Review Quiz Chapter 7 – Introduction to Real Estate Finance

1. A real estate promissory note that reads "$100,000 principal payable interest only monthly at a rate of 10%" is what type of promissory note?
   (a) straight
   (b) installment
   (c) principal and interest
   (d) accommodation

2. A real estate promissory note reads "$887.50 per month for 239 payments, then a final monthly payment of $3,011.19." This is an example of a/an:
   (a) alienation payment
   (b) prepayment
   (c) balloon payment
   (d) amortized payment

3. An enforceable due-on-sale clause is correctly called a/an:
   (a) acceleration clause
   (b) alienation clause
   (c) wraparound clause
   (d) prepay clause

4. In a normal sale using both a grant deed and a trust deed (deed of trust), the buyer is the:
   (a) grantor and trustor
   (b) grantor and trustee
   (c) grantee and trustee
   (d) grantee and trustor

5. A type of financing instrument in which the owner (vendor) retains the legal title until the buyer (vendee) fulfills the terms of the purchase contract:
   (a) lease contract
   (b) installment sales contract
   (c) wraparound contract
   (d) junior lien contract

6. Under the Trustee's Sale procedure, after a Notice of Default has been recorded, a borrower has how long to reinstate by making up past payments, penalties, late charges, and trustee expenses?
   (a) 5 days prior to trustee's sale date
   (b) 90 days
   (c) 3 months
   (d) 1 year
7. A mortgage broker negotiated a loan for $10,000, secured by a second trust deed to be paid in 30 monthly payments. The maximum commission the broker is permitted to charge is:
   (a) $195
   (b) $390
   (c) $700
   (d) $1,000

8. An owner sells and the buyer takes over the existing loan. To relieve the seller of primary liability, the buyer must:
   (a) sign a non-recourse agreement
   (b) take title contingent upon the note and trust deed
   (c) take title subject to the note and trust deed
   (d) assume the note and trust deed

9. In an ARM loan, the distance between the borrower's rate and the index is called the:
   (a) cap
   (b) adjustment
   (c) margin
   (d) teaser

10. Under the Real Property Loan Law, the maximum amount a borrower can pay for closing costs, excluding commission, regardless of the size of the loan, is:
    (a) 5%
    (b) $390
    (c) $700
    (d) $900