Credit Opportunity Act (ECOA)?
- a. The marital status of the borrower
 - b. The creditworthiness of the borrower
 - c. The amount of the borrower's income
 - d. The ability of the borrower to make the payments

26. If the amount of a loan is \$13,500 and the interest rate is 6 percent what is the amount of the semiannual interest payment?
- a. \$596.55
 - b. \$405.00
 - c. \$810.00
 - d. \$202.50
27. The type of mortgage loan that uses both real and personal property as security is a
- a. blanket loan.
 - b. package loan
 - c. purchase money mortgage.
 - d. wraparound loan
28. The availability of funds for real estate mortgage loans is affected by the Federal Reserve System through which of the following?
- a. Discount rates
 - b. Federal National Mortgage Association
 - c. Federal Housing Administration
 - d. Resolution Trust Corporation
29. John is selling his property for \$225,000. He has a loan balance of \$50,000. He has agreed to provide financing to the purchasers in the amount of \$200,000 and will continue to make payments on the original loan. This type of loan is called a
- a. package loan
 - b. wraparound loan
 - c. blanket loan
 - d. loan assumption
30. A lender's interest in a mortgage loan is protected by obtaining additional security from
- a. private mortgage insurance.
 - b. title insurance.
 - c. the borrower's note.
 - d. impound accounts.

31. A common feature of an adjustable rate mortgage (ARM) is
- the interest rate is fixed for a maximum of five years
 - there is negative amortization if rates decrease
 - a rate cap on the amount the rate may increase
 - automatic conversion to a fixed-rate loan
32. A type of long-term financing which has become popular because initial payments are lower due to no principal being paid, is called a (n)
- amortized loan
 - balloon loan
 - package loan
 - interest-only loan
33. Last month's loan payment included \$412.50 interest on a \$60,000 loan balance. What is the annual rate of interest?
- 7½ percent
 - 7¾ percent
 - 8¼ percent
 - 8½ percent
34. Mrs. Robinson has owned her house for over 50 years. It has fallen into disrepair, but because she lives on a fixed income, she does not have the money to make the needed repairs. She has a considerable amount of equity in the house. What type of loan best suits her needs?
- A home equity loan
 - A reverse annuity mortgage
 - A blanket loan
 - An open-ended loan
35. The type of loan that will most likely have the lowest loan-to-value ratio is a
- VA loan.
 - FHA loan.
 - PMI loan.
 - conventional loan.