

## Section One Quiz

### General Concepts & the Application

- 1 Sets the guidelines for what are referred to as “conforming” loans:
  - a FHLMC / Freddie Mac
  - b FCRA / Federal Conforming Requirements Association
  - c FNMA / Fannie Mae
  - d Both a and c
- 2 You can qualify for a VA loan if you
  - a Live in Virginia
  - b Serve at least 180 active, continuous days in the US armed forces
  - c Are retired
  - d Work for the military
- 3 When you borrow more than 80% of a home’s value, you have to pay for:
  - a Hazard Insurance
  - b Title Insurance
  - c Mortgage Insurance
  - d Flood Insurance
- 4 A HELOC is a:
  - a Home Equality Law of Closing
  - b Complicated loan only available to government employees
  - c Form that must be completed by the borrower with in 3 days of application
  - d Home Equity Line of Credit
- 5 The primary market is defined as
  - a all the activity involved in the origination through to closing of a loan
  - b where capital is lent to the borrower
  - c where mortgage broker and mortgage bankers originate and process mortgage loans
  - d all of the above
- 6 Currently known as “Fannie Mae,” the FNMA was originally named the
  - a Federal New Mortgage Act
  - b Fiduciary National Mortgage Act
  - c Federal National Mortgage Association
  - d Federation of National Mortgage Agents
- 7 The Federal Home Loan Mortgage Corporation was the original name of and was known as
  - a FHLMC
  - b Freddie Mac
  - c Fannie Mae
  - d both a and b
- 8 Assessing risk is ultimately whose job?
  - a the underwriter
  - b the processor
  - c the loan officer
  - d the borrower
- 9 In what stage of the loan cycle does the attorney disperse the funds?
  - a title search
  - b contract
  - c closing/funding
  - d underwriting
- 10 The stage of the loan cycle where you verify the borrower's income
  - a pre-approval
  - b underwriting
  - c originating
  - d processing
- 11 An independent mortgage specialist who uses competing creditor's funds to originate loans is called a
  - a mortgage banker
  - b wholesaler
  - c mortgage broker
  - d loan originator
- 12 A home's title can be held by a married couple as
  - a severalty
  - b tenancy by entirety
  - c married
  - d joint survivor

- 13 In 1934, the federal government created this federal agency in order to insure mortgage lending risk
- a Federal Housing Administration
  - b Housing and Urban Development
  - c Federal Reserve
  - d Federal Home Loan Bank
- 14 The three-day cooling off period when refinancing a primary residence
- a recession
  - b reversion
  - c remorse
  - d rescission
- 15 The responsibility of the underwriter is to assess the borrower's:
- a risk and evaluate the property
  - b loan perimeters and the risk cost
  - c losses and the guidelines
  - d LTV and debt ratios
- 16 The contract document that officially states payment, rate and terms of repayment is the
- a mortgage
  - b deed of trust
  - c debt ratio disclosure
  - d promissory note
- 17 The cycle of the loan where approval takes place is
- a funding
  - b origination
  - c processing
  - d underwriting
- 18 When private property is held by legal individuals and the legal individual is not a natural person they are referred to as a:
- a hedge fund derivative
  - b person or juristic person
  - c corporation, syndicate or government agency
  - d none of the above
- 19 The person who orchestrates the vendors, performs the verifications and submits the complete loan file
- a underwriter
  - b branch manager
  - c closing agent
  - d processor
- 20 Our cherished real property rights include the principles of
- a a right to exclude others from the property
  - b the right to sell or transfer ownership
  - c the right to every benefit, control and use of the property
  - d all of the above
- 21 A mortgage lien is a
- a voluntary lien that identifies the lender and borrower's rights and provides "Constructive Notice"
  - b forced lien that establishes lien priority
  - c voluntary lien that provides "Actual Notice" and establishes lien priority
  - d all of the above
- 22 The superior position of the first lien holder is based upon the doctrine of
- a "first in time, first in line"
  - b "first in line is first in time"
  - c "first in time, first in right"
  - d both a & b
- 23 A mortgage loan exists in two parts
- a the debt itself and the security for that debt
  - b the contract and the note
  - c the Deed of Trust and the Security Instrument
  - d the Promissory Note and the Purchase Contract
- 24 Rights to own inventions, chattel and land are
- a eminent domain
  - b civil rights
  - c bill of rights
  - d property rights
- 25 Promissory Note is the legal evidence of the debt between the lender and borrower which states
- a the amount of the debt
  - b the method and time of payment
  - c the rate of interest charged
  - d all of the above

- 26 Hypothecation is the act of pledging real property as security for the repayment of a mortgage loan
- a giving up any appreciation, property rights or personal liability
  - b without first ever having occupied the dwelling
  - c without giving up use, possession or equitable rights
  - d none of the above
- 27 The Deed of Trust is a security instrument that names the lender, borrower, trustee and makes reference to the
- a note
  - b title
  - c mortgagor
  - d purchase agreement
- 28 The greatest type of ownership of real property that is most comprehensive
- a freehold fee simple
  - b general warranty
  - c life estate
  - d contract for deed
- 29 The “General Warranty Deed” is a deed in which the seller warrants or guarantees the title against any and all claims or defects and
- a will insure the grantor against encroachments
  - b covers the grantee in the event of defaults
  - c offers the highest protections whereby the grantor will forever warrant the title against past defects
  - d includes only that period of time of the grantor’s ownership
- 30 A “Quitclaim Deed” is
- a a release of claim that the grantor may have
  - b commonly used to transfer rights of ownership from one spouse to another in case of divorce
  - c used to release the borrowers obligation and ownership interests upon death of that spouse
  - d both a and b
- 31 “Ownership is Severalty” mans the sole ownership of a property not shared with any other parsons and “Concurrent Ownership” is
- a when the natural son or daughter inherits and takes ownership of a property
  - b the corporate control of and primary owner of a real property
  - c established when ownership interest in real property is held jointly by two or more owners
  - d none of the above
- 32 Manufactured Housing refers to factory-built homes that are transported by professional movers to the site. To qualify as security for a mortgage loan, then to be sold in to the secondary market, these homes must
- a be permanently affixed to the foundation with permanent utilities
  - b be designed as a one-family dwelling
  - c assume the characteristics of a site-built dwelling
  - d all of the above
- 33 The “Property Title” is the document or evidence of a person’s ownership which is passed at closing from one owner to another when the deed is
- a both delivered and accepted
  - b delivered, insured and witnessed
  - c in writing, delivered, accepted and rescinded
  - d all of the above
- 34 “Freehold Life Estate” provides all the fee simple rights of ownership, but limits these rights to the life of the owner. Upon the death of the owner, the ownership of the property
- a goes to the heirs of the deceased
  - b reverts back to the original grantor
  - c converts to community property that can be resold
  - d becomes the rightful estate of whomever the deceased willed the property to

- 35 Tenancy in Common refers to concurrent ownership with “heirs” entitled to receive a deceased owner’s interest, this means
- a no rights of survivorship so upon the death of an owner, that co-owner’s share will descend to their heirs
  - b the heirs of the deceased may split the property with equal parts in common
  - c the heirs of the deceased can sell off their share or rescind the loan
  - d none of the above
- 36 Tenancy by the Entirety is a form of ownership limited exclusively to a lawfully married “husband and wife”. In this case, each spouse owns all the property and there is an automatic “right of survivorship” to the remaining spouse, which means
- a if it is a second marriage for both the property descends immediately to the surviving children
  - b half the property would remain the surviving spouse’s and the other half would descend to the deceased spouses’ children
  - c a spouse cannot will their share of the estate to a third party, the surviving spouse becomes the sole owner of the property
  - d none of the above
- 37 Joint Tenancy is a tenancy that provides for “equal and undivided” ownership of a property by two or more persons, taking possession together and acquiring title at the same time with “survivorship”, this means
- a when an owner dies, their interest immediately passes to their surviving spouse.
  - b when one of the co-owners dies, their interest in the property goes to the surviving co-owner and NOT to the deceased’s heirs
  - c upon the death of one of the co-owners the deceased owner’s interest goes into probate where the deceased’s “will” determines how their ownership share will be split.
  - d none of the above
- 38 “Principal” refers to
- a the total amount borrowed
  - b the face value of the note
  - c the part of the monthly payment that reduces the amount of the outstanding debt
  - d all of the above
- 39 Negative Amortization will occur when
- a the monthly payment is not large enough to cover all the interest due in that payment
  - b the interest is pre-computed to accelerate the amortization of the loan
  - c a payment is not timely and affects the borrowers credit negatively
  - d pre-paid interest is deferred to the end of the loan contract and is paid with the final payment
- 40 PITI is the acronym commonly used to describe
- a an association dedicated to stopping animal cruelty
  - b principal, insurance, taxes and income
  - c principal, interest, taxes and income
  - d principal, interest, taxes and insurances
- 41 The Escrow account managed by the servicer on behalf of the borrower is
- a for distributions to the trustee and lender in the event of default
  - b where a portion of each monthly payment is deposited for the payment of property taxes and insurances when they become due
  - c a reserve account used to catch up any future late payment to avoid foreclosure
  - d none of the above

- 42 Bill is selling his \$150,000 home to Carl. Bill has an assumable loan with “Novation”, that has a balance of \$140,000 on it. What will Carl do in order to buy the property and what does this mean to Bill?
- a Carl pays Bill \$10,000 at closing, assumes Bill’s loan and takes ownership and assumes the liability of the remaining debt, however the lender does not release Bill from his liability on the loan if Carl defaults.
  - b Carl pays Bill \$10,000 at closing, assumes Bill’s loan and takes ownership and assumes the liability of the remaining debt, because of the loan’s novation clause, the lender releases Bill from any future liability on the loan if Carl defaults.
  - c both a & b
  - d none of the above
- 43 A construction loan is
- a interim loan made for a short period, that finances the costs of the home’s construction
  - b temporary financing, typically up to 12 months, normally used to provide “draws” by the contractor to fund the homes construction
  - c made by the builder, sold to the realtor and then used by the borrower to build their home
  - d both a & b
- 44 A Construction to Permanent loan referred to as a “Construction to Perm” is
- a used by the realtor to help sell in a “one call close” model homes off a lot
  - b used by the originator to get their fees upfront on a loan that won’t close until the house gets finished
  - c normally structured as a single loan approval with two stages; the first stage is for the construction, then upon completion, the long-term financing pays off and replaces the construction loan with the permanent financing
  - d used to attract borrowers that don’t have the money available to close two separate loans and are willing to pay higher rates for the convenience
- 45 Conventional loans are also referred to as conforming loans because these are mortgage loans that conform to the underwriting guidelines established by
- a the Federal Reserve and HUD
  - b HUD and the OTS
  - c Fannie Mae and Freddie Mac
  - d RESPA and TILA
- 46 Fixed Rate Loans are loans that
- a have the same rate of interest charged for the full life of the loan
  - b have payments that are level and will not change throughout the life of the loan
  - c have a fixed payment yet the rate can change
  - d both a & b
- 47 Adjustable Rate Mortgages (ARM’s) are loans that
- a normally provide a longer term than a 30 year alternative, yet the rate may adjust annually
  - b normally provide a lower start rate than fixed rate loans in exchange for a shorter fixed period
  - c the borrower’s monthly payment will adjust up and down as the rate adjusts as spelled out in the ARM contract
  - d both b & c
- 48 In an ARM loan transaction, the note rate or what can be referred to as the fully indexed rate, is figured by adding the
- a margin to the cap
  - b index to the principal
  - c adjustment cap to the index
  - d margin to the index

- 49 Every ARM has an adjustment period, also known as the adjustment interval and is
- a the period of time, spelled out in the ARM contract, between rate adjustments
  - b subject to periodic adjustments as determined by the contract margin
  - c the interval of time between the first adjustment and the last allowable adjustment.
  - d none of the above
- 50 Most ARM loans come with “Caps” which place limits on when and how much the loan can adjust such as
- a interim caps and monthly caps
  - b adjustment caps and lifetime caps
  - c lifetime caps and margin caps
  - d payment caps and indexed caps