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FOUNDATIONS OF NEW JERSEY REAL ESTATE

TEST: Real Estate Finance

1. A mortgage that allows for advances to the mortgagor up to a certain maximum is called:
 - A. a package mortgage
 - B. an open-end mortgage
 - C. a purchase money mortgage
 - D. a wrap around mortgage

2. The note, as distinguished from the mortgage document, creates which of the following?
 - A. An obligation in rent
 - B. A personal obligation
 - C. A double obligation
 - D. A lien

3. An individual, partnership or corporation, to whom title to a property is conditionally conveyed as security for a loan is known as a:
 - A. mortgagor
 - B. borrower
 - C. mortgagee
 - D. lessee

4. The legal process, whereby a creditor may force the sale of property for the repayment of a debt secured by said property, is known as which of the following?
 - A. Lis pendens proceeding
 - B. Adverse possession
 - C. Foreclosure
 - D. Redemption

5. FHA mortgage loans require the borrower to pay:
 - A. CRV
 - B. MMI
 - C. PMI
 - D. UFMIP and MIP

6. In the event of foreclosure, the most you can lose is your equity.
The above statement is **TRUE** when you:
 - A. buy subject to an existing mortgage
 - B. have an FHA insured loan
 - C. assume an existing mortgage
 - D. secure a VA guaranteed loan

7. Which of the following is **TRUE**?
 - A. A chattel mortgage is used to borrow money to purchase farm land
 - B. A closed mortgage can be paid off at any time with payment of a pre-payment penalty
 - C. A bridge mortgage is a temporary method of financing
 - D. With a shared appreciation mortgage, the mortgagee shares in the profits earned on income producing property

8. Equitable Right of Redemption refers to:
 - A. the right of the mortgagee to foreclose
 - B. the right of the mortgagor to redeem the property up until the actual foreclosure sale
 - C. the right to convey equitable title
 - D. the right to redeem property taken by eminent domain.

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9. A lender requires 2 discount points. This means that:
- A. the interest rate will be reduced by 2 points
 - B. the lender will charge the borrower 2% of the loan amount
 - C. the lender will charge the borrower 2% of the purchase price.
 - D. the loan-to-value ratio will be increased by 2%
10. A bank that requires a down payment of at least \$20,000 to purchase a \$100,000 home, requires a:
- A. 20% loan to value ratio
 - B. VA guaranteed mortgage
 - C. 75% loan to value ratio
 - D. 80% loan to value ratio
11. A mortgage loan calls for periodic payments of interest only with the principal payable in a lump sum at maturity. What kind of a mortgage is this?
- A. Reverse mortgage
 - B. Growing equity mortgage
 - C. Straight-term mortgage
 - D. Shared appreciation mortgage
12. A borrower decides on a 30 year fully amortized mortgage over a 15 year fully amortized mortgage. By doing so she will:
- A. enjoy lower monthly payments
 - B. pay less interest over the life of the loan
 - C. build up equity faster
 - D. probably get a better interest rate
13. The value of real estate over and above any mortgages or other liens against it is known as:
- A. fee simple
 - B. exclusive rights
 - C. equity
 - D. estate
14. A mortgagee:
- A. must be a bank
 - B. lends the money
 - C. gives the mortgage
 - D. hypothecates the property
15. The purpose of the Real Estate Settlement Procedures Act is:
- A. to expedite and simplify the negotiation of a mortgage loan for both the mortgagee and the mortgagor.
 - B. To provide borrowers with a better understanding of the settlement process and what to expect in regard to closing costs.
 - C. to provide the lender with detailed information with regard to financing costs.
 - D. All of the above
16. In mortgage transactions where a Loan Estimate is required, when must the lender provide it to the borrower?
- A. Within 3 business days of receiving the loan application
 - B. Within 5 calendar days of receiving the loan application.
 - C. Immediately upon receiving the loan application
 - D. At the same time as the Closing Disclosure
17. According to Regulation Z, which of the following costs must be included in determining the true or effective annual interest rate on a mortgage?
- A. Loan origination fees
 - B. attorney's fees
 - C. recording fees
 - D. tax escrow payments
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18. RESPA applies to which one of the following?
- A. A federally related first mortgage on a five family house
 - B. A seller taking back a purchase money mortgage
 - C. A federally related first mortgage on a single family house
 - D. A loan to finance the purchase of an office building
19. Which of the following is not considered part of the primary mortgage market?
- A. Savings and Loan Associations
 - B. Mortgage companies
 - C. State Chartered Banks
 - D. Ginnie Mae
20. A builder is developing several lots secured by one mortgage. As each lot is developed and sold it is released from the mortgage. The type of mortgage s/he has is a:
- A. wrap-around mortgage
 - B. construction mortgage
 - C. blanket mortgage
 - D. purchase money mortgage
21. In regard to RESPA, which of the following is (are) **CORRECT**?
- I. If an attorney, broker or lending institution is found guilty of "kickbacks", they would be subject to a fine of \$10,000. and/or imprisonment for one year.
 - II. When the settlement involves a federally related mortgage loan, the Closing Disclosure as prescribed by the CFPB must be provided to the borrower no later than 3 business days before consummation of the loan.
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
22. The first step a mortgagee would take in foreclosing a mortgage would be to demand the full outstanding amount of the loan be immediately paid in full. The clause in the mortgage document that gives the mortgagee this right is known as the:
- A. prepayment clause
 - B. covenant of seizin
 - C. acceleration clause
 - D. escalation clause
23. Which of the following is/are **TRUE** of the difference between a first mortgage and second mortgage?
- I. The second mortgagee is in safer position since the first mortgagee will make sure payments are made.
 - II. In the event of default, the first mortgagee will be paid first and the second mortgagee will be paid second.
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
24. The pledging of property as security for a debt without actually giving up possession of the property is known as:
- A. hypothecation
 - B. subordination
 - C. collateral
 - D. condemnation
25. The seller has entered into an arrangement that calls for the buyer to pay the purchase price over time by making periodic installments of principal and interest. When the buyer completes making all of the required payments, the seller will deliver title to the property. This is known as a:
- A. contract for deed
 - B. sale leaseback
 - C. reverse annuity mortgage
 - D. purchase money mortgage
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26. Which is false concerning a New Jersey mortgage foreclosure?
- A. The county sheriff conducts the sale
 - B. The mortgagor can redeem his property for up to two years after the sale
 - C. the successful bidder does not have to pay the full price immediately after the auction
 - D. Junior liens are generally canceled after the sale
27. The New Jersey Fair Foreclosure Act:
- A. is only for mortgage loans under \$300,000
 - B. prevents a lender from using strict foreclosure
 - C. covers only one to three family properties in which the owner or owner's immediate family occupies a unit
 - D. requires the lender to serve the mortgagor with a notice of intention to foreclose
28. Mortgage loan discount points will:
- A. accelerate loan repayment
 - B. increase the lender's yield
 - C. decrease the lender's yield
 - D. reduce the purchase price of the property
29. Which is true concerning an FHA loan?
- A. The loan applicant must supply HUD with a certificate of eligibility (CRV)
 - B. Loans of any amount may be insured
 - C. Loans of this type are not assumable
 - D. An amendatory clause must be added to the sale contract
30. The clause in a mortgage that requires the loan balance to be paid at closing of sale rather than being assumed by the purchaser is called the:
- A. acceleration clause
 - B. alienation clause
 - C. defeasance clause
 - D. removal clause