

Multiple Choice Questions

1. The allodial system of land ownership that forms the basis of ownership in the United States is best described as the
 - A. Right to occupy and use land owned by a superior
 - B. Right of a democratic government to control how land is used
 - C. Ownership of land is free and absolute subject only to governmental and voluntary restrictions
 - D. Origin and development of community property laws.
2. As used in mortgage lending, the term “collateral” means
 - A. Something of value pledged as security for a loan
 - B. The purpose for which a mortgage loan is made
 - C. A valuable asset
 - D. Associated with but of secondary importance.
3. A word that has the legal meaning of a borrower remaining in possession of property pledged as security for a loan is
 - A. Possession
 - B. Collateral
 - C. Security
 - D. Hypothecate
4. A “negotiable instrument” is one that can be
 - A. Adjusted by negotiation between parties involved
 - B. Sold to others
 - C. Changed only at periodic intervals
 - D. An agreement to negotiate with another
5. As used in business, a “security” is
 - A. A safety measure
 - B. A blanket
 - C. A certificate representing an investment
 - D. A limited form of protection
6. Bonds are sold in the financial market by corporations for the purpose of
 - A. raising equity cash
 - B. Borrowing money
 - C. Providing additional brokerage fees
 - D. Generating greater income
7. In mortgage lending, the best description of a loan discount is
 - A. A cost of borrowed money
 - B. A lower price for a mortgage loan
 - C. A method of lowering an interest rate
 - D. An extra fee for services rendered

8. Of the following, the more precise description of a share of stock is
- A. An indication of an obligation
 - B. A form of unsecured debt
 - C. An evidence of ownership
 - D. A kind of security
9. Which of the following is most descriptive of the primary market?
- A. The loan origination market
 - B. Trading in second mortgages
 - C. The buying and selling of mortgage loans
 - D. The market created by Fannie Mae and Freddie Mac
10. Of the following, the more precise description of a share of stock is:
- A. An indication of an obligation.
 - B. A form of unsecured debt.
 - C. An evidence of ownership
 - D. A kind of security.
11. To create a legally valid security interest, a business must ensure that the interest is:
- A. Perfected
 - B. Debated
 - C. United
 - D. Detached
 - E. Exposed
12. When a lender who's primary aim is to pool mortgages to resell or commit them to a Mortgage Back Security and then service the mortgages uses a funding vehicle called a:
- A. REMIC
 - B. Mortgage Conduit
 - C. Ginnie Mae
 - D. Warehouse Line
13. After the recent financial crisis Fannie Mae and Freddie Mac were put into conservatorship and the new government agency that has responsibility for their oversight is:
- A. Federal Reserve Bank
 - B. The Office of Federal Housing Enterprise Oversight
 - C. Federal Housing Finance Agency
 - D. Department of Housing and Urban Development
14. The need to have a borrower sign both a mortgage and a promissory note is necessary as these two documents are:
- A. Both collateral instruments
 - B. Considered interlinked documents
 - C. Must both be recorded to have a perfected interest
 - D. None of the above

Answer Key:

1. C
2. A
3. D
4. B
5. C
6. B
7. A
8. C
9. A
10. C
11. A
12. B
13. C
14. B