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Question: 1

A mortgage lender advertises "zero fees" for their loan products. However, upon closer inspection, borrowers find that certain fees are still charged but are rolled into the loan. Is this advertising statement permissible?

A.Yes, it is permissible as long as the fees are included in the loan amount.
B.No, it is impermissible, as it misrepresents the true cost of the loan.
C.Yes, it is permissible because borrowers have the option to pay the fees upfront.
D.No, it is impermissible unless borrowers specifically request fee details.

Answer: B

Explanation:
Advertising "zero fees" for loan products while still charging fees that are rolled into the loan is generally considered impermissible and misleading. Such advertising misrepresents the true cost of the loan to borrowers, as they may believe they are not incurring any fees when, in fact, they are paying them indirectly through the loan. This practice can be deceptive and may violate consumer protection regulations that require transparency in loan advertising.

Question: 2

Maria is looking to refinance her home, and she sees an online advertisement promising a remarkably low interest rate of 2.5% for a fixed-rate mortgage. However, when she contacts the lender, they inform her that the advertised rate is only available for a limited time and her actual rate will be substantially higher. What unethical practice does Maria experience with the lender?

A.Redlining
B.Bait-and-switch
C.Collusion with competitors
D.Discriminatory lending

Answer: B

Explanation:
"Bait-and-switch" is a deceptive marketing strategy where a business promotes an appealing offer to attract customers but later replaces it with a less favorable one when the customer shows interest.

Question: 3

Under what circumstances can a revised Loan Estimate be issued without violating accuracy tolerances?

A.If the borrower's credit score improves
B.If the property's appraised value increases
C.When there is a valid change in circumstances that affects settlement charges
D.Only at the borrower's request

Answer: C

Explanation:
A revised Loan Estimate can be issued without violating accuracy tolerances when there is a valid change in circumstances that affects settlement charges. Under TRID—the Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) Integrated Disclosure—rules, certain changes in circumstances, such as changes in the borrower's financial information or unexpected events affecting the transaction, may allow for the issuance of a revised Loan Estimate. This ensures that borrowers have accurate and up-to-date information about their loan terms and settlement charges.

Question: 4

In a loan secured by residential real estate, discrimination based on race, religion, gender, or other protected characteristics is prohibited by which federal law?

A.RESPA
B.Fair Housing Act
C.TILA
D.ECOA

Answer: D

Explanation:
According to the Equal Credit opportunity Act (ECOA), discrimination based on race, color, religion, national origin, sex, marital status, age, or whether the borrower receives income from public assistance programs is specifically prohibited in credit transactions. ECOA ensures that all applicants for credit are treated fairly and without discrimination in the lending process.

Question: 5

HUD plays a significant role in:

A.Enforcing community zoning laws
B.Advancing America's home demands
C.Homeownership taxation
D.Regulating telecommunications

Answer: B

Explanation:
The main role of the Department of Housing and Urban Development (HUD) is to address and promote affordable housing, community development, and urban revitalization. It manages various programs and initiatives aimed at improving housing conditions, assisting low-income individuals and families in accessing affordable housing, and supporting community development efforts. HUD also works to combat housing discrimination and promote fair housing practices.

Question: 6

What does the term "straw buyer" refer to?

A.A buyer who pays for a property in cash
B.A person used to impersonate the real buyer in a transaction
C.A buyer who qualifies fora mortgage based on their high income
D.Areal estate agent acting on behalf of a buyer

Answer: B

Explanation:
A "straw buyer" is an individual who assumes the identity of the rightful property purchaser while representing another person or group participating in the fraudulent scheme. This subterfuge is employed to secure a mortgage using deceptive means.

Question: 7

Purchase money second mortgages are primarily used for:

A.Home purchases when the buyer cannot secure a primary mortgage
B.Refinancing existing mortgages
C.Funding home improvements
D.Leveraging equity for investment purposes

Answer: A

Explanation:
Purchase money second mortgages are typically used in scenarios where the buyer is unable to secure a primary (first) mortgage that covers the entire purchase price of the home. When a buyer lacks the down payment or doesn't qualify for a full mortgage amount a second mortgage can be used to bridge the gap and facilitate the home purchase.

Question: 8

A mortgage company advertises loans with "no closing costs" but includes hidden fees that increase the overall loan amount. What term best characterizes this advertising practice?

A.Material misrepresentation
B.Occupancy fraud
C.Unfair, deceptive, or abusive advertising
D.Redlining

Answer: C

Explanation:
Advertising "no closing costs" but including hidden fees that increase the loan amount is a form of unfair, deceptive, and abusive advertising. It goes beyond mere misinformation. The practice is deceptive because it presents an incomplete and inaccurate picture to potential borrowers. It can lead borrowers to make decisions they might not have made if they had been fully informed about the true costs of the loan. This kind of advertising is considered unfair and potentially abusive because it can harm consumers by concealing crucial information and potentially trap them in unfavorable loan terms. Regulatory authorities often scrutinize and take action against such practices to protect consumers from deceptive advertising.

Question: 9

What government agency provides mortgage insurance for FHA loans?

A.Fannie Mae
B.Freddie Mac
C.HUD
D.VA

Answer: C

Explanation:
The US Department of Housing and Urban Development (HUD) offers mortgage insurance coverage for Federal Housing Administration (FHA) loans. These FHA loans are government-supported and assist individuals with limited down payment funds or lower credit scores in achieving homeownership. HUD administers and supervises the FHA program, extending insurance to lenders who originate FHA loans. This insurance serves as a safeguard for lenders in the event of borrower default.

Question: 10

What is the purpose of the Closing Disclosure form under TRID?

A.To summarize the borrower's credit history
B.To provide an estimate of the property's market value
C.To outline the final loan terms and closing costs

D.To detail the borrower's income and expenses

Answer: C

Explanation:
The primary purpose of the Closing Disclosure form under TRID is to outline the final loan terms and closing costs for borrowers before they proceed with closing on the mortgage. This disclosure provides borrowers with essential information, such as the interest rate, monthly payments, closing costs, and the total cash required for closing. It allows borrowers to review and understand the financial aspects of the loan transaction in detail and ensures transparency in the closing process.