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Question: 1

Many companies have developed an asset/liability management approach that is founded on understanding product liabilities. Mortgages meet the primary objective of maintaining:

A. A tight asset/liability match
B. A well-diversified core of investments
C. A tight asset/liability match with a well-diversified core of investments.
D. Real estate lending by insurance companies

Answer: C

Question: 2

_____ is an amount of money, loaned at interest for a specified term, secured by real estate and by its improvements such as buildings and infrastructure. This form of instrument itself varies by jurisdiction, but the debt is always evidenced by an accompanying promissory note.

A. Mortgage Loan
B. Real estate lending
C. Conventional Commercial Loans
D. CMBS

Answer: A

Question: 3

Prepayment of a conventional mortgage loan, prior to its specified maturity, is discouraged through the general market acceptance of significant prepayment penalties. Often these penalties are calculated so that when prevailing market interest rates are:

A. Lower than the rate on the loan being repaid the borrower has to make up the interest rate differential and the lender is essentially “made whole” for a potential loss of interest.
B. Greater than the rate on the loan being repaid the borrower has to make up the interest rate differential and the lender is essentially “made whole” for a potential loss of interest.
C. Equal to the rate on the loan being repaid the borrower has to make up the interest rate differential and the lender is essentially “made whole” for a potential loss of interest.
D. Lower than the rate of interest being paid to the borrower has to make up the interest rate differential and the lender is essentially “made whole” for a potential loss of interest.

Answer: A

Question: 4

These are securities whose underlying assets consist of commercial mortgage loans. The commercial loans are pooled, which brings diversification and liquidity to the asset class.
What are these?

A. Conventional securities
B. CMBS
C. Subordinated securities
D. Securitization

Answer: B

Question: 5

There are many different sources of CMBS. Conduits and aggregate pools generally consist of loans newly originated, purchased or held by investment bankers until the pool is large enough for an efficient execution. Government agencies such as the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corp. (FHLMC) are important sources of:

A. Residential financing
B. B2B financing.
C. Commercial financing.
D. Mortgage loans

Answer: A

Question: 6

_____ is a special variation on a second mortgage. In this form, the new lender assumes the original or first mortgage and has the responsibility of collecting all payments and remitting a portion of these payments to the first lender.

A. Conventional Residential Loan
B. FHA loan
C. Wrap-around loan
D. VA loan

Answer: C

Question: 7

Generally, residential loans are open to prepayment at any time without penalty. To protect against a deficiency, mortgage loans should not exceed the market value of the mortgaged property and in fact are usually made for:

A. No more than 80 percent of the value
B. Not less than 80 percent of the value
C. No more than 90 percent of the value
D. Not less than 70 percent of the value

Answer: A

Question: 8

Federal Housing Administration:

A. Agency does not make loans; it only insures them. For this protection the borrower must pay an annual insurance premium to the FHA of 0.5 percent of the outstanding principal amount of the loan
B. Agency does not make loans; upon default, the lender has the option either of assigning the mortgage to the FHA and receiving cash and/or securities equal to the loan amount at the date of the default or of foreclosing on the mortgaged property
C. Establishes standards for property that can not be insured and maximum terms, interest rates, and amounts for the insured loans
D. All of these

Answer: A,B

Question: 9

These are the loans in which:
Arrangement is usually called commitment When the structure is completed and put in service, the loan is paid off from the proceeds of the long term financing, whatever its source Proper controls would require the lender to obtain documentation for the disbursed portion of the construction loan and be assured that the cost of the structure to date is equivalent to the disbursed portion of the construction loan. What are these?

A. Undeveloped Land Loans
B. Construction Loans
C. Development Loans
D. Residential Loans

Answer: D

Question: 10

_____ allow investments to be made, up to a certain percent of invested or total admitted assets, in assets that do not otherwise meet regulatory requirements. If their domiciliary jurisdiction regulations have a this, a life insurer with a business purpose for doing so can make a limited amount of mortgage loans that do not meet regulatory requirements without a reduction in surplus. However, some jurisdictions do exercise some extraterritorial jurisdiction related to it.

A. Loan application
B. Basket clause
C. Underwriting agreement
D. None of these

Answer: D

Question: 11

Evidences the fair market value of the property that is security for the mortgage loan. The appraisal value is used to determine that the loan to market value ratio is in compliance with regulatory requirements. It also is used to determine any non-admitted mortgage loan amount. Appraisals are obtained from:

A. Independent, qualified appraisers
B. The company's own qualified appraisers
C. Federal Housing Administration
D. Any one out of A and B

Answer: D

Question: 12

During the underwriting process, information related to a mortgage loan is collected, and this information is the basis for a final decision as to whether or not the loan should be made. The documents generated during this underwriting process are all of the following EXCEPT:

A. Loan applications
B. Credit reports
C. Borrower's financial statements
D. Periodic inspection reports

Answer: D

Question: 13

Subsequent to the funding of a loan, the most common document/s obtained is/are:

A. New or updated appraisals as evidence of the current value of the property
B. Current financial statements on the borrower or the property, if the property is income producing, as evidence of the borrower's continuing financial strength and of the property's continuing ability to produce income
C. Periodic inspection reports as evidence of the physical condition of the property
D. Borrower's financial statements

Answer: A,B,C

Question: 14

It indicates the lender's commitment to make a loan in accordance with the terms specified either in the borrower's loan application or in the terms the company approves for the loan.

A. Verification of deposits
B. Commitment letter
C. Appraisal
D. Original note

Answer: B

Question: 15

Direct serving loans method requires a system of good internal control and requires that the functions be split between the Accounting Department and the Investment Department. In such a case the Accounting Department is responsible for all of the following EXCEPT:

A. Supplying the Investment Department with correct data and reports that summarize all loan transactions
B. Alerting the Investment Department promptly whenever an exception to the normal processing routine occurs
C. The design, maintenance, and accuracy of accounting records, for periodic management and exception reports, and for statutory statement preparation
D. Its records may or may not provide the needed data to support this reporting function

Answer: D

Question: 16

Direct serving loans method requires a system of good internal control and requires that the functions be split between the Accounting Department and the Investment Department. The Investment Department is responsible for promptly supplying the Accounting Department with:

A. Accounting data on new loans
B. Resolving few exceptions reported to it by the Accounting Department, i.e., when a borrower defaults on a loan payment
C. Data related to changes in existing loans, which affects the accounting function
D. Alerting the Investment Department promptly whenever an exception to the normal processing routine occurs

Answer: A,B

Question: 17

Generally, a company earns a servicing fee when it retains the servicing of a block of loans in which it has sold all or part of the block. Service fees received from sales of participations are recorded as:

A. Gross income and not netted against interest income remitted to the acquiring party
B. Unearned revenue and not netted against interest income remitted to the acquiring party
C. Gross income
D. Netted against interest income remitted to the acquiring party

Answer: A

Question: 18

A mortgage servicer performs all of the servicing functions. The servicer remits all funds received on the serviced loans to the company on a monthly or other periodic basis and usually reports all transactions, including foreclosures and transactions related to foreclosed property. The contract between the company and servicer should provide that the:

A. Company can periodically audit the servicer's records and files pertaining to the loans owned by the company. In lieu of making the audit, the company can agree to receive an annual audit report pertaining to its loans from the servicer's independent certified public accountants. This is the single audit concept
B. Servicer should not have a fidelity bond and an errors and omission policy of stipulated minimum amounts

C. Servicer must have a fidelity bond and an errors and omission policy of stipulated minimum amounts
D. Servicer must have an annual independent audit, with a copy of the audited financial statements sent to the company within a certain period of time after the end of the servicer's fiscal year

Answer: A,C,D

Question: 19

A company that has its loans serviced, for whatever reason, is usually charged a servicer's fee. This fee is usually expressed:

A. As an annual fraction of a percentage of each interest payment
B. As an annual fraction of a percent of the principal balance of the loans or based on a percentage of each interest payment
C. As a monthly fraction of a percent of the principal balance of the loans or based on a percentage of each interest payment
D. As a monthly fraction of a percentage of each interest payment

Answer: B

Question: 20

Accounting transactions that occur after the initial investment in a loan and during the period the loan is being serviced fall into two broad categories. Which one of the following is out of those categories?

A. Processing transactions, which are recurring and similar in nature for all mortgage loans,
B. processing transactions, which are not recurring and opposite in nature for all mortgage loans
C. Unusual transactions
D. None of these

Answer: A

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