

TREC 3544
Real Estate Finance Today
Exam Key

1. The financing instrument that establishes real property as security for debt and requires a judicial foreclosure in event of default is a
 - a.) deed of trust.
 - b.) mortgage.**
 - c.) note.
 - d.) loan.

2. In a deed of trust the lender becomes known as the
 - a.) borrower.
 - b.) mortgagor.
 - c.) trustee.
 - d.) beneficiary.**

3. Mark Builder wishes to obtain a construction loan for his new project. He will most likely apply to a
 - a.) commercial bank.**
 - b.) savings association.
 - c.) credit union.
 - d.) Fannie Mae.

4. The main advantage of working with a mortgage broker is that the
 - a.) "ground rules" for qualifying are well established.
 - b.) broker is dealing with his own money.
 - c.) selection of loan products is very large.**
 - d.) the broker will continue to service the loan.

5. Jack and Jane have been "pre-approved" for their loan which means all of the following EXCEPT
 - a.) they have been approved for a certain amount of loan.
 - b.) they will be in a stronger bargaining position with their purchase contract.
 - c.) their loan will not be subject to an appraisal.**
 - d.) they will know an appropriate price range to look for a home.

6. All of the following will be required at the time of loan application EXCEPT
 - a.) copy of most recent pay stub.
 - b.) copy of most recent bank statements.
 - c.) name, account number and current balance on all credit cards.
 - d.) copy of automobile title and insurance.**

7. Maria and Jorge Gonzalez are selling their principal residence for \$350,000 and will be exempt from paying capital gains tax as long as they
 - a.) are both over 55 years of age.
 - b.) have lived in the property for at least two out of the past five years.**
 - c.) purchase a new property for more than \$350,000.
 - d.) have never taken the capital gains exemption before.

8. Three major trends that have evolved in the mortgage lending industry include all but
 - a.) automated underwriting.
 - b.) drive-by appraisals.
 - c.) stricter qualifying standards.**
 - d.) credit scoring.

9. The automated underwriting program developed by Fannie Mae is called
 - a.) Loan Prospector®.
 - b.) HomeKeeper®.
 - c.) Community Homebuyer®.
 - d.) Desktop Underwriting®.**

10. One of the important benefits of automated underwriting is that
 - a.) it eliminates underwriters.
 - b.) it requires all new forms.
 - c.) applicants are approved more rapidly.
 - d.) it avoids the use of a credit check.
11. Opponents of automated underwriting believe that no consideration is given to
 - a.) national origin of borrower.
 - b.) compensating factors.
 - c.) credit rating.
 - d.) marital status of borrower.
12. A current trend that has been approved by Fannie Mae but is still very controversial is
 - a.) automated underwriting.
 - b.) drive-by appraisal.
 - c.) compensating factors.
 - d.) credit scoring.
13. The qualifying guidelines for the Freddie Mac Alt 97 differ from those for an Affordable Gold loan in all of the following ways EXCEPT
 - a.) there are no income limits.
 - b.) there are no education requirements.
 - c.) the 3 percent down payment may come from any source.
 - d.) the maximum loan amount.
14. Downpayment and closing cost assistance is available through many local jurisdictions for all of the following persons EXCEPT
 - a.) police officers.
 - b.) firemen.
 - c.) teachers.
 - d.) lawyers.
15. The qualifying guidelines for a "jumbo" loan are set by
 - a.) Fannie Mae.
 - b.) Freddie Mac.
 - c.) FHA.
 - d.) the lender making the loan.
16. Non-conforming loans held by a portfolio lender may be
 - a.) sold to Fannie Mae.
 - b.) sold to Freddie Mac.
 - c.) insured by FHA.
 - d.) sold to a private investor after some period of time.
17. The adjustable rate mortgage is most popular with borrowers in a time of
 - a.) low fixed rates.
 - b.) high fixed rates.
 - c.) recession.
 - d.) depression.
18. Which of the following is NOT a common measure of inflation used as an index for adjustable rate mortgages?
 - a.) Treasury bills & securities.
 - b.) 11 th Dist. Cost of Funds.
 - c.) LIBOR.
 - d.) prime rate.
19. One special feature of the FHA 251 one-year ARM is that
 - a.) qualifying ratios are higher.
 - b.) down payment requirements are lower.
 - c.) loans are assumable without qualifying.

- d.) ceiling caps are set at 1 per year/5 for life of loan.
20. Special features of the FHA 203(k) rehabilitation loan include all of the following EXCEPT
- a.) a minimum of \$5,000 in rehab cost is required.
 - b.) funds for the rehab work are provided in "draws".
 - c.) the lender will make a 97 percent LTV loan with 3 percent down.
 - d.) the program is open to investors.
21. The Officer Next Door program enables a police officer to do all of the following EXCEPT
- a.) purchase a HUD-owned property with a minimum down payment.
 - b.) receive a 50 percent discount on the purchase of a HUD-owned property.
 - c.) purchase a property located in the same area the officer works.
 - d.) purchase a property located anywhere in the city.
22. Lenders are willing to make no-money down VA loans because the Department of Veterans' Affairs
- a.) insures the entire loan.
 - b.) insures the top 25 percent of the loan.
 - c.) guarantees the top 25 percent of the loan.
 - d.) guarantees the entire loan.
23. Marjorie used her VA entitlement of \$17,500 to purchase a home many years ago. If the current entitlement is set at \$60,000 she may have a partial entitlement of
- a.) \$17,500.
 - b.) \$60,000.
 - c.) nothing.
 - d.) \$42,500.
24. All of the following persons would be eligible for a VA loan EXCEPT
- a.) Jack, who served 90 days during the Gulf War.
 - b.) Carlos, who served 181 days prior to 1980.
 - c.) Sue, who served 12 months after 1980.
 - d.) Tonya, who served 6 years in the National Guard.
25. The total claim amount for the Fannie Mae HomeKeeper® reverse mortgage is limited by
- a.) FHA maximum loan limit for the area.
 - b.) Fannie Mae conventional loan limit.
 - c.) Federal Finance Board.
 - d.) no limitation.