**Unit 11 Quiz**

1. The original lender may sell the mortgage note to a third party, such as an investor or another mortgage company, by
   1. assignment of mortgage.
   2. implementing lien theories.
   3. acceleration.
   4. acceleration of payments.
2. The mortgagee foreclosed on a building lot after the borrower defaulted on the loan payments. At the foreclosure sale, however, the lot sold for only $29,000. The unpaid balance of the loan at the time of the sale was $40,000. What must the lender do to recover the $11,000 the borrower still owes?
   1. Sue for specific performance
   2. Seek a deficiency judgment
   3. Sue for damages
   4. Seek a judgment by default
3. A buyer wants to assume the current mortgage because the interest rate is lower than the buyer can currently obtain. However, the buyer is prevented from assuming the old loan by the existence of the
   1. power of sale clause.
   2. alienation clause.
   3. certificate of sale clause.
   4. defeasance clause.
4. A friendly foreclosure enables a mortgagor to prevent the mortgagee from taking the property by statutory means. This can be accomplished by
   1. an escrow deed.
   2. a reconveyance deed.
   3. a deed in lieu of foreclosure.
   4. assumption.
5. The pledging of property as security for payment of a loan without giving up possession is called
   1. subordination.
   2. disintermediation.
   3. equity.
   4. hypothecation.
6. A borrower obtained a $7,000 home equity loan for five years at 4% interest per annum. Monthly payments were $50. The final payment included the remaining outstanding principal balance. What type of loan is this?
   1. Accelerated loan
   2. Partially amortized loan
   3. Fully amortized loan
   4. Straight loan
7. What is a voluntary, specific lien against the property?
   1. Hypothecation
   2. Mortgage
   3. Property lien
   4. Mechanic’s lien
8. What must an owner sign when a property is to be mortgaged?
   1. Only a mortgage
   2. Only a promissory note
   3. Deed of trust
   4. Promissory note and mortgage
9. One requirement of the Mortgage Bankers and Brokers and Consumer Equity Protection Act is that mortgage brokers
   1. must post a $500,000 bond.
   2. must be licensed.
   3. are required to take continuing education every three years.
   4. are not required to undergo a criminal background history check.
10. A borrower is charged 4.5% interest rate, one discount point, and one point for loan origination. Which one increases the lender's yield (rate of return) on its investment?
    1. Interest rate
    2. All of these
    3. Loan origination fee
    4. Discount point
11. To avoid lost interest when a loan is repaid before the end of the term, some mortgage notes include a
    1. default judgment.
    2. punitive payment.
    3. deficiency payment.
    4. prepayment penalty.
12. What clause in a mortgage permits the lender to declare the entire unpaid balance due immediately upon default?
    1. Judgment clause
    2. Acceleration clause
    3. Forfeiture clause
    4. Escalator clause
13. Service fees may be collected on
    1. processing payments of taxes and insurance.
    2. loan origination fees.
    3. the interest charged on the loan.
    4. discount points.
14. Who arranges loans using someone else's money?
    1. Commercial banks
    2. Insurance companies
    3. Credit unions
    4. Mortgage brokers
15. What is a division of the U.S. Department of Housing and Urban Development (HUD) that administers special-assistance programs and guarantees mortgage-backed securities using FHA and VA loans as security?
    1. Ginnie Mae
    2. Fannie Mae
    3. Freddie Mac
    4. Federal Reserve System
16. Laws that limit the amount of interest that can be charged to the borrower are
    1. established by the country's monetary policy.
    2. illegal in Pennsylvania.
    3. usury laws.
    4. established by the Federal Reserve.
17. A real estate loan payable in periodic installments sufficient to pay the principal in full during the term of the loan is called
    1. an amortized loan.
    2. a straight loan.
    3. a term loan.
    4. a participation loan.
18. What is the purpose of a mortgage?
    1. To create a lien on the property
    2. To convey title of the property to the lender
    3. To provide security for the loan
    4. To restrict the borrower's use of the property
19. What gives the creditor the right to sue for foreclosure?
    1. Promissory note
    2. Acceleration clause
    3. Mortgage
    4. Alienation clause
20. In one state, the lender has immediate right to possession upon default. To what theory does this state subscribe?
    1. Title theory
    2. Lien theory
    3. Intermediary theory
    4. Combo theory
21. Before a lender can foreclose in an intermediary state, the lender must first provide
    1. a notice of intention to foreclose.
    2. at least five opportunities to borrower to make up delinquent payments.
    3. a notice that the borrower may make restitution after the foreclosure sale.
    4. a counseling session and opportunity to restructure the loan.
22. Which is the borrower's personal promise to repay a debt according to agreed terms?
    1. Mortgage
    2. Deed
    3. Deed of trust
    4. Note
23. A property loan is underwater. What does this mean?
    1. Market value is more than the loan
    2. Property is located in a flood hazard zone
    3. Loan amount is more than the market value
    4. Property has been flooded
24. Which of the following situations would be considered for a short sale?
    1. Market value is greater than the loan amount
    2. Amount owed is more than market value
    3. Borrower has declared bankruptcy
    4. Lender has agreed to take the deed in lieu of foreclosing
25. Which situation allows the lender to file for a deficiency judgment?
    1. Lender agreed to a short sale
    2. Deed in lieu of foreclosure
    3. Equitable right of redemption
    4. Foreclosure sale does not bring as much money as is owed