The Professional School of Business
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Match a definition with each term.

G 1. Mortgagor	A. an agency of the federal government that insures loans made to qualified borrowers
Q 2. Negative amortization	B. a loan that does not include any government insurance or guarantee
M 3. Note	C. a ratio, expressed as a percentage of property value that may be borrowed
F 4. Mortgage	D. any mortgage with a lower priority than the first
I 5. Mortgagee	E. usually required with low down payment conventional financing to provide additional protection for the lender
O 6. Cap	F. provides security for a note and is a specific lien
L 7. DVA	G. the borrower
D 8. Junior	H. an instrument used in financing that involves three parties
J 9. Points	I. the lender
C 10. Loan to value ratio	J. used to cover a lender's up-front costs and/or increase loan yield
A 11. FHA	K. to mortgage or pledge without giving up possession
H 12. Deed of Trust	L. an agency of the federal government that guarantees loans made to qualified borrowers
R 13. Amortization	M. evidence that a debt exists
N 14. Amortization schedule	N. a table that shows how each mortgage payment will be applied to principal or interest
P 15. Assumable	O. the maximum interest rate in an ARM
E 16. PMI	P. a loan feature that allows a buyer to undertake liability for repayment of the existing loan
B 17. Conventional	Q. the amount owed increases after payments have been made instead of decreasing
K 18. Hypothecate	R. payment of a debt in periodic payments which include principal and interest

1. Buyers should consider an adjustable rate mortgage when:
   a. they prefer a stable mortgage payment month after month
   >b. interest rates are presently considered to be high, expected to fall soon, and they do not intend to own the property more than a few years
   c. interest rates are presently considered to be low but expected to rise sharply soon and they plan to own the property for several years

2. Interest rates that exceed the legally permitted rate is called:
   a. defeasance
   b. deficiency
   c. premiums
   >d. usury

(over)

3. A loan arrangement where the borrower pays interest only for the term of the loan is called a:
   >a. straight-term mortgage
   b. closed mortgage
   c. open-end mortgage
   d. amortized loan

4. The final payment of the loan used in the previous question is called a balloon payment.

Name the mortgage clause

1. Provides that the balance of the loan is due and payable if title is transferred Aliensation clause or Due on sale clause

2. Makes the lien junior to a subsequently recorded lien Subordination

3. Allows the lender to demand the outstanding balance due immediately if the mortgagor defaults Accelleration

4. Terminates the mortgagees interest Defeasance