

Name: \_\_\_\_\_

1. Seller Bob wants to sell his house as soon as possible. He has an existing low interest loan on the property. The note contains an "alienation clause" which is triggered by a transfer of title. Under these circumstances which of the following is correct?
  - A. The lender may call the loan only if the buyer is an alien.
  - B. The buyer who assumes the loan will make the same payments the seller has been making.
  - C. The lender can refuse to allow an assumption.
  - D. The lender may NOT require that the buyer qualify to assume the loan.
  
2. An acceleration clause gives the lender the right to:
  - A. demand the entire balance owed due and payable upon default.
  - B. adjust the amount of payments if interest rates increase.
  - C. increase the interest rate upon assumption.
  - D. charge a prepayment penalty if the loan is paid off before maturity.
  
3. Stone purchased farm land from Fowler with the idea of developing it. Fowler took part payment in cash and the balance in the form of a note and mortgage. Which of the following clauses did Stone insist on including in the security instrument?
  - A. Alienation
  - B. Subrogation
  - C. Escalation
  - D. Subordination
  
4. Vicki and Steven Barn's current home is listed with Jack Black of Best Deal Realty. They are selling because they will be retiring and are building a new home at the lake. Although the lake house is under construction, it will not be completed until December.

In August, they receive an acceptable offer and the proposed closing date is September 15. The buyer offers to allow the Barns to lease the property after closing until their lake house is completed in December. If the buyer signs a required lender document at closing, confirming occupancy within 60 days, then:

- A. no mortgage fraud will have been committed if the contract indicated the leaseback and a copy is provided to the lender.
- B. All parties, buyer, seller, and agent, are guilty of mortgage fraud.
- C. the seller is not guilty of mortgage fraud because he did not know about the lender required occupancy until the closing.
- D. only the buyer has committed mortgage fraud.

## Ch 14 Suex Test

5. A trust deed gives the lender a right to request the trustee perform certain tasks in order to fulfill the terms of the trust. The trustee may take action in those circumstances because the trustee holds:
  - A. naked title.
  - B. equitable title.
  - C. reversionary title.
  - D. public title.
  
6. Concerning a fully amortized loan, it is correct to say that it is a loan characterized by:
  - A. level payments with equal portions applied to interest and principal.
  - B. level payments that cover all interest charged and reduce the principal to zero by maturity.
  - C. payments of varying amounts necessary to cover interest and reduce principal to zero by maturity.
  - D. level payments that first pay all interest owed over the term of the loan then pay off principal.
  
7. Which of the following loans would be covered by Regulation Z?
  - A. A loan to purchase a \$20,000 car
  - B. A purchase money mortgage for \$125,000 for the purchase of a duplex
  - C. A loan for \$375,000 made for the purpose of purchasing a farm
  - D. A loan of \$215,000 to a builder for construction of a single family residential home
  
8. The instrument, which pledges real property as security for a loan, is:
  - A. a mortgage.
  - B. a trust deed.
  - C. a promissory note.
  - D. EITHER a mortgage OR a trust deed are correct.
  
9. One who, in good faith and without knowledge of defect, pays valuable consideration for a note before it is due is referred to as:
  - A. a receiver in trust.
  - B. an endorser in blank.
  - C. a holder in due course.
  - D. an assignor.

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10. Just before the sheriff begins the auction sale of foreclosed property, the delinquent borrower offers to pay the outstanding debt and all costs incurred because of the default. In such case:
- A. the sale must proceed and the property sold to the highest bidder.
  - B. the borrower may pay the judgment and reclaim the property under equitable rights of redemption.
  - C. the borrower may pay the judgment and reclaim the property under statutory rights or redemption.
  - D. the lender may choose to either accept payment or proceed with the auction.
11. When a borrower pays off a note that was secured by a deed of trust, then:
- A. the lender issues a release deed to the borrower.
  - B. the borrower receives a document called a satisfaction piece.
  - C. the deed of trust is cancelled.
  - D. the trustee issues a deed of reconveyance to the borrower.
12. Straight-term loans are generally:
- A. longer in duration than amortized loans.
  - B. more popular now than amortized loans.
  - C. shorter in duration than amortized loans.
  - D. less costly to the borrower, all other conditions being equal.
13. Broker Baxter was asked by a purchaser to explain a budget mortgage. Baxter's best answer would have been:
- A. one you can afford.
  - B. a mortgage with graduated payments.
  - C. a mortgage with interest only payments.
  - D. a mortgage with payments including taxes and insurance.
14. A subdivision developer obtained a construction loan to build new houses on twenty lots. What type of clause might be required in the security instrument for the construction loan?
- A. Subordination
  - B. Partial release
  - C. Exculpatory
  - D. Safety
15. "Fannie Mae" and "Freddie Mac" are:
- A. national mortgage bankers.
  - B. second mortgage buyers.
  - C. secondary markets for mortgages.
  - D. government mortgage lenders.

Ch 14 Suex Test

16. Which of the following best expresses the relationship between the availability of mortgage money and the level of interest rates?
- A. If the federal government debt were reduced, interest rates would rise.
  - B. By lowering reserve requirements for member banks, the Federal Reserve System can lower interest rates.
  - C. When money is abundant, interest rates remain stable.
  - D. Borrowing by industry or by consumers has no effect on mortgage interest rates.
17. Loan-to-value ratios are based on:
- A. appraised value.
  - B. contract price.
  - C. appraised value or contract price, whichever is higher.
  - D. appraised value or contract price, whichever is lower.
18. The federal law that requires that the borrower receive a Good Faith Estimate within three days of loan application is known as:
- A. the Federal Truth in Lending Law.
  - B. the Equal Credit Opportunity Act.
  - C. the Real Estate Settlement Procedures Act.
  - D. the Federal Fair Housing Act.
19. The role played by the FHA in mortgage lending is primarily that of:
- A. a banker.
  - B. an insurer.
  - C. an appraiser.
  - D. a rules-maker.
20. Which of the following loans would most likely require private mortgage insurance?
- A. A FHA graduated payment plan mortgage
  - B. A 90% LTV conventional loan
  - C. A 100% LTV VA mortgage loan
  - D. A purchase money second mortgage loan

**You have completed the test!**