

Modern Real Estate Practice in Illinois, 6th Edition
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Chapter 15 Review Quiz

1. Under the lien theory, the equitable title to the property is held by the
 - A. mortgagee.
 - B. mortgagor.
 - 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 the mortgage.
 - B. holds the mortgage.
 - C. provides the mortgage funds.
 - D. forecloses on the 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. is the primary evidence of a 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 finance fee charged by the lender to make the loan is a(n)
 - A. prepayment penalty.
 - B. advance interest payment.
 - C. loan origination fee.
 - D. prepayment of mortgage insurance.

7. Tom 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.

8. 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.

9. 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.

10. If a borrower defaults and the court simply awards the lender full legal title, what kind of foreclosure has taken place?
 - A. Judicial
 - B. Nonjudicial
 - C. Simple
 - D. Strict

11. Laura 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.

12. An existing mortgage loan can have its lien priority lowered through the use of a(n)
 - A. hypothecation agreement.
 - B. satisfaction of mortgage.
 - C. subordination agreement.
 - D. reconveyance of mortgage.

13. If a property sold as 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.

14. The clause in a deed of trust or mortgage that permits the lender to declare the entire unpaid balance immediately due and payable upon default is what clause?
 - A. Judgment
 - B. Escalator
 - C. Forfeiture
 - D. Acceleration

15. 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.

16. A deed of trust differs from a mortgage in all of the following *EXCEPT* the
- A. number of parties involved in the loan.
 - B. obligation of the borrower to repay the funds.
 - C. redemption rights allowed after foreclosure.
 - D. time period permitted to cure a default.
17. 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.
18. 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.
19. The mortgagee foreclosed on a property after the borrower defaulted on the loan payments. At the foreclosure sale, however, the house sold for only \$229,000. The unpaid balance of the loan at the time of the sale was \$240,000. 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
20. 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.

21. The clause in a mortgage instrument that would prevent the assumption of the mortgage by a new purchaser is a(n)
- A. due-on-sale clause.
 - B. power of sale clause.
 - C. defeasance clause.
 - D. certificate of sale clause.
22. The defeasance clause in a mortgage requires the mortgagee to execute a(n)
- A. assignment of mortgage.
 - B. satisfaction of mortgage.
 - C. subordination agreement.
 - D. partial release agreement.
23. The seller agrees to sell the house to the buyer for \$200,000. 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
- A. legal title.
 - B. equitable title.
 - C. joint title.
 - D. mortgagee in possession.
24. 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.
25. 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.

26. 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.
27. Which statement is *TRUE* about a 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.
28. If a buyer of an \$185,000 home obtains a \$150,000 mortgage with 4 points, how much will the lender charge at closing?
- A. \$6,000
 - B. \$3,400
 - C. \$2,000
 - D. \$40,000
29. If the yield on a 30-year loan is 10 3/8 percent and a mortgage lender charges 3 points, what is the interest rate on the mortgage note?
- A. 9 2/8 percent
 - B. 10 5/8 percent
 - C. 10 percent
 - D. 9 7/8 percent
30. In absence of an agreement to the contrary, the mortgage having priority will be the one
- A. for the highest amount.
 - B. that was recorded first.
 - C. that was the first mortgage.
 - D. that is a construction loan.

31. The pledging of property as security for payment of a loan is
- A. disintermediation.
 - B. equity.
 - C. hypothecation.
 - D. subordination.
32. 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. give title to a third party.
33. Which of the following would *NOT* be associated with a mortgage?
- A. Acceleration
 - B. Defeasance
 - C. Grantor
 - D. Assignment of rents
34. Which of the following would *NOT* be associated with mortgage or deed of trust foreclosure?
- A. Remainder
 - B. Redemption
 - C. Strict foreclosure
 - D. Power of sale
35. The clause in a mortgage that *BEST* describes the requirement of the mortgagee to execute a satisfaction of mortgage when the note has been fully paid is
- A. acceleration.
 - B. alienation.
 - C. defeasance.
 - D. usury.

IN ILLINOIS . . .

36. Illinois is most accurately referred to as what type of mortgage theory state?
- A. Title
 - B. Lien
 - C. Trust
 - D. Intermediate
37. Illinois statutory usury ceiling for real estate financing is
- A. 20 percent.
 - B. 35 percent.
 - C. 3 percent over prime.
 - D. There is no ceiling
38. In Illinois, lenders may not charge a prepayment penalty on a loan secured by real estate if the loan's interest rate is greater than
- A. 2 percent over prime
 - B. 7.5 percent
 - C. 8 percent
 - D. 11 percent
39. A mortgagee who fails to deliver a release within one month after full payment and satisfaction will be liable to pay the mortgagor or grantor a penalty of
- A. \$200
 - B. \$500
 - C. \$100 for every day late
 - D. 6 percent of the mortgage amount
40. For purposes of mortgage foreclosures, Illinois is classified as what type of state?
- A. Strict foreclosure
 - B. Judicial foreclosure
 - C. Nonjudicial foreclosure
 - D. Redemptive nonforeclosure