Real Estate Principles
Chapter 11 Quiz

1. If a lender "calls" a note, that means he:
   A. forecloses on the property
   B. demands payment of delinquent loan installments
   C. allows a purchaser to take title subject to the loan
   D. accelerates the loan

2. Which party to a deed of trust would execute a deed of reconveyance?
   A. Mortgagor
   B. Beneficiary
   C. Trustee
   D. Trustor

3. It is likely that mortgage interest rates would decline when:
   A. inflation is increasing
   B. the amount of mortgage funds available is increasing
   C. the Federal Reserve Board's reserve requirements are increasing
   D. the Gross National Product is increasing

4. During the process of foreclosure on a deed of trust, the trustor retains the right to reinstate the loan. Who has the right of possession of the property during this period?
   A. Beneficiary
   B. Lender
   C. Trustee
   D. Trustor

5. Which pair of loans is synonymous?
   A. Interim loan/takeout loan
   B. Takeout loan/standby loan
   C. Construction loan/interim loan
   D. Construction loan/progressive payment loan

6. Which of these documents is rarely recorded?
   A. Conditional sales contract
   B. Lis pendens
   C. Promissory note secured by a deed of trust
   D. Quitclaim deed

7. Why would a borrower most likely prefer an installment note to a straight note if the interest rates were the same?
   A. The monthly payments for an installment note will be lower during the term of the loan
   B. The borrower will have more cash available up-front
   C. The loan costs will be lower for an installment note over the term of the loan
   D. A straight note requires more of a long-term commitment

8. What is the function of a release clause in a mortgage?
A. It releases an original borrower from primary liability when a loan is assigned
B. It releases a purchaser who takes title subject to an existing loan from having to pay a deficiency judgment in the event of default
C. It enables a subsequently recorded lien to take a superior lien position
D. It allows removal of the lien from certain portions of property offered as security, once a specified act has been performed

9. If a lender charges an interest rate greater than that allowed by law, it is known as:
A. penury
B. usury
C. plottage
D. extortion

10. A lender's promise to make a permanent loan upon completion of construction is a/an:
A. interim loan commitment
B. standby loan commitment
C. backup loan commitment
D. obligatory advancement

11. A clause that states that the rights of a deed of trust's beneficiary are secondary to those of the beneficiary of a subsequent deed of trust is a/an:
A. alienation clause
B. release clause
C. submortgage clause
D. subordination clause

12. The Federal Reserve could create a tight money market by:
A. lowering the discount rate
B. raising the discount rate and buying bonds
C. buying bonds
D. raising the discount rate and selling bonds

13. An important characteristic of straight notes that differentiates them from installment notes is that:
A. straight notes reduce the principal balance over the term of the loan
B. straight notes will have a higher interest rate than installment notes
C. straight notes call for no principal payments during the term of the loan, only at the due date of the note
D. straight notes will apply compound interest

14. Mortgages and deeds of trust should be recorded immediately to:
A. establish the priority of the security interest
B. begin foreclosure proceedings
C. release the lien
D. transfer equitable title to the lender

15. If a trustor defaults on a deed of trust, the most expedient remedy available to the beneficiary is a/an:

A. judicial foreclosure
B. sheriff's sale
C. trustee's sale
D. unlawful detainer action

