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Financial

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Examiner

QUESTION: 1
Many companies have developed an asset/liability management approach that is founded on understanding product liabilities. Mortgages meet the primary objective of maintaining:

A. A tight asset/liability match
B. A well-diversified core of investments
C. A tight asset/liability match with a well-diversified core of investments.
D. Real estate lending by insurance companies

Answer(s): C

QUESTION: 2
A –––––––––––––- is an amount of money, loaned at interest for a specified term, secured by real estate and by its improvements such as buildings and infrastructure. This form of instrument itself varies by jurisdiction, but the debt is always evidenced by an accompanying promissory note.

A. Mortgage Loan
B. Real estate lending
C. Conventional Commercial Loans
D. CMBS

Answer(s): A

QUESTION: 3
Prepayment of a conventional mortgage loan, prior to its specified maturity, is discouraged through the general market acceptance of significant prepayment penalties. Often these penalties are calculated so that when prevailing market interest rates are:

A. Lower than the rate on the loan being repaid the borrower has to make up the interest rate differential and the lender is essentially "made whole" for a potential loss of interest.
B. Greater than the rate on the loan being repaid the borrower has to make up the interest rate differential and the lender is essentially "made whole" for a potential loss of interest.
C. Equal to the rate on the loan being repaid the borrower has to make up the interest rate differential and the lender is essentially "made whole" for a potential loss of interest.
D. Lower than the rate of interest being paid to the borrower has to make up the interest rate differential and the lender is essentially "made whole" for a potential loss of interest.

Answer(s): A

QUESTION: 4
These are securities whose underlying assets consist of commercial mortgage loans. The commercial loans are pooled, which brings diversification and liquidity to the asset class.
What are these?

A. Conventional securities
B. CMBS
C. Subordinated securities
D. Securitization

Answer(s): B

QUESTION: 5
There are many different sources of CMBS. Conduits and aggregate pools generally consist of loans newly originated, purchased or held by investment bankers until the pool is large enough for an efficient execution. Government agencies such as the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corp.
(FHLMC) are important sources of:

A. Residential financing
B. B2B financing.
C. Commercial financing.
D. Mortgage loans

Answer(s): A

QUESTION: 6
———————————-- is a special variation on a second mortgage. In this form, the new lender assumes the original or first mortgage and has the responsibility of collecting all payments and remitting a portion of these payments to the first lender.

A. Conventional Residential Loan
B. FHA loan
C. Wrap-around loan
D. VA loan

Answer(s): C

QUESTION: 7
Generally, residential loans are open to prepayment at any time without penalty. To protect against a deficiency, mortgage loans should not exceed the market value of the mortgaged property and in fact are usually made for:

A. No more than 80 percent of the value
B. Not less than 80 percent of the value
C. No more than 90 percent of the value
D. Not less than 70 percent of the value

Answer(s): A

QUESTION: 8
Federal Housing Administration:

A. Agency does not make loans; it only insures them. For this protection, the borrower must pay an annual insurance premium to the FHA of 0.5 percent of the outstanding principal amount of the loan
B. Agency does not make loans; upon default, the lender has the option either of assigning the mortgage to the FHA and receiving cash and/or securities equal to the loan amount at the date of the default or of foreclosing on the mortgaged property
C. Establishes standards for property that cannot be insured and maximum terms, interest rates, and amounts for the insured loans
D. All of these

Answer(s): A, B