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Question 1. (Multi Select)

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

Correct Answer: A, B

Question 2. (Single Select)

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 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.
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 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.

Correct Answer: A

Question 3. (Single Select)

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

Correct Answer: C

Question 4. (Single Select)

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

Correct Answer: A

Question 5. (Multi Select)

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

Correct Answer: A, B

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