

Chapter 14 – Closing Real Estate Transactions

1. C

Explanation: Under RESPA, lenders are required to provide the HUD booklet, along with a good faith estimate of closing costs, within three days of a loan application's submission. The lender, not the broker, is responsible for these disclosures.

2. B

Explanation: Sellers are not permitted to designate the title insurer used. A seller may ask to use a particular escrow company, but the choice must be a mutual decision of the buyer and seller.

3. C

Explanation: RESPA applies only to "federally-related" loans, which includes those made by a lender whose deposits are insured by a federal agency. This also includes FHA, VA and other government assisted loans.

4. A

Explanation: A borrower has the right to receive the Uniform Settlement Statement at closing. If the buyer waives this right, the statement must be provided by the lender as soon as practicable after closing.

5. A

Explanation: Because loan interest is paid in arrears, any interest due on an assumed loan is the seller's responsibility. Interest would therefore be listed as a credit to the buyer.

6. A

Explanation: Taxes, insurance, and mortgage interest payments are typically prorated on a closing statement. But interest on a loan that is not secured by the property is entirely the seller's obligation and would not be included on the closing statement. Additionally, delinquent payments on any loan, secured or not, would be the seller's responsibility only.

7. A

Explanation: Escrow is an arrangement where the parties to a transaction have a neutral third party hold funds and documents until certain conditions in the transaction are satisfied.

8. A

Explanation: RESPA requires lenders to provide loan applicants both a good faith estimate of closing costs and a copy of the HUD "Special Information Booklet." These two items must be given to the applicant at the time of application, or mailed to the applicant within three days.

9. D

Explanation: RESPA applies only to federally-related mortgage loans secured by 1-4 unit residential properties.

10. B

Explanation: Rent is prorated, meaning that rent paid up until closing goes to the seller and rent paid after closing goes to the buyer.

11. C

Explanation: The seller owned the property for two-thirds of the month and is entitled to two-thirds of the rent. The balance of \$200 is prorated to the buyer.

12. B

Explanation: An escrow agent will release something that one party placed in escrow to the other party when all the conditions in the escrow instructions have been fulfilled. An item can't be returned to the party who placed it in escrow (in this case, the buyer) without the consent of the other party (the seller), or unless the escrow instructions direct the agent to do so.

13. D

Explanation: The escrow officer is a dual agent and owes duties to both the buyer and the seller.

14. C

Explanation: $\$850 \times 2 = \$1,700$. $\$950 \times 2 = \$1,900$. $\$1,700 + \$1,900 = \$3,600$ (total monthly rents). $\$3,600 \div 30$ (days) = $\$120$ (rent per day). The seller is entitled to keep 19 days' rent: $\$120 \times 19 = \$2,280$. She owes the buyer 11 days' rent: $\$120 \times 11 = \$1,320$.

15. A

Explanation: The purpose of escrow is to ensure that all the details and conditions of the sale agreement are met before the transaction closes.