Real Estate Finance & Investments 16th edition Brueggeman Test Bank

SKU: 9781259919688-TEST-BANK

Real Estate Finance & Investments, 16e **(Brueggeman)**
Chapter 2 Real Estate Financing: Notes and Mortgages

1) A mortgage is the same thing as a note.

Answer: FALSE
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

2) A non-recourse loan is one in which the borrower is personally liable for payment of all amounts due under the terms of the note.

Answer: FALSE
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

3) Prepayment of a loan without penalty is a right of all borrowers.

Answer: FALSE
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

4) A second mortgage is a junior lien mortgage that is sometimes used to bridge the gap between the price of a property and the sum of the first mortgage and down payment.

Answer: TRUE
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

5) A remainder cannot be mortgaged.

Answer: FALSE
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

6) A clause which specifies that the mortgagor will pay all property taxes and other charges assessed against the property, even if theses charges have priority over the mortgage is typically included in a mortgage.

Answer: TRUE
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

7) A clause which specifies that the mortgagee will obtain and maintain property insurance is typically included in a mortgage.

Answer: FALSE
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

8) Under lien theory, title and the right to possession pass from the mortgagor to the mortgagee when the mortgage is executed.

Answer: FALSE
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

9) A due on sale clause which specifies that the mortgage can accelerate the debt if the property is sold without the mortgagee's permission is a typical clause in a mortgage document.

Answer: TRUE
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

10) It is a federal law that a mortgage must be recorded to be valid.

Answer: FALSE
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

11) A mortgage default can result from failure to pay property taxes.

Answer: TRUE
Difficulty: 1 Easy
Topic: Default
Accessibility: Keyboard Navigation
Gradable: automatic

12) A technical default can result from failure to keep the property in repair.

Answer: TRUE
Difficulty: 2 Medium
Topic: Default
Accessibility: Keyboard Navigation
Gradable: automatic

13) When a purchaser takes a property "subject to" an existing mortgage, the purchaser becomes personally liable for repaying the debt.

Answer: FALSE
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

14) When a deed is given in lieu of foreclosure of the mortgage, the mortgagor no longer has an obligation to pay the mortgage note.

Answer: TRUE
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

15) Junior liens are eliminated by a voluntary conveyance of a property to the mortgagee.

Answer: FALSE
Difficulty: 1 Easy
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

16) If a property encumbered by a mortgage is sold at a foreclosure sale for an amount more than the value of the mortgage, the mortgagor is not obligated to pay the mortgagee the remaining balance.

Answer: FALSE
Difficulty: 1 Easy
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

17) A purchaser at a tax sale receives a deed to the property at the time of the sale in nearly all states.

Answer: FALSE
Difficulty: 1 Easy
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

18) The process of confirming a plan of reorganization under Chapter 11, even if one or more creditor classes dissent, is known as a "cramdown."

Answer: TRUE
Difficulty: 1 Easy
Topic: Bankruptcy
Accessibility: Keyboard Navigation
Gradable: automatic

19) If a debtor, under Chapter 7 bankruptcy, is not behind on his mortgage payments, he does not have the give up the property.

Answer: TRUE
Difficulty: 2 Medium
Topic: Bankruptcy
Accessibility: Keyboard Navigation
Gradable: automatic

20) Unless stated otherwise, the borrower is personally liable for payment of all amounts due under the terms of the note.

Answer: TRUE
Difficulty: 1 Easy
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

21) A short sale occurs when a buyer does not bring adequate funds to a mortgage closing.

Answer: FALSE
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

22) A loan in which the borrower arranges in advance with a mortgagee for a total amount that will be advanced, in stages, under the mortgage to meet the part of the costs of construction as it progresses:
A) Assumption
B) Non-recourse
C) Open-end
D) Subordination

Answer: C
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

23) A "short sale" of real estate is:
A) A sale that closes in less than 30 days
B) The sale of a house by someone who is not the owner; it is a way to profit from an anticipated decline in real estate prices
C) A sale in which the proceeds from the sale are less than the balance owed on the loan secured by the property sold
D) A sale in which the balance owed on the loan secured by the property sold is less than the proceeds from the sale

Answer: C
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

24) Which of the following situations is NOT a common cause for the use of a purchase-money mortgage?
A) The buyer cannot come up with the down payment needed to qualify for a mortgage
B) The seller wants to receive the gain from the sale in installments
C) Third-party mortgage financing is too expensive or unavailable
D) The seller desires to artificially raise the price of the property by receiving a higher-than-market interest rate

Answer: D
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

25) Which of the following is NOT a minimum mortgage requirement?
A) Description of the property
B) Covenant of warranty
C) Prepayment clause
D) Covenant of seizin

Answer: C
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

26) A mortgage is BEST defined as a legal document that:
A) Creates an obligation to repay a loan under specific terms
B) Names real estate as the security or collateral for the repayment of a loan
C) Defines a possessory interest in real estate
D) Conveys ownership of a property to its purchaser

Answer: B
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

27) Which of the following solutions is LEAST likely to be acceptable to a mortgagee when discussing alternatives to foreclosing a property?
A) Permanently extending the amortization period
B) Finding someone else to assume the mortgage
C) Providing a temporary grace period during which principal and interest are not paid
D) Permanently reducing the interest rate

Answer: D
Difficulty: 1 Easy
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

28) Which of the following terms refers to an owner's right to redeem a property after foreclosure?
A) Equity of redemption
B) Statutory redemption
C) Attachment
D) Execution

Answer: B
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

29) In jurisdictions where a deed of trust is used to finance real estate, there are three parties to the loan secured by the deed of trust. Which of the following is NOT one of those three parties?
A) Borrower
B) Trustee
C) Holder of the note
D) Grantor

Answer: D
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

30) A senior mortgage holder is owed a mortgage balance of $140,000 and brings a foreclosure suit which includes all junior claimants in the suit. If the senior mortgage holder purchases the property for $140,000 at the foreclosure sale, what happens to the claim of the junior claimants?
A) The liens of the junior claimants are unaffected and the debt is due upon sale
B) The liens of the junior claimants are extinguished, but the debt owed to the junior claimants is unaffected
C) The liens of the junior claimants and the debt owed to them are extinguished
D) The liens of the junior claimants are unaffected, but the debt owed to them is extinguished

Answer: B
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

31) A property is encumbered as follows:

First mortgage, A: $250,000

Second mortgage, B: $40,000

Third mortgage, C: $10,000

How much can mortgagee B pay for the property at a foreclosure sale without having to raise additional funds?
A) $290,000
B) $40,000
C) $300,000
D) $50,000

Answer: A
Difficulty: 3 Hard
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

32) Which of the following types of bankruptcy is filed with the end result of liquidating the debtor's assets?
A) Chapter 7
B) Chapter 11
C) Chapter 13
D) Chapter 17

Answer: A
Difficulty: 1 Easy
Topic: Bankruptcy
Accessibility: Keyboard Navigation
Gradable: automatic

33) Which of the following types of bankruptcy is available to a business to reorganize and rehabilitate the debtor?
A) Chapter 7
B) Chapter 11
C) Chapter 13
D) Chapter 17

Answer: B
Difficulty: 1 Easy
Topic: Bankruptcy
Accessibility: Keyboard Navigation
Gradable: automatic

34) A mortgage agreement provides the lender with _____ interests.
A) Unsecured
B) Secured
C) Nonpossessory
D) Possessory

Answer: B
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

35) What is usually executed at the same time as a mortgage and creates the obligation to repay the loan in accordance with its terms?
A) Recording acts
B) Ownership interests
C) Method of payment
D) Promissory note

Answer: D
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

36) Which of the following gives the lender the right or option to demand the loan balance owed if a default occurs.
A) Nonrecourse clause
B) Assignment clause
C) Acceleration clause
D) Default clause

Answer: C
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

37) Which of the following is NOT an alternative to foreclosure?
A) Restructuring the mortgage loan
B) Transfer of the mortgage to a new owner
C) Redemption
D) Prepackaged bankruptcy

Answer: C
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

38) Which of the following types of default LEAST often results in foreclosure?
A) Failure to fulfill financial obligation
B) Failure to pay taxes
C) Failure to pay insurance premiums when due
D) Failure to keep the security in repair

Answer: D
Difficulty: 2 Medium
Topic: Default
Accessibility: Keyboard Navigation
Gradable: automatic

39) Which of the following statements is FALSE regarding foreclosure?
A) In judicial foreclosure, property subject to attachment and execution is limited to the mortgaged property
B) If the sale of the mortgaged property realizes a price above the claims of the mortgage and expense of the sale, the balance goes to the mortgagor
C) Redemption can be accomplished by paying 95% of the debt, interest and costs due to mortgage
D) All of the above

Answer: B
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

40) When would seller financing NOT be used?
A) The seller desires to take advantage of the installment method of reporting the gain from sale
B) The buyer does not qualify for long term mortgage credit because of low down payment or difficulty meeting monthly payments
C) Third-party mortgage financing is less expensive or easily available
D) The seller desires to artificially raise the price of the property by offering a lower-than-market interest rate on the mortgage

Answer: C
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

41) A situation in which a borrower agrees to a court's jurisdiction and cooperates with the lender during litigation to resolve the situation:
A) Prepackaged bankruptcy
B) Judicial foreclosure
C) Friendly foreclosure
D) Voluntary conveyance

Answer: C
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

42) A transaction in which a borrower sells a property for less than the current balance of the loan and then provides all of the proceeds to the sale to the lender, typically in full satisfaction of the loan.
A) Prepackaged bankruptcy
B) Short sale
C) Judicial foreclosure
D) Friendly foreclosure

Answer: B
Difficulty: 2 Medium
Topic: Foreclosure
Accessibility: Keyboard Navigation
Gradable: automatic

43) What term BEST describes the borrower who is personally liable for a debt obligation related to the purchase of a home?
A) Mortgagor
B) Grantor
C) Mortgagee
D) Grantee

Answer: A
Difficulty: 1 Easy
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank

44) The term to describe a piece of tangible personal property that is affixed to a property, such that it may be considered part of the property?
A) Cramdown
B) Workout
C) Redemption
D) Chattel

Answer: D
Difficulty: 2 Medium
Topic: Mortgages
Accessibility: Keyboard Navigation
Gradable: automatic

45) Which of the following documents conveys title to a property at the time the purchaser completes the performance of the obligation called for in the document?
A) Junior mortgage
B) Package mortgage
C) Purchase-money mortgage
D) Land contract

Answer: D
Difficulty: 1 Easy
Topic: Land contracts
Accessibility: Keyboard Navigation
Gradable: automatic

Copyright 2019 © McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Real Estate Finance & Investments 16th edition Brueggeman Test Bank