

Unit 3: Mortgage Law, Policy Practice and Markets

1. Which of the following is true of a legal mortgage?
 - A Borrowers are not entitled to surplus money if the lender sells the property.
 - B Borrowers who fail to make a payment on time lose their right to redeem a mortgage.
 - C It is defined as using a property as security for money borrowed.
 - D It is usually effected nowadays as a mortgage by demise.

2. Which of the following is correct in relation to the role of estate agents?
 - A Their charges are usually on a flat-fee basis or a percentage of the purchase price.
 - B There are no restrictions on giving advice to both the buyer and the seller.
 - C They act as agents to both the buyer and the seller.
 - D They must always accompany prospective purchasers during the viewing of a property.

3. Which of the following statements is true in relation to a buyer withdrawing from a house purchase transaction the day before exchange of contracts?
 - A Because of the lateness of the withdrawal, the vendor is entitled to retain the deposit paid.
 - B Because the vendor had accepted the offer to buy in good faith, he may sue for breach of contract.
 - C The potential buyer is entitled to withdraw and has no liability for expenses or other costs.
 - D The vendor is entitled to claim all reasonable expenses incurred to date.

4. In the proposed Home Information Pack for property sales, what information will be supplied for a leasehold property but not for a freehold property?
 - A Buildings insurance details.
 - B Draft contract.
 - C Local authority searches.
 - D Title documents.

5. Which of the following statements is correct in respect of the NHBC Buildmark Scheme?
 - A Protection is provided against defects arising from the builder's failure to meet NHBC standards for a period of ten years.
 - B The scheme is designed to provide protection, but no warranty.
 - C Protection is provided for damage costing more than £500 to remedy where this has been caused by defects in the building's structure.
 - D All claims are submitted directly to the NHBC who then liaises with builders on behalf of claimants.

6. A survey report has included an 'undertaking' requiring alterations to the property. When, normally, must this work be carried out?
 - A At any point during the mortgage term.
 - B Between exchange of contracts and completion.
 - C Within a maximum of two weeks prior to exchange of contracts.
 - D Within a specified number of months following completion.

7. William has sold his property by private treaty. This means that:
- A a solicitor was not used for the conveyancing.
 - B the buyer did not require a mortgage.
 - C the property was not advertised in the press.
 - D the property was not sold at auction.
8. Len has successfully bid £82,000 for a house at a property auction. How much would he be expected to pay as a deposit?
- A £4,100.
 - B £8,200.
 - C £16,400.
 - D £20,500.
9. James has been offered a mortgage at an interest rate that is rather higher than most lenders' standard variable rates. What might be the reason for this?
- A His adverse credit history.
 - B The high percentage advance required.
 - C The serious illness from which he suffered last year.
 - D His intention to use one of the property's rooms as an office.
10. Which one of the following is true in relation to lending to limited companies?
- A If the lender is a building society, up to 75% of commercial assets can be held in loans secured on land.
 - B Loans to limited companies represent potentially higher margins and lower risk.
 - C The security offered must be a commercial property.
 - D To establish whether a company is legally entitled to borrow, a lender should examine the memorandum and articles of association.
11. Andrew wishes to make a claim under his Buildmark guarantee for a defect in his property. To whom should he initially submit his claim?
- A His local authority.
 - B National House Building Council.
 - C The builder.
 - D Zurich Mutual Insurance Company.
12. A property being marketed by an estate agent has a leaking roof and blocked gutters. Under the Property Misdescriptions Act 1991, which of the problems, if either, must be specifically disclosed in the agent's details?
- A Blocked gutters only.
 - B Leaking roof only.
 - C Both.
 - D Neither.

13. Ray and Barbara are selling their house but wish to take the garden shed and gazebo to their new property. Which of the following statements is correct?

- A The items can be removed but only if this was stated in the sales particulars.
- B The items can be removed if the intention to do so was specifically included in the contract for sale.
- C The items can be removed without giving any reason or stated intention.
- D The items form part of the land being sold and cannot be removed.

14. Under the principle of agency, what is meant by 'ratification'?

- A The appointment by an individual of an agent to act on his behalf.
- B Agreement by a principal where his agent has acted outside his authority.
- C Agreement by an individual to act on behalf of another.
- D The appointment by an individual of a principal to act on his behalf.

15. Under the Consumer Credit Act 1974, which of the following would be deemed to be an unregulated personal loan?

- A A personal loan of £10,000 for a new kitchen.
- B An unsecured loan of £10,000 for a dream holiday.
- C A personal loan of £15,000 to purchase a new car.
- D A secured loan of £28,000 to set up a new business.

16. Letters of administration are required when:

- A a party to a tenancy in common dies,
- B a deceased person has not left a valid will.
- C a party to a joint tenancy dies.
- D a sole borrower dies.

17. The FSA regulation of mortgage sales only covers mortgages where the proportion of the land occupied or intended to be occupied by the borrower or related person, is a minimum of:

- A 10%.
- B 25%.
- C 40%.
- D 50%.

18. Advice was given on a repayment mortgage on 15 July 2004 and the mortgage commenced on 10 August 2004. How is the administration of the mortgage treated under the Mortgage Conduct of Business Rules?

- A It is deemed to be semi-regulated.
- B It is fully regulated.
- C The regulations do not apply at all.
- D The transitional regulations apply.

19. The Mortgage Conduct of Business Rules apply to:

- A most second mortgages.
- B all first mortgages.
- C some corporate mortgages.
- D certain residential mortgages.

20. Which of the following is true in relation to institutions operating in the mortgage market?
- A Building societies are legally restricted to lending on residential property.
 - B Building societies must devote a minimum of 80% of their total lending activities to residential mortgages.
 - C Specialised mortgage houses are limited companies funded mainly from the wholesale market.
 - D Specialised mortgage houses operate on a decentralised basis.
21. In relation to the mortgage market, 'securitisation' is:
- A buying mortgages as security for loans.
 - B issuing securities backed by mortgage assets.
 - C obtaining securities from other lenders.
 - D the separation of processing applications and the administration of accounts.
22. Which of the following would not be an obligation of a freeholder?
- A To adhere to local authority planning legislation.
 - B To maintain boundaries.
 - C To observe any restrictive covenants.
 - D To pay ground rent.
23. When a lease on a property expires:
- A a new lease must be arranged immediately.
 - B the land and property revert to the freeholder.
 - C the leaseholder is left with the reversionary interest.
 - D the property must be sold.
24. In relation to registered land, 'qualified title' means that:
- A clear title is established.
 - B some or all of the deeds are lost.
 - C the land is leasehold.
 - D there is some defect in the title.
25. In relation to registered land, a search of the Charges Register can be used to:
- A identify any mortgagee's rights.
 - B confirm the owner's entitlement to sell.
 - C confirm the ownership of boundaries.
 - D verify the class of the title.

Unit 3: Mortgage Applications

26. Money laundering regulations are prescribed by the:

- A Consumer Credit Act 1974.
- B Criminal Justice Act 1993.
- C Financial Services and Markets Act 2000.
- D Data Protection Act 1998.

27. In which of the following circumstances would a mortgage lender be most likely to agree to release a personal guarantor from his agreement?

- A If it is proven that he no longer has the means to guarantee payments.
- B If the guarantor can prove that he did not receive independent legal advice.
- C If the lender is satisfied that the guarantee is no longer required.
- D If the mortgage is nearing the end of its term.

28. Which of the following requests by borrowers cannot be refused by the lender under any circumstances?

- A Clare, who wants her friend Rachel to move into her property and take a part-share in the mortgage.
- B James, who wants his 17-year-old daughter to live with him in the mortgaged property on the death of his estranged wife.
- C Neil, who wants to sell a small piece of land that makes up the mortgaged property.
- D Peter, who wants to extend the term of his interest-only mortgage

29. Which of the following would be least likely to be included in an employed person's income for income multiple calculation purposes?

- A Maintenance payments from a former spouse.
- B Monthly income from a trust fund.
- C Regular overtime.
- D Value of taxable benefits in kind from an employer.

30. For what principal reason would a mortgage lender collect the details of all the likely occupants of a property that a consumer is intending to purchase?

- A Because in case of default the property will be difficult to sell if it has sitting tenants.
- B Because the number of dependants might affect ability to repay.
- C To ensure that an overriding interest is not created.
- D To establish that the property will be used only for residential purposes.

31. Ben is completing a mortgage application form and notices that he must disclose that he is subject to an individual voluntary arrangement (IVA). How might this affect his application?

- A He is legally prevented from borrowing unless the appointed insolvency practitioner agrees.
- B He is legally prevented from borrowing until the IVA has expired.
- C He will need to obtain agreement from all his creditors before he can take out a mortgage.
- D The lender might consider granting a mortgage but he may be regarded as a poor risk.

32. When considering a suitable term for a capital-and-interest mortgage, what guiding principle should the mortgage adviser adopt?
- A The longest appropriate term should usually be recommended.
 - B The shortest appropriate term should usually be recommended.
 - C Where possible, the term should always run until after the borrower's intended retirement age.
 - D Where possible, the term should always run until the borrower's state pension age.
33. Which of the following figures would a lender normally use in determining the borrowing capacity of a self-employed mortgage applicant?
- A Net profit.
 - B Personal drawings.
 - C Gross profit.
 - D Net turnover.
34. Marion, a self-employed consultant, has applied for a remortgage. Which one of the following is her new lender least likely to ask to see?
- A A self-assessment tax calculation.
 - B Existing mortgage account statements.
 - C Her most recent P60.
 - D Several recent profit and loss accounts.
35. In recommending a suitable mortgage product an adviser should take account of:
- A affordability.
 - B the age and condition of the property.
 - C the applicant's future borrowing needs.
 - D whether income can be confirmed.
36. Sharon and Dave have been unable to meet their mortgage payments since Dave was made redundant three months ago. Dave starts a new job next week at almost the same salary as his previous job. Which of the following options is the lender most likely to offer to help Sharon and Dave remedy the arrears situation?
- A Capitalisation of the arrears with an increase in the monthly payment.
 - B Extension of the term of the mortgage.
 - C An arrangement to clear the arrears over a specific period.
 - D Suspension of payment of capital for a specific period.
37. Alex is selling his property and hoping to purchase a new one. However, his estate agent has warned him of the danger of being 'gazumped'. This would happen if:
- A his buyer withdraws from the purchase after signing contracts.
 - B the owner of the property he wishes to purchase accepts a higher offer from another party.
 - C his buyer offers a lower price than had been agreed originally.
 - D the owner of the property he wishes to purchase withdraws from the sale.

38. Which of the following can be classed as a surety?
- A Dennis, who has assigned his endowment policy to his mortgage lender.
 - B Kevin, whose shares worth £80,000 are being used as security for a further advance on his mortgage.
 - C Pamela, who has made a collateral deposit of £50,000 to support her guarantee for Holly's mortgage loan.
 - D Warren, who has just made a MIG payment while completing the purchase of his first home.
39. Daisy is planning to use a low-cost endowment policy as the repayment vehicle for her interest-only mortgage. The lender can ensure that the policy's proceeds on maturity are applied to the mortgage account by:
- A insisting that Daisy provides a written undertaking to apply the proceeds as required by the lender.
 - B insisting that the policy is deposited with the title deeds.
 - C taking an assignment of the policy.
 - D taking a written guarantee from the endowment provider.
40. How would stamp duty be calculated on a £535,000 house purchase made in July 2004?
- A Nil on the first £60,000, 3% on £190,000 and the remainder at 4%.
 - B 3% on the first £250,000 and the remainder at 4%.
 - C 3% on the total purchase price.
 - D 4% on the total purchase price.
41. Which of the following statements in respect of Stamp Duty is correct?
- A It is payable by all purchasers of residential property.
 - B Properties priced at £120,000 or under are exempt.
 - C It is charged at 1% only on those properties priced between £120,001 and £350,000 inclusive.
 - D It is not payable on properties priced under £100,000.
42. Cyril has incurred various charges in conjunction with his recent house purchase and mortgage application. Which one was in respect of services after completion?
- A Bankruptcy search.
 - B Environmental search.
 - C Land Registry fee.
 - D Title indemnity fee.
43. Apart from the cover provided, what other key advantage is likely to be obtained by the use of a title insurance policy?
- A A reduced risk of successful gazundering.
 - B A reduction in the amount of legal work needed.
 - C The removal of any need for a higher lending charge.
 - D The need to comply with certain restrictive covenants is eliminated.

44. Which of the following statements is correct in respect of a leasehold property?
- A A lender would always insist that the term of the lease extends beyond the agreed redemption date of any mortgage granted.
 - B Any ground rent is paid by the freeholder to the leaseholder.
 - C Its value is likely to increase substantially as the expiry date of the lease approaches.
 - D The leaseholder is automatically entitled to purchase the freehold interest.
45. Which one of the following is true in relation to a Home Buyer's Report?
- A Although it is fairly limited in scope, it is likely that serious defects will be identified.
 - B It is limited in scope and designed to assess the adequacy of the security for mortgage purposes and to highlight necessary repairs.
 - C Most lenders and applicants consider the cost of such a report to be prohibitive.
 - D The report must always include an energy efficiency rating.
46. Duncan is buying a Victorian house with the aid of a mortgage from Greenhill Bank and has commissioned a full structural survey from a reputable local firm. Why might the bank also require him to pay for a separate valuation report from their own, in-house valuer?
- A Because of a low loan-to-value ratio.
 - B Because of the age of the property.
 - C Duncan's surveyor is not known to the bank.
 - D It generates more profits for the bank.
47. Where a negligence case brought by a borrower against a valuer conducting a basic valuation is successful, this is usually on one of two grounds. Either the disclaimer is insufficiently prominent or:
- A the borrower was deemed inexperienced.
 - B the lender failed to offer a choice of valuers.
 - C the mortgage term was very short.
 - D the property was considered unusual.
48. Which of the following is true in relation to local authority and town planning consents?
- A Consent is never required if an owner wishes to repaint their house in a different colour.
 - B Internal modifications to private residential properties do not require planning permission.
 - C It is possible for a local authority to overrule building regulation requirements.
 - D Under town planning regulations, changes cannot be made to listed buildings.
49. Kerry and Dominic wish to buy a small plot of land and build their own property with the help of Kerry's brother, Matthew. Which of the following would be of most concern to a lender agreeing to a mortgage application from Kelly and Dominic?
- A Carrying out intermediate and final inspections.
 - B That they are intending to construct the house in brick.
 - C The timescale for completion.
 - D Whether Matthew is registered with the NHBC.

50. A sub-prime mortgage is most likely to be suitable for which one of the following potential borrowers?

- A Alan, who wants a loan to buy his council house at discount.
- B Angela, who wants to top up her existing mortgage using some of the equity available on her property.
- C Neil, who is self-employed but is having difficulty proving his income.
- D Nicola, who would like an interest-only mortgage despite being in poor health.

Unit 5: Mortgage Payment Methods and Products

51. Annie took out a mortgage three years ago and has noticed that her outstanding balance has increased each year despite making all her mortgage payments on time. Why might this be?

- A Her fixed rate deal has ended.
- B Her mortgage is on an annual rest basis.
- C She has a deferred interest mortgage.
- D She took a cashback deal.

52. Which of the following is an advantage to a lender of block buildings insurance cover?

- A All types of commercial properties are automatically covered.
- B Any property is covered, regardless of its method of construction.
- C Cover is provided if the insured is absent from the property for long periods of time.
- D Premiums are debited to the mortgage account, ensuring continuous cover.

53. Under a 30-year capital and interest mortgage, assuming interest rates remain unchanged, which one of the following statements regarding the monthly payments is true?

- A The capital element in year five is greater than the interest element in year five.
- B The capital element in year ten is greater than the capital element in year 11.
- C The interest element in year 15 is more than the interest element in year 16.
- D The interest element in year 28 is the same as the interest element in year 29.

54. Which of the following might be considered as a disadvantage of an interest-only mortgage?

- A The interest rate charged is usually higher than for a repayment mortgage.
- B The mortgage cannot be arranged on a monthly or daily rest basis.
- C The mortgage term cannot be longer than that of any repayment vehicle.
- D The outstanding capital remains constant throughout the mortgage term.

55. Which of the following pieces of information given to Janis by a mortgage adviser concerning an interest-only mortgage is correct?

- A Extending the term will result in a reduced payment.
- B Overall, it will always be more expensive than a capital-and-interest mortgage.
- C The amount outstanding remains constant throughout the term.
- D The loan is guaranteed to be repaid at the end of the term.

56. Abigail and Jonathan have a low-cost endowment mortgage and have recently been advised that the maturity value of their policy is unlikely to fully repay their loan. Which of the following is least likely to be offered by their lender as a solution?

- A Convert part of their mortgage from interest-only to capital-repayment basis.
- B Convert the whole loan to capital-repayment basis.
- C Extend the term of the mortgage and the low-cost endowment policy.
- D Increase the premiums on their low-cost endowment policy.

57. Your customer, Jean, takes out a 25-year capital-and-interest repayment mortgage for £60,000 on an annual rest basis and the interest rate for the first 12 months stays constant at 4.75%. If the monthly repayments are calculated at the rate of £57.70 per £10,000 borrowed, how much capital will she repay in the first year?

- A £1,304.40.
- B £1,325.50.
- C £1,405.
- D £1,410.70.

58. An advantage of a LIBOR mortgage is that:

- A the borrower knows that the interest rate charged will not exceed a predetermined level.
- B the interest rate charged will always be less than the lender's standard variable rate.
- C the borrower is protected against arbitrary interest rate increases imposed by the lender.
- D the interest rate charged is reviewed annually to reflect changes in the Bank of England Base Rate.

59. Nicky pays an arrangement fee of £150 when applying for a five-year fixed rate mortgage. Which one of the following statements is true?

- A The fee is not usually refundable if the application is subsequently cancelled.
- B A minimum of 80% of the fee is refunded at the end of the mortgage term.
- C 90% of the fee is usually refundable if the application is subsequently cancelled.
- D The entire fee is refunded at the end of the mortgage term.

60. Shirley and Theresa each borrowed £60,000 from the Monroe Building Society. They both took advantage of the same cashback deal but Shirley received considerably less than Theresa. Why was this the case?

- A Shirley provided a larger deposit than Theresa.
- B Shirley was a first-time buyer, whereas Theresa was buying her second property.
- C Theresa provided a larger deposit than Shirley.
- D Theresa purchased a new property, whereas Shirley's was 50 years old.

61. Ben is about to start an equity release scheme that will result in him having to pay regular mortgage interest payments to a lender on a £40,000 loan. How much tax relief, if any, will he be entitled to on these payments?

- A None.
- B 10% on the first £30,000 only.
- C 10% on the full £40,000.
- D 22% on the first £30,000 only.

62. Sally has started a stepped-discount mortgage. What are the implications of the step, assuming no change in the standard variable rate?
- A Her monthly payments will decrease year by year.
 - B Her monthly payments will increase year by year.
 - C She will receive a bonus payment on completion of the discounted period.
 - D The discount will be further enhanced if she remains with the lender after the initial discounted period.
63. How did the taxation treatment of equity ISAs change in April 2004?
- A Capital gains tax became payable on any gain made on disposal.
 - B The tax deducted at source on dividends was increased from 10% to 20%.
 - C All capital gains tax liability on gains made on disposal was removed.
 - D Fund managers could no longer reclaim the 10% tax deducted at source on dividends.
64. A lender has secured a tranche of funds allowing it to offer mortgages at the fixed rate of 4.5% for three years. Having lent all this money, it secures a further tranche two months later. How will the fixed rate for mortgages funded by the second tranche compare with the first?
- A It will be identical.
 - B It will be higher.
 - C It will be lower.
 - D It may be higher or lower.
65. What is the maximum percentage of a building society's commercial assets that can be held in the form of secured loans to limited companies?
- A 10%.
 - B 20%.
 - C 25%.
 - D 50%.
66. Where an equity release scheme is set up for joint borrowers using a home income plan, what normally happens on the first death?
- A A lump sum is paid to the surviving borrower and the house is not sold.
 - B Income continues to the surviving borrower and the house is not sold.
 - C The house is sold and the income ceases.
 - D The house is sold and the income continues.
67. Which of the following features must be incorporated in a flexible mortgage?
- A Interest calculated on a daily basis.
 - B An offset facility.
 - C The provision of a chequebook.
 - D A drawdown facility.
68. To qualify for the Right to Buy, the prospective purchaser must have been a secure tenant for a minimum of:
- A one year.
 - B two years.
 - C three years.
 - D five years.

69. Which of the following statements about a personal pension plan is correct?
- A A maximum of 20% of the fund value can be taken as a tax-free lump sum on retirement.
 - B At retirement the pension provides an income, free of income tax under current legislation.
 - C Full tax relief can be claimed on contributions to the plan.
 - D The lump sum and pension benefit can be taken at any time provided contributions have been made for at least ten years.
70. Which of the following statements is correct in respect of the Ijara version of a Sharia-compliant mortgage?
- A The lender purchases the property and immediately sells it to the client.
 - B The monthly payment made by the client includes an element of rent.
 - C The lender retains ownership of the property until 50% of the loan has been repaid.
 - D The loan is interest-free and no profit is made by the lender.
71. Molly and Fred have chosen to protect their capital repayment mortgage with a joint life level term assurance policy rather than with the usual decreasing term policy. What advantage will this give?
- A An option to convert the policy to endowment basis at a later date.
 - B A terminal bonus payable on first death or on maturity.
 - C A surplus to the surviving borrower on first death.
 - D A reduced premium during the initial term of the policy.
72. Matthew has been given various pieces of information regarding critical illness insurance. Which of the following is correct?
- A Monthly benefit under a critical illness plan is limited to 60% of the policyholder's pre-disability monthly income.
 - B Premiums on a critical illness plan attract tax relief at the policyholder's highest marginal rate.
 - C The lump sum benefit received under critical illness insurance is free from all UK taxes.
 - D The monthly benefit received from a critical illness policy is taxed as income.
73. The index-linking of property insurance policies helps to ensure that:
- A any increases in premiums are kept to a minimum.
 - B payment of insurance premiums does not lapse.
 - C the level of insurance cover continues to be adequate.
 - D the standard of cover provided remains satisfactory.
74. When Adam started his decreasing term assurance plan to protect his mortgage, what factor made the waiver of premium option particularly attractive?
- A He chose a discounted rate mortgage.
 - B He is wholly self-employed.
 - C His mortgage repayment vehicle is an equity ISA.
 - D He is single with no dependants.

75. Amy is planning to purchase a property priced at £110,000 with the help of a mortgage for £85,000. The lender's valuer has valued the property at £105,000. If the lender requires a higher lending charge if the loan-to-value ratio exceeds 75%, on what proportion of the loan will the higher lending charge be calculated?

- A None.
- B £2,500.
- C £4,500.
- D £6,250.

Unit 6 : Mortgage Arrears and Post-completion Issues

76. One of the main reasons why borrowers seek to remortgage is to reduce the:

- A term of their mortgage.
- B interest rate payable.
- C amount they owe.
- D possibility of a higher lending charge.

77. When a lender offers a further advance to a borrower, a new valuation of the property is normally required. The lender will wish to consider this new value in relation to:

- A the amount of the further advance.
- B the new total debt
- C the original valuation.
- D the original loan.

78. Which of the following statements in respect of a home reversion scheme is correct?

- A Tax relief can be claimed on the capital and interest payments.
- B Tax relief can be claimed on the interest payments only.
- C The borrower sells part or all of the property to the scheme provider.
- D The whole loan must be used to purchase a purchased life annuity.

79. Which of the following statements in respect of a home income plan is correct?

- A The borrower sells the property to the lender and becomes a tenant for life.
- B The interest can be added to the outstanding balance and paid in full on the borrower's death.
- C The lender takes an equity stake in the property.
- D The whole loan must be used to buy a purchased life annuity.

80. A mortgage deed that obliges the lender to make further advances:

- A means that borrowers can only apply to their original lender for an advance.
- B means that the further advances will take priority over other lenders' charges.
- C will require a subsequent mortgagee to execute a deed of postponement.
- D will result in other lenders being unable to take a charge over the property.

81. Norman has taken out a second mortgage with Orchard Bank plc following his endowment mortgage with the Loyal Building Society. Who will hold the title deeds of the property?
- A Loyal Building Society.
 - B Norman's solicitor.
 - C Orchard Bank plc.
 - D The endowment provider.
82. Which of the following statements in relation to bridging finance is true?
- A Closed bridging finance carries greater risk than open bridging finance.
 - B Closed bridging finance is likely to be less expensive than open bridging finance.
 - C Open bridging finance is no more risky than closed bridging finance.
 - D Open bridging finance is only appropriate if a client has exchanged contracts on his existing property.
83. Lee's £16,000 mortgage with the Southwest Building Society is classed as a puisne mortgage. What does this indicate?
- A The loan has been subject to a remortgage.
 - B The loan was arranged on a self-certified basis.
 - C The society do not hold the property deeds.
 - D The society is not regulated by the FSMA 2000.
84. The Glade Mortgage Company is planning to sell part of its mortgage portfolio. Why might they do this?
- A To adjust the composition of the mortgage portfolio shown on the balance sheet.
 - B To increase the liquidity ratio to meet the guidelines issued by the Financial Services Authority.
 - C To reduce the number of accounts in default to meet the Council of Mortgage Lenders regulations.
 - D To reduce the number of accounts in default to meet the Financial Services Authority regulations.
85. Peter has decided to consolidate some small unsecured debts by remortgaging his property with another lender. Which of the following will the new lender be likely to require?
- A A valuation of the property.
 - B Confirmation that the unsecured loans are regulated.
 - C Details of any higher lending charge levied by the existing lender.
 - D The purpose of each of the unsecured loans.
86. Katherine wishes to convert her capital repayment mortgage to an interest-only mortgage. Which of the following statements is correct? Her lender:
- A can refuse the request only if there are arrears outstanding on the loan.
 - B can refuse the request unless Katherine provides details of how she will pay off the loan.
 - C is not obliged to agree.
 - D must accede to Katherine's request whatever the circumstances.

87. Which of the following is true in relation to a transfer of equity?
- A It can take place only once during the lifetime of a mortgage contract.
 - B Most requests for a transfer of equity are originated by the mortgage lender.
 - C The final decision on whether a transfer of equity will occur rests with the borrower.
 - D It involves the removal of an existing borrower from, or the addition of a new borrower to, a mortgage contract.
88. The interest rate on Angela's capital repayment mortgage has not changed but her monthly payment has been reduced. What might be the reason for this?
- A She has a deferred interest mortgage.
 - B She has an equity share mortgage.
 - C She has made a part-redemption payment.
 - D She has rearranged her mortgage over a shorter term.
89. What is the main disadvantage of consolidating unsecured debts through a remortgage?
- A The lender will charge a higher rate of interest.
 - B An early repayment charge will be levied.
 - C The total amount of interest payable on the consolidated loans will increase.
 - D A higher lending charge will be levied.
90. Grade 3 listed buildings are those of:
- A exceptional interest.
 - B particular importance.
 - C particular interest.
 - D special interest.
91. The priority of two legal mortgages on the same property is determined by:
- A their date of completion.
 - B the size of the loan.
 - C the type of mortgage deed used.
 - D their date of registration.
92. A deed of postponement may be necessary when:
- A a lender agrees a further advance for a borrower.
 - B a new party is to be added to a mortgage contract.
 - C an existing borrower is to be removed from a mortgage contract.
 - D arrears are to be capitalised.
93. Stuart has an interest-only mortgage supported by a low-cost with-profits endowment policy. As a result of being unemployed the account is now three months in arrears. If Stuart is about to start a new job, which of the following options would be most appropriate?
- A An increase in monthly payment for an agreed period, subject to affordability.
 - B A temporary extension of the mortgage term.
 - C A suspension of the repayment of capital for an agreed period.
 - D Capitalisation of the arrears.

94. Clive's mortgage account has just fallen into arrears. The letter which his lender is obliged to send to him must include:

- A a warning that his property may be taken into possession.
- B a list of the payments that have been missed.
- C the offer of the services of a debt counsellor.
- D details of the service offered by Citizens Advice Bureaux.

95. Which of the following legal remedies available to mortgage lenders is often used when there is an income from the property?

- A Foreclosure.
- B Sue on the borrower's personal covenant.
- C Sue for possession.
- D Appointment of a receiver.

96. A lender can surrender an endowment policy that a borrower is using as a repayment vehicle only if the:

- A borrower gives consent.
- B policy has been deposited with the lender.
- C policy has been assigned to the lender.
- D borrower is up-to-date with premiums.

97. Lenny's property has been taken into possession and sold by his lender at a price of £18,000 less than the outstanding mortgage debt. If the lender claimed on a mortgage indemnity insurance and received £10,000 in full settlement, which of the following statements is correct?

- A The insurer can sue Lenny for the recovery of £8,000 only.
- B The lender can sue Lenny for the recovery of £8,000.
- C The insurer and the lender can jointly sue Lenny for the recovery of £10,000 only.
- D The insurer can sue Lenny for the recovery of £18,000.

98. When lenders bring borrowers to court as the result of mortgage arrears, what is usually the main concern of the courts?

- A To bring the matter to as speedy a conclusion as possible.
- B To protect the rights of the lenders as stated in the mortgage deed.
- C To safeguard the welfare of the borrowers and their families.
- D To uphold the terms of the Law of Property Act 1925.

99. Joanne's property has recently been taken into possession by her mortgage lender. What are the implications for Joanne?

- A If the lender sells the property for more than the original loan taken out by Joanne, then any difference between the original purchase price and the sale price must be immediately passed to Joanne.
- B Joanne can only stop the lender selling the property by clearing the outstanding arrears.
- C Joanne can reclaim her property by redeeming her loan in full before the property is sold.
- D The lender must delay the sale of the property until the sale price covers Joanne's original loan.

100. Ian has been unemployed since he was made redundant last month and he has made a claim for Income Support to cover his mortgage interest payments. His low-cost endowment mortgage was completed in October 1996. Which of the following statements is correct in respect of his entitlement to Income Support?

- A Benefit covering his full entitlement up to 100% of the mortgage interest will be payable from the 40th week after the date of his claim.
- B Benefit covering all his mortgage interest will be payable from the ninth week after the date of his claim.
- C No benefit will be payable for the first eight weeks following the claim, with 50% of the mortgage interest being covered from the ninth week.
- D No benefit will be payable in respect of his endowment premiums and any further advances included in the current outstanding balance.

Qu	Ans	Text ref
1	C	Unit 3; 2.2.1
2	A	Unit 3; 3.1. 5
3	C	Unit 3; 3.2.2
4	A	Unit 3; 3.1.7
5	C	Unit 3; 3.4
6	D	Unit 3; 3.3.1
7	D	Unit 3; 3.1.3
8	B	Unit 3; 3.1. 4
9	A	Unit 3; 4.3.7
10	D	Unit 3; 1.1.2.3
11	C	Unit 3; 3.4
12	D	Unit 3; 3.1.6
13	B	Unit 3; 3.2.2
14	B	Unit 3; 1.1.1.2
15	D	Unit 3; 1.1.3
16	B	Unit 3 ; 1.1.2.5
17	C	Unit 3; 2.1
18	C	Unit 3; 2.1
19	D	Unit 3; 2.1
20	C	Unit 3; 4.3.3
21	B	Unit 3; 4.5.1
22	D	Unit 3; 2.2.6.1
23	B	Unit 3; 2.2.6.2
24	D	Unit 3; 2.2.8.5.1
25	A	Unit 3; 2.2. 8.5.1
26	B	Unit 4; 2.1. 1.1
27	C	Unit 4; 4.1.1
28	B	Unit 4;2.1. 1.1.2

29	D	Unit 4; 2. 1.2
30	C	Unit 4; 2.1. 1.1.2
31	D	Unit 4; 2.1. 5.4.1
32	B	Unit 4; 1.3
33	A	Unit 4; 2. 1.2.1
34	C	Unit 4; 2. 1.2.1
35	A	Unit 4; 1.3
36	C	Unit 4; 1.6
37	B	Unit 4; 3.1.2
38	C	Unit 4; 4.2. 1.2
39	C	Unit 4; 4.2.1.1
40	D	Unit 4; 4.2.2.2
41	B	Unit 4; 4.2.2.2
42	C	Unit 4; 4.2.2. 1.4
43	B	Unit 4; 5. 1.1
44	A	Unit 4; 3. 1.3.1
45	A	Unit 4; 3. 1.1.2
46	C	Unit 4; 3.1. 1.3
47	A	Unit 4; 3. 1.1.1
48	C	Unit 4; 3.2
49	A	Unit 4; 5.2.1.1
50	C	Unit 4; 2. 1.7
Qu	Ans	Text ref
51	C	Unit 5; 2. 1.7
52	D	Unit 5; 3. 1.4
53	C	Unit 5; 1.1
54	D	Unit 5; 1.2
55	C	Unit 5 1.2
56	C	Unit 5; 1.3.4

57	A	Unit 5; 1.1
58	C	Unit 5; 2. 1.6
59	A	Unit 5; 2. 1.2
60	C	Unit 5; 2. 1.11
61	A	Unit 5; 2.3.5
62	A	Unit 5; 2.1.3
63	D	Unit 5 ; 1.3.5
64	D	Unit 5; 2.1.2
65	C	Unit 5; 2.4.2
66	B	Unit 5; 2.3.5
67	A	Unit 5; 2.1.8
68	B	Unit 5; 2.3.3
69	C	Unit 5; 1.3.6
70	B	Unit 5; 2.1. 10
71	C	Unit 5; 3.2.2
72	C	Unit 5; 3.3.4
73	C	Unit 5; 3.1
74	B	Unit 5; 3.3.5
75	D	Unit 5; 3.3.6
76	B	Unit 6; 1.1.7.1
77	B	Unit 6; 1.1.4.2
78	C	Unit 6; 3.3
79	B	Unit 6; 3.2
80	B	Unit 6; 1.1.6.3
81	A	Unit 6; 1.1.6.2
82	B	Unit 6; 3.1. 13
83	C	Unit 6; 1.1.6.2
84	A	Unit 6; 3.1.9
85	A	Unit 6; 1.1.7

86	C	Unit 6; 2. 1.1.4
87	D	Unit 6; 3. 1.3
88	C	Unit 6; 3.1. 5
89	C	Unit 6; 1.1.7.1
90	D	Unit 6; 1.1.6.7
91	D	Unit 6; 1.1.6.3
92	A	Unit 6; 1.1.6.3
93	A	Unit 6; 2.1. 1.2
94	B	Unit 6; 2. 1.1.1
95	D	Unit 6; 2.2.1.1
96	C	Unit 6; 2.1. 1.7
97	B	Unit 6; 2.2. 5
98	C	Unit 6; 2.2
99	C	Unit 6; 2.2
100	A	Unit 6; 2.1.2.1