

Modern Real Estate Practice in Illinois, 6th Edition
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Chapter 16 Review Quiz

1. The grantor becomes the lessee and the grantee becomes the lessor under which financing arrangement?
 - A. Partial sale
 - B. Wraparound mortgage
 - C. Sale and leaseback
 - D. Assumption of mortgage

2. Which pair 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

3. Fannie Mae _____ FHA loans.
 - A. makes
 - B. buys
 - C. services
 - D. insures

4. 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.

5. Loans for which use are *NOT* affected by the Truth-in-Lending Law lender Regulation Z?
 - A. Household use improvements
 - B. Business use
 - C. Room additions
 - D. Swimming pools

6. An FHA-insured mortgage loan would *MOST LIKELY* 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

7. 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.

8. 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.

9. 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

10. The maximum amount for payments in an adjustable-rate mortgage is set by the
- A. ceiling.
 - B. term.
 - C. cap.
 - D. factor.
11. A borrower obtained a \$7,000 second mortgage loan for five 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
12. Discount points charged on a VA guaranteed mortgage loan *CANNOT* be paid by the
- A. buyer.
 - B. seller.
 - C. buyer and seller.
 - D. mortgage lender.
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. 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.

15. 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.
16. When compared with a 30-year payment period, taking out a loan with a 20-year payment period would result in all of the following *EXCEPT*
- A. faster amortization.
 - B. higher monthly payments.
 - C. quicker equity buildup.
 - D. greater impound amounts.
17. Which of the following is privately owned?
- A. Fannie Mae
 - B. The Government National Mortgage Association
 - C. The Federal Housing Administration
 - D. The Department of Veteran Affairs
18. 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. An endowment fund
 - D. A commercial lender
19. 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.

20. Fannie Mae's activities include all the following *EXCEPT* buying and selling
- A. FHA and VA mortgages.
 - B. conventional mortgages.
 - C. mortgages at full face value.
 - D. mortgages at discounted values.
21. In a graduated payment loan
- A. mortgage payments decrease.
 - B. mortgage payments balloon in 5 years.
 - C. mortgage payments increase.
 - D. the interest rate on the loan adjusts annually.
22. 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.
23. Which entity normally purchases mortgages in the secondary mortgage market?
- A. Mortgage bankers
 - B. Ginnie Mae
 - C. Federal Housing Administration
 - D. Veterans Administration
24. 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)
- A. wraparound mortgage.
 - B. accelerated mortgage.
 - C. balloon mortgage.
 - D. variable mortgage.

25. 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.
26. Diana 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 would probably best suit her needs?
- A. A home equity loan
 - B. A reverse annuity mortgage
 - C. A blanket loan
 - D. An open-ended loan
27. The type of loan that will *MOST LIKELY* have the lowest loan-to-value ratio is a
- A. conventional loan without PMI.
 - B. FHA loan.
 - C. PMI loan.
 - D. VA loan.
28. 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.
29. A lender will take certain factors into consideration when deciding whether to grant a borrower a mortgage loan. All of the following are legitimate factors *EXCEPT*
- 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.

30. One of the ways lenders increase their revenue is by servicing loans. All of the following are activities of servicing loans *EXCEPT*
- A. collecting payments.
 - B. paying real estate taxes from escrow accounts.
 - C. renegotiating interest rates.
 - D. sending overdue notices.
31. Which of the following, standing alone, would be a legal way to advertise loan terms?
- A. \$499 per month
 - B. \$1,000 down
 - C. 8% interest rate
 - D. Assumable mortgages
32. 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
33. Roger would like to buy Carrie's property and assume her mortgage. The *BEST* way for Carrie to protect her interest is to get the lender to grant a(n)
- A. novation.
 - B. acceleration.
 - C. satisfaction of mortgage.
 - D. negative amortization.
34. Which would *NOT* be associated with a VA loan?
- A. certificate of eligibility
 - B. certificate of reasonable value
 - C. one percent prepayment penalty
 - D. funding fee

35. A borrower and seller have agreed to split the discount points. The sale price of the property was \$125,000 and the borrower secured a 75% loan. If the lender charged four points and a one percent origination fee, how much did the borrower and the seller each pay?
- A. \$5,000
 - B. \$3,750
 - C. \$1,875
 - D. \$1,785
36. Which loan would be covered by the Real Estate Settlement Procedures Act?
- A. Loan to purchase a ten-unit apartment building
 - B. Land contract
 - C. Loan to purchase a commercial building
 - D. Loan for a one-to-four-family residential property
37. A borrower has secured an FHA insured loan. This means that the FHA will insure which of the following against a possible loss?
- A. Buyer
 - B. Seller
 - C. Lender
 - D. Broker