

## ch2

*Student:* \_\_\_\_\_

1. Which of the following situations is NOT a common cause for the use of a purchase-money mortgage?
  - A. The buyer cannot come up with the down payment needed to qualify for a mortgage.
  - B. The seller wants to receive the gain from the sale in installments.
  - C. Third-party mortgage financing is too expensive or unavailable.
  - D. The seller desires to artificially raise the price of the property by receiving a higher-than-market interest rate.
  
2. Which of the following is NOT a minimum mortgage requirement?
  - A. Description of the property
  - B. Covenant of warranty
  - C. Prepayment clause
  - D. Covenant of seizing
  
3. A mortgage is BEST defined as a legal document that:
  - A. creates an obligation to repay a loan under specific terms.
  - B. names real estate as the security or collateral for the repayment of a loan.
  - C. defines a possessory interest in real estate.
  - D. conveys ownership of a property to its purchaser.

4. Which of the following solutions is LEAST likely to be acceptable to a mortgagee when discussing alternatives to foreclosing a property?
- A. Permanently extending the amortization period.
  - B. Finding someone else to assume the mortgage.
  - C. Providing a temporary grace period during which principal and interest are not paid.
  - D. Permanently reducing the interest rate.
5. Which of the following terms refers to an owner's right to redeem a property after foreclosure?
- A. Equity of redemption
  - B. Statutory redemption
  - C. Attachment
  - D. Execution
6. In jurisdiction where a deed of trust is used to finance real estate, there are three parties to the loan secured by the deed of trust. Which of the following is NOT one of those three parties?
- A. Borrower
  - B. Trustee
  - C. Holder of the note
  - D. Grantor

7. A senior mortgage holder is owed a mortgage balance of \$140,000 and brings a foreclosure suit which includes all junior claimants in the suit. If the senior mortgage holder purchases the property for \$140,000 at the foreclosure sale, what happens to the claim of the junior claimants?

- A. The liens of the junior claimants are unaffected and the debt is due upon sale.
- B. The liens of the junior claimants are extinguished, but the debt owed to the junior claimants is unaffected.
- C. The liens of the junior claimants and the debt owed to them are extinguished.
- D. The liens of the junior claimants are unaffected, but the debt owed to them is extinguished.

8. A property is encumbered as follows:

First mortgage, A \$250,000

Second mortgage, B \$40,000

Third mortgage, C \$10,000

How much can mortgagee B pay for the property at a foreclosure sale without having to raise additional funds?

- A. \$290,000
- B. \$40,000
- C. \$300,000
- D. \$50,000

9. Which of the following types of bankruptcy is filed with the end result of liquidating the debtor's assets?

- A. Chapter 7
- B. Chapter 11
- C. Chapter 13
- D. Chapter 17

10. Which of the following types of bankruptcy is available to a business to reorganize and rehabilitate the debtor?

- A. Chapter 7
- B. Chapter 11
- C. Chapter 13
- D. Chapter 17

11. Which of the following terms refers to the prohibition of the commencement or continuation of collection proceedings during a bankruptcy proceeding?

- A. Preferential transfer
- B. Deficiency judgment
- C. Automatic stay
- D. Extension

12. A mortgage agreement provides the lender with \_\_\_\_\_ interests.

- A. Unsecured
- B. Secured
- C. Nonpossesory
- D. Possesory

13. What is usually executed at the same time as a mortgage and creates the obligation to repay the loan in accordance with its terms?

- A. Recording acts
- B. Ownership interests
- C. Method of payment
- D. Promissory note

14. The Acceleration Clause says notice of all, but which of the following, must be given to the mortgager?

- A. Acceleration of debt secured by the mortgage has taken place because of default
- B. Action required to cure default
- C. Time by which default must be cured
- D. Default

15. Which of the following is not an alternative to foreclosure?

- A. Restructuring the mortgage loan
- B. Transfer of the mortgage to a new owner
- C. Redemption
- D. Prepackaged bankruptcy

16. Which of the following default is least often used for foreclosure?

- A. Failure to fulfill financial obligation
- B. Failure to pay taxes
- C. Failure to pay insurance premiums when due
- D. Failure to keep the security in repair

17. Which of the following statements is true about foreclosure?

- A. In judicial foreclosure, property subject to attachment and execution is limited to the mortgaged property
- B. If the sale of the mortgaged property realizes a price above the claims of the mortgage and expense of the sale, the balance goes to the mortgagor
- C. Redemption can be accomplished by paying 95% of the debt, interest and costs due to mortgage
- D. None of the above

18. When Seller financing is not used?

- A. The seller desires to take advantage of the installment method of reporting the gain from sale
- B. The buyer does not qualify for long term mortgage credit because of low down payment or difficulty meeting monthly payments
- C. Third-party mortgage financing is less expensive or easily available
- D. The seller desires to artificially raise the price of the property by offering a lower-than-market interest rate on the mortgage

19. A remainder cannot be mortgaged.

True    False

20. A fee simple estate is a type of freehold estate.

True False

21. A clause which specifies that the mortgagor will pay all property taxes and other charges assessed against the property, even if these charges have priority over the mortgage is typically included in a mortgage.

True False

22. A clause which specifies that the mortgagee will obtain and maintain property insurance is typically included in a mortgage.

True False

23. Under lien theory, title and the right to possession pass from the mortgagor to the mortgagee when the mortgage is executed.

True False

24. A due on sale clause which specifies that the mortgage can accelerate the debt if the property is sold without the mortgagee's permission is a typical clause in a mortgage document.

True False

25. It is a federal law that a mortgage must be recorded to be valid.

True False

26. A mortgage default can result from failure to pay property taxes.

True False

27. A technical default can result from failure to keep the property in repair.

True False

28. When a purchaser takes a property "subject to" an existing mortgage, the purchaser becomes personally liable for repaying the debt.

True False

29. When a deed is given in lieu of foreclosure of the mortgage, the mortgagor no longer has an obligation to pay the mortgage note.

True False

30. Junior liens are eliminated by a voluntary conveyance of a property to the mortgagee.

True False

31. If a property encumbered by a mortgage is sold at a foreclosure sale for an amount less than the value of the mortgage, the mortgagor is not obligated to pay the mortgagee the remaining balance.

True False

32. A purchaser at a tax sale receives a deed to the property at the time of the sale.

True False

33. The process of confirming a plan of reorganization under Chapter 11, even if one or more creditor classes dissent, is known as a "cramdown."

True False



34. If a debtor, under Chapter 7 bankruptcy, is not behind on his mortgage payments, he does not have to give up the property.

True   False

35. Unless stated otherwise, the borrower is personally liable for payment of all amounts due under the terms of the note.

True   False

## ch2 Key

1. Which of the following situations is NOT a common cause for the use of a purchase-money mortgage?
- A. The buyer cannot come up with the down payment needed to qualify for a mortgage.
  - B. The seller wants to receive the gain from the sale in installments.
  - C. Third-party mortgage financing is too expensive or unavailable.
  - D. The seller desires to artificially raise the price of the property by receiving a higher-than-market interest rate.

*Brueggeman - Chapter 02 #1*

2. Which of the following is NOT a minimum mortgage requirement?
- A. Description of the property
  - B. Covenant of warranty
  - C. Prepayment clause
  - D. Covenant of seizing

*Brueggeman - Chapter 02 #2*

3. A mortgage is BEST defined as a legal document that:

- A. creates an obligation to repay a loan under specific terms.
- B. names real estate as the security or collateral for the repayment of a loan.
- C. defines a possessory interest in real estate.
- D. conveys ownership of a property to its purchaser.

*Brueggeman - Chapter 02 #3*

4. Which of the following solutions is LEAST likely to be acceptable to a mortgagee when discussing alternatives to foreclosing a property?

- A. Permanently extending the amortization period.
- B. Finding someone else to assume the mortgage.
- C. Providing a temporary grace period during which principal and interest are not paid.
- D. Permanently reducing the interest rate.

*Brueggeman - Chapter 02 #4*

5. Which of the following terms refers to an owner's right to redeem a property after foreclosure?

- A. Equity of redemption
- B. Statutory redemption
- C. Attachment
- D. Execution

*Brueggeman - Chapter 02 #5*

6. In jurisdiction where a deed of trust is used to finance real estate, there are three parties to the loan secured by the deed of trust. Which of the following is NOT one of those three parties?
- A. Borrower
  - B. Trustee
  - C. Holder of the note
  - D. Grantor

*Brueggeman - Chapter 02 #6*

7. A senior mortgage holder is owed a mortgage balance of \$140,000 and brings a foreclosure suit which includes all junior claimants in the suit. If the senior mortgage holder purchases the property for \$140,000 at the foreclosure sale, what happens to the claim of the junior claimants?
- A. The liens of the junior claimants are unaffected and the debt is due upon sale.
  - B. The liens of the junior claimants are extinguished, but the debt owed to the junior claimants is unaffected.
  - C. The liens of the junior claimants and the debt owed to them are extinguished.
  - D. The liens of the junior claimants are unaffected, but the debt owed to them is extinguished.

*Brueggeman - Chapter 02 #7*

8. A property is encumbered as follows:

First mortgage, A \$250,000

Second mortgage, B \$40,000

Third mortgage, C \$10,000

How much can mortgagee B pay for the property at a foreclosure sale without having to raise additional funds?

A. \$290,000

B. \$40,000

C. \$300,000

D. \$50,000

*Brueggeman - Chapter 02 #8*

9. Which of the following types of bankruptcy is filed with the end result of liquidating the debtor's assets?

A. Chapter 7

B. Chapter 11

C. Chapter 13

D. Chapter 17

*Brueggeman - Chapter 02 #9*

10. Which of the following types of bankruptcy is available to a business to reorganize and rehabilitate the debtor?

- A. Chapter 7
- B. Chapter 11
- C. Chapter 13
- D. Chapter 17

*Brueggeman - Chapter 02 #10*

11. Which of the following terms refers to the prohibition of the commencement or continuation of collection proceedings during a bankruptcy proceeding?

- A. Preferential transfer
- B. Deficiency judgment
- C. Automatic stay
- D. Extension

*Brueggeman - Chapter 02 #11*

12. A mortgage agreement provides the lender with \_\_\_\_\_ interests.

- A. Unsecured
- B. Secured
- C. Nonpossesory
- D. Possesory

*Brueggeman - Chapter 02 #12*

13. What is usually executed at the same time as a mortgage and creates the obligation to repay the loan in accordance with its terms?

- A. Recording acts
- B. Ownership interests
- C. Method of payment
- D. Promissory note

*Brueggeman - Chapter 02 #13*

14. The Acceleration Clause says notice of all, but which of the following, must be given to the mortgager?

- A. Acceleration of debt secured by the mortgage has taken place because of default
- B. Action required to cure default
- C. Time by which default must be cured
- D. Default

*Brueggeman - Chapter 02 #14*

15. Which of the following is not an alternative to foreclosure?

- A. Restructuring the mortgage loan
- B. Transfer of the mortgage to a new owner
- C. Redemption
- D. Prepackaged bankruptcy

*Brueggeman - Chapter 02 #15*

16. Which of the following default is least often used for foreclosure?

- A. Failure to fulfill financial obligation
- B. Failure to pay taxes
- C. Failure to pay insurance premiums when due
- D. Failure to keep the security in repair

*Brueggeman - Chapter 02 #16*

17. Which of the following statements is true about foreclosure?

- A. In judicial foreclosure, property subject to attachment and execution is limited to the mortgaged property
- B. If the sale of the mortgaged property realizes a price above the claims of the mortgage and expense of the sale, the balance goes to the mortgagor
- C. Redemption can be accomplished by paying 95% of the debt, interest and costs due to mortgage
- D. None of the above

*Brueggeman - Chapter 02 #17*



18. When Seller financing is not used?

- A. The seller desires to take advantage of the installment method of reporting the gain from sale
- B. The buyer does not qualify for long term mortgage credit because of low down payment or difficulty meeting monthly payments
- C. Third-party mortgage financing is less expensive or easily available
- D. The seller desires to artificially raise the price of the property by offering a lower-than-market interest rate on the mortgage

*Brueggeman - Chapter 02 #18*

19. A remainder cannot be mortgaged.

FALSE

*Brueggeman - Chapter 02 #19*

20. A fee simple estates is a type of freehold estate.

TRUE

*Brueggeman - Chapter 02 #20*

21. A clause which specifies that the mortgagor will pay all property taxes and other charges assessed against the property, even if theses charges have priority over the mortgage is typically included in a mortgage.

TRUE

*Brueggeman - Chapter 02 #21*

22. A clause which specifies that the mortgagee will obtain and maintain property insurance is typically included in a mortgage.

FALSE

*Brueggeman - Chapter 02 #22*

23. Under lien theory, title and the right to possession pass from the mortgagor to the mortgagee when the mortgage is executed.

FALSE

*Brueggeman - Chapter 02 #23*

24. A due on sale clause which specifies that the mortgage can accelerate the debt if the property is sold without the mortgagee's permissions is a typical clause in a mortgage document.

TRUE

*Brueggeman - Chapter 02 #24*

25. It is a federal law that a mortgage must be recorded to be valid.

FALSE

*Brueggeman - Chapter 02 #25*

26. A mortgage default can result from failure to pay property taxes.

TRUE

*Brueggeman - Chapter 02 #26*

27. A technical default can result from failure to keep the property in repair.

TRUE

*Brueggeman - Chapter 02 #27*

28. When a purchaser takes a property "subject to" an existing mortgage, the purchaser becomes personally liable for repaying the debt.

FALSE

*Brueggeman - Chapter 02 #28*

29. When a deed is given in lieu of foreclosure of the mortgage, the mortgagor no longer has an obligation to pay the mortgage note.

TRUE

*Brueggeman - Chapter 02 #29*

30. Junior liens are eliminated by a voluntary conveyance of a property to the mortgagee.

FALSE

*Brueggeman - Chapter 02 #30*

31. If a property encumbered by a mortgage is sold at a foreclosure sale for an amount less than the value of the mortgage, the mortgagor is not obligated to pay the mortgagee the remaining balance.

FALSE

*Brueggeman - Chapter 02 #31*

32. A purchaser at a tax sale receives a deed to the property at the time of the sale.

FALSE

*Brueggeman - Chapter 02 #32*

33. The process of confirming a plan of reorganization under Chapter 11, even if one or more creditor classes dissent, is known as a "cramdown."

TRUE

*Brueggeman - Chapter 02 #33*

34. If a debtor, under Chapter 7 bankruptcy, is not behind on his mortgage payments, he does not have to give up the property.

TRUE

*Brueggeman - Chapter 02 #34*

35. Unless stated otherwise, the borrower is personally liable for payment of all amounts due under the terms of the note.

TRUE

*Brueggeman - Chapter 02 #35*

## ch2 Summary

<u>Category</u>	<u># of Questions</u>
Brueggeman - Chapter 02	35