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Question: 1

A Good Faith Estimate is not issued until a complete application is received from a consumer. Which answer is NOT part of the list of information that qualifies as a received application?

A. Consumer's social security number
B. Consumer's assets
C. Address of the property
D. The mortgage loan amount sought

Answer: B

Explanation:
The consumer's assets are not an essential niece of the Good Faith Estimate. A Good Faith Estimate (Loan Estimate) must be provided to the consumer no later than three business days after the receipt of an application. An application is considered received when the consumer provides the following information: consumer's name, consumer's income, consumer's social security number to obtain a credit report, address of the property, estimate of the value of the property, and the mortgage loan amount sought.

Question: 2

Which type of loan is exempt from Real Estate Settlement Procedures Act (RESPA)?

A. A loan to finance a commercial warehouse
B. A reverse mortgage
C. A home equity line of credit
D. A mortgage to purchase a single-family home

Answer: A

Explanation:
Real Estate Settlement Procedures Act (RESPA) typically applies to any loan that is secured by a first or second lien on a residential property. The property may be one to four units, and the proceeds are used to purchase or pay off an existing lien. Temporary loans (such as a construction loan) and business loans do not fall in this category and are therefore exempt.

Question: 3

The initial escrow statement includes all of the following EXCEPT

A. the amount of the monthly mortgage payment.
B. the amount that is collected for homeowners association dues.
C. the portion of the monthly payment going into the escrow account.
D. the amount of reserves or cushion as determined by the loan servicer.

Answer: B

Explanation:
Homeowners association dues are not collected into the escrow account and are not a part of the monthly mortgage payment. The initial statement will have an itemization of the taxes, insurance, and mortgage insurance (if applicable) being placed into the escrow account. It will also have a schedule of anticipated disbursements for the next 12 months.

Question: 4

When is an adverse action notice required?

A. When an application is withdrawn
B. When a counteroffer is extended, and the offer is accepted
C. When a counteroffer is extended, and the offer is rejected
D. When there is a change in the terms of the mortgage

Answer: C

Explanation:
On a mortgage application an adverse action is a negative action reported to a consumer regarding the denial of the credit application. If a complete or incomplete application has an adverse action taken, a notice must be issued. If a counteroffer is issued and is rejected, a notice must be issued as well. Accepted counteroffers, withdrawn applications, and applications that do not involve credit do not require an adverse action notice to be issued.

Question: 5

Which factor can be considered when evaluating a loan application?

A. Immigration status
B. National origin
C. Pregnancy
D. Marital status

Answer: A

Explanation:
Because an individual's immigration status can affect his or her ability to repay a loan, immigration status can be considered when reviewing the application. Income and credit history also are factors in

determining whether to extend credit. A borrower's race, sex, religion, national origin, marital status, and childbearing should not be considered when evaluating an application.

Question: 6

Which income source cannot be considered in a loan review?

A. Educational military benefits
B. Part-time income
C. Alimony and child support
D. Annuity income

Answer: A

Explanation:
Educational military benefits will not continue after the borrower has finished his or her education and therefore cannot be considered a source of income. As long as an income source can be determined to be consistent and continue for a sufficient amount of time, it can be considered a source of income.

Question: 7

What type of property does a right of rescission apply to?

A. A second home
B. A nonowner-occupied duplex
C. A principal residence
D. A nonowner-occupied condominium

Answer: C

Explanation:
The right of rescission applies only to a refinance of a principal residence. This law is covered under the Truth and Lending Act. It allows a consumer to cancel a transaction within 3 days after a loan closing. It is applicable regardless if it the property has one to four units.

Question: 8

All of the following are an example of a finance charge EXCEPT

A. interest.
B. points.
C. a loan processing fee.
D. title insurance.

Answer: D

Explanation:
According to 12 CFR 1026-TRUTH-IN-I ENDING ACT (TILA-REG 7) the definition of a finance charge is "the cost of consumer credit as a dollar amount. It includes any charge Davable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit."

Question: 9

All of the following are required to be covered by HOEPA EXCEPT

A. refinances.
B. reverse mortgages.
C. closed-end home equity loans.
D. purchase money mortgages.

Answer: B

Explanation:
A majority of home mortgages is required to be covered by HOEPA. This includes owner-occupied, second home, and investment properties. HELOCS also require HOEPA coverage. Construction loans that finance the initial construction do not require coverage. Loans directly originated by the Housing Finance Agency and the US Department of Agriculture's 502 Direct Loan program do not require HOEPA coverage.

Question: 10

To avoid steering a customer to a loan product that may give higher compensation to a mortgage loan originator (MLO), an MLO must provide multiple loan options for a borrower to review. These loan options must include all of the following EXCEPT

A. the loan with the lowest interest rate.
B. the loan with the lowest amount of origination or discount points.
C. the loan with the shortest term.
D. the loan with the lowest interest rate that does not have a prepayment penalty interest-only payments, a negative amortization, or a balloon payment in the first 7 years of the loan.

Answer: C

Explanation:
Different terms of a loan amount do not need to be provided to a borrower unless the borrower requests them. Steering a borrower to a particular loan product for higher compensation is considered to be steering and is in violation of the Truth in Lending Act's regulation Z. Multiple rates with their associated origination or discount fees help a borrower make an informed decision when choosing a mortgage loan.