

Unit 3: Mortgage Law, Policy Practice and Markets

- 1 . Clive's mortgage application, made in December 2004, is unregulated because it is a:
 - A bridging loan.
 - B debt consolidation.
 - C home improvement loan.
 - D second charge.

2. Which of the following is correct in relation to estate agents?
 - A Fees are usually higher when an estate agent has the sole agency.
 - B Fees are usually lower when an estate agent has the sole agency.
 - C They are not permitted to charge the vendor a fee if no sale is made.
 - D Where a multiple agency exists, the fee is shared equally between several estate agents.

3. In the property-buying process, what step may the vendor take if the purchaser withdraws after exchange of contracts?
 - A Insist that the purchase proceeds on the terms agreed.
 - B Insist that the purchaser's deposit is paid as compensation.
 - C Sue the purchaser for breach of contract.
 - D Sue the purchaser's solicitor for professional negligence.

4. New government proposals have been put forward to help speed up the house-buying process, including the introduction of a Home Information Pack. Which additional information will this pack need to contain in relation to leasehold properties?
 - A A draft contract.
 - B Building regulations and planning consent approvals.
 - C Details of the building insurance policy.
 - D Title documentation.

5. A survey report on Tony's house has recommended the involvement of a tree surgeon. What aspect of his property needs attention?
 - A Foundations.
 - B Gas supply.
 - C Ring mains.
 - D Roofing.

6. A mortgage advance has been provided in two stages six weeks apart. What factor triggered this approach?
 - A A borrower's poor credit rating.
 - B A retention recommended by the valuer.
 - C A town planning application that affects the property.
 - D A valuation that was lower than the agreed sale price.

7. A builder is planning to buy a terraced house, in cash, at a property auction. If this is due to take place on 15 June, by what latest date should he have the cash available for the deposit?

- A 15 June.
- B 22 June.
- C 29 June.
- D 15 July.

8. Hazel paid a £5,600 deposit following her successful bid at a property auction but due to an unexpected change in her circumstances she was unable to proceed with the purchase. How much of her deposit will normally be returned to her?

- A None of it.
- B Only £560.
- C Only £5,040.
- D All of it.

9. Which of the following is correct in relation to considering a mortgage request from a limited company?

- A A lender will often seek personal guarantees from the directors as additional security for the loan.
- B A loan cannot be made to the company itself because it is not legal entity.
- C Any mortgage will be held in the names of the directors.
- D The loan is made to the directors.

10. A person of unsound mind who requires housing funded by a mortgage:

- A is able to borrow in his or her own right.
- B must be represented by a person appointed by the Court of Protection.
- C needs to appoint an enduring power of attorney to another individual.
- D should appoint a specific power of attorney to another individual.

11. Sam bought a newly-constructed house with NHBC Buildmark scheme protection dating from June 2004. When is the insurance under the scheme due to expire?

- A 2006.
- B 2009.
- C 2011.
- D 2014.

12. When an estate agent provides bedroom dimensions for a property being marketed, what, if any, maximum margin for error is normally allowed as a result of the Property Misdescriptions Act 1991?

- A No margin for error is allowed.
- B 2% for length and 1 % for width.
- C 5% on all dimensions.
- D 10cm on all dimensions.

13. The principle of utmost good faith in respect of a contract to purchase a property requires:

- A both parties to the contract to be aged 18 or over.
- B the vendor to be legally able to sell the property.
- C the purchaser to be able to provide the required deposit.
- D the seller to answer honestly all questions about the property.

14. Nick is selling his house and using estate agent Jennifer, solicitor Mark and surveyor Howard. Under the principles of agency, who is deemed the principal in the transaction?

- A Howard.
- B Jennifer.
- C Mark.
- D Nick.

15. The Consumer Credit Act 1974 regulates:

- A certain loans over £25,000.
- B all loans under £25,000.
- C certain loans under £25,001.
- D all unsecured loans under £25,000.

16. The personal representative of an estate:

- A can borrow funds to administer the estate.
- B is appointed by a grant of probate.
- C is responsible for distributing the estate in accordance with the will.
- D is named in the deceased's will.

17. The Mortgage Conduct of Business rules ban 'unsolicited real-time promotions'. What does this cover?

- A Cold calling.
- B Direct mail.
- C Requests for referrals.
- D Off-the-page advertising.

18. What minimum percentage of a residential property must be used as a dwelling by a borrower if any loan secured against it by means of a first legal mortgage is to be regulated by the MCOB Rules?

- A 20%.
- B 25%.
- C 40%.
- D 50%.

19. Steven and Mary own a flat situated in a purpose built block comprising 12 identical properties. They are keen to purchase the freehold interest but for this to be possible, the Commonhold and Leasehold Reform Act 2002 requires that:

- A all other qualifying leaseholders in the block must be party to the transaction.
- B the entire block must be only for residential use.
- C the lease must have at least 21 years to run.
- D the lease must have originally been granted for a term exceeding 21 years.

20. From what date were mortgage advisers obliged to conform to the Mortgage Conduct of Business Rules?

- A 1 July 2004.
- B 1 August 2004.
- C 30 September 2004.
- D 31 October 2004.

21. Which of the following is true in relation to mortgage lending to housing associations?

- A A lender will grant a mortgage provided that the housing has been designed for individuals wishing to purchase a home.
- B Any partnership for a housing development must include the local authority.
- C Security is usually taken by the lender over the land being developed.
- D Usually there is only one lender involved in large housing developments such as inner city regeneration schemes.

22. Ellen has lived in her property since 1979 and has 32 years remaining on the lease. In relation to any rights she might have under the Leasehold Reform Act 2002, which of the following is correct? Ellen:

- A cannot extend the lease.
- B is able to convert the building and use it for commercial purposes.
- C may extend the lease indefinitely so that the property will always remain in the family.
- D will be able to purchase the freehold interest on the property.

23. Which of the following pieces of information in respect of a plot of registered land would be found in the proprietorship register?

- A The class of title.
- B The title number.
- C Any beneficial easement.
- D A plan of the land.

24. Gill made an offer of £85,000 to purchase a leasehold flat in a small purpose-built block but her mortgage application has been declined. Which of the following is the most likely reason for this?

- A The block was built more than 50 years ago.
- B The flat is in urgent need of internal redecoration.
- C The lease makes no provision for payment of ground rent.
- D The lease on the flat has 38 years to run.

25. Maria has three County Court Judgments against her in the last five years. Are lenders legally permitted to offer her a sub-prime mortgage?

- A Not under any circumstances.
- B Only up to a maximum of 214 x salary.
- C Only up to a maximum of £50,000.
- D Yes, with no specific limit.

Unit 4: Mortgage Applications

26. Marion is regarded as a non-UK resident because she has worked in France for several years. She expects to return to the UK permanently within the next two years but wishes to purchase a property in England now in readiness for her return. How might a lender deal with this situation?

- A Her application can only be accepted when she resumes UK residency.
- B If a loan is approved, it is likely to have specific conditions attached.
- C In the same way as a UK resident.
- D The loan might be considered but only if Marion can provide some substantial additional security.

27. A guarantee will be rendered invalid in which of the following circumstances?

- A If the guarantor can prove that he is not able to meet a substantial liability.
- B When undue influence or misrepresentation can be proven.
- C Where a borrower can show that a proposed new guarantor would be more suitable.
- D Where the term of a mortgage loan is to be extended.

28. When verifying the identity of a mortgage applicant, a lender has an obligation to adhere to regulations of the prevention of money laundering To which of the following does this obligation relate?

- A The Data Protection Act 1998.
- B The Financial Services & Markets Act 2000.
- C The Proceeds of Crime Act 2002.
- D The Mortgage Conduct of Business Rules.

29. In order to assess the underlying profitability and structure of a business, a lender will normally want to examine several items of financial information. Which one of the following will provide a clear picture of a company's assets at the end of its trading year?

- A The balance sheet.
- B The cash flow statement.
- C The profit and loss account.
- D The statement of drawings.

30. Lenders may contact the organisation Experian in order to ascertain details of a prospective borrower's:

- A credit record.
- B employment history.
- C marital status.
- D property ownership.

31. Kevin is 40 years of age and is arranging a 25-year repayment mortgage. He expects to retire at age 60. What specific matter needs to be considered by Kevin's mortgage advisor?

- A Whether income protection insurance cover can continue until the end of the mortgage term.
- B What level of income Kevin is likely to have in retirement.
- C Whether a personal pension plan would be preferable to mortgage protection insurance.
- D The extent to which the monthly payment will be reduced if the term is extended.

32. Which of the following statements is correct in relation to a lender supplying a reference concerning a borrower's mortgage account?

- A Any information that is given must first be checked for accuracy by the borrower.
- B The borrower has a right to see any information provided.
- C No information can be provided without the prior consent of the borrower.
- D Only adverse information requires the borrower's consent prior to disclosure.

33. Bronwen has applied for a second mortgage and has given her consent for a questionnaire in respect of her existing mortgage to be completed by her lender. Which of the following statements is correct?

- A If the questionnaire is completed, a copy must be sent to Bronwen for her approval.
- B The first mortgagee is not obliged to complete the questionnaire but may charge a fee if it does.
- C The questionnaire must be completed, for which a fee can be charged.
- D There is a legal obligation on the part of the first mortgagee to complete and return the questionnaire within 14 days.

34. Polly, a mortgage adviser, has recommended a product to Sean that carries early repayment penalties. In order to confirm that this product matches his immediate needs, as well as those for the longer term, as a priority she should:

- A compare the product to one without such conditions.
- B emphasise the longer term advantages.
- C question his understanding of the implications.
- D refer him to the key features document.

35. Alan and Sandra are having difficulty in meeting the monthly payments on their endowment mortgage as Alan has been unemployed for six months. He starts a new job next week. Which of the following courses of action that can be offered by the lender would be the most suitable?

- A Extend the term of the mortgage to reduce the monthly payment.
- B Pay the arrears over an agreed period.
- C Surrender the endowment policy.
- D Waive the capital element of each monthly payment for a specified period.

36. Which tactic, if either, successfully undertaken during a house sale transaction, could directly result in the perpetrator being in breach of consumer law?

- A Both gazumping and gazundering.
- B Gazumping only.
- C Gazundering only.
- D Neither gazumping nor gazundering.

37. As a result of Tim's mortgage application, his lender has recommended to Helen that she seeks independent legal advice. This is because she:

- A is to be a guarantor for him.
- B plans to rent a room in his house.
- C runs a business in partnership with him.
- D will receive ground rent from him.

38. Which of the following is true in relation to a collateral deposit?

- A It can be any form of additional security that is deposited by an individual other than the borrower.
- B It can be used to cover any increases in mortgage repayments that occur when interest rates rise.
- C It may enable a higher advance to be made.
- D It usually takes the form of money deposited with the lender, who then freezes the funds until the debt is repaid.

39. Which of the following statements is correct in respect of an endowment policy?

- A It is unlikely to have a surrender value during the first five years.
- B It can be assigned to a mortgage lender, but the policyholder retains ownership.
- C It can be deposited with a mortgage lender, thereby giving the lender an equitable right.
- D If deposited with a mortgage lender, the lender has a legal right to its proceeds.

40. Jo bought a house for £287,000 in August 2005. How much stamp duty land tax did she pay?

- A £2,270.
- B £2,870.
- C £8,610.
- D £11,480.

41. Andrew and Fiona are purchasing a property priced at £350,000. How will the stamp duty on this transaction be calculated?

- A 1% on £60,000 plus
- B 3% on the balance.
- C 4% on the full purchase price.
- D Nil on £60,000 plus 1% on the balance.

42. Which one of the following would you least expect to find in a mortgage deed?
- A Acknowledgement that the loan has been received.
 - B Details of estate agent's fees.
 - C Details of interest payments to be made.
 - D Description of the property.
43. When Shirley started her endowment mortgage she was asked to pay a fee for a defective title indemnity policy. A successful claim under this policy would be paid to:
- A Shirley herself.
 - B Shirley's endowment provider.
 - C Shirley's lender.
 - D Shirley's solicitor.
44. A lender discovers that a borrower has allowed the property insurance on his mortgaged property to lapse. What steps will the lender normally take when that happens?
- A Allow the borrower a short period, typically three months, in which to reinstate the cover.
 - B Call in the mortgage because the terms and conditions have been breached.
 - C Pay the premium and charge it to the mortgage account.
 - D Switch cover to the lender's block policy scheme and pay the premium out of reserves.
45. Felicity wants to purchase a flat for which she requires a mortgage. The flat has a tenant who holds a tenancy agreement with the vendor. This means that Felicity is likely to:
- A be forced to take over the agreement.
 - B be turned down by most lenders.
 - C only be eligible for a commercial mortgage.
 - D pay a premium price for the flat.
46. An offer of advance:
- A constitutes a legal contract.
 - B is binding on the lender but not the applicant.
 - C can be withdrawn by the lender.
 - D is binding on the applicant but not the lender.
47. Which of the following is correct in relation to the contents of a basic valuation report on a property?
- A It will give the lender's opinion on whether the purchase price is reasonable.
 - B The report will confirm that the property has been surveyed thoroughly.
 - C The stated market value of the property will always equate to its insurance value.
 - D Valuations for both mortgage and insurance purposes will be shown.

48. Which of the following is true in respect of a full building survey on a property?
- A A full building survey must be carried out if the property is more than two years old.
 - B Any defects are likely to be discovered and the borrower has recourse against the surveyor in the event that he fails to identify and report them.
 - C It guarantees full settlement of any insurance claims arising from any subsequent discoveries of serious defects.
 - D The commissioning of such a survey is always the responsibility of the vendor prior to putting the property on the market.
49. Many alterations to a property require planning consent from a local authority. Which one of the following changes does not require such consent?
- A Adding a two-room extension.
 - B Changing the use of the building.
 - C Installation of central heating.
 - D Relocating a kitchen.
50. Ian and Sandie have seen a plot of land on which they would like to build their own property with the help of a builder friend. Which of the following matters would be of least immediate concern to any lender with whom Ian and Sandie discuss the possibility of being granted a mortgage?
- A The anticipated total cost of construction.
 - B The proposed method of construction.
 - C Whether funds would be required to complete the purchase of the land.
 - D Whether the land is freehold or leasehold.
51. Which of the following statements in respect of a 20-year capital repayment mortgage is correct?
- A Monthly payments decrease as the capital element decreases over the term.
 - B The capital element will not reduce during the first five years of the mortgage term.
 - C The interest element of the monthly payment gradually reduces throughout the mortgage term.
 - D The interest element of the monthly payment remains constant throughout the term.
52. Pauline is taking out an interest-only mortgage, to minimise her monthly payments while she completes her accountancy qualification, but she is fairly risk-averse. What available option is likely to suit her once she has passed her exams?
- A Fund maxi-ISAs to repay the capital.
 - B Maintain the loan on a fixed interest basis.
 - C Rely on savings from her increased earnings.
 - D Transfer to a capital-repayment mortgage.
53. Which of the following would be regarded as a benefit of using a full with-profits endowment policy as the repayment vehicle for an interest-only mortgage?
- A All bonuses are guaranteed to be paid.
 - B The basic sum assured is less than the mortgage, resulting in cheaper premiums.
 - C The death benefit increases each year in line with the Retail Price Index.
 - D The mortgage is guaranteed to be repaid in full on maturity.

54. Tony and Anna have an interest-only mortgage with a low-cost with-profits endowment policy as the repayment vehicle. Which of the following statements in respect of the policy is correct?

- A Annual reversionary bonuses and a final terminal bonus may be added to the basic sum assured but these are not guaranteed.
- B Annual reversionary bonuses and a terminal bonus may be added to the guaranteed death benefit but these are not guaranteed.
- C Annual reversionary bonuses may be added to the guaranteed death benefit but these are not guaranteed.
- D Annual reversionary bonuses will be added to the basic sum assured and these are guaranteed.

55. Which of the following would provide a borrower with a high degree of certainty that the loan will be repaid in full by the end of the mortgage term, together with a cheap form of life assurance?

- A A capital repayment mortgage with decreasing term assurance.
- B A full with-profits endowment policy.
- C A low-start low-cost endowment policy.
- D An interest-only mortgage with level term assurance.

56. Which of the following could be considered as an advantage of a Base Rate tracker mortgage over a standard variable rate mortgage, both offered by the same lender?

- A The interest rate charged is likely to be lower.
- B An early repayment charge is unlikely to apply.
- C An arrangement fee is unlikely to be payable.
- D The interest rate charged will not exceed a pre-determined level.

57. Which of following statements is correct in respect of a five-year fixed rate mortgage offered by Eastern Bank?

- A The rate charged will be lower than the Bank's standard variable rate.
- B It cannot be redeemed during the five-year fixed rate period.
- C The Bank is likely to charge an arrangement fee.
- D The rate charged will be higher than the Bank's standard variable rate.

58. Which of the following products is an example of a low-start mortgage?

- A Capped rate.
- B Deferred interest.
- C Discounted rate.
- D Equity share.

59. Aggie is mortgaging her property using a lifetime mortgage. Will the loan be regulated by the Financial Services Authority?

- A No, irrespective of her age.
- B Only if she is over the age of 65.
- C Only if she is under the age of 75.
- D Yes, irrespective of her age.

60. Which of the following statements in respect of a low-start mortgage is correct?
- A Additional forms of security are usually required.
 - B The borrower may be allowed to select an initial rate of interest within certain limits.
 - C The outstanding debt at the end of the low-start period will always be more than the original loan.
 - D They are available on an interest-only basis for the initial period.
61. Nigel has taken out a new mortgage that requires him to pay monthly rent as well as mortgage payments. What type of mortgage does he have?
- A Deferred interest.
 - B Equity share.
 - C LIBOR.
 - D Shared ownership.
62. Apart from the need to budget, what other key factor can influence the attractiveness of a fixed rate mortgage compared to a variable rate mortgage?
- A A desire to avoid early repayment charges.
 - B A desire to keep the mortgage term as short as possible.
 - C The borrower's state of health.
 - D The borrower's view of future interest rate changes.
63. A commercial mortgage is best described as a mortgage where:
- A the associated repayment vehicle is paid for with company funds.
 - B the borrower is a corporate entity.
 - C the lender makes a loan to a group of borrowers.
 - D the security for the loan is non-residential property.
64. Jennie's equity release scheme is arranged using a home income plan. If she takes advantage of the scheme's mortgage interest 'roll-up' facility, what are the implications?
- A Her interest payments will gradually decrease year-on-year.
 - B Her interest payments will gradually increase year-on-year.
 - C It increases the debt which needs to be repaid on death.
 - D It prevents the existence of a negative equity situation.
65. Shirley and Doug have started a deferred interest mortgage with a three-year deferred period. If the standard variable rate increases during this period and they do not switch mortgage products, after three years they will:
- A owe an increased capital amount and will pay a higher interest rate.
 - B owe an increased capital amount unless they agree to increase the interest payable.
 - C pay a higher interest rate but may exercise the mortgage term extension option.
 - D pay a higher interest rate but their capital outstanding will have reduced.

66. In which of the following transactions is the lender least likely to use the applicant's income from employment in determining how much to lend?

- A Brian, who is purchasing a property on a shared ownership basis.
- B Emma, who is purchasing a property with a buy-to-let mortgage.
- C Dean, who is purchasing his flat from his landlord, the local authority.
- D Lisa, who is purchasing a small house with an equity share mortgage.

67. Georgina pays a lower rate of interest on part of her mortgage than on the remainder because she has:

- A a deferred interest mortgage.
- B a home income plan.
- C an equity share mortgage.
- D a shared ownership mortgage.

68. What is the maximum percentage of the value of a personal pension plan that can be used to repay a mortgage?

- A 15%.
- B 20%.
- C 25%.
- D 30%.

69. Foreign currency mortgages have declined in popularity in recent years because:

- A the gap between UK interest rates and those charged in other countries has narrowed.
- B most former European currencies have been replaced by the Euro.
- C the risks associated with exchange rate fluctuations have increased.
- D the choice of suitable foreign currencies is now more restricted.

70. Which of the following statements is correct in respect of Sharia-compliant mortgages?

- A Under the Ijara method, the lender purchases the property and immediately sells it to the applicant.
- B The Murabaha method involves the payment of rent to the lender.
- C Under the Murabaha method, the property is purchased by the lender and sold to the applicant at a higher price.
- D Only the Ijara method involves the payment of interest to the lender.

71. David is considering arranging which type of investment product to repay his interest-only mortgage and to give him a guarantee that his loan will be repaid in full either on death or at the end of the mortgage term?

- A Full with-profits endowment policy.
- B Low-cost endowment policy.
- C Unitised whole-of-life policy.
- D Universal whole-of-life policy.

72. Which of the following statements is true in relation to permanent health insurance and critical illness cover?
- A Critical illness cover provides a taxable lump sum on diagnosis of a prescribed illness.
 - B Premiums on a critical illness policy qualify for tax relief if the policyholder has attained the state retirement age.
 - C There is no limit to the level of benefit that can be arranged under a permanent health insurance plan.
 - D There is no limit to the number of claims that can be made on a permanent health insurance policy, provided premiums are paid up-to-date.
73. Most buildings insurance policies provide cover for damage caused by:
- A falling trees to fences and hedges.
 - B corrosion to a heating system.
 - C subsidence and landslip.
 - D theft whilst the property is unoccupied.
74. Which of the following statements is correct in respect of critical illness insurance?
- A Benefit is taxable and paid monthly.
 - B Benefit is usually payable for a maximum of two years.
 - C Premiums may qualify for tax relief.
 - D Benefit is paid as a tax-free lump sum.
75. The MIG (Mortgage Indemnity Guarantee) policy in respect of Colin's mortgage contains the maximum excess permitted. If a claim is made under this policy for a gross amount of £10,000, what will be paid out?
- A £7,500.
 - B £8,000.
 - C £8,500.
 - D £9,000.
76. A home reversion scheme:
- A involves the creation of a mortgage.
 - B is not regulated by the Financial Services Authority.
 - C provides funds that must be used to purchase an annuity.
 - D allows the applicant to retain full ownership of his property.
77. Which of the following statements in respect of a home income plan is correct?
- A It is not regulated by the Financial Services Authority.
 - B The funds raised must be used to purchase an annuity.
 - C Interest on the loan may be allowed to roll up.
 - D All interest charged qualifies for tax relief.
78. A deed of postponement might be necessary when:
- A an existing mortgage is to be redeemed and replaced with a new charge.
 - B arrears on a mortgage account are to be capitalised.
 - C a second party is to be added to a mortgage.
 - D the order of priority of charges against a property is to be changed.

79. Penelope wishes to remortgage in order to raise finance to repay her credit card debts. Of which particular issue should she be made aware if she follows this route?

- A It is likely that her credit rating will be severely affected.
- B It is likely that the overall costs will be higher.
- C She will be charged an interest rate above the standard variable rate.
- D The loan will be regulated under the Consumer Credit Act.

80. A second mortgagee:

- A normally charges a higher rate of interest than the first mortgage.
- B is not entitled to a share of the proceeds of sale if the first mortgagee sells in possession.
- C must charge the same rate of interest as that charged by the first mortgage.
- D cannot register a charge without the consent of the first mortgagee.

81. In which of the following circumstances would open bridging finance be appropriate?

- A For John, who has exchanged contracts on the sale of part of the land adjoining his property.
- B For Louise, who wishes to purchase a property before a buyer has been found for her existing property.
- C For Mark, who has exchanged contracts on the sale of his property but wishes to complete his purchase before his sale.
- D For Mary, who wishes to purchase a plot of land on which she wants to build her own home.

82. What specific feature of a mortgage can avoid the need for 'tacking'?

- A Daily calculation of interest.
- B Drawdown facility.
- C Early repayment charge.
- D Fixed rate of interest.

83. Katie's lender has obtained her general consent to transfer her mortgage to a new lender but her specific consent is also required because:

- A Katie has other accounts with her existing lender.
- B Katie has recently cleared two months' mortgage arrears.
- C the loan exceeds £100,000.
- D the new lender has sole control over setting the interest rate.

84. A higher lending charge depends on the:

- A applicant's credit status.
- B loan-to-value ratio.
- C method of repayment.
- D need for a personal guarantor.

85. Paul wishes to make a part redemption payment on his mortgage. Which of the following statements is correct?

- A The lender may stipulate a minimum qualifying amount.
- B A higher lending charge must not be applied.
- C If the payment is made, Paul must reduce his monthly payment.
- D If the payment is made, the existing mortgage term must be maintained.

86. Which one of the following is correct in relation to the death of a borrower?

- A Any cheques that were written by the borrower before death can be negotiated.
- B Any cheques that were written by the borrower must be countersigned by the executors before they can be negotiated.
- C If the mortgage is held in joint names, the survivor becomes responsible for the monthly repayments.
- D If the mortgage is held in one name only, it must be redeemed from the proceeds of the estate.

87. Jack has an interest-only mortgage linked to an endowment policy. He wishes to make a part-redemption payment. In these circumstances, which of the following statements is correct?

- A Since Jack has an interest-only mortgage it would not make sense for the lender to allow a part-redemption.
- B Jack's lender may specify a minimum amount that they will accept as a part-redemption payment and treat small amounts as an early monthly repayment.
- C The lender will only agree to this with the authorisation of the insurance company who arranged the endowment policy.
- D The lender will reduce the term of the mortgage and ask Jack to arrange for his endowment policy to mature sooner.

88. Where a remortgage is arranged as part of a debt consolidation programme, it is likely that the additional debt absorbed will be repaid:

- A over a longer period of time.
- B over a shorter period of time.
- C using an endowment as the repayment vehicle.
- D using an ISA as the repayment vehicle.

89. Amy is planning to remortgage her property to consolidate a number of unsecured debts. This will:

- A mean that overall, she will pay a higher rate of interest.
- B increase the total amount of interest payable on the consolidated debts.
- C require an appropriate form of additional security to be arranged.
- D mean that the mortgage will not be regulated by the FSA.

90. Brian and Sarah are considering building an extension to their terraced house. To avoid the need for planning consent, what is the maximum size of the extension that will be allowed?

- A 15% of the area of the original property, or 75 cubic metres, whichever is the greater.
- B 115 cubic metres.
- C 10% of the area of the original property, or 50 cubic metres, whichever is the greater.
- D 100 cubic metres.

91. Why might a drawdown facility be required when consolidating debt under a remortgage package?

- A The client is resistant to the idea of an early repayment charge.
- B The client may need further funds at a later date.
- C The debt is to be consolidated on an unsecured basis.
- D The debt is to be repaid over a short period of time.

92. Simon's mortgage was completed in October 2001 and his claim for Income Support to cover his mortgage interest has been accepted. His full entitlement will be paid from week:

- A 8.
- B 18.
- C 27.
- D 40.

93. The Mortgage Conduct of Business Rules require a lender to make a record of its dealings with a borrower whose regulated mortgage account is in arrears. For how long must this record be retained?

- A One year from the date on which the arrears were cleared.
- B One year from the date the account first fell into arrears.
- C Five years from the date an initial arrangement to clear the arrears was made.
- D Five years from the date on which the arrears were cleared.

94. Andy's mortgage account has recently gone into arrears. His first missed payment was on 1 July. His lender became aware of the missed payment on 3 July. When is the latest date by which the lender must write to warn Andy of the situation?

- A 10 July.
- B 13 July.
- C 15 July.
- D 18 July.

95. Advice given by the Citizens Advice Bureau to a borrower who is having difficulty in making his mortgage payments is:

- A free to the borrower but not to the lender.
- B subject to a charge which the borrower can reclaim from the lender.
- C subject to a charge to the borrower which can be added to the mortgage account.
- D completely free of charge to both the borrower and the lender.

96. A borrower with a low-cost endowment mortgage is in financial difficulties and considering surrendering his policy and switching to a repayment mortgage. One of the disadvantages of this approach is that:

- A an early repayment charge will be payable.
- B replacement life cover must be arranged.
- C the mortgage term must be extended.
- D there will be repayment shortfall at the end of the mortgage term.

97. A successful claim under a mortgage indemnity guarantee policy in connection with an endowment mortgage will grant a right of subrogation to:

- A the borrower.
- B the endowment provider.
- C the insurer.
- D the lender.

98. John's regulated mortgage is in arrears. To comply with the Mortgage Conduct of Business Rules, how frequently must the lender provide him with a written statement detailing the arrears, payments due and charges incurred?

- A Monthly.
- B At least once a quarter.
- C Half-yearly.
- D At least once every 40 days.

99. What is the normal period after which a lender can take possession of a property, following the granting by a court of an outright possession order?

- A 14 days.
- B 28 days.
- C One month.
- D Three months.

100. Pauline's current mortgage was taken out 12 years ago. She has lost her job and cannot make the repayments. How soon could her claim for Income Support Mortgage Interest start to be paid?

- A After eight weeks.
- B After 18 weeks.
- C After 26 weeks.
- D After 39 weeks.

Answers

Qu	Ans	Text ref
1	D	Unit 3; 2. 2.1
2	B	Unit 3; 3. 1.5
3	C	Unit 3; 3.2.2
4	C	Unit 3; 3. 1.7
5	A	Unit 3; 3. 3
6	B	Unit 3; 3.3.2
7	A	Unit 3; 3. 1.4
8	A	Unit 3; 3. 1.4
9	A	Unit 3; 1.1.2.3
10	B	Unit 3; 1.1.2.9.2
11	D	Unit 3; 3. 4
12	D	Unit 3; 3.1. 6
13	D	Unit 3; 1.1.1.1
14	D	Unit 3; 1.1.1.2
15	C	Unit 3; 1.1.3
16	A	Unit 3; 1.1.2.5
17	A	Unit 3; 4.4
18	C	Unit 3; 2.2.1
19	D	Unit 3; 2.2.6.3
20	D	Unit 3; 4.2
21	C	Unit 3; 1.1.2.8.1
22	D	Unit 3; 2. 2.6. 3
23	A	Unit 3; 2.2. 8.5.1
24	D	Unit 3; 2.2.6.3
25	D	Unit 3; 4.3.7
26	B	Unit 4; 2.1.1.1.1
27	B	Unit 4; 4. 1.1

28	C	Unit 4; 2.1.1.1
29	A	Unit 4; 2.1.2.1
30	A	Unit 4;2.1.5.1
31	B	Unit 4; 1.5
32	B	Unit 4; 2.1.3.1
33	B	Unit 6; 3.1. 8
34	C	Unit 4; 1.3
35	B	Unit 4; 1.6
36	D	Unit 4; 3. 1.2
37	A	Unit 4; 4. 1.1
38	D	Unit 4; 4.2.1 .2
39	C	Unit 4; 4.2. 1.1
40	C	Unit 4; 4. 2.2.2
41	B	Unit 4; 4.2.2.2
42	B	Unit 4; 5.2.2
43	C	Unit 4; 5. 1.1
44	C	Unit 4; 5. 2. 2
45	B	Unit 4; 3. 1.3,9
46	C	Unit 4; 5.1
47	D	Unit 4; 3. 1.1,1
48	B	Unit 4; 3. 1.1, 3
49	C	Unit 4; 3.2
50	D	Unit 4; 5.2.1.1
Qu	Ans	Text ref
51	C	Unit 5; 1.1
52	D	Unit 5; 1.2
53	D	Unit 5; 1.3.1
54	A	Unit 5; 1.3.1
55	A	Unit 5; 3.2.1

56	A	Unit 5; 2. 1.5
57	C	Unit 5; 2.1 .2
58	B	Unit 5; 2. 1.7
59	D	Unit 5; 2.4
60	D	Unit 5; 2. 1.7
61	D	Unit 5; 2.3.2
62	D	Unit 5:2.1.2
63	D	Unit 5; 2.4. 3
64	C	Unit 5: 2. 3. 5
65	A	Unit 5; 2. 1.7
66	B	Unit 5; 2.3.4
67	C	Unit 5; 2.3.1
68	C	Unit 5; 1.3.6
69	A	Unit 5; 2. 1.9
70	C	Unit 5: 2. 1.10
71	A	Unit 5; 1.3.1
72	D	Unit 5: 3.3. 3
73	C	Unit 5: 3. 1.2
74	D	Unit 5. 3.3.4
75	B	Unit 5. 3.3.6
76	B	Unit 6 3 3
77	C	Unit 6 3 2
78	D	Unit 6 1 1 6 3
79	B	Unit 6 1 1 7 1
80	A	Unit 6 3 1 8
81	B	Unit 6 3 1 13
82	B	Unit 6 1 16 3
83	D	Unit 6 3 1 9
84	B	Unit 6 1 1 6.5

85	A	Unit 6. 3 1.5
86	C	Unit 6 3 1.11
87	B	Unit 6. 3.1.5
88	A	Unit 6; 1.1.7.1
89	B	Unit 6; 1.1.7.1
90	C	Unit 6; 1.1.6.6
91	B	Unit 6; 1.1.6. 10
92	D	Unit 6; 2. 1.2.1
93	A	MCOB 13.6
94	D	Unit 6; 2.1
95	D	Unit 6; 2. 1.3
96	B	Unit 6; 2. 1.1. 7
97	C	Unit 6; 2.2.5
98	B	MCOB Rules:13.9
99	B	Unit 6; 2.2.1
100	A	Unit 6; 2.1.2.1