

Real Estate Principles

Chapter 14 Quiz

1. A broker helps a buyer apply for financing and explains the loan processing costs involved at closing. A copy of the HUD booklet "Special Information Booklet" containing information about settlement costs must be provided to the applicant:
 - A. by the broker at the time of the loan application
 - B. by the lender within one week of the loan application
 - C. by the lender within three days of the loan application
 - D. only if the loan procedures and costs have not been adequately explained by the broker

2. RESPA prohibits sellers from:
 - A. asking to use a particular escrow company
 - B. insisting on a particular title insurance company
 - C. Both of the above
 - D. None of the above

3. Which of the following would be considered "federally-related" for RESPA purposes?
 - A. A private lender
 - B. A seller taking back a mortgage
 - C. A lender whose deposits are insured by a federal agency
 - D. All of the above

4. A prospective buyer applies for a loan and is approved. He waives, in writing, his RESPA right to a Uniform Settlement Statement. Escrow closes twelve days later. The Uniform Settlement Statement must be provided by the lender:
 - A. at closing
 - B. within ten days of closing
 - C. as soon as practicable after closing
 - D. to the seller only

5. Of the following items, which would be least likely to appear on a closing statement as a debit to the buyer?
 - A. Interest on an assumed loan
 - B. Prorated taxes
 - C. Prorated insurance premiums
 - D. FHA discount points

6. Which of the following may not be prorated on a closing statement?
 - A. Delinquent interest on a non-secured loan
 - B. Property taxes
 - C. Insurance premiums
 - D. Mortgage interest

7. A deed, note, bond, or money held by a third party until certain conditions are satisfied is known as:
- A. escrow
 - B. surety
 - C. security
 - D. bailment
8. RESPA requires lenders to give which of the following to loan applicants?
- A. A good faith estimate of closing costs
 - B. A uniform disclosure statement
 - C. A mortgage insurance application
 - D. A bill of sale
9. RESPA's disclosure requirements apply to which of the following?
- A. An office complex
 - B. A new room added to a duplex
 - C. Undeveloped land
 - D. An initial lien on a 4-unit apartment building
10. Which of the following items is typically prorated in escrow?
- A. Documentary transfer tax
 - B. Rent
 - C. Structural pest control report and corrective work
 - D. Escrow fees
11. A house with an apartment above the garage is sold on March 5, with the closing scheduled for March 20. The apartment rents for \$600 a month, due on the first of the month. At the time of closing the rent is current. The escrow agent is using a 360-day year, and the parties agree that the seller receives rent for the day of closing. Which of the following statements about the prorated rent is correct?
- A. Buyer owes seller \$200
 - B. Buyer owes seller \$400
 - C. Seller owes buyer \$200
 - D. Seller owes buyer \$400
12. The buyer has deposited the purchase price in escrow. The escrow agent will release this money:
- A. to the buyer, if he asks for it back
 - B. to the seller when all conditions in the escrow instructions have been fulfilled
 - C. to the real estate agent, if the seller directs her to do so
 - D. to the seller, if the real estate agent directs her to do so
13. When an escrow agent is handling an escrow for both parties in a transaction, she is acting as an:
- A. advocate
 - B. independent contractor
 - C. employee
 - D. agent

14. A fourplex sold recently. Two of the units rented for \$850 a month, and the remaining two units rented for \$950 a month. The rents were paid at the first of the month. The transaction closed on the 20th of the month. How much would the seller owe the buyer in prorated rents at the time of closing? Base your calculations on a 30-day month.

- A. \$800
- B. \$1,100
- C. \$1,320
- D. \$2,400

15. In a sale of real property, the primary reason for using an escrow is to:

- A. ensure that the sale's conditions and terms are met before the transaction is closed
- B. provide a witness to the transaction
- C. keep proper records of the transaction
- D. settle any disputes that might arise between the parties