

CORRECT ANSWER-- • Failing to compensate an appraiser because the appraiser does not value a consumer's principal dwelling at or above a certain amount
• Conditioning an appraiser's compensation on loan consummation

Which of the following is it a change or correction to the CD that would cause a new 3 business day waiting period.

- A. The addition of a prepayment penalty
- B. An additional \$500 seller credit
- C. A change in the APR
- D. A change in the loan type

-CORRECT ANSWER-- B. An additional \$500 seller credit

When a client applies for loans and requests referrals to a title company, you must: -
CORRECT ANSWER-- Immediately provide an affiliated business arrangement disclosure if you refer them to the title company in which you have an ownership interest

If a creditor violates ECOA, how many years does a consumer have in which to take civil action?

- a) Two
- b) Five
- c) One
- d) Ten

-CORRECT ANSWER-- Five

What lending term is not prohibited for a high-cost loan regulated under HOEPA?

-CORRECT ANSWER-- An adjustable interest rate

HOEPA creates protections for high-cost loans under: -CORRECT ANSWER--
TILA

Prepayment penalties for high-cost mortgages are -CORRECT ANSWER--
Prohibited

consideration

◦Do take lifetime rate caps into consideration

Conventional loan -CORRECT ANSWER-- a mortgage agreement that does not have government backing and that is offered through a commercial bank or mortgage broker

Conforming loans -CORRECT ANSWER-- type of conventional loan mortgages that meet loan limits and other standards that loans must meet to qualify for purchase by Fannie Mae and Freddie Mac. The advantage of these loans is that they have lower interest rates and cost less since they meet the standards required for purchase and securitization by Fannie Mae and Freddie Mac.

Non-conforming loans -CORRECT ANSWER-- type of conventional loan mortgages that do not meet loan limits and other standards that loans must meet to qualify for purchase by Fannie Mae and Freddie Mac. An example of a nonconforming loan is a "jumbo mortgage."

conforming loan limits for 2019 -CORRECT ANSWER-- One-Family Properties: \$484,350 in most locations but as high as \$726,525 in high-cost areas Two-Family Properties: \$620,000 but as high as \$900,000 in high-cost areas Three-Family Properties: \$749,650, but as high as \$1,124,475 in high-cost areas Four-Family Properties: \$931,600, but as high as \$1,397,400 in high-cost areas

down payment for conventional, conforming loan -CORRECT ANSWER-- 5%-20% PMI if borrower has less than 20%

income for conventional -CORRECT ANSWER-- •Standard income documentation for salaried and hourly individuals typically includes paystubs for the most recent 30-day period and W-2s for the most recent two-year period
•Individuals earning more than 25% of their income in commission must provide up to two years' tax returns

- Individuals who own 25% or more of a business are considered to be selfemployed and are generally required to provide individual tax returns, and in some cases business returns, for the past two years
- Individuals who earn non-taxed income such as Social Security, public assistance or disability must provide comprehensive documentation relevant to the type of income. However, they are permitted to "gross up" those earnings by 25% (i.e. multiply the income by 125%).

Seller Concessions -CORRECT ANSWER-- limited to 6% of the sale price for borrowers who make a down payment of 10% - 24.9%

3% for borrowers who make a down payment of less than 10%

down payments of 25% or more, seller concessions are limited to 9%

underwriting systems for conforming loan -CORRECT ANSWER-- DU (Desktop Underwriter) used by lenders and DO (Desktop Originator) used by brokers - Fannie Mae

LPA (Loan Product Advisor) - Freddie Mac

benefits to FHA loans -CORRECT ANSWER-- • Low down payment requirements

• Fee limits on closing costs (e.g., the administrative cost of processing the mortgage cannot exceed 1% of the loan amount)

• More lenient underwriting requirements

Today, the law states that in order to be eligible for FHA insurance, a mortgage must be made by an FHA-approved lender and the amount of the mortgage must be the lesser of: -CORRECT ANSWER-- • 115% of the median house price in an area, or

• 150% of the national conforming loan limit of \$484,350

FHA Loan Limits -CORRECT ANSWER-- • One-family properties: \$314,827 floor and \$726,525 ceiling

• Two-family properties: \$403,125 floor and \$930,300 ceiling

• Three-family properties: \$487,250 floor and \$1,124,475 ceiling

• Four-family properties: \$605,525 floor and \$1,397,400 ceiling

• Alaska, Hawaii, Guam, and the Virgin Islands: 150% of the loan limit ceiling

It is not charged to veterans

It is not charged to active members of the military -CORRECT ANSWER-- it is nonrefundable

Under HOEPA, a high-cost loan may have a balloon payment under all of the following circumstances, EXCEPT:

The loan satisfies the requirements of a balloon payment qualified mortgage A nine-month bridge loan is obtained for the construction of the borrower's primary dwelling

The borrower's income is seasonal

The borrower signs a waiver consenting to the balloon payment -CORRECT ANSWER-- the borrower signs a waiver consenting to the balloon payment.

In order to meet the annual continuing education requirement, a state-licensed loan originator must complete at least _____ hours of NMLS-reviewed and -approved coursework.

Six

Eight

Ten

Twelve -CORRECT ANSWER-- 8

A borrower obtains a one-year ARM, which starts at 4.0% and has a margin of 3.0%. At the end of the first year, the index is 5.0%. What is the fully-indexed rate when the loan adjusts?

8%

7%

6%

9% -CORRECT ANSWER-- The answer is 8%. When the rate adjusts, the new fully-indexed rate is equal to the index plus margin. In this case: $5 + 3 = 8$.

Which of these replaces the HUD-1 Settlement Statement and the final TIL Disclosure?

The Loan Estimate

The Closing Disclosure

The Affiliated Business Arrangement Disclosure Statement

The Mortgage Servicing Disclosure Statement -CORRECT ANSWER-- The Closing Disclosure.

Which of the following statements most accurately describes the term "predominant value"?

The final value an appraiser reports on an appraisal

The most common sales price for the neighborhood

The highest sales price in the neighborhood

The average sales price for the neighborhood -CORRECT ANSWER-- the most common sales price for the neighborhood

A mortgage which is amortized for a longer period than the actual term of the loan can best be described as what type of mortgage?

Balloon mortgage

Hybrid ARM

Graduated Payment Mortgage (GPM)

Fixed period ARM -CORRECT ANSWER-- balloon mortgage

In the Closing Disclosure, which of the following questions is the loan originator required to answer about each of the items in the Loan Terms table?

"Has this information been verified?"

"Can this amount increase after closing?"

"Is this payment subject to late fees?"

"Has this information changed from the Loan Estimate?" -CORRECT ANSWER--

"Can this amount increase after closing?"

Which of the following best describes the order in which payments will be applied according to the standard deed of trust?

Interest, escrow, principal

Principal, escrow, interest

Late fees, principal, interest

Interest, principal, escrow -CORRECT ANSWER-- interest, principal, escrow

Under the Bank Secrecy Act, each institution must develop a written _____ compliance program, which must be approved by the institution's board of directors.

Anti-money laundering

Anti-trust account fraud

Anti-terrorist financing

Upfront mortgage insurance premium, 100% financing, base loan amount
Residual income, guarantee, certificate of reasonable value -CORRECT
ANSWER-- Residual income, guarantee, certificate of reasonable value

All of the following could be used to correctly describe Fannie Mae, except:

Government owned

Government sponsored

Private sector

Government regulated -CORRECT ANSWER-- government owned

The Interagency Guidance on Nontraditional Mortgage Products applies to:

Any adjustable-rate mortgage

Any mortgage with a prepayment penalty

Any mortgage that requires a determination of ability to repay

Any mortgage which allows the deferment of principal or interest -CORRECT
ANSWER-- any mortgage which allows the deferment of principal or interest

When would a lender be required to cancel private mortgage insurance?

Once the borrower has made 2+ payments and a new appraisal shows the equity at
80%

Once the LTV reaches 78%, based on a new appraisal After
five years

Once the LTV reaches 78%, based on the lower of the original appraisal or
purchase price -CORRECT ANSWER-- once the LTV reaches 78%, based on the
lower of the original appraisal or purchase price

Loan limits for products like conforming loans and FHA loans vary based on:

State

County

Municipality

Acreage -CORRECT ANSWER-- County

What is the maximum prepayment penalty which may be charged in the first year
of the loan if the loan is considered a qualified mortgage?

Zero

2% of the outstanding balance

3% of the outstanding balance

1% of the outstanding balance -CORRECT ANSWER-- 2% of the outstanding balance.

Which of the following is true regarding a borrower's ability to qualify for FHA financing if their credit score is 560? they are not eligible for FHA financing they are eligible for FHA financing up to 85% LTV they are eligible for FHA financing up to 96.5% LTV they are eligible for FHA financing up to 90% LTV -CORRECT ANSWER-- they are eligible for FHA financing up to 90% LTV.

Which of the following refers to the amount that the government will guarantee to repay a lender of a VA loan in the case of borrower default?

Guarantee amount

Entitlement

Insured amount

Funding fee limit -CORRECT ANSWER-- Entitlement

Which of the following transactions would carry monthly mortgage insurance?

VA 100% LTV, 30-year fixed

Conventional 80% first, 15% second; combined LTV of 95%

Conventional 30-year fixed, 72% LTV

FHA 30-year fixed, 20% down -CORRECT ANSWER-- FHA 30-year fixed, 20% down

According to the Interagency Guidance on Nontraditional Mortgage Product Risks, a borrower's repayment ability:

Should be based on the initial payment terms of the loan

Should be based on a fully-amortizing repayment schedule

Is irrelevant if there is sufficient equity

Is irrelevant if the borrower has sufficient asset -CORRECT ANSWER-- should be based on a fully-amortizing repayment schedule

Which of the following does not need to be mailed to the borrower within three days of the loan application for a purchase transaction?

Loan Estimate

Right of Rescission Notice

the consumer requests a waiver due to a bona fide financial emergency

If a creditor denies an application for a first lien mortgage, a copy of the appraisal:

- A. Must be provided within 30 days of the decision to deny
- B. Is not required to be provided to the consumer
- C. Is not required to be provided unless requested in writing
- D. Must be included with the notice of adverse action -CORRECT ANSWER-- A. Must be provided within 30 days of the decision to deny

HOEPA would not apply to:

- A. A bridge loan to finance construction
- B. A purchase money mortgage loan
- C. An adjustable-rate mortgage loan
- D. A closed-end home equity loan -CORRECT ANSWER-- A. A bridge loan to finance construction

HOEPA was enacted as a part of:

- A. ECOA
- B. HMDA
- C. TILA
- D. RESPA -CORRECT ANSWER-- C. TILA

Closed-end loans with rates that exceed the average prime offer rate, but are not high enough to trigger protections under HOEPA, are known as:

- A. Subprime mortgage loans
- B. Reverse mortgages
- C. Higher-priced mortgage loans
- D. Qualified high-cost mortgages -CORRECT ANSWER-- C. Higher-priced mortgage loans

This Rule applies to commercial communications used to market mortgage loan products and services to consumers.

- A. MAP Rule
- B. RESPA Rule
- C. Truth in Advertising Rule
- D. Safeguards Rule -CORRECT ANSWER-- A. MAP Rule

that are 62 or older

- The borrower must live in his/her home
- The mortgage is payable in full when the home is sold or the last surviving homeowner dies
- Interest is charged on the outstanding balance and added to the debt
- Debt increases with each advancement of credit and with accrued interest

Single purpose reverse mortgages -CORRECT ANSWER-- these are low-cost loans offered to low income borrowers by state and local agencies or non-profit organizations. Borrowers can only use them for the purpose specified by the lender such as payment for home improvements or payment of property taxes.

Home equity conversion mortgages (HECM) -CORRECT ANSWER-- These are reverse mortgages that are regulated and insured by HUD. They allow borrowers to receive fixed monthly payments, a line of credit, or a combination of payments and a credit line. These loans are available to homeowners who own little or no money on their home payments. Borrowers must complete counseling with a HUD approved HECM counselor in order to obtain the loan.

Proprietary mortgages -CORRECT ANSWER-- These are private loans. They are more expensive but often allow homeowners to borrow more than they can borrow with a HECM. Homeowners with expensive homes who want to borrow more than they can borrow with a HECM may consider this type of reverse mortgage.

loan cost disclosure form -CORRECT ANSWER-- for reverse mtgs must be provided to reverse mortgage borrowers. This form provides the total annual loan cost, including:

- Upfront costs - for example, the origination fee, the third-party closing fee, and any upfront mortgage insurance premium
- Interest
- Ongoing charges - for example, the monthly service fee and any annual mortgage insurance premiums

Home Equity Lines of Credit (HELOCs) -CORRECT ANSWER-- HELOCs are considered open-end credit - similar to credit cards - and as a borrower pays off the principal, he/she can continue to make withdrawals. Although a HELOC is often a

Who is responsible for providing the closing disclosure to the seller? --CORRECT ANSWER- Settlement Agent/Title Agent

Which regulation requires the borrower to receive the Loan Estimate? --CORRECT ANSWER- TILA - Reg Z

Which regulation requires the homeowner to receive the Closing Disclosure? --CORRECT ANSWER- TILA - Reg Z

Which regulation requires the borrower to receive the Loan Estimate within 3 business days? --CORRECT ANSWER- RESPA - Regulation X

Which regulation requires the borrower to receive the Closing Disclosure within 3 business days? --CORRECT ANSWER- RESPA - Regulation X

As it relates to the initial loan estimate - what is the definition of a Business day? --CORRECT ANSWER- Any day that the Creditor's office is open for business

According to TILA/REG Z - what is the definition of a Business day? --CORRECT ANSWER- Any calendar day except for Sunday and Legal Holiday (Remember, in referring to the LOAN ESTIMATE - any day the Creditor's office is open for business)

During the loan process, where do you find HMDA government monitoring information? --CORRECT ANSWER- Section X of the 1003 application

What does HDMA stand for? --CORRECT ANSWER- Home Mortgage Disclosure Act

What appraisal approach is used when appraising property that has been destroyed by a natural disaster? --CORRECT ANSWER- Cost Approach or replacement cost approach

In the sales comparison approach, how many comps are required? --CORRECT ANSWER- 3

What is another name for the Financial Services Modernization Act of 1999? --CORRECT ANSWER- Graham Leach Bliley Act

required by MLO Company and Mortgage Brokers

Loan originator organizations must keep compensation records for how many years? --
CORRECT ANSWER- 3 years

Mortgage companies must submit a residential loan origination activity report to the NMLSR every: --CORRECT ANSWER- Three months

What is the process in which a broker originates and closes a loan in his/her own name, then transfers the loan to a lender at closing? --CORRECT ANSWER- Table Funding

What law protects homeowners from foreclosure-prevention scams? --CORRECT ANSWER- Mortgage Assistance Relief Services Rule

Individuals must file a report when they transport how much cash out the country? --

CORRECT ANSWER- \$10,000 or more

What type of federal report is filed when financial institutions detect suspicious activity?

--CORRECT ANSWER- Suspicious Activity Report

Which law requires businesses to print only the last five card numbers on a credit card receipt? --CORRECT ANSWER- FACT ACT

What happens if the acceptable variance between the Loan Estimate and the Closing Disclosure is exceeded? --CORRECT ANSWER- The excess is refunded to the borrower within 60 days

A higher-priced home loan is one that has: --CORRECT ANSWER- APR exceeds the average prime rate by at least 1.5% for first-lien loans

What is the shortest time in which a mortgage purchase loan can close? --CORRECT ANSWER- 7 business days

What type of mortgage is non-recourse loan? --CORRECT ANSWER- Reverse Mortgage

A lender that offers mortgage loans directly to the public is a: --CORRECT ANSWER- Retail lender

What type of loan is short-term with money advanced in stages? --CORRECT ANSWER- Construction

What law requires ARM borrowers to receive the Consumer Handbook on Adjustable Rate Mortgages? --CORRECT ANSWER- TILA

Which law requires that the "Know Before You Owe" booklet be given to the borrower? --CORRECT ANSWER- RESPA

Lenders must maintain an escrow account for higher-priced (Section 35) mortgages for a minimum of? --CORRECT ANSWER- 5 years

What is the Fannie Mae appraisal report form? --CORRECT ANSWER- URM 1004 Form

What term describes the process of a senior mortgage lien holder voluntarily changing into a junior mortgage lien-holder? --CORRECT ANSWER- Subordination

What lien has the highest priority and is paid off first when a property is sold? --CORRECT ANSWER- Property Tax

What document is assigned along with the mortgage? --CORRECT ANSWER-

Promissory note

What does Ginnie Mae do? --CORRECT ANSWER- Guarantees Ginnie-Mae mortgage-

backed securities

Which law requires lenders to train employees to recognize the Red Flags of identity theft? --CORRECT ANSWER- FACT Act

Which law entitles a borrower to a copy of his appraisal report? --CORRECT ANSWER- ECOA

The maximum escrow cushion that a lender can require is: --CORRECT ANSWER- Equal to 2 months (1/6th)

HOEPA considers a loan to be high cost if the total charges to the borrower exceed what percent of the loan amount? --CORRECT ANSWER- 5%

The Home Mortgage Disclosure Act (HMDA) was implemented by the: --CORRECT ANSWER- Federal Reserve Board

Tax liens can be kept in the credit report for: --CORRECT ANSWER- Seven years

The range of possible credit score is: --CORRECT ANSWER- 300-850

The Red Flags Rule is concerned with: --CORRECT ANSWER- Identity Theft

For how many years must a lender retain the Loan Estimate? --CORRECT ANSWER- Three

For how many years must a lender retain the Closing Disclosure? --CORRECT ANSWER- Five

For how many years must a lender retain the Escrow Cancellation Notice? --CORRECT ANSWER- Two

For how many years must a lender retain the Partial Payment Policy? --CORRECT ANSWER- Two

The mortgagor is the: --CORRECT ANSWER- Borrower

Which law (regulations) is designed to create financial stability? --CORRECT ANSWER- The Dodd Frank Act

Mortgages are a(n): --CORRECT ANSWER- Voluntary lien

What establishes the lien position? --CORRECT ANSWER- Date and time of recording

What type of mortgage has a fixed interest rate and increasing payments? --CORRECT ANSWER- Growing equity mortgage

What gives someone other than the owner the right to be on the property for a specific purpose? --CORRECT ANSWER- Easement

What is a clause in the deed that limits the future use of a property? --CORRECT ANSWER- Deed Restriction

The most common type of legal description for residential subdivisions is: --CORRECT ANSWER- Lot and block

The most accurate type of legal description for residential subdivisions is: --CORRECT ANSWER- Metes and bounds

What type of funding occurs when a lender obtains funds from a line of credit at a commercial bank? --CORRECT ANSWER- Warehouse funding

The late fee for FHA and VA loans is: --CORRECT ANSWER- 4%

When a lender sells a mortgage loan to another lender this is called: --CORRECT ANSWER- Assignment of mortgage

What type of mortgage fraud scenario occurs when a buyer borrows the down payment from a seller without the lender's knowledge? --CORRECT ANSWER- Silent second

What can result in a \$1,000,000 fine and 30 years in prison? --CORRECT ANSWER- Acts of mortgage fraud

After loan servicing is transferred, the new servicer cannot assess late fees for a period of: --CORRECT ANSWER- 60 days

Which document is used in place of a mortgage to secure the payment of a promissory note? This method is used in many states. --CORRECT ANSWER- A deed of trust

"APR" means. . . --CORRECT ANSWER- Annual percentage rate. This is the cost of credit expressed as a percentage.

A Reconveyance Clause is: --CORRECT ANSWER- The method used to transfer title for a property following full payment of a loan. Reconveyance is typically used with deed of trust.