

Michael James Johnston
Real Estate Essentials
Chapter 14-15

Name _____

1. L 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.
2. The clause in a mortgage instrument that would prevent the assumption of the mortgage by a new purchaser is a
 - a. due on sale clause.
 - b. power of sale clause.
 - c. defeasance clause.
 - d. certificate of sale clause.
3. 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 qualified lending institution
 - d. Any qualified insuring institution
4. 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.
5. If the amount of a loan is \$13,500 and the interest rate is 7 1/2%, what is the amount of the semiannual interest payment?
 - a. \$596.55
 - b. \$506.25
 - c. \$602.62
 - d. \$457.14
6. 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
 - a. obtain title insurance.
 - b. sign a note.
 - c. pay into an impound account.
 - d. submit paid tax receipts.
7. 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.

8. 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.

9. The type of mortgage loan that uses both real and personal property as security is a
 - a. blanket mortgage.
 - b. package mortgage.
 - c. purchase money mortgage.
 - d. wraparound mortgage.

10. The pledging of property as security for payment of a loan is
 - a. disintermediation.
 - b. equity.
 - c. hypothecation.
 - d. subordination.

11. PMI is the acronym for Private Mortgage Insurance often used by borrowers whose LTV (loan-to-value) ratio is less than 20%. Lenders must cease charging PMI when the LTV is
 - a. 22%.
 - b. 27%.
 - c. 29%.
 - d. 35%.

12. Fannie Mae, Ginnie Mae, and Freddie Mac have in common the purpose of
 - a. originating residential mortgage loans.
 - b. purchasing existing mortgage loans.
 - c. insuring residential mortgage loans.
 - d. guaranteeing existing mortgage loans.

13. The principal distinction between the primary mortgage market and the secondary mortgage market is in the
 - a. insuring versus the guaranteeing of mortgage loans.
 - b. origination versus the purchase of mortgage loans.
 - c. use of mortgages versus the use of deeds of trust.
 - d. use of discount points versus the use of origination fees.

14. Which of the following normally purchases mortgages in the secondary mortgage market?
 - a. Mortgage bankers
 - b. Ginnie Mae
 - c. Federal Housing Administration
 - d. Veterans Administration

15. K has just purchased his first home with a fixed-rate loan. The interest he will pay over the life of the loan is
 - a. simple interest.
 - b. compound interest.
 - c. prepaid interest.
 - d. discounted interest.

16. 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.

17. When real estate is sold under an installment land contract and the buyer takes possession of the property, the legal title
 - a. is subject to a purchase money mortgage.
 - b. must be transferred to a land trust.
 - c. is kept by the seller until the purchase price is paid according to the contract.
 - d. is transferred to the buyer.

18. Regulation Z applies to
 - a. business loans.
 - b. real estate sales agreements.
 - c. commercial loans under \$10,000.
 - d. personal credit transactions under \$25,000.

19. A mortgagor is the one who
 - a. gives the mortgage.
 - b. holds the mortgage.
 - c. provides the mortgage funds.
 - d. forecloses on the mortgage.

20. The purpose of the Real Estate Settlement Procedures Act (RESPA) is to
 - a. see that buyers do not borrow more money than they can repay.
 - b. make real estate brokers more responsive to the needs of buyers.
 - c. help sellers know how much money is required to purchase the property.
 - d. see that buyers and sellers know all of their settlement costs.

21. A borrower obtained a \$7,000 second mortgage loan for 5 years at 6 percent interest per annum. Monthly payments 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

22. From which of the following would a borrower most likely obtain a residential real estate mortgage loan?
 - a. An insurance company
 - b. A pension fund
 - c. A commercial bank
 - d. A savings and loan association

 23. 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 the first mortgage.
 - d. that is a construction loan.

 24. A graduated payment loan is one in which
 - a. mortgage payments decrease.
 - b. mortgage payments balloon in 5 years.
 - c. mortgage payments increase.
 - d. the interest rate on the loan adjusts annually.

 25. The mortgagee foreclosed on a property after the borrower defaulted on the loan payments. At the foreclosure sale, however, the house sold for only \$29,000. The unpaid balance of the loan at the time of the sale was \$40,000. What must the lender do to recover the \$11,000 the borrower still owes?
 - a. Sue for damages
 - b. Sue for specific performance
 - c. Seek a judgment by default
 - d. Seek a deficiency judgment

 26. If a property sold at a mortgage foreclosure does not sell for 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.

 27. Which of the following statements is true?
 - a. The priority of a mortgage is determined by the date on which it was executed.
 - b. A mortgage document contains no covenants or promises on the part of the borrower.
 - c. A deed of trust is typically conveyed by the trustor to the beneficiary.
 - d. A buyer does not have to be a veteran to assume a VA loan.

 28. 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.
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29. 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.

30. Which of the following pairs of terms is considered synonymous?
 - a. Interim financing and construction loan
 - b. Construction loan and pass-through loan
 - c. Pass-through loan and take-out loan
 - d. Take-out loan and construction loan

31. 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

32. The supply of mortgage money for single-family homes is regulated by the Federal Reserve System through which of the following?
 - a. Reserve requirements and discount rates
 - b. Federal National Mortgage Association
 - c. Federal Housing Administration
 - d. Resolution Trust Corporation

33. 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(n)
 - a. conventional loan.
 - b. straight loan.
 - c. participation loan.
 - d. amortized loan.

34. A lender may protect its interest in a mortgage loan by obtaining additional security from
 - a. private mortgage insurance.
 - b. title insurance.
 - c. the borrower's note.
 - d. impound accounts.

35. A developer had a mortgage loan on his entire housing development. 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

36. As an entity operating in the secondary mortgage market, the Federal Home Loan Mortgage Corporation was established to assist the
 - a. Federal Housing Administration.
 - b. Federal National Mortgage Association.
 - c. federal savings and loans.
 - d. federal banks.

37. 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. is the primary evidence of a debt.
 - d. is a guarantee by a government agency.

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

39. 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

40. 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

41. Charging more interest than is legally allowed is known as
 - a. escheat.
 - b. usury.
 - c. a deficiency.
 - d. an estoppel.

42. 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.

43. If the quarterly interest at 10-1/2 percent is \$3,150, the principal amount of the loan is
 - a. \$30,000.
 - b. \$60,000.
 - c. \$90,000.
 - d. \$120,000.

44. The interest in a property held by the owner in excess of any liens against it is called
 - a. hypothecation.
 - b. subordination.
 - c. leverage.
 - d. equity.

45. If a house sold for \$90,000 and the buyer obtained a loan for \$72,000, how much money would the buyer pay if the lender charged 3 points?
 - a. \$2,400
 - b. \$2,328
 - c. \$2,160
 - d. \$240

46. The discount points charged on a VA guaranteed mortgage loan could NOT be paid by which of the following?
 - a. The buyer
 - b. The seller
 - c. The buyer and seller
 - d. The mortgage loan

47. 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.

48. Under an installment contract, the title to the property is held by the
 - a. vendor.
 - b. vendee.
 - c. trustor.
 - d. trustee.

49. In a sale-and-leaseback arrangement, the
 - a. seller retains legal title to the real estate.
 - b. buyer becomes the lessee.
 - c. broker will not earn a commission.
 - d. buyer becomes the lessor.

50. An extension of credit from a seller to a buyer to allow the buyer to complete the transaction is called a
 - a. growing equity mortgage.
 - b. purchase money mortgage.
 - c. package mortgage.
 - d. blanket mortgage.

51. When compared with a 30-year payment period, taking out a loan with a 20-year payment period would NOT result in
- faster amortization.
 - higher monthly payments.
 - quicker equity buildup.
 - greater impound amounts.
52. Last month's loan payment included \$412.50 interest on a \$60,000 loan balance. What is the annual rate of interest?
- 7 1/2 percent
 - 7 3/4 percent
 - 8 1/4 percent
 - 8 1/2 percent
53. If a buyer obtains a \$50,000 mortgage with 4 points, how much will the lender charge at closing?
- \$6,000
 - \$200
 - \$2,000
 - \$40,000
54. 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 two discount points on the loan. What was the total amount of cash used by the buyer for this purchase?
- \$2,300
 - \$15,000
 - \$17,000
 - \$17,300
55. The finance fee charged by the lender to make the loan is a(n)
- prepayment penalty.
 - advance interest payment.
 - loan origination fee.
 - prepayment of mortgage insurance.
56. A lender will take certain factors into consideration when deciding whether to grant a borrower a mortgage loan. One of the following is NOT a legitimate factor.
- The marital status of the borrower
 - The creditworthiness of the borrower
 - The amount of the borrower's income
 - The ability of the borrower to make the payments
57. If the interest rate on an FHA-insured mortgage loan is 11-1/2 percent and the monthly payment is \$1,412, the principal sum would be
- \$12,278.
 - \$147,339.
 - \$162,383.
 - \$194,561.

58. The purpose of a mortgage is to
 - a. provide security for the loan.
 - b. convey title of the property to the lender.
 - c. restrict the borrower's use of the property.
 - d. create a lien on the property.

59. Which of the following is true about an installment contract (land contract)?
 - a. The buyer is given possession.
 - b. The seller delivers a deed to the buyer.
 - c. The buyer obtains a mortgage loan.
 - d. The seller delivers legal title to the buyer.

60. 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.

61. FNMA's activities do NOT include
 - a. buying and selling FHA and VA mortgages.
 - b. buying and selling conventional mortgages.
 - c. buying and selling mortgages at full face value.
 - d. buying and selling mortgages at discounted values.

62. Which of the following loans to individuals is NOT affected by the Truth in Lending Law implemented by Regulation Z, that sets forth certain requirements regarding real estate loans?
 - a. Household use
 - b. Business use
 - c. Room additions
 - d. Swimming pools

63. The type of loan that will most likely have the lowest loan-to-value ratio is a(n)
 - a. VA loan.
 - b. FHA loan.
 - c. PMI loan.
 - d. conventional loan.

64. A "friendly foreclosure" enables a mortgagor to prevent the mortgagee from taking the property by statutory means. This can be accomplished by a(n)
 - a. deed in lieu of foreclosure.
 - b. reconveyance deed.
 - c. assumption.
 - d. escrow deed.

65. 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.
66. The defeasance clause in a mortgage requires the mortgagee to execute a(n)
- assignment of mortgage.
 - satisfaction of mortgage.
 - subordination agreement.
 - partial release agreement.
67. One of the ways lenders increase their revenue is by servicing loans. Which of the following is NOT an activity of servicing loans?
- Collecting payments
 - Paying real estate taxes from escrow accounts
 - Renegotiating interest rates
 - Sending overdue notices
68. Mrs. D 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
69. A mortgage loan requires monthly payments of \$175.75 for 20 years and a final payment of \$5,095. This type of a mortgage loan is a(n)
- wraparound mortgage.
 - accelerated mortgage.
 - balloon mortgage.
 - variable mortgage.
70. An eligible veteran made a purchase offer of \$80,000 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 \$77,000 was issued for the property. In this situation, the veteran could NOT do which of the following?
- Withdraw from the transaction without penalty.
 - Purchase the property with a \$3,000 cash down payment.
 - Negotiate with the seller to reduce the price \$3,000.
 - Borrow the \$3,000 for the cash down payment.