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## Final Exam: Texas Real Estate Finance v7.0

QUESTION# 1

Unit 1

[QID: q\_question\_831\_000001.dita]

Financial leverage is described as

- **using other people's money to acquire something of value.**
- using an income stream from rental property to acquire more real estate.
- using tax deductions to lower a property owner's taxable income.
- "margin" purchasing, which is only used to buy stocks and bonds.

The answer is using other people's money to acquire something of value.

QUESTION# 2

Unit 5

[QID: q\_question\_831\_000002.dita]

A couple would be able to make a wedding gift to their daughter and her new husband of up to

- \$14,000.
- \$28,000.
- \$42,000.
- **\$56,000.**

The answer is \$56,000.

QUESTION# 3

Unit 3

[QID: q\_question\_831\_000003.dita]

Special provisions for agricultural loans may include any of the following *EXCEPT*

- extended term to 40 years.
- pay larger portions of principal in good years.
- provide open-end mortgage.
- **follow a rigid payment program.**

The answer is follow a rigid payment program.

QUESTION# 4

Unit 4

[QID: q\_question\_831\_000004.dita]

One of the primary duties of the Federal Housing Finance Agency is to

- **regulate Fannie Mae and Freddie Mac.**
- provide low-cost housing.
- maintain the Consumer Price Index to less than 2% annual growth.
- supervise the mortgage industry.

The answer is regulate Fannie Mae and Freddie Mac.

QUESTION# 5

Unit 5

[QID: q\_question\_831\_000005.dita]

The primary activity that distinguishes a mortgage broker from a mortgage banker is that a mortgage banker will

- **service the loan after settlement.**
- charge a higher rate of interest.
- prepare the loan package for underwriting.
- receive payment for originating the loan.

The answer is service the loan after settlement.

QUESTION# 6

Unit 6

[QID: q\_question\_831\_000006.dita]

A specific lien differs from a general lien in that it

- **attaches to a single property only.**
- takes a higher priority.
- is always categorized as an involuntary lien.
- is always categorized as a voluntary lien.

The answer is attaches to a single property only.

QUESTION# 7

Unit 7

[QID: q\_question\_831\_000007.dita]

Predatory lending practices include all of the following *EXCEPT*

- lending on properties with an inflated appraisal value.
- knowingly lending more money than the borrower can be expected to pay.
- charging fees for unnecessary products or services.
- **providing an interest-only loan with final balloon payment.**

The answer is providing an interest-only loan with final balloon payment.

QUESTION# 8

Unit 8

[QID: q\_question\_831\_000008.dita]

The original maker of a VA loan remains liable when the loan is assumed unless the veteran receives

- a Certificate of Eligibility
- a Certificate of Reasonable Value
- **a Release of Liability**
- a Partial Entitlement

The answer is a Release of Liability.

QUESTION# 9

Unit 9

[QID: q\_question\_831\_000009.dita]

The underwriter may decline an applicant for all of the following reasons *EXCEPT*

- **the borrower is over 80 years old and unlikely to pay the loan off in the term requested.**
- the credit report reveals a series of erratic and delinquent payments.
- the borrower does not have enough money to complete the transaction based on asset statements.
- the borrower has an outstanding judgment and is unable to pay it.

The answer is the borrower is over 80 years old and unlikely to pay the loan off in the term requested.

QUESTION# 10

Unit 10

[QID: q\_question\_831\_000010.dita]

The impact of a foreclosure on a borrower does *NOT* include

- **a default judgment.**
- tax consequences.
- high interest rates for future car loans.
- not being approved for another property loan for three or more years.

The answer is a default judgment.

QUESTION# 11

Unit 3

[QID: q\_question\_831\_000011.dita]

Under the Veterans Home Improvement Program (VHIP), the VLB will lend eligible Texas veterans up to \$10,000 on a fixed-rate note to make substantial repairs to an existing primary residence. What is the term of this type of loan?

- **10 years**
- 15 years
- 20 years
- 30 years

The answer is 10 years.

QUESTION# 12

Unit 7

[QID: q\_question\_831\_000012.dita]

A borrower obtains a \$76,000 mortgage loan at 11½% interest. If the monthly payments of \$785 are credited first on interest and then on principal, what will the balance of the principal be after the borrower makes the first payment?

- **\$75,943.33**
- \$75,215.00
- \$75,305.28
- \$75,543.66

The answer is \$75,943.33.

QUESTION# 13

Unit 7

[QID: q\_question\_831\_000013.dita]

A buyer is purchasing a property with a loan from a mortgage broker, who is charging an origination fee of 1%. If the loan requires a 90% LTV and the purchase price is \$200,000, how much is the origination fee?

- **\$1,800**
- \$2,000
- \$3,500
- \$9,000

The answer is \$1,800.

QUESTION# 14

Unit 3

[QID: q\_question\_831\_000014.dita]

Which of these is a basic concept of community property in Texas?

- Earnings on separate property are considered community funds.
- Property owned before marriage can be separate property.
- Property acquired by gift or inheritance is separate property.
- **All of these.**

The answer is all of these.

QUESTION# 15

Unit 1

[QID: q\_question\_831\_000015.dita]

When demand goes up,

- **supply goes down.**
- supply moves in the same direction.

- supply remains constant.
- supply fluctuates.

The answer is supply goes down.

QUESTION# 16                      **Unit 2**

[QID: q\_question\_831\_000016.dita]

Open market operations

- **buy and sell Treasuries.**
- manage bank accounts.
- set interest rates.
- reserve the right to charge fees.

The answer is buy and sell Treasuries.

QUESTION# 17                      **Unit 7**

[QID: q\_question\_831\_000017.dita]

Loans created using the underwriting guidelines for Fannie Mae and Freddie Mac are known as

- **conforming loans.**
- insured government loans.
- uninsured government loans.
- unlimited loans.

The answer is conforming loans.

QUESTION# 18                      **Unit 9**

[QID: q\_question\_831\_000018.dita]

Lenders would be required to fund a loan for all of the following *EXCEPT*

- **a married couple with poor credit using public assistance to qualify.**
- a single parent who uses public assistance to qualify.
- an unmarried couple who meets the underwriting criteria.
- a single parent, with good credit and a full-time job, who also receives a day care voucher.

The answer is a married couple with poor credit using public assistance to qualify.

QUESTION# 19                      **Unit 8**

[QID: q\_question\_831\_000019.dita]

A veteran may regain eligibility at the maximum entitlement if the purchaser is able to provide

- a Certificate of Eligibility.
- a Certificate of Reasonable Value.

- a Release of Liability.
- **a Substitution of Entitlement.**

The answer is a Substitution of Entitlement.

QUESTION# 20                      **Unit 3**

[QID: q\_question\_831\_000020.dita]

The secondary market for agricultural loans is

- Freddie Mac.
- Fannie Mae.
- **Farmer Mac.**
- Sallie Mae.

The answer is Farmer Mac.

QUESTION# 21                      **Unit 4**

[QID: q\_question\_831\_000021.dita]

The main difference in qualifying standards for Freddie Mac from Fannie Mae is that Freddie Mac

- only purchases conventional loans.
- **uses only the total debt-to-income ratio.**
- requires higher credit scores.
- may require private mortgage insurance.

The answer is uses only the total debt-to-income ratio.

QUESTION# 22                      **Unit 3**

[QID: q\_question\_831\_000022.dita]

ECOA includes protection for all of the following protected classes *EXCEPT*

- **sexual orientation.**
- marital status.
- age.
- receipt of public assistance.

The answer is sexual orientation.

QUESTION# 23                      **Unit 1**

[QID: q\_question\_831\_000023.dita]

One of the primary indicators that the real estate market is rebounding is

- **an increase in new home construction starts.**
- the Fed lowering the discount rate even further.

- new modification programs being offered.
- an increase in subprime lending.

The answer is an increase in new home construction starts.

QUESTION# 24      **Unit 2**

[QID: q\_question\_831\_000024.dita]

Fed open market operations include all of the following *EXCEPT*

- **buying and selling loans in the open market.**
- buying and selling Treasuries in the open market.
- buying and selling securities issued by federally sponsored agencies.
- setting the discount rate.

The answer is buying and selling loans in the open market.

QUESTION# 25      **Unit 6**

[QID: q\_question\_831\_000025.dita]

A man is purchasing a house using a contract for deed. His contract will include all the following provisions *EXCEPT*

- **conveyance of title to the purchaser.**
- pledge of a specific property.
- terms and conditions for repayment.
- consequences of default.

The answer is conveyance of title to the purchaser.

QUESTION# 26      **Unit 5**

[QID: q\_question\_831\_000026.dita]

A carpenter owns a vacant lot and plans to build a home on it to sell. When the carpenter finds a buyer, he will seek a loan from a local bank for the construction costs. This type of loan is called

- **interim financing.**
- permanent financing.
- building fund financing.
- a construction bond.

The answer is interim financing.

QUESTION# 27      **Unit 5**

[QID: q\_question\_831\_000027.dita]

All of the following would be associated with corporate bonds *EXCEPT*

- **zero coupon.**
- debentures.
- nature of issuer of security.
- type of termination.

The answer is zero coupon. The other options would best be associated with corporate bonds.

QUESTION# 28      **Unit 6**

[QID: q\_question\_831\_000028.dita]

A release clause is found in a

- **deed of trust.**
- deed.
- sales contract.
- promissory note.

The answer is deed of trust.

QUESTION# 29      **Unit 4**

[QID: q\_question\_831\_000029.dita]

A married couple has a combined income of \$50,000. Using standard Fannie Mae/Freddie Mac guidelines, how much will be allowed for their total debt obligations each month?

- **\$1,500**
- \$1,400
- \$1,800
- \$1,900

The answer is \$1,500.

QUESTION# 30      **Unit 6**

[QID: q\_question\_831\_000030.dita]

A person's homestead would be subject to a forced sale for all of the following reasons *EXCEPT*

- **judgment liens.**
- IRS federal tax liens.
- purchase money mortgages.
- property tax liens.

The answer is judgment liens.

QUESTION# 31      **Unit 7**

[QID: q\_question\_831\_000031.dita]

Homebuyers can avoid paying PMI by putting



- **20% down on a Freddie Mac loan.**
- 10% down on an FHA loan.
- 10% down on a Fannie Mae loan.
- 3.5% down on an FHA loan combined with a 16.5% secondary loan.

The answer is 20% down on a Freddie Mac loan.

QUESTION# 32

Unit 1

[QID: q\_question\_831\_000032.dita]

Financial leverage is

- **when borrowed funds are used to acquire property.**
- the equity the owner has in a property.
- using equity to borrow money.
- borrowing against a free and clearly owned property.

The answer is when borrowed funds are used to acquire property.

QUESTION# 33

Unit 2

[QID: q\_question\_831\_000033.dita]

The Truth in Lending Act (TILA) requires lenders to

- **disclose payment terms.**
- disclose the buyer's credit score.
- write in the effective date of the contract.
- add fees to the loan.

The answer is disclose payment terms.

QUESTION# 34

Unit 5

[QID: q\_question\_831\_000034.dita]

The difference between mortgage brokers and mortgage bankers is that mortgage brokers

- **bring borrowers and lenders together but do not fund the loan.**
- find a borrower and always use their own money to fund the loan.
- insure all loans they make.
- only offer subprime loans.

The answer is bring borrowers and lenders together but do not fund the loan.

QUESTION# 35

Unit 1

[QID: q\_question\_831\_000035.dita]

The newest demographic age group to influence the real estate market is

- baby boomers.
- generation X.
- **millennials (echo boomers).**
- the silent generation.

The answer is millennials (echo boomers).

QUESTION# 36      **Unit 9**

[QID: q\_question\_831\_000036.dita]

The FICO credit score range is

- **300–850.**
- 15–850.
- 250–550.
- 300–550.

The answer is 300–850.

QUESTION# 37      **Unit 9**

[QID: q\_question\_831\_000037.dita]

A requirement for the borrower to be approved for a prime loan is for the borrower to have

- **high credit scores and low debt.**
- low debt and low credit scores.
- low credit scores and high debt.
- low debt and no credit.

The answer is high credit scores and low debt.

QUESTION# 38      **Unit 9**

[QID: q\_question\_831\_000038.dita]

All of these factors influence an applicant's credit score *EXCEPT*

- **age and maturity.**
- payment history.
- credit history.
- types of credit.

The answer is age and maturity.

QUESTION# 39      **Unit 5**

[QID: q\_question\_831\_000039.dita]

The *MOST* commonly used loan for residential home purchases is a

- **30-year fixed rate.**
- 15-year flexible rate.
- 15-year fixed rate.
- 30-year flexible rate.

The answer is 30-year fixed rate.

QUESTION# 40

**Unit 6**

[QID: q\_question\_831\_000040.dita]

A right or interest in a property held by one who is not the legal owner of the property is known as an

- **encumbrance.**
- escheat.
- eminent domain.
- estate.

The answer is encumbrance.

QUESTION# 41

**Unit 4**

[QID: q\_question\_831\_000041.dita]

The *BEST* description of a nonconforming loan is one that

- **does not meet Fannie Mae and Freddie Mac qualifying guidelines.**
- exceeds the loan limit set annually by Fannie Mae and Freddie Mac.
- is restricted to four-family units.
- is limited to low-income housing.

The answer is does not meet Fannie Mae and Freddie Mac qualifying guidelines.

QUESTION# 42

**Unit 3**

[QID: q\_question\_831\_000042.dita]

In order to qualify for the \$500,000 exemption from capital gains tax on the sale of their primary residence, a couple must have

- **lived there at least two out of the past five years.**
- lived there the two years prior to selling.
- lived there two years plus be at least 55 years of age.
- never used the residence as a rental property.

The answer is lived there at least two out of the past five years.

QUESTION# 43

**Unit 7**

[QID: q\_question\_831\_000043.dita]

All of the following are true about a reverse mortgage *EXCEPT*

- **a tenant who is at least 62 years old may use this loan and use personal property as collateral.**
- funds may be in either monthly payments or a lump sum.
- the borrower must have significant equity in the property being pledged as collateral.
- at least one of the applicants for the loan must be 62 years old.

The answer is a tenant who is at least 62 years old may use this loan and use personal property as collateral.

QUESTION# 44      **Unit 3**

[QID: q\_question\_831\_000044.dita]

The Texas Department of Savings and Mortgage Lending

- **enforces the Texas Mortgage Broker License Act.**
- oversees the licensing of real estate agents and mortgage originators.
- is a state agency setting mortgage rates for lenders.
- administers Banking Commission rules.

The answer is enforces the Texas Mortgage Broker License Act.

QUESTION# 45      **Unit 7**

[QID: q\_question\_831\_000045.dita]

A buyer is seeking a real estate loan for a home he is purchasing. The lender offers him a 30-year fixed-rate loan with an 80% first lien and a 10% second lien so he can avoid paying mortgage insurance. If the purchase price is \$315,000, how much is the second lien?

- **\$31,500**
- \$63,000
- \$25,200
- \$15,750

The answer is \$31,500.

QUESTION# 46      **Unit 9**

[QID: q\_question\_831\_000046.dita]

When evaluating a loan application, a loan officer will consider all of the following *EXCEPT*

- **the borrower's rental payments for the previous two years.**
- the value of the property being offered as security.
- the ability of the borrower to repay the loan.
- the applicant's past credit record.

The answer is the borrower's rental payments for the previous two years.

QUESTION# 47

Unit 2

[QID: q\_question\_831\_000047.dita]

The APR (annual percentage rate) is the

- **true cost of borrowing money.**
- lender's yield for the term of the loan.
- actual interest rate for the first year of the loan.
- note rate plus the margin.

The answer is true cost of borrowing money.

QUESTION# 48

Unit 6

[QID: q\_question\_831\_000048.dita]

Which statement regarding a note is *FALSE*?

- **A note must be tied to either a mortgage or a deed of trust.**
- A note is a promise to pay a debt.
- A note is a complete contract.
- A note is a fully negotiable instrument.

The answer is a note must be tied to either a mortgage or a deed of trust.

QUESTION# 49

Unit 1

[QID: q\_question\_831\_000049.dita]

Pools of loans are originated in the primary market and

- **sold into the secondary market.**
- no longer used.
- not FNMA conforming.
- have no cash flow.

The answer is sold into the secondary market.

QUESTION# 50

Unit 7

[QID: q\_question\_831\_000050.dita]

The acronym *ARM* stands for

- **adjustable-rate mortgage.**
- adjustable rollover minutes.
- additional-rate mortgage.
- additional rollover mortgage.

The answer is adjustable-rate mortgage.

QUESTION# 51

Unit 9

[QID: q\_question\_831\_000051.dita]

An underwriter can consider income from all of the following *EXCEPT*

- **a part-time job from the past year that will likely end soon.**
- child support that is part of a court order and will continue for at least two years.
- alimony.
- self-employed income documented by two years of income tax returns.

The answer is a part-time job from the past year that will likely end soon.

QUESTION# 52

Unit 3

[QID: q\_question\_831\_000052.dita]

The Real Estate Settlement Procedures Act (RESPA) requires all of these disclosures at the time of application *EXCEPT*

- **a list of closing vendor options.**
- Loan Estimate.
- *Special Information Booklet.*
- Mortgage Servicing Disclosure Statement.

The answer is a list of closing vendor options.

QUESTION# 53

Unit 2

[QID: q\_question\_831\_000053.dita]

The primary function of the Federal Home Loan Bank today is to

- **provide fully collateralized loans to member institutions.**
- supervise state-chartered thrifts.
- provide any thrift with business guidance.
- none of these; it was replaced by the Federal Housing Finance Agency.

The answer is provide fully collateralized loans to member institutions.

QUESTION# 54

Unit 5

[QID: q\_question\_831\_000054.dita]

An investor purchased shares in a REMT at the suggestion of a securities broker. The REMT derives income from all of the following *EXCEPT*

- **registered debentures.**
- mortgage interest.
- loan fees.
- profits from buying and selling mortgages.

The answer is registered debentures.

QUESTION# 55

Unit 8

[QID: q\_question\_831\_000055.dita]

The aspect of FHA loans that makes them attractive to lenders is that

- **the government insures the full amount of the loan.**
- a purchaser can make a very small down payment.
- a purchaser can borrow additional funds for closing costs.
- the government establishes qualifying standards for the property.

The answer is the government insures the full amount of the loan.

QUESTION# 56

Unit 6

[QID: q\_question\_831\_000056.dita]

Which of the following clauses would be associated exclusively with junior mortgages?

- **Lifting**
- Acceleration
- Defeasance
- Prepayment

The answer is lifting. Some junior mortgages include a lifting clause that allows a borrower to replace an existing first mortgage without disturbing the status of the junior mortgage.

QUESTION# 57

Unit 8

[QID: q\_question\_831\_000057.dita]

All of the following are true about VA loans *EXCEPT*

- **once approved and closed, the VA will insure the lender against any default by the veteran.**
- the veteran must supply a certificate of eligibility.
- the appraisal for a VA loan is called a certificate of reasonable value.
- some of a veteran's dependents may be able to use the veteran's benefits to purchase a home.

The answer is once approved and closed, the VA will insure the lender against any default by the veteran.

QUESTION# 58

Unit 6

[QID: q\_question\_831\_000058.dita]

Who may be held responsible for mortgage loan repayment when a loan is assumed as part of a real estate sale?

- **Both the purchaser and the seller**
- The purchaser

- The seller
- Holder of the first mortgage

The answer is both the purchaser and the seller.

QUESTION# 59      **Unit 8**

[QID: q\_question\_831\_000059.dita]

A buyer is purchasing a small condominium for \$66,000. The buyer's minimum down payment amount using an FHA loan will be

- **\$2,310.**
- \$660.
- \$1,980.
- \$3,300.

The answer is \$2,310.

QUESTION# 60      **Unit 2**

[QID: q\_question\_831\_000060.dita]

When a lender charges discount points, the yield to the lender will

- **increase.**
- decrease.
- not change.
- be variable.

The answer is increase.

QUESTION# 61      **Unit 1**

[QID: q\_question\_831\_000061.dita]

When a couple obtained a loan of \$255,200 to purchase a home, the lender required them to pledge the property as security for the loan. This is an example of real property used as

- **collateral.**
- leverage.
- escrow.
- hypothecation.

The answer is collateral.

QUESTION# 62      **Unit 2**

[QID: q\_question\_831\_000062.dita]

The discount rate is the rate



- **charged to member banks borrowing from the Federal Reserve Bank.**
- at which borrowers will be charged one point.
- mortgage bankers will pay to the secondary market.
- mortgage brokers will pay to the secondary market.

The answer is charged to member banks borrowing from the Federal Reserve Bank.

QUESTION# 63      **Unit 3**      [QID: q\_question\_831\_000063.dita]

Charges subject to 0% tolerance in the required Loan Estimate include all of the following *EXCEPT*

- origination charges paid to the lender.
- charges for third-party services paid to an affiliate of the lender.
- **property insurance premiums.**
- transfer taxes.

The answer is property insurance premiums.

QUESTION# 64      **Unit 9**      [QID: q\_question\_831\_000064.dita]

Credit scores are an important part of the underwriting process, and the minimum requirement is set by

- **the loan product guidelines.**
- the marketplace.
- FICO.
- HUD (for all loans with an LTV greater than 80%).

The answer is the loan product guidelines.

QUESTION# 65      **Unit 6**      [QID: q\_question\_831\_000065.dita]

When a private loan company or an individual provides additional financing using the borrower's equity in the property as collateral, the loan is called

- **junior financing.**
- hypothecation.
- securitization.
- personal bond.

The answer is junior financing.

QUESTION# 66      **Unit 6**      [QID: q\_question\_831\_000066.dita]

A mortgage becomes null and void when the note is paid in full under the terms of the

- **defeasance clause.**
- prepayment clause.
- alienation clause.
- hypothecation clause.

The answer is defeasance clause.

QUESTION# 67

Unit 8

[QID: q\_question\_831\_000067.dita]

An elderly couple who needs extra monthly income but does not want to sell their home could apply for

- **a reverse mortgage.**
- an Energy Efficient Mortgage.
- a Good Neighbor Next Door Mortgage.
- a Housing Choice Voucher program.

The answer is a reverse mortgage.

QUESTION# 68

Unit 5

[QID: q\_question\_841\_000020.dita]

Which of the following is considered a private financier?

- **Seller**
- Mortgage broker
- Credit union
- Real estate mortgage investment conduit (REMIC)

The answer is seller. The most important sources of private financing funds are sellers who finance a portion of the sales price with carryback loans.

QUESTION# 69

Unit 9

[QID: q\_question\_836\_000060.dita]

A history of a property's title is called

- **an abstract.**
- an opinion of title.
- a title insurance policy.
- a title commitment.

The answer is an abstract. An abstract of title is described as a history of the current recorded condition of a property's title. Abstracting is the process of searching the records to accumulate information that is then distilled by the abstractor and presented as a formal report.

QUESTION# 70

Unit 10

[QID: q\_question\_831\_000070.dita]

All of the following are examples of mortgage default *EXCEPT*

- **alienation.**
- waste.
- nonpayment of principal and interest.
- letting the insurance lapse.

The answer is alienation.

QUESTION# 71

Unit 3

[QID: q\_question\_831\_000200.dita]

All of the following are true about the Veterans Housing Assistance Program (VHAP) *EXCEPT*

- **the loan term must be 30 years.**
- it provides financing of up to \$417,000 toward the purchase of a home.
- it can only be used as a first lien on a primary residence.
- two married, eligible veterans may have only one active VHAP loan at a time.

The answer is the loan term must be 30 years.

QUESTION# 72

Unit 4

[QID: q\_question\_831\_000071.dita]

Using standard Fannie Mae guidelines of 28/36 with a total monthly income of \$5,000, the borrower's total monthly debt obligation must *NOT* exceed

- **\$1,800.**
- \$1,400.
- \$1,650.
- \$1,900.

The answer is \$1,800.

QUESTION# 73

Unit 8

[QID: q\_question\_831\_000072.dita]

The 3.5% of the sales price that must be provided by the borrower as a down payment on an FHA loan may come from any of the following sources *EXCEPT*

- **the seller.**
- a gift from the borrower's family member.
- a grant from a nonprofit assistance program.
- the borrower's savings.

The answer is the seller.

QUESTION# 74

Unit 5

[QID: q\_question\_831\_000073.dita]

A company that needs to borrow money may seek financing through the securities market. What is it called when the company is *NOT* offering security on the bond?

- **Debenture**
- Capital improvement loan
- Novation
- Warehouse line

The answer is debenture.

QUESTION# 75

Unit 3

[QID: q\_question\_831\_000074.dita]

Under consumer credit laws, which of the following statements in an advertisement would require a full disclosure of all loan terms?

- **“6.5% VA assumable loan”**
- “Low down payment”
- “Easy monthly payments”
- “FHA assumption possible”

The answer is “6.5% VA assumable loan”.

QUESTION# 76

Unit 9

[QID: q\_question\_831\_000075.dita]

An appraiser has just completed a search of the records for comparable residential properties that have sold within the last six months. He is using the

- **sales comparison approach.**
- cost approach.
- income approach.
- gross rent multiplier.

The answer is sales comparison approach.

QUESTION# 77

Unit 3

[QID: q\_question\_831\_000076.dita]

In Texas, what is a possible reason that a person's homestead may be subject to a forced sale?

- Home equity liens
- IRS federal tax liens
- Reverse mortgages
- **All of these**

The answer is all of these.

QUESTION# 78

Unit 6

[QID: q\_question\_831\_000077.dita]

*First in time, first in right* generally gives the first lender a priority lien position, the exception being a

- **property tax lien.**
- mechanic's lien.
- judgment lien.
- second lender.

The answer is property tax lien.

QUESTION# 79

Unit 5

[QID: q\_question\_831\_000078.dita]

The purpose of the SAFE Act is to encourage states to establish minimum standards for the licensing and registration of mortgage loan originators and to

- **provide more consumer protection and reduce fraud.**
- promote a careful response to approaching borrowers.
- help real estate professionals make more sales.
- provide a safer environment for real estate professionals to work.

The answer is provide more consumer protection and reduce fraud.

QUESTION# 80

Unit 4

[QID: q\_question\_831\_000079.dita]

Which of the following participants in the residential mortgage secondary market was created to purchase FHA loans?

- Sallie Mae.
- **Fannie Mae.**
- Freddie Mac.
- Ginnie Mae.

The answer is Fannie Mae.

QUESTION# 81

Unit 3

[QID: q\_question\_831\_000080.dita]

The act that regulates lenders and requires them to invest in local communities and neighborhoods is the

- **Community Reinvestment Act (CRA).**
- Common Rates Act (CRA).

- Truth in Lending Act (TILA).
- Real Estate Settlement Procedures Act (RESPA).

The answer is Community Reinvestment Act (CRA).

QUESTION# 82      **Unit 3**

[QID: q\_question\_831\_000081.dita]

Which of the following disclosure forms was created under TRID (Truth-in-Lending/RESPA Integrated Disclosures)?

- Good Faith Estimate
- HUD-1 Settlement Statement
- **Closing Disclosure**
- Truth-in-Lending Disclosure

The answer is Closing Disclosure.

QUESTION# 83      **Unit 7**

[QID: q\_question\_831\_000082.dita]

A couple is purchasing a \$300,000 home. In order to avoid paying MMI, they have opted for an 80/15/5 split loan. Their second loan amount will be

- **\$45,000.**
- \$15,000.
- \$60,000.
- \$240,000.

The answer is \$45,000.

QUESTION# 84      **Unit 8**

[QID: q\_question\_831\_000083.dita]

If the total housing expense plus other long-term debts is \$1,400, approximately how much annual income will the borrowers need to qualify for a VA loan?

- **\$41,000**
- \$34,000
- \$46,600
- \$48,300

The answer is \$41,000.

QUESTION# 85

**Unit 8**

[QID: q\_question\_831\_000084.dita]

The Home Mortgage Disclosure Act (HMDA) is a federal law that requires lenders to disclose to regulators the makeup of borrowers and the disposition of each application. All of the following information is included for review *EXCEPT*

- **sexual preference.**
- race.
- sex.
- ethnicity.

The answer is sexual preference.

QUESTION# 86

Unit 7

[QID: q\_question\_831\_000085.dita]

A land contract or installment sale is when the

- **seller finances the sale.**
- buyer requires a second loan.
- interest rate is lower than the market rate.
- lender charges higher than standard rates.

The answer is seller finances the sale.

QUESTION# 87

Unit 8

[QID: q\_question\_831\_000086.dita]

A buyer is purchasing a property that needs a lot of repairs; the buyer wants to obtain a loan that includes the purchase price, repairs, and some improvements. The lender should suggest

- **an FHA 203(k) rehabilitation loan.**
- a conventional loan.
- a neighborhood rehab loan.
- a reconstruction and revitalization loan.

The answer is an FHA 203(k) rehabilitation loan.

QUESTION# 88

Unit 7

[QID: q\_question\_831\_000087.dita]

The ARM rate is composed of

- **a fixed margin and a variable index.**
- a fixed index and a variable margin.
- fixed fees and variable margins.
- a fixed index and variable fees.

The answer is a fixed margin and a variable index.

QUESTION# 89

Unit 7

[QID: q\_question\_831\_000088.dita]

Borrowers have applied for a \$150,000 loan for 15 years at 8% with a factor of 9.56. The monthly principal and interest payment will be

- **\$1,434.**
- \$956.
- \$1,101.
- \$1,200.

The answer is \$1,434.

QUESTION# 90

Unit 10

[QID: q\_question\_831\_000089.dita]

Under the Mortgage Forgiveness Debt Relief Act, the IRS requires any difference between the final sales price and the loan amount (if it is greater than the sales price) to be treated as debt relief and, therefore, to be taxable *EXCEPT*

- **if the loan was a purchase money mortgage.**
- for one- to four-family properties occupied by the borrower.
- for a first loan that was refinanced through Fannie Mae or the FHA.
- for a loan in which the homestead exemption was filed in a timely manner.

The answer is if the loan was a purchase money mortgage.

QUESTION# 91

Unit 1

[QID: q\_question\_831\_000090.dita]

Loans are originated in the

- **primary market.**
- secondary market.
- real estate brokerage.
- Federal Reserve.

The answer is primary market.

QUESTION# 92

Unit 10

[QID: q\_question\_831\_000091.dita]

The most common form of default on a mortgage loan is

- **principal and interest are not paid.**
- property taxes are not paid.
- homeowners insurance is not provided.
- property is not maintained.



The answer is principal and interest are not paid.

QUESTION# 93                      **Unit 2**    [QID: q\_question\_831\_000092.dita]

The FDIC insures bank deposits for up to \$250,000 for each deposit account and

- **examines depository institutions that offer FDIC insurance.**
- sells Treasuries in the secondary market.
- buys and sells Treasuries in the open market.
- sets the discount rate for FDIC-insured institutions.

The answer is examines depository institutions that offer FDIC insurance.

QUESTION# 94    **Unit 7**    [QID: q\_question\_831\_000093.dita]

What is negative amortization?

- **When the payment is insufficient to pay the interest portion**
- When the borrower is only reducing the principal amount of the loan
- When the principal is reduced by the scheduled amount
- When the interest is increased by the scheduled amount

The answer is when the payment is insufficient to pay the interest portion.

QUESTION# 95                      **Unit 2**    [QID: q\_question\_831\_000094.dita]

What would trigger a full disclosure in an advertisement?

- **Monthly payments**
- Easy finance terms
- Seller may finance
- Annual percentage rate (APR)

The answer is monthly payments.

QUESTION# 96                      **Unit 5**    [QID: q\_question\_831\_000095.dita]

All mortgage loan originators are required to register with the

- **Nationwide Mortgage and Licensing System and Registry.**
- local real estate association.
- state board of lending.
- Mortgage Banking Association.

The answer is Nationwide Mortgage and Licensing System and Registry.

QUESTION# 97

Unit 8

[QID: q\_question\_831\_000096.dita]

A 62-year-old widow is experiencing difficulty paying her bills. Her homestead is paid for, but she still pays property taxes and insurance, as well as other obligations on her home. She would like to stay in her home and maintain her lifestyle. She could receive income through the equity in her home by getting an FHA

- **reverse mortgage.**
- Good Neighbor Next Door mortgage.
- extended policy loan.
- Senior Housing Cooperative loan.

The answer is reverse mortgage.

QUESTION# 98

Unit 9

[QID: q\_question\_831\_000097.dita]

Underwriters want borrowers to have a ratio of assets to liabilities of

- **2 to 1.**
- 4 to 3.
- 1 to 2.
- 1 to 4.

The answer is 2 to 1.

QUESTION# 99

Unit 5

[QID: q\_question\_831\_000098.dita]

A builder is seeking financing to construct single-family housing. The buyers of these homes will be required to obtain permanent financing. What type of a loan is the builder seeking?

- **Interim loan**
- Development loan
- Company loan
- Capital loan

The answer is interim loan.

QUESTION# 100

Unit 4

[QID: q\_question\_831\_000099.dita]

Mortgage-backed securities (MBS) backed by FHA and VA loans are insured by

- **Ginnie Mae.**
- Fannie Mae.

- Freddie Mac.
- Sallie Mae.

The answer is Ginnie Mae.

QUESTION# 101                      **Unit 6**                      [QID: q\_question\_831\_000100.dita]

The person who obtains a real estate loan and signs a mortgage is called the

- **mortgagor.**
- trustee.
- beneficiary.
- mortgagee.

The answer is mortgagor.

QUESTION# 102                      **Unit 5**                      [QID: q\_question\_831\_000101.dita]

In order to finance a new toll bridge, a city could issue which type of bond?

- **Revenue bond**
- Corporate bond
- General obligation bond
- Industrial revenue bond

The answer is revenue bond.

QUESTION# 103                      **Unit 3**                      [QID: q\_question\_831\_000102.dita]

A Loan Estimate of all closing costs must be given to borrowers within three days of application according to which congressional act?

- **Real Estate Settlement Procedures Act**
- Equal Credit Opportunity Act
- Truth in Lending Act
- Home Mortgage Disclosure Act

The answer is Real Estate Settlement Procedures Act.

QUESTION# 104                      **Unit 6**                      [QID: q\_question\_831\_000103.dita]

Which of the following *BEST* describes lien theory?

- **The lender has equitable rights and the borrower has legal rights.**
- The lender has legal rights and the borrower has equitable rights.

- The lender and the borrower both have equal legal rights.
- Neither the lender nor the borrower has legal rights.

The answer is the lender has equitable rights and the borrower has legal rights.

QUESTION# 105                      **Unit 7**    [QID: q\_question\_831\_000104.dita]

A borrower who can only qualify for a subprime loan is *MOST* likely one who has

- **low credit scores and high debt.**
- low debt and low credit scores.
- low debt and no credit.
- high credit scores and low debt.

The answer is low credit scores and high debt.

QUESTION# 106                      **Unit 4**    [QID: q\_question\_831\_000105.dita]

Ginnie Mae is the secondary mortgage market that does not buy loans; instead, Ginnie Mae issues certificates that are

- **backed by the full faith and credit of the U.S. government.**
- later sold in the secondary market.
- bought by the Fed to keep the money supply high.
- included in Fannie Mae mortgage pools to even out the yield.

The answer is backed by the full faith and credit of the U.S. government.

QUESTION# 107                      **Unit 7**    [QID: q\_question\_831\_000106.dita]

As used in real estate finance, the term *discount point* means

- **1% of the loan amount.**
- 1% of the purchase price.
- the down payment expressed as a percentage of price.
- the borrower's equity expressed as a percentage of value.

The answer is 1% of the loan amount.

QUESTION# 108                      **Unit 9**    [QID: q\_question\_831\_000107.dita]

*MOST* loan programs require lenders to obtain a borrower's credit information by ordering a

- **tri-merge credit report from the three major credit reporting agencies.**
- report from the local credit bureau.

- reference check from anyone whom the borrower has lent money in the past three years.
- FICO score.

The answer is tri-merge credit report from the three major credit reporting agencies.

QUESTION# 109      **Unit 4**      [QID: q\_question\_831\_000108.dita]

Which of the following government entities regulates Fannie Mae and Freddie Mac?

- **Federal Housing Finance Agency (FHFA)**
- HUD
- Office of Federal Housing Oversight Board
- Government-Sponsored Enterprise Board

The answer is Federal Housing Finance Agency (FHFA).

QUESTION# 110      **Unit 2**      [QID: q\_question\_831\_000109.dita]

The Truth in Lending Act (TILA) is a consumer protection law that requires certain disclosures, such as the

- **APR.**
- prime rate for each loan.
- total interest for the first year of the loan.
- discount rate.

The answer is APR.

QUESTION# 111      **Unit 9**      [QID: q\_question\_831\_000110.dita]

The government-sanctioned website that allows consumers to obtain a free copy of their credit report from each of the three agencies is

- **www.annualcreditscore.com.**
- www.freecreditscore.com.
- www.fico.com.
- www.creditbureau.com.

The answer is www.annualcreditscore.com.

QUESTION# 112      **Unit 8**      [QID: q\_question\_831\_000111.dita]

Which type of insured loan allows improvements as part of the loan?

- **FHA**
- VA
- Conventional
- Interest only

The answer is FHA.

QUESTION# 113

**Unit 6**

[QID: q\_question\_831\_000112.dita]

Why do lenders have prepayment penalties?

- **They do not want buyers to prematurely prepay high-yield loans**
- To avoid the hypothecation clause
- They want to be competitive
- To prevent the due-on-sale clause from being administered

The answer is they do not want buyers to prematurely prepay high-yield loans.

QUESTION# 114

**Unit 9**

[QID: q\_question\_831\_000113.dita]

Which approach will the appraiser give the *MOST* consideration when appraising a commercial property?

- **Income approach**
- Cost approach
- Comparable sales
- Summation approach

The answer is income approach.

QUESTION# 115

**Unit 1**

[QID: q\_question\_831\_000114.dita]

A federal loan program that allows a homeowner to refinance in order to achieve a lower mortgage payment is

- **a HARP loan.**
- a hybrid loan.
- a piggyback loan.
- nonexistent.

The answer is a HARP loan.

QUESTION# 116

[QID: q\_question\_831\_000115.dita]

**Unit 9**

Who may perform an appraisal?

- **Licensed appraisers**
- Licensed mortgage loan originators
- Licensed real estate brokers
- Licensed insurance brokers

The answer is licensed appraisers.

QUESTION# 117

**Unit 10**

[QID: q\_question\_831\_000116.dita]

The reasonable alternatives to a foreclosure include all of the following *EXCEPT*

- **walk away.**
- refinance.
- deed in lieu.
- short sale.

The answer is walk away.

QUESTION# 118

**Unit 7**

[QID: q\_question\_831\_000117.dita]

An adjustable-rate mortgage based on a LIBOR index of 4% with a margin of 2%, a note rate of 6%, and an initial rate of 3.5% with 2/6 caps could increase to what rate in a five-year period?

- **9.5%**
- 4%
- 6%
- 11.5%

The answer is 9.5%.

QUESTION# 119

**Unit 10**

[QID: q\_question\_831\_000118.dita]

In a Texas nonjudicial foreclosure, the property must be posted with a notice of sale at *LEAST* how many days before the auction?

- **21**
- 10
- 20
- 30

The answer is 21.

QUESTION# 120

Unit 9

[QID: q\_question\_831\_000119.dita]

In order to arrive at a market value using the capitalization approach, the net operating income (NOI) must be determined by taking the gross scheduled income, making allowances for vacancy and other income, and then subtracting all operating expenses to arrive at the NOI. If the NOI is \$57,000 and the cap rate for similar properties is 7.5%, what is the value?

- **\$760,000**
- \$427,500
- \$570,000
- \$820,000

The answer is \$760,000.

QUESTION# 121

Unit 6

[QID: q\_question\_831\_000120.dita]

The parties to a deed of trust are known as the

- **trustor, beneficiary, and trustee.**
- borrower, trustor, and beneficiary.
- mortgage, mortgagor, and mortgagee.
- beneficiary, mortgagee, and trustor.

The answer is trustor, beneficiary, and trustee.

QUESTION# 122

Unit 2

[QID: q\_question\_831\_000121.dita]

A bank's most credit-worthy borrowers will usually be charged the bank's

- **prime rate.**
- discount rate.
- federal funds rate.
- open-market rate.

The answer is prime rate.

QUESTION# 123

Unit 7

[QID: q\_question\_831\_000122.dita]

By law, escrow accounts are allowed to collect tax and insurance payments in advance, but they may contain no more than how many months of additional charges?

- **Two**
- Three



- Four
- Five

The answer is two.

QUESTION# 124                      **Unit 5**                      [QID: q\_question\_831\_000123.dita]

Primary mortgage markets consist of all of the following *EXCEPT*

- **Fannie Mae.**
- credit unions.
- life insurance companies.
- private lenders.

The answer is Fannie Mae.

QUESTION# 125                      **Unit 5**                      [QID: q\_question\_831\_000124.dita]

An originator employed with a lender in the primary market is considered

- **a mortgage banker.**
- an interim lender.
- an intermediary.
- a mortgage broker.

The answer is a mortgage banker.

QUESTION# 126                      **Unit 10**                      [QID: q\_question\_831\_000125.dita]

A borrower's legal right to redeem a property after a tax foreclosure is the

- **statutory right of redemption.**
- right of eminent domain.
- equitable right of redemption.
- right of title theory.

The answer is statutory right of redemption.

QUESTION# 127                      **Unit 10**                      [QID: q\_question\_831\_000126.dita]

The party that has the final word on accepting the terms of a short sale is

- the seller.
- the buyer.

- **the existing lender.**
- the prospective lender.

The answer is the existing lender.

QUESTION# 128

**Unit 8**

[QID: q\_question\_831\_000127.dita]

What is the minimum down payment amount for a borrower of an FHA loan?

- **3.5%**
- 3%
- 6.5%
- 6%

The answer is 3.5%.

QUESTION# 129

**Unit 7**

[QID: q\_question\_831\_000128.dita]

A couple has a combined annual income of \$48,000. Using the 33% housing ratio, what is the maximum monthly housing expense they will be allowed to have?

- **\$1,320**
- \$1,120
- \$1,440
- \$1,520

The answer is \$1,320.

QUESTION# 130

**Unit 10**

[QID: q\_question\_831\_000129.dita]

Lenders may be willing to waive payments temporarily but are usually reluctant to modify or refinance the original loan agreement because of their concern that

- **a secondary lienholder might move into the priority position.**
- the borrower may no longer be qualified.
- it takes too much paperwork.
- they would rather foreclose on the property.

The answer is a secondary lienholder might move into the priority position.

QUESTION# 131

**Unit 2**

[QID: q\_question\_831\_000130.dita]

A borrower secures a new loan at 0.75 points above prime. If the prime rate is 8%, what is the rate of interest?

- **8.75%**
- 0.75%
- 7.25%
- 8.00%

The answer is 8.75%.

QUESTION# 132                      **Unit 8**    [QID: q\_question\_831\_000131.dita]

For a VA home loan, the lender will require a VA-assigned appraiser to estimate the value of the property. Once completed, the appraiser will issue a

- **certificate of reasonable value (CRV).**
- Fannie Mae appraisal.
- Ginnie Mae appraisal.
- Certificate of Eligibility.

The answer is certificate of reasonable value (CRV).

QUESTION# 133                      **Unit 7**    [QID: q\_question\_831\_000132.dita]

LTV is the

- **ratio between the loan amount and the sales price.**
- amount of the loan.
- mandated sales price.
- ratio between the loan amount and the lending fees and appraisal.

The answer is ratio between the loan amount and the sales price.

QUESTION# 134                      **Unit 6**    [QID: q\_question\_831\_000133.dita]

What is a “lock-in clause” in a note?

- **A provision that prohibits prepayment of the loan balance**
- A provision that allows the borrower to pay up to 20% of the loan balance without penalty
- A provision that allows the lender to require the borrower to pay up to 20% of the loan balance
- There is no such thing as a “lock-in clause”

The answer is a provision that prohibits prepayment of the loan balance.

QUESTION# 135                      **Unit 4**    [QID: q\_question\_831\_000134.dita]

Freddie Mac was originally created as a secondary mortgage market for

- **loan products originated by saving and loan associations.**
- bank-originated home loans.
- Fannie Mae overflow.
- FHA and VA home loans.

The answer is loan products originated by saving and loan associations.

QUESTION# 136

Unit 2

[QID: q\_question\_831\_000135.dita]

Which of the following is the nation's monetary manager?

- **Federal Reserve**
- Office of Thrift Supervision (OTS)
- Department of Housing and Urban Development (HUD)
- U.S. Treasury

The answer is Federal Reserve.

QUESTION# 137

Unit 3

[QID: q\_question\_831\_000136.dita]

The Neighborhood Stabilization Program (NSP) was developed to provide funds for all of the following *EXCEPT*

- **low-income down payment assistance.**
- rehabilitating abandoned homes.
- demolishing blighted structures.
- purchasing foreclosed homes.

The answer is low-income down payment assistance.

QUESTION# 138

Unit 7

[QID: q\_question\_831\_000137.dita]

The lender has informed the borrowers that in order to reduce the interest rate on their mortgage from 8% to 7½%, they will have to pay three points. Their mortgage amount is \$90,000. How much will they be charged?

- **\$2,700**
- \$270
- \$300
- \$900

The answer is \$2,700.

QUESTION# 139

Unit 8

[QID: q\_question\_831\_000138.dita]

Which statement about the Federal Housing Administration (FHA) is *TRUE*?

- **FHA insures lenders against buyer default.**
- FHA insures buyers against lender default.
- FHA lends money.
- FHA guarantees lenders that buyers will not default.

The answer is FHA insures lenders against buyer default.

QUESTION# 140

Unit 9

[QID: q\_question\_831\_000139.dita]

Appraisals are required for all of the following loans *EXCEPT*

- **seller financing.**
- construction loans.
- farm and ranch loans.
- residential loans.

The answer is seller financing.

QUESTION# 141

Unit 2

[QID: q\_question\_831\_000140.dita]

The Federal Reserve influences the money supply and, therefore, interest rates by

- **buying and selling Treasuries.**
- decree.
- pressuring Wall Street to sell more bonds.
- determining the demand for housing and adjusting the rates to match the supply.

The answer is buying and selling Treasuries.

QUESTION# 142

Unit 7

[QID: q\_question\_831\_000141.dita]

When would a banker generally discuss a participation loan?

- **When the banker's loan to a borrower is at its limit**
- If there is a cosigner
- When the borrower has insufficient funds to complete the transaction
- When the banker believes the risk is too great

The answer is when the banker's loan to a borrower is at its limit.

QUESTION# 143

Unit 1

[QID: q\_question\_831\_000142.dita]

One of the earliest programs to provide counseling for at-risk borrowers was

- **HOPE NOW.**
- Assistance for America.
- Homeowners Relief Program.
- American Foreclosure Assistance.

The answer is HOPE NOW.

QUESTION# 144

Unit 2

[QID: q\_question\_831\_000143.dita]

The prime rate is the rate charged to the most creditworthy borrowers. It is set by

- **each individual bank.**
- the Wall Street Journal.
- the FDIC.
- the Fed.

The answer is each individual bank.

QUESTION# 145

Unit 1

[QID: q\_question\_831\_000144.dita]

Real estate professionals need to understand the principle of supply and demand. If listings are taking longer to sell and the inventory of available properties is increasing, then

- **demand is weakening.**
- supply is shrinking.
- demand is growing.
- demand and supply are growing.

The answer is demand is weakening.

QUESTION# 146

Unit 7

[QID: q\_question\_831\_000145.dita]

A family is purchasing their first home for \$90,000 with a 5% down payment. The lender requires private mortgage insurance at a rate of 0.75% of the loan amount. They will pay the annual premium in 12 equal payments added to the principal, interest, taxes, and insurance (PITI) payment. The monthly charge for PMI is

- **\$53.44.**
- \$56.25.

- \$64.25.
- \$67.00.

The answer is \$53.44.

QUESTION# 147

Unit 6

[QID: q\_question\_831\_000146.dita]

The promissory note is a

- **negotiable instrument that may be sold.**
- nonnegotiable instrument that may be sold.
- nonnegotiable instrument that cannot be sold.
- negotiable instrument that cannot be sold.

The answer is negotiable instrument that may be sold.

QUESTION# 148

Unit 9

[QID: q\_question\_831\_000147.dita]

All of the following are major credit reporting agencies *EXCEPT*

- **FICO.**
- Equifax.
- TransUnion.
- Experian.

The answer is FICO.

QUESTION# 149

Unit 7

[QID: q\_question\_831\_000148.dita]

To avoid paying PMI, the borrower would need a down payment equal to what percentage in equity?

- **20%**
- 30%
- 80%
- 100%

The answer is 20%.

QUESTION# 150

Unit 3

[QID: q\_question\_831\_000149.dita]

The Interstate Land Sales Full Disclosure Act would apply to a subdivision of how many lots sold interstate?

- **25**
- 10

- 15
- 20

The answer is 25.

QUESTION# 151                      **Unit 3**    [QID: q\_question\_831\_000150.dita]

Under the Emergency Solutions Grants (ESG) Program, activities eligible for funding include which of the following?

- **Assistance in obtaining permanent housing**
- Psychological counseling and supervision
- Renovation of buildings to be used as homeless shelters
- All of these

The answer is all of these.

QUESTION# 152                      **Unit 6**    [QID: q\_question\_831\_000151.dita]

In some states, charging an interest rate in excess of the allowed amount constitutes

- **usury.**
- unethical lending.
- a variance.
- an assignment.

The answer is usury.

QUESTION# 153                      **Unit 8**    [QID: q\_question\_831\_000152.dita]

FHA protects itself against the risk of defaulting borrowers by requiring

- **a mortgage insurance premium.**
- a higher rate of interest.
- a larger down payment.
- low qualifying ratios.

The answer is a mortgage insurance premium.

QUESTION# 154                      **Unit 3**    [QID: q\_question\_831\_000153.dita]

All of the following are true regarding the capital gains tax exemption for a personal residence *EXCEPT*

- **it can only be claimed once in a person's lifetime.**
- it is limited to \$250,000 for an individual.



- it is limited to \$500,000 for a married couple.
- it can be claimed every two years.

The answer is it can only be claimed once in a person's lifetime.

QUESTION# 155      **Unit 1**

[QID: q\_question\_831\_000154.dita]

The purpose of the secondary mortgage market is to

- **provide money for lending in the primary mortgage market.**
- provide borrowers funds for buying real property.
- guarantee and insure loans made in the primary market.
- create licensing requirements for mortgage brokers and bankers.

The answer is provide money for lending in the primary mortgage market.

QUESTION# 156      **Unit 2**

[QID: q\_question\_831\_000155.dita]

When the Fed lowers the reserve requirements for commercial banks, what is *MOST* likely to happen?

- **More money will become available for lending.**
- Banks will cut back on lending.
- Banks will retain less of their total assets.
- The economy will experience a slowdown.

The answer is more money will become available for lending.

QUESTION# 157      **Unit 9**

[QID: q\_question\_831\_000156.dita]

A cloud on the title may require that

- **a suit to quiet title be filed.**
- an affidavit of release be signed by the seller.
- a second opinion on the title search be obtained.
- the price on the property be increased.

The answer is a suit to quiet title be filed.

QUESTION# 158      **Unit 7**

[QID: q\_question\_831\_000157.dita]

Which condition is *NOT* required in an IRS 1031 tax-deferred exchange?

- **Properties exchanged must be of equal value.**
- Properties exchanged must be held for productive use in a trade or business.

- Properties exchanged must be of like kind.
- Properties must actually be exchanged.

The answer is properties exchanged must be of equal value.

QUESTION# 159      **Unit 3**

[QID: q\_question\_831\_000158.dita]

Under the Veterans Home Improvement Program (VHIP), the VLB will lend eligible Texas veterans up to \$25,000 on a fixed-rate note to make substantial repairs to an existing primary residence. What is the term of this type of loan?

- **20 years**
- 10 years
- 15 years
- 30 years

The answer is 20 years.

QUESTION# 160      **Unit 9**

[QID: q\_question\_831\_000159.dita]

What is the final phase of an appraisal?

- **Reconciliation**
- Reevaluating
- Reconstruction
- Reasoning

The answer is reconciliation.

QUESTION# 161      **Unit 4**

[QID: q\_question\_831\_000160.dita]

The *BEST* way to describe a real estate mortgage investment conduit (REMIC) is

- **an organized pool of real estate loans that are securitized and sold as mortgage-backed securities (MBSs).**
- a Fannie Mae loan product that has the backing of Wall Street.
- the vehicle for selling loans from one institution to another.
- a commercial loan product; residential loans are sold to Fannie Mae and Freddie Mac.

The answer is an organized pool of real estate loans that are securitized and sold as mortgage-backed securities (MBSs).

QUESTION# 162      **Unit 9**

[QID: q\_question\_831\_000161.dita]

All of the following are considered separate property *EXCEPT*

- **the income earned during marriage from a separate property.**
- property owned prior to marriage.
- property acquired during the marriage with separate funds.
- property acquired during the marriage by gift or inheritance.

The answer is the income earned during marriage from a separate property.

QUESTION# 163

Unit 2

[QID: q\_question\_831\_000162.dita]

FDIC stands for

- **Federal Deposit Insurance Corporation.**
- Federal District Income Corporation.
- Financial Deposit Insurance Corporation.
- Financial District Income Corporation.

The answer is Federal Deposit Insurance Corporation.

QUESTION# 164

Unit 7

[QID: q\_question\_831\_000163.dita]

A teaser rate is typically associated with which type of loan?

- **ARM**
- Convertible loan
- 7/23 FHA loan
- Hybrid loan of any size or term

The answer is ARM.

QUESTION# 165

Unit 5

[QID: q\_question\_831\_000164.dita]

What type of trust would be used by an investor to earn money from apartments, houses, offices, and shopping centers?

- **REIT**
- Auditor's trust
- Banking trust
- REMT

The answer is REIT.

QUESTION# 166

Unit 4

[QID: q\_question\_831\_000165.dita]

Fannie Mae was created for the sole purpose of

- **providing a secondary market for qualified loans.**
- offering loan programs that require a 20% down payment.
- making loans to qualified borrowers.
- providing a loan exchange mechanism for qualified lenders.

The answer is providing a secondary market for qualified loans.

QUESTION# 167

Unit 5

[QID: q\_question\_831\_000166.dita]

An individual has invested in a real estate trust that will derive income using the net profits from the rental and sale of rental properties. She has invested in a

- **REIT.**
- REMT.
- hybrid.
- joint venture.

The answer is REIT.

QUESTION# 168

Unit 3

[QID: q\_question\_831\_000167.dita]

The Equal Credit Opportunity Act (ECOA) is a consumer protection law that prohibits lenders from discriminating against qualified applicants based on all of the following factors *EXCEPT*

- **handicap.**
- receipt of public assistance.
- marital status.
- age.

The answer is handicap.

QUESTION# 169

Unit 2

[QID: q\_question\_831\_000168.dita]

Short-term Treasury securities are called

- Treasury bonds.
- Treasury notes.
- **Treasury bills.**
- Treasury MCOs.

The answer is Treasury bills.

QUESTION# 170

Unit 8

[QID: q\_question\_831\_000169.dita]

A veteran wants to buy a new home using a VA loan. The veteran used her VA guarantee of \$46,000 in 1989 on a property she has leased to a family friend. Based on a guarantee of \$104,250, she will be able to use her partial eligibility to obtain a VA loan with no money down in the amount of

- **\$233,000.**
- \$58,250.
- \$359,650.
- \$439,120.

The answer is \$233,000.

QUESTION# 171

**Unit 6**

[QID: q\_question\_831\_000170.dita]

Allowing one lien to take or have priority over other liens or debt is known as

- **subordination.**
- usury.
- fair dealings.
- substitution.

The answer is subordination.

QUESTION# 172

**Unit 7**

[QID: q\_question\_831\_000171.dita]

A real estate developer is seeking financing. The lender suggests they form a partnership, which will provide better terms for the developer and give the lender an equity position in the development. This type of financing is called

- **participation financing.**
- blanket financing.
- bilateral financing.
- force place financing.

The answer is participation financing.

QUESTION# 173

**Unit 7**

[QID: q\_question\_831\_000172.dita]

London Interbank Offered Rate (LIBOR) interest rates are often used on adjustable-rate mortgages to establish

- **an index.**
- a margin.
- a cap.
- an adjustment period.

The answer is an index.

QUESTION# 174

Unit 9

[QID: q\_question\_831\_000173.dita]

For a self-employed borrower, the underwriter must analyze the borrower's tax returns for the past

- **two years, including a current P&L statement completed by an accountant.**
- three years.
- four years if the borrower's income is declining.
- none of these; only a Dun & Bradstreet credit report on the business is needed.

The answer is two years, including a current P&L statement completed by an accountant.

QUESTION# 175

Unit 3

[QID: q\_question\_831\_000174.dita]

The Community Development Block Grant (CDBG) program does all of the following *EXCEPT*

- **generate additional funds through local bond initiatives.**
- help extinguish poverty in urban areas.
- provide help in rural areas.
- provide money for roads and sewer systems.

The answer is generate additional funds through local bond initiatives.

QUESTION# 176

Unit 6

[QID: q\_question\_831\_000175.dita]

Which of the following circumstances would create a voluntary lien?

- **Mortgage on the property**
- Overdue property taxes
- Unpaid contractor who installed a swimming pool
- Judgment from an unpaid hospital bill

The answer is mortgage on the property.

QUESTION# 177

Unit 8

[QID: q\_question\_831\_000176.dita]

To qualify for an FHA reverse mortgage, one of the homeowners must be at *LEAST* how old?

- **62**
- 65
- 68
- 60

The answer is 62.

QUESTION# 178

Unit 9

[QID: q\_question\_831\_000177.dita]

Which of the following information is on a credit report?

- **Status of the borrower's current credit accounts**
- The borrower's income
- List of assets owned by the borrower
- The borrower's marital status

The answer is status of the borrower's current credit accounts.

QUESTION# 179

Unit 10

[QID: q\_question\_831\_000178.dita]

An equitable redemption period gives the borrower the opportunity to

- **make up the outstanding balance before a foreclosure sale.**
- make up the outstanding balance after the foreclosure sale.
- declare a moratorium on payments.
- request forgiveness of payments.

The answer is make up the outstanding balance before a foreclosure sale.

QUESTION# 180

Unit 9

[QID: q\_question\_831\_000179.dita]

A buyer is putting \$30,000 down on the purchase of a \$100,000 property. The loan-to-value ratio (LTV) is

- **70%.**
- 30%.
- 80%.
- 100%.

The answer is 70%.