

Student's Name \_\_\_\_\_

Version A

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**Spring 2010 Jacobus Ch 9-14 and Landcontracts from Ch. 8****Exam 3****Multiple Choice**

*Identify the choice that best completes the statement or answers the question.*

1. A promissory note
  - a. describes the property being hypothecated.
  - b. is the primary evidence of a loan.
  - c. is an agreement not to do a certain thing.
  - d. is not negotiable when secured by a mortgage.
2. A borrower who wanted to make a monthly payment larger than that called for by the note, could do so if the note contains a
  - a. prepayment privilege.
  - b. grace period.
  - c. prepayment penalty.
  - d. subordination clause.
3. The phrase "jointly and severally liable" in a note or bond applies when there are two or more
  - a. makers.
  - b. obligees.
  - c. trustees.
  - d. holders.
4. The parties to a mortgage are called
  - a. mortgagor and grantor.
  - b. mortgagee and beneficiary.
  - c. beneficiary and trustee.
  - d. mortgagor and mortgagee.
5. A "due on sale" clause
  - a. may be called a subordination clause.
  - b. gives the lender the right to call the entire loan balance upon alienation.
  - c. is the right of a mortgagor to repay a loan.
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6. Barry purchased Bob's home without accepting obligation for the existing loan. Barry is said to be buying the house
  - a. subject to the loan.
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  - d. by contract for equitable title.
7. Which lien would have highest priority?
  - a. Property tax lien
  - b. Mechanic's lien
  - c. First mortgage or trust deed
  - d. The lien which is recorded first
8. Unless there is a specific agreement to the contrary, the mortgage having first priority will be the
  - a. mortgage first recorded.
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  - a. deed of surrender.
  - b. deed in lieu of foreclosure.
  - c. satisfaction of mortgage.
  - d. defeasance.
10. In regard to a promissory note, an obligor is:
  - a. The maker
  - b. The lender
  - c. The holder
  - d. The beneficiary

11. The priority of liens (and mortgages) is most often established by:
  - a. the date of the mortgage instrument
  - b. the date of the promissory note
  - c. the language of the mortgage
  - d. the order of recordation
12. A document that makes a specific property security for the repayment of a debt.
  - a. Mortgage
  - b. Quitclaim Deed
  - c. Promissory Note
  - d. Assumption agreement
13. A prepayment clause is to the advantage of:
  - a. lender
  - b. grantor
  - c. borrower
  - d. mortgagee
14. Any mortgage lower in priority than the first mortgage
  - a. first mortgage
  - b. deed of trust
  - c. chattel mortgage
  - d. junior mortgage
15. A neutral third party is characteristic of
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  - b. an equitable mortgage.
  - c. deed of trust.
  - d. land sale contract.
16. The beneficiary's right, upon default, to take physical possession and collect income generated by the property is called
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18. A deed of trust or mortgage can be used as security to finance property. What is the MAJOR DIFFERENCE between these instruments?
  - a. both are security instruments
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  - c. both can be foreclosed on
  - d. a deed of trust transfers a title interest while a mortgage gives the lender a lien on the property
19. One of the several differences between a mortgage and a deed of trust is:
  - a. Following a default, a mortgage may be cured by catching payments up, a deed of trust must be paid in full
  - b. When fully paid, a Deed of Trust must be released, a mortgage deeded back
  - c. When fully paid, a mortgage must be released, a Trustee of a Deed of Trust must reconvey the property to borrower
  - d. There is no difference only the title of the document
20. The borrower in a Deed of Trust:
  - a. mortgagor
  - b. trustee
  - c. trustor
  - d. beneficiary
21. The lender in a Deed of Trust:
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22. Deed of Reconveyance:
- a certificate from the borrower stating the amount the borrower believes they owe on the loan
  - a deed which warrants title only during the ownership of the grantor
  - a certificate from the lender stating that the loan has been repaid
  - a document used to reconvey title from the trustee back to the property owner
23. A document which conveys naked title to a neutral third party as security for a debt:
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  - deed of trust
  - promissory note
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24. A Deed of Trust conveys what type of title to the Trustee? It is title in the legal sense only, but does not convey the usual rights of ownership.
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25. The type of loan whereby the borrower makes interest only payments during the life of the loan with the entire principal due for the final payment is called
- a discounted loan.
  - an amortized loan.
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26. What is the annual interest on \$50,000 calculated at a rate of 8.125% per annum?
- \$331.00
  - \$406.25
  - \$3,310.00
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27. A home buyer wants to borrow \$100,000. The lender quotes a loan origination fee of one point and a loan discount of one point. What size loan must be obtained to pay the two points and still leave \$100,000?
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  - \$102,000
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28. Money for tax and insurance payments that accompanies principal and interest could be placed in any of the following accounts EXCEPT
- a trust account.
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29. A final loan payment that is larger than previous payments is called a
- balloon payment.
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30. A mortgage lender will lend based on a proportion of the appraisal or sale price, whichever is less. This is called the
- loan-to-value ratio.
  - owner's equity.
  - percent return.
  - CRV.
31. The value of the property above the total liens or mortgages is called
- the equity.
  - due on sale.
  - the assessment.
  - the loan-to-value ratio.
32. A loan payment that combines interest, principal, insurance and taxes:
- PETE
  - TTIP
  - PITI
  - PI

33. Truth in lending laws were created primarily to protect
- consumers.
  - lenders.
  - beneficiaries.
  - mortgagees.
34. Under the truth in lending act, the cost of credit extended must be expressed as an
- actual percentage rate.
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  - annual percentage rate.
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35. In analyzing a mortgage loan application, a lender considers all EXCEPT
- job stability.
  - income adequacy.
  - credit rating.
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36. When considering loan applications, lenders like to see
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39. A primary mortgage lender is one who
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43. All of the following may be used for setting ARM interest rates EXCEPT
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44. In order to make adjustable rate mortgage loans more attractive to borrowers, lenders offer
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48. Which of the following involves the greatest risk to a lender?
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49. The phrase “taking back paper” applies to
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  - conventional loans.
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50. What is the main advantage to borrowers and lenders of adjustable rate mortgages?
- payment caps
  - ease and ability to foreclose
  - stable indexes
  - sharing the risk of changing interest rates

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Version B

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  - ease and ability to foreclose
  - sharing the risk of changing interest rates
  - stable indexes

Student's Name \_\_\_\_\_

Version D

FILL IN YOUR NAME (Lastname, Firstname) WHERE INDICATED, BE SURE TO FILL IN THE CORRESPONDING BUBBLES. Do not put your SSN on your bubble sheet. Mark the version of your test (D) on your bubble sheet in column K, (Fill in Bubbles 1=A, 2=B, 3=C and 4=D). Sheets without a name or without a version code will not be graded, and a ZERO will be recorded as your score. When completed, put your bubble sheet in the corresponding pile. I will not re-sort or hand grade the exam sheets. There are four section tests plus a comprehensive final. You **are required to take the final and test 4**. In addition you must take 2 of the first 3 tests (I recommend taking all three). If you take all three tests, the two tests with the highest scores will be counted toward your grade. **You have 50 minutes to complete the exam.**

## Spring 2010 Jacobus Ch 9-14 and Landcontracts from Ch. 8

### Multiple Choice

Identify the choice that best completes the statement or answers the question.

1. A promissory note
  - a. is an agreement not to do a certain thing.
  - b. is the primary evidence of a loan.
  - c. describes the property being hypothecated.
  - d. is not negotiable when secured by a mortgage.
2. A borrower who wanted to make a monthly payment larger than that called for by the note, could do so if the note contains a
  - a. prepayment penalty.
  - b. grace period.
  - c. prepayment privilege.
  - d. subordination clause.
3. The phrase "jointly and severally liable" in a note or bond applies when there are two or more
  - a. holders.
  - b. makers.
  - c. trustees.
  - d. obligees.
4. The parties to a mortgage are called
  - a. mortgagor and mortgagee.
  - b. mortgagor and grantor.
  - c. beneficiary and trustee.
  - d. mortgagee and beneficiary.
5. A "due on sale" clause
  - a. may be called a subordination clause.
  - b. is the right of a mortgagor to repay a loan.
  - c. gives the mortgagor the right to sell his property with a loan assumption by the buyer.
  - d. gives the lender the right to call the entire loan balance upon alienation.
6. Barry purchased Bob's home without accepting obligation for the existing loan. Barry is said to be buying the house
  - a. with an assumption by substitution of the loan.
  - b. by contract for equitable title.
  - c. subject to the loan.
  - d. with an assumption of the loan.
7. Which lien would have highest priority?
  - a. Property tax lien
  - b. Mechanic's lien
  - c. The lien which is recorded first
  - d. First mortgage or trust deed
8. Unless there is a specific agreement to the contrary, the mortgage having first priority will be the
  - a. mortgage with the earliest signature date.
  - b. original construction loan.
  - c. mortgage first recorded.
  - d. mortgage for the highest amount.
9. A mortgagor signs a deed conveying title to the mortgagee, leaving the mortgagee without recourse. This is an example of
  - a. deed of surrender.
  - b. satisfaction of mortgage.
  - c. deed in lieu of foreclosure.
  - d. defeasance.
10. In regard to a promissory note, an obligor is:
  - a. The beneficiary
  - b. The holder
  - c. The maker
  - d. The lender

11. The priority of liens (and mortgages) is most often established by:
  - a. the order of recordation
  - b. the language of the mortgage
  - c. the date of the mortgage instrument
  - d. the date of the promissory note
12. A document that makes a specific property security for the repayment of a debt.
  - a. Mortgage
  - b. Quitclaim Deed
  - c. Promissory Note
  - d. Assumption agreement
13. A prepayment clause is to the advantage of:
  - a. grantor
  - b. mortgagee
  - c. lender
  - d. borrower
14. Any mortgage lower in priority than the first mortgage
  - a. junior mortgage
  - b. chattel mortgage
  - c. first mortgage
  - d. deed of trust
15. A neutral third party is characteristic of
  - a. a regular mortgage.
  - b. an equitable mortgage.
  - c. land sale contract.
  - d. deed of trust.
16. The beneficiary's right, upon default, to take physical possession and collect income generated by the property is called
  - a. assignment of rents.
  - b. power of sale.
  - c. reconveyance.
  - d. the trustee has the right, not the beneficiary.
17. A deficiency judgment can take place when:
  - a. a foreclosure sale does not produce sufficient funds to pay a mortgage debt in full
  - b. a foreclosure sale is not completed
  - c. not enough taxes have been paid on a piece of property
  - d. all of the above
18. A deed of trust or mortgage can be used as security to finance property. What is the MAJOR DIFFERENCE between these instruments?
  - a. a deed of trust transfers a title interest while a mortgage gives the lender a lien on the property
  - b. both involve the buyer's signing the note
  - c. both can be foreclosed on
  - d. both are security instruments
19. One of the several differences between a mortgage and a deed of trust is:
  - a. There is no difference only the title of the document
  - b. Following a default, a mortgage may be cured by catching payments up, a deed of trust must be paid in full
  - c. When fully paid, a Deed of Trust must be released, a mortgage deeded back
  - d. When fully paid, a mortgage must be released, a Trustee of a Deed of Trust must reconvey the property to borrower
20. The borrower in a Deed of Trust:
  - a. beneficiary
  - b. trustor
  - c. trustee
  - d. mortgagor
21. The lender in a Deed of Trust:
  - a. mortgagor
  - b. beneficiary
  - c. trustee
  - d. trustor

22. Deed of Reconveyance:
- a certificate from the borrower stating the amount the borrower believes they owe on the loan
  - a certificate from the lender stating that the loan has been repaid
  - a deed which warrants title only during the ownership of the grantor
  - a document used to reconvey title from the trustee back to the property owner
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3. A
4. D
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6. A
7. A
8. A
9. B
10. A
11. D
12. A
13. C
14. D
15. C
16. A
17. A
18. D
19. C
20. C
21. D
22. D
23. B
24. A
25. C
26. D
27. D
28. C
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30. A
31. A
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33. A
34. C
35. D
36. B
37. A
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- 43. D**
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