

**Multiple Choice**

*Identify the letter of the choice that best completes the statement or answers the question.*

- \_\_\_ 1. A promissory note
  - a. describes the property being hypothecated.
  - b. is the primary evidence of a loan.
  - c. is an agreement not to do a certain thing.
  - d. is not negotiable when secured by a mortgage.
  
- \_\_\_ 2. A borrower who wanted to make a monthly payment larger than that called for by the note, could do so if the note contains a
  - a. prepayment privilege.
  - b. grace period.
  - c. prepayment penalty.
  - d. subordination clause.
  
- \_\_\_ 3. The parties to a mortgage are called
  - a. mortgagor and grantor.
  - b. mortgagee and beneficiary.
  - c. beneficiary and trustee.
  - d. mortgagor and mortgagee.
  
- \_\_\_ 4. In some states, a mortgage is considered to be a lien on real property. In other states a mortgage is interpreted as
  - a. a bona fide purchase.
  - b. a transfer of title.
  - c. a sales contract.
  - d. equitable title.
  
- \_\_\_ 5. A “due on sale” clause
  - a. may be called a subordination clause.
  - b. gives the lender the right to call the entire loan balance upon alienation.
  - c. is the right of a mortgagor to repay a loan.
  - d. gives the mortgagor the right to sell his property with a loan assumption by the buyer.
  
- \_\_\_ 6. A property is sold and the buyer promises the seller in writing that he, the buyer, will repay the existing loan. This is called
  - a. assuming the loan.
  - b. buying down the loan.
  - c. loan satisfaction.
  - d. a partial release.
  
- \_\_\_ 7. Which lien would have highest priority?
  - a. Property tax lien
  - b. Mechanic’s lien
  - c. First mortgage or trust deed
  - d. The lien which is recorded first
  
- \_\_\_ 8. Who benefits the most by the inclusion of a subordination clause in a mortgage?
  - a. Borrower
  - b. Lender
  - c. Selling broker
  - d. Trustee

- \_\_\_\_\_ 9. A beneficiary allows a clause in his contract stating that another lender's interest will be allowed to take precedence over his at some later date. This clause is known as
- a subrogation clause.
  - a rogata clause.
  - a subordination clause.
  - hypothecation.
- \_\_\_\_\_ 10. Which of the following requires a public sale?
- Strict foreclosure.
  - Entry and possession.
  - Deed in lieu of foreclosure.
  - Power of sale.
- \_\_\_\_\_ 11. A mortgagor signs a deed conveying title to the mortgagee, leaving the mortgagee without recourse. This is an example of
- deed of surrender.
  - deed in lieu of foreclosure.
  - satisfaction of mortgage.
  - defeasance.
- \_\_\_\_\_ 12. A deed given as security for the loan against real estate is known as
- a trust deed.
  - illegal consideration.
  - usury.
  - hypothecated.
- \_\_\_\_\_ 13. A trust deed can be used for all of the following EXCEPT
- transfer of title.
  - hypothecate property.
  - secure a note.
  - secure a mortgage.
- \_\_\_\_\_ 14. The borrower under a deed of trust arrangement is called the
- trustor.
  - beneficiary.
  - trustee.
  - holder in due course.
- \_\_\_\_\_ 15. When a property is financed by means of a deed of trust, to whom are the payments made?
- Beneficiary
  - Trustor
  - Trustee
  - Grantee
- \_\_\_\_\_ 16. A borrower defaults on a deed of trust loan. Before the lender can foreclose, the lender must
- offer to modify the loan terms to allow the borrower to catch up.
  - appoint a trustee if the deed of trust is of the automatic trustee form.
  - notify the borrower, trustee and all interested parties of the default.
  - advertise the sale several weeks in advance and perform the sale himself, on the site of the property securing the loan.
- \_\_\_\_\_ 17. Under a deed of trust on real property, the trustee is
- the owner of record of the property covered by the deed of trust.
  - empowered to foreclose, upon notice of default, by a trustee's sale of the property.
  - the equitable owner of the property.
  - the holder of the grant deed.

- \_\_\_ 18. After a trustee's sale has been held and the property goes to the highest bidder, in most states the original trustor has
  - a. 21 days to pay off the loan balance.
  - b. 90 days equity of redemption.
  - c. one year to redeem the property.
  - d. no recourse.
- \_\_\_ 19. When a person signs a note with no guarantee to the person receiving it, he is said to be signing it
  - a. with recourse.
  - b. without recourse.
  - c. in blank.
  - d. jointly and severally.
- \_\_\_ 20. One of the major differences between a regular mortgage and a deed of trust is
  - a. a mortgage hypothecates personal property.
  - b. a deed of trust must be recorded.
  - c. the redemption period allowed.
  - d. there is no difference.

**True/False**

*Indicate whether the sentence or statement is true or false.*

- \_\_\_ 21. In a promissory note, the term "principal" refers to the borrower.
- \_\_\_ 22. That portion of a mortgage that requires the borrower to preserve and maintain the pledged property is called the covenant of good repair.
- \_\_\_ 23. The mortgage holding the highest priority would be the one that is recorded first.
- \_\_\_ 24. At the same time that a lawsuit is filed with the court, a notice of *lis pendens* is also filed with the court.
- \_\_\_ 25. Strict foreclosure is a non-judicial foreclosure without a judicial sale and usually without a statutory redemption period.
- \_\_\_ 26. If an owner pays the full amount of the debt just before his property is sold at auction, he is probably exercising his right of redemption.
- \_\_\_ 27. Mortgages are the same as trust deeds in that foreclosure is the cure for default.
- \_\_\_ 28. One major advantage of a deed of trust over a mortgage is the time between default and foreclosure is relatively short.
- \_\_\_ 29. In a deed of trust, if the borrower defaults, the lender can take possession of the property and collect the rents.
- \_\_\_ 30. The basic purpose of the deed of trust is the same as a mortgage.