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Mortgage Lending P&P – 100-Question Final Exam

1. Which federal law requires that the Good Faith Estimate be provided to the borrower within three business days of the time a loan application is taken?
   A. ECOA
   B. HMDA
   C. RESPA
   D. TILA

2. What type of scam entails homeowners who are encouraged to refinance their property over and over until little or no equity remains?
   A. extreme lending
   B. loan flipping
   C. property skimming
   D. reverse equity

3. After a loan closing, funds are disbursed. When are the funds disbursed for an owner-occupied, residential refinance?
   A. after the three business-day rescission period
   B. at the time of the loan closing
   C. five business days after the closing
   D. right before the loan closing

4. What is the adjustable number used to compute the interest rate on an ARM called?
   A. cap
   B. index
   C. margin
   D. prepayment

5. A borrower is buying a house for $180,000. He provides a down payment of $40,000. If he pays three discount points, what is the total cost of the points?
   A. $4,200
   B. $4,667
   C. $5,400
   D. $6,000

6. Which is NOT a purpose for the Mortgage Servicing Disclosure Statement?
   A. to disclose the percentages of the loan closings this lender has serviced in the last three years
   B. to explain the resolution of “servicing complaints” required by law
   C. to inform the consumer the likelihood that the mortgage could be sold
   D. to inform the consumer the likelihood that the servicing of the mortgage will be sold
7. A Latina applies to a mortgage company for a home loan. She is refused based on the reputation of the neighborhood for a high number of foreclosures. This is an example of what illegal practice?

A. blockbusting  
B. puffing  
C. redlining  
D. steering

8. Which act establishes disclosure requirements and prohibits equity stripping and other abusive practices in connection with “high cost” mortgages?

A. Community Reinvestment Act (CRA)  
B. Home Mortgage Disclosure Act (HMDA)  
C. Home Ownership and Equity Protection Act (HOEPA)  
D. Homeowners Protection Act (HPA)

9. The type of mortgage that can provide the borrower with a monthly check instead of the borrower paying a monthly payment is known as

A. conforming loan.  
B. graduated payment mortgage.  
C. nonconforming loan.  
D. reverse mortgage.

10. According to the Fair Credit Reporting Act, if adverse action is taken against a credit applicant because of information on a credit report, the lender who used that report is required to

A. inform the applicant that the reporting agency was the decision maker, and to dispute the decision in writing at the address provided.  
B. provide a copy of the credit score to the consumer.  
C. provide to the consumer the name, address, and telephone number of the consumer reporting agency that furnished the report.  
D. revise the inaccuracy in the credit report.

11. At closing, the buyer realizes that the lender changed the terms of the loan, but since he was facing foreclosure, he felt he had no choice but to go ahead with the refinance or lose the house. This could be an example of

A. affinity marketing.  
B. loan flipping.  
C. negative amortization.  
D. predatory lending.
12. The SAFE Act

A. allows financial institutions to obtain, verify, and record information that identifies each person who opens an account.
B. establishes minimum standards for licensing and registering mortgage loan originators.
C. prevents abuses in consumer credit cost disclosures.
D. prohibits kickbacks in a federally-related mortgage loan transaction.

13. In a note, what gives the lender the right to charge the borrower a fee for retiring the loan early?

A. acceleration clause
B. alienation clause
C. due on sale clause
D. prepayment penalty

14. Which statement is correct?

A. Regulation B implements the Equal Credit Opportunity Act.
B. Regulation V implements the Home Mortgage Disclosure Act.
C. Regulation X implements the Truth in Lending Act.
D. Regulation Z implements the Real Estate Settlement Procedures Act.

15. Which item is NOT included in the calculation that determines the annual percentage rate?

A. the broker’s origination fee
B. the lender’s discount points
C. the mortgage insurance premium
D. the title insurance premium

16. Under RESPA, who would be subject to fines and penalties if a kickback is paid?

A. the person who paid the kickback
B. the person who received the kickback
C. the person who initiated the kickback arrangement
D. all parties paying or receiving a kickback

17. A conforming loan is a loan that

A. exceeds the maximum loan amount established by Fannie Mae/Freddie Mac.
B. follows the secondary market criteria set by Fannie Mae/Freddie Mac.
C. is for more than $417,000 on a single family home and also called a jumbo loan.
D. is offered to borrowers who do not meet qualifications for Fannie Mae/Freddie Mac.
18. MLO Jon from ABC Mortgage is meeting with a potential borrower. What may Jon NEVER ask about during the loan application process?

A. marital status
B. national origin
C. race
D. religion

19. The clause in the mortgage that makes the note due in full upon sale or transfer of a property is called a(n)

A. alienation clause.
B. defeasance clause.
C. prepayment penalty clause.
D. subordination clause.

20. The annual percentage rate (APR) as required to be disclosed in a Truth in Lending statement is the

A. actual interest rate on the note’s face.
B. ratio between interest rate charged and amount borrowed.
C. relationship between the total cost of borrowing and the actual amount borrowed.
D. sum of all costs required to obtain credit.

21. Which of the following is NOT included as a protected class by the Equal Credit Opportunity Act?

A. marital status
B. receipt of public assistance
C. religion
D. sexual orientation

22. The rate that is used to amortize the mortgage loan and determine the monthly loan payments is known as the

A. annual percentage rate.
B. discounted rate.
C. indexed rate.
D. note rate.
23. The loan officer knows that the applicant’s source of income is public assistance, so he tells the applicant not to waste his time filling out an application and paying any fees. What federal law has the loan officer violated?

A. CRA  
B. ECOA  
C. HMDA  
D. The loan officer has not violated any federal law.

24. A subordination clause in a mortgage

A. allows the borrower to rescind the sale under certain circumstances.  
B. permits the borrower to construct an improvement on the property.  
C. prohibits the borrower from selling the property without the lender’s approval.  
D. puts the mortgage in first lien position over an earlier recorded mortgage.

25. Where do the funds for FHA loans come from?

A. approved lenders  
B. Department of Housing and Urban Development  
C. Federal Home Loan Mortgage Corporation  
D. Federal Housing Administration

26. An applicant for a mortgage has recurring monthly debt of $425 and a gross monthly income of $3,850. For a conforming loan, what is the maximum house payment—including principal, interest, taxes, and insurance—for which she qualifies?

A. $961.00  
B. $1,078.00  
C. $1,193.50  
D. $1,233.00

27. What is the loan-to-value if the loan amount is $139,500, the appraised value is $164,117 and the sales price is $155,000?

A. 80%  
B. 85%  
C. 90%  
D. 95%

28. To comply with the FACT Act, a loan officer should

A. consider all legal forms of income when evaluating a loan application.  
B. note the race of all loan applicants on the Loan/Application Register.  
C. place all loan applications and documentation in a secure place when not working on them.  
D. send loan applicants an adverse action notice within 30 days.
29. VA loans allow for a maximum LTV of what percent?

A. 90%
B. 95%
C. 97%
D. 100%

30. A buyer with a credit score of 703 makes an offer of $156,000 on a house that was appraised for $162,000. If the seller accepts his offer, how much will he have to pay down on an FHA loan?

A. $0
B. $5,460
C. $5,670
D. $7,800

31. Private mortgage insurance (PMI) is NOT required when

A. a buyer makes less than 20% down payment on a loan.
B. interest rates are high.
C. interest rates are low.
D. the loan has been paid down to less than 78% of the property’s current value.

32. The federal Truth in Lending Act

A. dictates all loan applications must be made in person.
B. mandates the use of a standard loan application.
C. regulates advertising with references to mortgage interest rates.
D. requires a lender to estimate the seller's closing costs on residential loans.

33. When qualifying a borrower, an installment debt does not need to be included in the debt ratio when the balance of the term of repayment is less than how many months?

A. 5
B. 10
C. 15
D. 20

34. Market value can best be defined as a property’s

A. appraised value for property tax purposes.
B. listing price.
C. most probable selling price.
D. most recent selling price.
35. How many business days from the day of application does the creditor have to deliver the Truth in Lending Statement?

   A. 1
   B. 2
   C. 3
   D. 5

36. What document does the VA use to determine the amount of a veteran’s entitlement?

   A. COE
   B. CRV
   C. DD-214
   D. URUR

37. An applicant for a mortgage loan is a salaried employee who is paid $1,350 every two weeks. In addition, she indicates that she receives $500 a month in alimony. What is the gross monthly income you can use to qualify her?

   A. $2,700
   B. $2,925
   C. $3,200
   D. $3,425

38. Which is a disclosure that RESPA requires creditors to give to customers at the time of the mortgage loan closing?

   A. GFE
   B. HUD-1
   C. Mortgage Servicing Disclosure Statement
   D. Settlement Costs and You Booklet

39. A Chapter 7 bankruptcy could show on a credit report for a maximum of

   A. 5 years.
   B. 7 years.
   C. 8 years.
   D. 10 years.

40. How many days does a borrower have to occupy a home with an FHA loan?

   A. 15
   B. 30
   C. 60
   D. 90
41. A HELOC is a type of mortgage

A. that features lower payments in the beginning that increase during the life of the loan.
B. that requires a balloon payment at the end of the loan term.
C. that uses more than one property as collateral.
D. where the balance fluctuates as the borrower accesses funds.

42. Which is NOT a triggering term requiring additional disclosing in advertising?

A. “360 easy payments”
B. “$3,000 down”
C. “Pay only $800 per month”
D. “Terms to fit your budget”

43. Which is NOT a requirement of the Safeguards Rule of the Gramm-Leach-Bliley Act?

A. allow consumers to add their phone numbers to a list that prohibits unauthorized calls
B. ensure the security and confidentiality of customer records
C. protect against any anticipated threats or hazards to the security of consumer records
D. protect against the unauthorized access or use of consumer information in ways that could result in substantial harm or inconvenience to customers

44. As the lender looks over the borrower’s loan application and is deciding whether or not to make the loan, the lender should NOT refuse to consider the

A. borrower’s employment history.
B. borrower’s history of making payments on past obligations.
C. borrower’s receipt of public assistance.
D. economic health of the borrower’s field of employment.

45. Under which federal legislation does the consumer have the right to receive a copy of the appraisal report on a dwelling that is to be used as collateral for a loan?

A. ECOA
B. FCRA
C. HMDA
D. TILA
46. A loan originator refers her customer to XYZ Title Company, which is owned by her family. According to RESPA, she must

A. also provide a list of alternative title companies to the customer.
B. disclose the relationship only if the client chooses XYZ Title.
C. give full disclosure to the customer when, or before, she makes the referral.
D. not make any referral, as it is prohibited by RESPA.

47. A loan that results in negative amortization is illegal under what law?

A. FACTA
B. HMDA
C. HOEPA
D. RESPA

48. What clause gives a lender the right to declare the entire loan balance due immediately because of borrower default or for violation of other contract provisions?

A. acceleration clause
B. alienation clause
C. defeasance clause
D. prepayment clause

49. Which law ensures lenders use an annual percentage rate (APR) so that the borrowers have the information they need to make informed comparisons?

A. Equal Credit Opportunity Act
B. Fair Housing Act
C. RESPA
D. TILA

50. A partially amortized mortgage requires a

A. balloon payment.
B. due on sale clause.
C. junior lien.
D. partial release.

51. Qualifying guidelines on an FHA loan are

A. 28% housing ratio and 36% total debt ratio.
B. 29% housing ratio and 41% total debt ratio.
C. 31% housing ratio and 43% total debt ratio.
D. 36% housing ratio and 41% total debt ratio.
52. How long prior to closing does RESPA require that the HUD-1 Settlement Statement be provided to the borrower, if requested?

A. 6 hours  
B. 12 hours  
C. **1 business day**  
D. 2 business days

53. Which is true about nonconforming loans?

A. They can be sold on the secondary market.  
B. **They generally cost a homeowner more in fees.**  
C. They meet Fannie Mae/Freddie Mac standards.  
D. All states prohibit them as being predatory.

54. Which is NOT a part of the Gramm-Leach-Bliley Act?

A. Financial Privacy Rule  
B. Pretexting Provisions  
C. **Red Flags Rules**  
D. Safeguards Rule

55. Each of these disclosures are mandated by the Real Estate Settlement Procedures Act **EXCEPT**

A. Good Faith Estimate  
B. Initial Escrow Statement  
C. Mortgage Servicing Disclosure  
D. **When Your Home is on the Line booklet**

56. In the event of default, an acceleration clause in a mortgage instrument allows a lender to

A. bypass judicial foreclosure procedures.  
B. **declare the balance due.**  
C. increase the interest rate.  
D. sell the property.

57. Which law prohibits discrimination based on sex, race, age, national origin, marital status, and source of income?

A. **Equal Credit Opportunity Act**  
B. Fair Housing Act  
C. RESPA  
D. Truth in Lending
58. A straw borrower is someone who

A. allows his name and information to be used to obtain a mortgage, but does not intend to live in the house.
B. applies for loans from multiple lenders for the same property.
C. defaults on a mortgage and then abandons the property.
D. uses fraudulent income data on a loan application in order to get a larger loan.

59. A borrower is applying for a loan to purchase a home. Under the terms of Reg Z, how long will he have to rescind the loan after he signs it (assuming it is not a high cost loan)?

A. 0 business days; there is no right of rescission
B. 24 hours
C. 3 business days
D. 30 business days

60. What percentage is the fee threshold that triggers HOEPA disclosures for a first mortgage?

A. 10
B. 9
C. 8
D. 7

61. When taking an application for a mortgage loan, what are creditors NOT permitted to ask?

A. Are you required to pay child support?
B. Do you receive child support?
C. What is your home address?
D. Who is your employer?

62. The loan amount (principal) is $50,000 and the annual interest paid is $5,500. What is the annual interest rate?

A. 9%
B. 10%
C. 11%
D. 12%

63. Which is NOT a protected class according to the federal Fair Housing Act?

A. age
B. disability
C. familial status
D. national origin
64. What two documents are required of the borrower when applying for a VA loan?

A. COE and NOV  
B. CRV and DD-214  
C. DD-214 and COE  
D. NOV and DD-214

65. Which federal legislation requires that the borrower have the right to receive a copy of his or her credit report, without charge, annually?

A. ECOA  
B. FCRA  
C. HMDA  
D. RESPA

66. ABC Bank receives a change of address request from a consumer. What requires the bank to follow up with him to verify the validity of the request?

A. Federal Reserve  
B. Red Flag Rules  
C. SAFE Act  
D. Truth in Lending Act

67. A borrower closed a loan last week with ABC Mortgage Company. Her name is on the National Do Not Call Registry and on ABC’s internal do not call list. ABC

A. can call her for up to 3 months because they have an established business relationship.  
B. can call her for up to 18 months from the transaction date.  
C. cannot call her because she is on ABC’s internal list.  
D. cannot call her because she is on the National Do Not Call Registry.

68. A consumer has an ARM with an initial rate of 6% and a rate cap of 2/6. What’s the highest her interest rate could be over the life of the loan?

A. 8%  
B. 12%  
C. 18%  
D. It depends on the index.

69. TILA requires all of the following to be reflected on the TIL Statement EXCEPT the

A. amount financed.  
B. finance charges.  
C. note rate.  
D. total of payments.
70. What results when a loan balance grows due to deferred interest?

A. disintermediation
B. hypothecation
C. interest growth
D. negative amortization

71. What risk is PMI intended to cover?

A. death of the borrowers
B. interest rates rising
C. loss from foreclosure sale not covering outstanding loan balance
D. loss in property value serving as collateral

72. A Mortgage Servicing Disclosure Statement is required by what law?

A. HOEPA
B. RESPA
C. the SAFE Act
D. TILA

73. If a borrower exercises his right to change from an adjustable rate mortgage to a fixed rate mortgage one time during the loan term, provided certain conditions are met, he has what type of mortgage?

A. convertible ARM
B. fixed ARM
C. hybrid ARM
D. hybrid fixed

74. Fannie Mae is the more common name of the

A. Federal Home Loan Mortgage Corporation.
B. Federal Housing Agency.
C. Federal Housing Finance Agency.

75. The portion of an adjustable rate mortgage used to compute the interest rate that can change and is based on the COFI, LIBOR, or any other factor outlined in the note is known as the

A. cap.
B. index.
C. margin.
D. rate.
76. In a purchase transaction closing, hypothecation occurs. This is described as

A. assigning the mortgage from the broker to the lender.
B. the seller transferring appliance warranties to the buyer.
C. the transfer of title through the deed.
D. **using property as collateral without surrendering use or possession of it.**

77. An instrument that creates a voluntary lien on real property to secure repayment of a debt is known as

A. an easement.
B. **a mortgage.**
C. a promissory note.
D. a restrictive covenant.

78. Which government agency makes loans when no local lender is available?

A. Department of Housing and Urban Development
B. Fannie Mae
C. Federal Housing Administration
D. **USDA Rural Development**

79. The mortgagor is known as the

A. broker.
B. **borrower.**
C. one that holds a mortgage.
D. lender.

80. What is the most common appraisal approach used in appraising single-family housing?

A. cost approach
B. income approach
C. rental approach
D. **sales comparison approach**

81. While it is unlawful to consider race when underwriting a loan, what federal legislation requires that this information be included on the loan application?

A. Equal Credit Opportunity Act
B. Fair Credit Reporting Act
C. **Home Mortgage Disclosure Act**
D. Truth in Lending Act
82. What is the minimum number of comps required by most secondary lenders to ensure an accurate estimate of value when performing the sales comparison approach?

A. 2  
B. 3  
C. 4  
D. 5

83. A borrower has an additional three-business day waiting period if the true APR on a fixed rate loan deviates from the TIL by more than

A. 1/8%.  
B. 1/4%.  
C. 1/2%.  
D. 6/8%.

84. Of these, who is responsible for the accurate accounting of all monies due to and from the parties in a real estate sale?

A. broker  
B. lender  
C. real estate agent  
D. settlement or escrow agent

85. A lender has how many days to notify the borrower of an underwriting decision?

A. 3  
B. 10  
C. 30  
D. 60

86. All may be included in a borrower's income analysis EXCEPT

A. pensions, interest, and dividends.  
B. regular earnings and overtime.  
C. revealed alimony and child support.  
D. sporadic overtime and bonuses.

87. What is the name of the database lenders check when making an FHA loan to see if the borrower is delinquent on any federal debt?

A. CAIVRS  
B. LAR  
C. TOTAL  
D. USPAP
88. The sales contract in the borrower’s file states the agreed purchase price is $162,000. The closing costs are $3,700. The seller is paying $1,200 in closing costs on a $153,900 loan amount. What is the acquisition cost?

A. $156,400
B. $159,500
C. $164,500
D. $165,700

89. How does RESPA define an “application”?

A. the borrower answering all of the loan officer’s questions
B. pulling a credit report to evaluate a borrower
C. signing all required documents
D. submitting the borrower’s financial information in anticipation of a credit decision

90. Which federal law requires a lender to verify that the customer is able to repay the loan?

A. Community Reinvestment Act
B. Home Mortgage Disclosure Act
C. Homeowners Protection Act
D. Home Ownership and Equity Protection Act

91. The lender usually does not allow the source of a borrower’s down payment to be

A. borrowed funds.
B. a gift from a relative.
C. proceeds from the sale of a house.
D. savings.

92. Which law gives a consumer who has had her credit card used by an identify thief the ability to place a freeze on her credit report?

A. the ECOA
B. the FACT Act
C. the Gramm-Leach-Bliley Act
D. the SAFE Act

93. A borrower gets a 15-year interest only loan for $85,000 at 6%. At the end of the loan term, how much will the borrower owe the lender?

A. $0
B. $79,900
C. $85,000
D. $90,100
94. What fact about a borrower may an underwriter take into consideration when approving a mortgage loan application?

A. ancestry  
B. **likelihood of continued income**  
C. marital status  
D. receipt of public assistance

95. A lender who does not cancel PMI when the LTV reaches 78% is in violation of which federal law?

A. ECOA  
B. Fair Housing Act  
C. Home Ownership and Equity Protection Act  
D. **Homeowners Protection Act**

96. Which participant in the loan process would be most likely to overvalue a property?

A. appraiser  
B. attorney  
C. loan originator  
D. title company employee

97. If a loan originator or real estate agent suggests to a client that he move to a particular area to reside in a community that he will “fit into,” that MLO or real estate agent would be guilty of

A. blockbusting.  
B. flipping.  
C. redlining.  
D. **steering**.

98. RESPA requires the use of the HUD-1 for

A. any commercial or residential property.  
B. any residential property.  
C. **one- to four-family residences**.  
D. single-family dwellings only.

99. ABC Mortgages makes a loan with consumer even though he is unlikely to repay it, anticipating that they’ll eventually foreclose and get the borrower’s equity in the property. This is an example of

A. predatory lending.  
B. prime lending.  
C. secondary lending.  
D. subprime lending.
100. What regulation forbids the seller to require the use of a particular title company as a condition of sale?

A. Regulation B  
B. Regulation C  
C. Regulation X  
D. Regulation Z