

Unit 3: Mortgage Law, Policy Practice and Markets

1. Which of the following is **true** of a legal mortgage?
 - A A borrower has no legal entitlement to repay his loan early.
 - B A legal mortgage gives the lender less effective legal rights in comparison to an equitable mortgage.
 - C If possession proceedings have commenced, the borrower loses his right to redeem the loan.
 - D It must be created by means of a legal change.

2. Which of the following statements in respect of the role of the estate agent is **true**?
 - A An estate agent is not permitted to charge a fee if a sale is not completed.
 - B Many estate agents charge more commission if they are the sole agent.
 - C The estate agent acts as an agent of the vendor and the purchaser.
 - D The estate agent acts as an agent of the vendor but not the purchaser.

3. A purchaser wishing to withdraw from a house purchase transaction should do so before:
 - A appointing a solicitor.
 - B exchange of contracts.
 - C investigation of title.
 - D Land Registry searches.

4. New government proposals have been put forward to help speed up the house-buying process. Which of the following does **not** feature in these proposals?
 - A A seller's pack is to be prepared before placing a property on the market.
 - B Home-buyers are to be encouraged to obtain 'in principle' mortgage offers.
 - C Improved service targets are to be established for local authorities and lenders.
 - D The level of commission paid to estate agents is to be standardised.

5. A survey on Peter's house has identified heave. This may have been caused by:
 - A encroaching tree roots.
 - B high concentration of radon gas.
 - C mining beneath the land.
 - D overhead electric power lines.

6. Rick plans to buy a house at a property auction, purchased in part by a mortgage. By when, at the **latest**, should the mortgage normally be agreed?
 - A A minimum of 28 days prior to the auction.
 - B Immediately prior to the auction.
 - C A maximum of seven days after the auction.
 - D The date of completion.

7. A house is sold at a property auction on 10 April. When will contracts normally be exchanged on this transaction?
- A On 10 April.
 - B On 17 April.
 - C Within a maximum of 14 days of the auction.
 - D Within a maximum of 28 days of the auction.
8. Which of the following statements is **true**?
- A Trustees can only borrow if the loan is to be used specifically for dealing with probate matters.
 - B Trustees can only borrow if they are specifically empowered to do so by the trust deed.
 - C Trustees have automatic limited borrowing powers, irrespective of the contents of the trust deed.
 - D Trustees have no legal capacity to borrow because of the duty of care they owe to the beneficiaries.
9. Who of the following is legally able to take out a mortgage to purchase a new property?
- A Diane, who became a discharged bankrupt six months ago.
 - B Jennie, whose bankruptcy order came into force ten months ago.
 - C Maria, who is 17 years of age and about to marry with her parent's consent.
 - D Sue, whose power of attorney has just been appointed to the Court of Protection.
10. What is a major **benefit** provided by the NHBC Buildmark Scheme?
- A All claims made by purchasers against defects are handled directly by the NHBC.
 - B All house-builders belong to the scheme, so new property purchasers enjoy full protection against defects.
 - C It provides two-year guarantees against major defects for properties over ten years old.
 - D It provides ten-year guarantees against defects for new properties.
11. A property is being advertised by an estate agent who wishes to include reference to gas central heating, although it is unclear who installed it or what condition it is in. What specific action should the estate agent take under the Property Misdescriptions Act 1991?
- A Include a qualifying statement about it in the marketing details.
 - B Issue the vendor with a certified copy of the advertisement.
 - C Obtain a written disclaimer from the vendor.
 - D Remove all reference to it in the marketing details.
12. Which one of the following is true in relation to the house-buying process?
- A All legal formalities must always be carried out by a registered solicitor.
 - B It is usual to instruct solicitors to carry out the necessary searches before an offer of advance has been made by a lender.
 - C The purchase price offered is not binding until exchange of contracts has taken place.
 - D When the property market is 'flat' an estate agent should recommend a purchaser to increase the advertised price.

13. A person who is given a legal responsibility to act on behalf of another while the latter is living abroad is known as:

- A an administrator.
- B an attorney.
- C a personal representative.
- D a trustee.

14. The Consumer Credit Act 1974 regulates:

- A all unsecured loans.
- B certain loans for £25,000 or under.
- C secured loans only.
- D certain loans over £25,000.

15. Henry, who held a mortgage in his sole name, has recently died, leaving a valid will. He was separated from his wife and estranged from his adult son. In these circumstances, his property **cannot** be sold until:

- A grant of probate is obtained.
- B his estranged wife gives permission.
- C his son gives permission.
- D his will is registered.

16. To comply with the Mortgage Conduct Business Rules, for how long must a firm retain a record of each illustration it issues?

- A One year from the date of the illustration.
- B Three years from the date of the customer's application.
- C Until the date of completion of any mortgage granted.
- D One year from the date of the customer's application.

17. Paul took out a loan to purchase timeshare accommodation in the UK and Henry took out a loan to purchase a holiday home in France. Which transaction, if either, is deemed a regulated mortgage contract?

- A Henry's only.
- B Paul's only.
- C Both.
- D Neither.

18. The Mortgage Conduct of Business Rules specifically prescribe:

- A the basis for calculating Annual Percentage Rates.
- B the basis for calculating compensation for mis-selling.
- C the maximum level of charges for providing advice.
- D the maximum permitted level of arrears charges.

19. Two legal mortgages are secured on Emily's home. Which of the following determines the order of their priority?

- A The amount borrowed.
- B The dates of completion.
- C The dates of registration.
- D The interest rates charged.

20. Clive's mortgage application, made in December 2004, is unregulated because it is:

- A a second charge on his property.
- B for a commercial loan whereby he will use 45% of the land for a dwelling.
- C for a property to be occupied by his brother.
- D in respect of his capacity as trustee.

21. Specialised mortgage houses generally:

- A issue loans on a fixed rate basis.
- B lend on a decentralised basis.
- C provide loans solely for corporate clients.
- D raise their funds from the wholesale market.

22. How can a non-owning spouse's interest in unregistered land be protected?

- A By entering the appropriate details in the Charges Register at HM Land Registry.
- B By lodging the relevant details with the title deeds.
- C By registration at the Land Charges Registry.
- D By registration at the Local Land Charges Registry.

23. Which of the following is true in relation to leasehold properties?

- A Annual ground rent is always payable to the leaseholder.
- B Anyone can create a lease on their property for any length of time.
- C Lenders will only grant mortgages for 30 years or less.
- D There are usually no restrictions on alterations or enlargements to the property.

24. Good leasehold class of title applies only if the lease:

- A was granted for a term of more than 21 years.
- B relates to land used for residential purposes.
- C has at least 50 years to run.
- D relates to unregistered land.

25. What type of organisation is specifically restricted by legislation on the amount of commercial mortgages it can provide to corporate borrowers?

- A Bank.
- B Building society.
- C Financial house.
- D Property investment companies.

Unit 4: Mortgage Applications

26. Which of the following is a special condition that may be included in a mortgage offer of advance?

- A A lender's right to withdraw the offer.
- B A requirement to assign a life policy used as additional security.
- C That the offer is subject to a satisfactory report on title.
- D The lender's right to inspect the property following completion of essential repairs.

27. In which of the following circumstances might a lender decide to withdraw a mortgage offer of advance? If the:

- A applicant's financial circumstances undergo significant change,
- B applicant's solicitor has not been approved by the lender,
- C prospective borrower complains about the amount of the MIG premium,
- D prospective borrower receives a large inheritance.

28. Where a mortgage is supported by a guarantor, the guarantee can be rendered invalid as a result of:

- A a defect in the property title.
- B poor performance of the associated repayment vehicle.
- C the guarantor reaching state pension age.
- D undue influence being exerted.

29. David and Shelley are applying for a mortgage. They are enjoying their careers at the moment but plan to start a family within five years. Maggie, their adviser, should therefore:

- A ask them to reconsider their borrowing requirements.
- B discuss the potential effect on their budget.
- C recommend a fixed or discounted interest rate.
- D suggest income protection cover as a priority.

30. Having considered Arthur's mortgage needs, his mortgage adviser, Alison, is unable to offer a suitable mortgage product from within the range considered. What recommendation, if any, should she make?

- A None.
- B The next best product in terms of cost.
- C The next best product in terms of features.
- D The next best product in terms of risk.

31. Graham is self-employed and has been asked to provide various pieces of information in support of his application for a mortgage. In which of the following documents would a figure for his personal drawings be found?

- A Profit and loss account.
- B Cashflow statement.
- C Balance sheet.
- D Business taxation computation.

32. An applicant who knowingly gives false information when submitting a mortgage application can be prosecuted by the lender:
- A only if a mortgage is actually completed.
 - B only if a mortgage granted falls into arrears.
 - C irrespective of whether a mortgage is granted.
 - D provided the Financial Services Authority gives its consent.
33. In order to be seen to give ethical advice, the adviser's fundamental approach should be to:
- A always provide an 'advised sale'.
 - B ask open questions to cover all issues.
 - C focus on completing the fact find form.
 - D provide information on a range of products.
34. Which one of the following would not be considered an essential characteristic of an employer's reference? That it:
- A has been signed by a person in authority.
 - B is on headed paper.
 - C is recently dated.
 - D is type-written.
35. Paul is advising Robin regarding his application for a self-certified mortgage. Robin is self-employed and is unable to provide full evidence of his income. Of what particular point should Paul warn Robin with regard to his application?
- A Exaggeration of his income levels could lead to a fraud charge.
 - B He must provide evidence of his income before the loan is advanced.
 - C Inflating his income levels for the purposes of his application could result in an income tax surcharge.
 - D The lender reserves the right to verify his income at any time during the mortgage term.
36. Harriet, who has always conducted her account in a satisfactory manner, has contacted her lender. She is very concerned that she has recently fallen behind with the payment of her interest-only mortgage, which has occurred due to her helping to pay for her son's wedding. Harriet has therefore taken a temporary part-time job to cover the two months' of arrears. Which one of the following solutions would be most appropriate to Harriet?
- A Accept interest only.
 - B Extend the term.
 - C Full suspension of monthly payments on a short-term basis.
 - D Increased payments over a given period.
37. Who, if either, normally loses out if a house purchase transaction is subject to a successful gazundering tactic?
- A Both buyer and seller.
 - B Buyer only.
 - C Seller only.
 - D Neither buyer nor seller.

38. Due to Nathan's limited resources, his mortgage loan is to be guaranteed by his mother, Susan. What specific action must Nathan's lender take in relation to Susan?
- A Advise her to seek independent legal advice.
 - B Obtain an appropriate indemnity fee from her.
 - C Offer her the services of a financial counsellor.
 - D Send her annual copies of the mortgage account statement.
39. A lender would be most likely to require a higher lending charge to be paid when:
- A the interest rate is likely to fall.
 - B the loan-to-income ratio is high.
 - C the loan-to-value ratio is high.
 - D the property market is rising.
40. A deposit of an endowment policy used as a mortgage repayment vehicle gives the lender:
- A the right to the policy proceeds.
 - B an equitable right over the policy.
 - C the right to surrender the policy without the borrower's consent.
 - D a legal right over the policy.
41. Dawn made an offer to purchase a property for £256,000 but the survey report highlighted some essential repairs and the vendor agreed a new purchase price of £225,000. How much did Dawn save in stamp duty if the purchase was completed at the reduced price in July 2005?
- A £310.
 - B £930.
 - C £2,250.
 - D £5,430.
42. Which of the following statements in respect of a basic valuation is correct?
- A The report will confirm whether or not the agreed purchase price is reasonable.
 - B The report will usually only highlight any necessary repairs if the loan-to-value ratio is high.
 - C The valuation is carried out on behalf of the lender but the applicant usually meets the cost.
 - D The valuation must be carried out by a valuer independent of the lender.
43. A mortgage indemnity guarantee policy is an insurance which is paid for by the:
- A borrower and protects both the borrower and the lender,
 - B borrower but protects the lender only,
 - C lender and protects both the lender and the borrower,
 - D lender but protects the borrower only.

44. The process of investigating title has become much simpler due to the introduction of:
- A compulsory land registration,
 - B defective title insurance,
 - C freehold and leasehold reform legislation,
 - D various statements and codes of practice.
45. Jack wants to buy a former council house, built with slotted pre-formed concrete panels during the 1950s. How is his mortgage application likely to be viewed?
- A As acceptable at a higher interest rate.
 - B As acceptable subject to a full structural survey.
 - C As unacceptable due to the construction method.
 - D As unacceptable due to the property's former status.
46. A lender will check, at the application stage, whether any non-owning persons aged 17 or over will also occupy the property in order to avoid the creation of:
- A a legal right.
 - B an overriding interest.
 - C a shared tenancy.
 - D a tenancy-in-common.
47. A contract between the mortgage applicant and the surveyor is created in the case of a:
- A home-buyer's report.
 - B basic valuation and a home-buyer's report.
 - C basic valuation.
 - D basic valuation, but not a home-buyer's report.
48. Colin recently commissioned a full structural survey of the property he wishes to buy. Why did the mortgage lender insist that a separate basic valuation was still required?
- A Colin has requested a 100% advance.
 - B Colin's surveyor is not known to the lender.
 - C The property is approximately 150 years old.
 - D The property was constructed of stone rather than brick.
49. Edward and Wendy wish to make some improvements to their home. Which is the most likely to require planning consent?
- A Building a garage.
 - B Building a patio area.
 - C Rebuilding the conservatory.
 - D Replacing a greenhouse.
50. For how long would a bankruptcy order granted under the provisions of the Enterprise Act 2002 normally remain in force?
- A 6 months.
 - B 9 months.
 - C 12 months.
 - D 3 years.

Unit 5: Mortgage Payment Methods and Products

51. What are the rates of growth permitted by the FSA for illustrations of the projected benefits from a unit-linked endowment used to repay an interest-only mortgage?
- A 4%, 6% and 8%.
 - B 5%, 6% and 7%.
 - C 5%, 7% and 9%.
 - D 6%, 7% and 8%.
52. Which of the following statements in respect of capital-and-interest mortgages is incorrect?
- A The capital reduces during the mortgage term if the contractual payment is maintained.
 - B They have built-in life cover.
 - C They are generally easy to understand.
 - D They are suitable for borrowers who are averse to risks.
53. The interest rate on Yvette's interest-only mortgage has not changed but her monthly payment to the lender has reduced. What might the reason for this be?
- A She has extended the term of her mortgage.
 - B She has made a part redemption payment.
 - C She has rearranged her mortgage over a shorter term.
 - D She is in arrears.
54. Graham and Susan have applied to the West End Building Society for an interest-only mortgage of £52,000. Which of the following statements made by the mortgage adviser is correct?
- A A full with-profits endowment policy is guaranteed to pay off the mortgage on death or maturity.
 - B A low-start endowment policy is guaranteed to pay off the mortgage on death or maturity.
 - C A personal pension term assurance plan is guaranteed to pay off the mortgage on death or maturity.
 - D A unit-linked policy is guaranteed to pay off the mortgage on death or maturity.
55. 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.

56. John has just taken out a 20-year capital and interest repayment mortgage for £75,000 on an annual rest basis. If the interest rate was to remain constant at 6% for the first 12 months and the monthly repayments are calculated at the rate of £7.30 per £1,000 borrowed, how much capital will he repay in the first year?

- A £1,090.
- B £1,640.
- C £1,900.
- D £2,070.

57. A capital repayment tracker mortgage can be correctly described as a:

- A drawdown mortgage.
- B low-cost mortgage.
- C low-start mortgage.
- D variable rate mortgage.

58. Tom and Sally both have £100,000 25-year repayment mortgages. Tom's mortgage has a fixed interest rate of 4.75% and Sally's mortgage has a capped rate of 5.50%. Both rates apply for two years. Which one of the following is therefore true?

- A Sally may pay less than Tom in the second year.
- B Tom will pay less than Sally throughout the first two years.
- C Sally's payments are guaranteed to increase in the third year.
- D Tom will definitely pay a lower rate than Sally in the third year.

59. Maureen is taking out a 100% mortgage since she has very little savings. She is attracted to a three-year cashback mortgage because she also wants to buy a new car. Which one of the following is true?

- A If she moves house she may have to repay the cashback amount.
- B The cashback amount is added to the capital outstanding.
- C The cashback is paid in instalments over the three years.
- D The cashback is taxable at her marginal rate.

60. Angus is using a home income plan to release some equity from his house. What consequently happens to ownership of his house during his lifetime?

- A It is shared between him and the lender.
- B It remains solely with him.
- C It wholly transfers to the annuity provider.
- D It wholly transfers to the lender.

61. With a shared ownership mortgage, to whom would the borrower pay the monthly rent?

- A The guarantor.
- B The housing association.
- C The lender.
- D The lender's housing subsidiary.

62. What feature of a mortgage will be particularly attractive for someone who wants to make regular overpayments?
- A Annual review scheme.
 - B Consolidation option.
 - C Daily calculation of interest.
 - D Drawdown facility.
63. An equity release scheme, in the form of a home income plan, is primarily designed for which category of customer?
- A Customers who are income rich and asset poor.
 - B Customers who wish to maximise their children's inheritance.
 - C The elderly.
 - D The self-employed.
64. Which one of the following might correctly be regarded as the major disadvantage of a foreign currency mortgage?
- A If sterling declines in value against other major currencies the outstanding capital will increase in sterling terms.
 - B If sterling increases in value against other major currencies the capital outstanding is likely to increase in sterling terms.
 - C If sterling increases in value against other major currencies the monthly payments are likely to increase in sterling terms.
 - D The interest rate charged is likely to be higher for a sterling variable rate loan.
65. What is the maximum discount available to a tenant under the Right to Buy legislation?
- A 40%.
 - B 50%.
 - C 60%.
 - D 70%.
66. Which of the following might be regarded as a disadvantage of the equity share mortgage that has just been taken out by Ryan?
- A He will lose any increase in value that his home accrues.
 - B He will lose some of the increase in value that his home accrues.
 - C He will pay a higher rate of interest throughout the mortgage term.
 - D His payment will increase substantially at the end of the initial period.
67. Paul is 28 years of age and wishes to use his personal pension plan to repay a new £70,000 25-year interest-only mortgage. Which of the following facts might decide him against this?
- A He has no suitable life assurance policy.
 - B He plans to retire at 56.
 - C He is a higher rate taxpayer.
 - D The pension plan has a project fund value of £210,000.

68. Jackie is arranging a buy-to-let mortgage. Which of the following statements is correct?
- A The interest rate charged will be linked to LIBOR.
 - B The tenancy must be managed by a letting agency.
 - C Affordability is likely to be based on anticipated rental income.
 - D Under no circumstances will the mortgage be a regulated contract.
69. Which of the following statements is correct in respect of the Right to Buy legislation?
- A The basic discount available to a tenant of a flat is 40%.
 - B A tenant must have been secure tenant for at least two years to qualify for the scheme.
 - C The maximum discount available to a tenant of a house is 70%.
 - D The amount that an individual can borrow will be based on the market valuation of the property.
70. Which of the following is a benefit of using a unit-linked endowment policy in conjunction with an interest-only mortgage?
- A A choice of funds in which to purchase units.
 - B It is ideally suited to the risk averse customer.
 - C Reversionary bonuses are normally credited to the policy each year.
 - D This type of policy will always have a fixed maturity date.
71. Christopher is employed in an occupation that requires him to be fully active and physically fit. He is concerned that he will not be able to maintain his new mortgage if he were to suffer an illness that might force him to take lower paid employment. Which of the following products would provide him with a long-term income in such an event?
- A Accident, sickness and employment insurance.
 - B Critical illness cover.
 - C Permanent health insurance.
 - D Whole-of-life plan.
72. Which of the following is a standard peril that is covered by almost all buildings insurance policies?
- A Accidental breakage of fixed sanitary fittings.
 - B Escape of oil, irrespective of whether the property is unfurnished.
 - C Theft and attempted theft.
 - D Damage to a heating system caused by erosion.
73. Kelly, a self-employed hairdresser, has chosen waiver of premium benefit in connection with her mortgage-related protection plan. All such plans are designed to provide protection in the event of:
- A death.
 - B illness.
 - C repossession.
 - D unemployment.

74. Two years ago, Olga paid £135,000 for a house valued at £128,000. Having just received an inheritance, she was able to provide a 25% deposit and she took out an endowment mortgage to fund the remaining 75% of the purchase price. Olga's house has now been valued at £140,000 and she has requested a further advance of £20,000 to undertake building work and home improvements. If her lender requires a MIG where the loan-to-value ratio exceeds 75%, how much of Olga's new total loan will need to be covered by a MIG?

- A £4,000.
- B £9,250.
- C £11,000.
- D £16,250.

75. When remortgaging to a new lender who offers 'free' valuations and legal services, the cost of which of these services (if either) will be added to the mortgage loan?

- A Both.
- B Only the cost of the legal services.
- C Only the cost of the valuation.
- D Neither.

Unit 6: Mortgage Arrears and Post-completion Issues

76. Leo and Karen are planning to divorce and Leo wishes to be released from the mortgage which they hold in joint names. Which of the following is correct?

- A Leo can be released immediately if Karen is in agreement.
- B Leo is entitled to be released if the lender agrees, irrespective of whether Karen is in agreement.
- C The lender can refuse the request even if Karen agrees to Leo's release.
- D The lender must agree if Leo's release is part of the divorce agreement.

77. George and Freda are retired and wish to use some of the value in their home, that they own outright, to increase their income. Which of the following would be most appropriate to their need?

- A A deferred interest mortgage.
- B An equity share scheme.
- C A home reversion scheme.
- D A shared ownership scheme.

78. Ada and Bert wish to generate additional income using a home income plan but have had their request declined. What might the reason for this have been?

- A Their existing mortgage has one year left to run.
- B Their house is freehold with title registered as absolute.
- C They are both over state pension age.
- D They are both self-employed.

79. Irene has applied for a further advance from her lender. Since she took out her original loan ten years ago, she has married Phillip (who will now become party to the mortgage) and her 20-year-old daughter Charlotte has left home but often visits for the weekend. From whom, if anyone, will the lender require a consent-to-mortgage form?
- A Charlotte.
 - B Irene.
 - C Phillip.
 - D No one.
80. Charles requires a second mortgage on his property as a matter of urgency. His first loan is on an interest-only basis. What penalty is he most likely to face as a consequence?
- A A higher lending charge.
 - B A significantly higher interest rate.
 - C Calling-in of the first lender's loan.
 - D Conversion of the first loan to capital repayment.
81. Remortgaging is the process by which:
- A a borrower replaces an existing loan with a new one from a different lender.
 - B a borrower takes out a further loan with the same lender.
 - C a lender transfers a mortgage to a different lender with the borrower's permission.
 - D a lender unilaterally changes the terms of an existing mortgage.
82. In which of the following cases would closed bridging finance be appropriate?
- A For Angela, who wishes to purchase a plot of land next to her current property so that she can build an extension.
 - B For Anna, who wishes to purchase a property before a buyer has been found for her sale.
 - C For James, who has exchanged contracts on the sale of his property but wishes to complete his purchase before his sale.
 - D For Laura, who is buying out her ex-husband from the property she lives in.
83. Alan and Sarah have been advised by their lender that it is proposed to transfer their mortgage account, along with several thousand others, to another lender. In these circumstances, which of the following statements is correct?
- A The transfer cannot proceed unless the new lender is a member of the same group of companies as the existing lender.
 - B The transfer cannot take place unless a majority of the borrowers concerned give their written consent.
 - C The transfer can only take place if the borrowers' attention was specifically drawn to the appropriate clause in the mortgage deed before their mortgage was completed.
 - D The transfer can proceed without the consent of Alan and Sarah.
84. When Anita applied for a further £10,000 mortgage advance, why did her lender insist on a 'tacking' approach?
- A To avoid the need to apply an additional higher lending charge.
 - B To convert an equitable mortgage into a legal mortgage.
 - C To ensure that an up-to-date credit assessment was carried out.
 - D To postpone another lender's prior charge in favour of the new one.

85. Malcolm has both a first and second charge on his property but has not been able to make any payments on either loan recently. Both lenders are now exercising their power of sale. He also has an unsecured loan. Where does Malcolm fall in the order of priorities to receive any proceeds from the sale?

- A First.
- B Second.
- C Third.
- D Fourth.

86. What is the position when a joint borrower wishes to be released from his commitment due to an impending divorce? The lender:

- A cannot refuse under any circumstances.
- B is likely to refuse if it believes that the remaining borrower will be unable to meet the mortgage repayments.
- C should recommend the remaining borrower move to a cheaper property.
- D will not be able to act until the decree absolute is obtained.

87. Which of the following statements in respect of the early redemption of a mortgage is true?

- A The borrower can redeem the loan early but only if the mortgage deed allows.
- B The borrower has a legal right to redeem at any time, although an interest penalty may be charged.
- C The lender may decline the request if the mortgage deed contains a clause prohibiting early redemption.
- D The lender may give consent or decline the request depending on the circumstances at the time.

88. Gwen has a £90,000 low-cost endowment mortgage and wishes to make a capital reduction of £10,000. Which of the following best describes the action the lender might take?

- A Accept the payment and allow Gwen to reduce her monthly payment but keep the same mortgage term.
- B Accept the payment and insist that the mortgage term is reduced.
- C Refuse the payment because Gwen has an interest-only mortgage.
- D Refuse the payment unless the maturity date of the endowment policy is brought forward to coincide with the new mortgage redemption date.

89. What is likely to increase as a result of consolidating a loan under a remortgage?

- A Amount of stamp duty.
- B Level of unsecured debt.
- C Risk of early redemption.
- D Total interest payable.

90. Ben has an unsecured loan of £3,800. What change to this loan could increase the risk of his home being repossessed?

- A Paying it back in a lump sum rather than in regular payments.
- B Paying it back later than originally agreed.
- C Switching it from variable to fixed interest.
- D Switching it to secured status.

91. When Ivor consolidated his debts under a remortgage package, he was advised that the new arrangement has a drawdown facility. This specifically enables him to:

- A increase the amount borrowed
- B miss payments if he suffers cash flow problems
- C overpay on an occasional basis
- D renegotiate the basis for charging interest.

92. Which of the following types of mortgage is least likely to have its term extended as a way of dealing with arrears?

- A ISA mortgage.
- B Repayment mortgage.
- C Unit-linked endowment mortgage.
- D With-profits endowment mortgage.

93. Under the Mortgage Conduct of Business Rules, which, if any, lenders of regulated mortgages must have a written policy in place for dealing with customers in arrears?

- A All.
- B Only those offering interest only mortgages.
- C Only those offering repayment mortgages.
- D None.

94. Julian's mortgage account has gone into arrears and the agreement he reached with his lender has been adjusted by the courts under the terms of the Administrations of Justice Act 1973. What format did the agreement take?

- A Accept interest only for six months.
- B Partially suspend monthly payments for one year.
- C Spread the arrears over two years.
- D Extend the mortgage term by five years.

95. A borrower in financial difficulty has received detailed advice from both the Consumer Credit Counselling Service and a financial adviser. In which case, if either, is a charge permitted to be made for this advice?

- A Neither.
- B Consumer Credit Counselling Service only.
- C Financial adviser only.
- D Both.

96. Martin is in financial difficulty and is considering surrendering his mortgage-linked endowment and switching to a repayment mortgage. What potential advantage can he obtain by using the secondary market as opposed to surrendering his policy?

- A Avoiding the payment of a higher lending charge.
- B Enhancing the amount received for the policy.
- C Locking into a better interest rate deal.
- D Maintaining his required level of life cover.

97. What event under a mortgage can give rise to subrogation rights?

- A Capitalisation of arrears as a result of financial difficulty.
- B Consolidating an unsecured loan into a remortgage package.
- C Payout under a mortgage indemnity guarantee policy.
- D Transfer of equity to a third party.

98. Which of the following is true in relation to a lender appointing a receiver?

- A The receiver acts on behalf of the borrower but is an agent of the lender.
- B The receiver acts on behalf of the lender but is an agent of the borrower.
- C The receiver must not be an employee of the lender.
- D This remedy can be used only if the borrower has been declared bankrupt.

99. Under the Administration of Justice Act, the power of discretion was provided to the county courts to:\

- A allow lenders to capitalise mortgage arrears.
- B ensure that lenders do not increase interest payments on arrears.
- C insist that lenders extend a mortgage term to assist borrowers in difficulty.
- D suspend or adjourn possession proceedings instigated by lenders.

100. Frankie is unemployed but he cannot receive help towards his mortgage repayments from Income Support Mortgage Interest (ISMI). Which one of the following could be the reason for this?

- A He has no dependants.
- B He has savings of £10,000.
- C His mortgage is interest-only.
- D His mortgage is for £90,000.

Answers

Qu	Ans	Text ref
1	D	Unit 3; 2.2.3.1
2	D	Unit 3; 3. 1.5
3	B	Unit 3; 3.2.2
4	D	Unit 3; 3.1.7
5	C	Unit 3; 3.3
6	B	Unit 3; 3. 1.4
7	A	Unit 3; 3.1. 4
8	B	Unit 3; 1.1.2.7
9	A	Unit 3; 1.1.2.9.4
10	D	Unit 3; 3.4
11	A	Unit 3; 3. 1.6
12	C	Unit 3; 3.2.2
13	B	Unit 3; 1.1.2.6
14	B	Unit 3; 1.1.3
15	A	Unit 3; 1.1.2.5
16	D	MCOB; 5.10
17	D	Unit 3; 2.1
18	A	Unit 3; 2.1
19	C	Unit 3; 2.2.3. 3
20	A	Unit 3; 1.1.3.1
21	D	Unit 3; 4. 3.5
22	C	Unit 3; 2.2.8. 5.2
23	B	Unit 3; 2.2.6.2
24	A	Unit 3; 2.2.8. 5.1
25	B	Unit 3; 4.3.3
26	D	Unit 4; 5.1
27	A	Unit 4; 1.2
28	D	Unit 4; 4. 1.1

29	B	Unit 4; 1.2
30	A	Unit 4; 1.3
31	C	Unit 4; 2. 1.2.1
32	C	Unit 4; 2. 1.6
33	B	Unit 4; 1.1
34	D	Unit 4; 2. 1.3.1
35	A	Unit 4; 1.2
36	D	Unit 4; 1.6
37	C	Unit 4; 3. 1.2
38	A	Unit 4; 4. 1.1
39	C	Unit 4; 4.2.1 .3
40	B	Unit 4; 4.2.1.1
41	D	Unit 4; 4.2.2.2
42	C	Unit 4; 3.1. 1.1
43	B	Unit 4; 4.2.2. 3
44	A	Unit 4; 5.1.1
45	C	Unit 4; 3.1.3.5
46	B	Unit 4; 2.1. 1.1.2
47	A	Unit 4; 3. 1.1.2
48	B	Unit 4; 3. 1.1. 3
49	A	Unit 4; 3.2
50	C	Unit 4; 2.1.5.4
Qu	Ans	Text ref
51	A	Unit 5; 1.3-4
52	B	Unit 5; 1.1
53	B	Unit 6; 3. 1.5
54	A	Unit 5; 1.3.1
55	C	Unit 5; 2.1.7
56	D	Unit 5; 1.1

57	D	Unit 5; 2.1.5
58	A	Unit 5; 2.1. 4
59	A	Unit 5; 2.1. 11
60	B	Unit 5; 2. 3.5
61	B	Unit 5; 2. 3.2
62	C	Unit 5; 1.4.3
63	C	Unit 5; 2. 3.5
64	A	Unit 5; 2. 1.9
65	D	Unit 5; 2. 3.3
66	B	Unit 5; 2.3.1
67	D	Unit 5; 1.3.6
68	C	Unit 5; 2. 3.4
69	B	Unit 5; 2.3.3
70	A	Unit 5; 1.3.2
71	C	Unit 5; 3. 3. 3
72	C	Unit 5; 3. 1.2
73	B	Unit 5; 3. 3.5
74	D	Unit 5; 3. 3.6
75	D	Unit 5; 2.1. 11
76	C	Unit 6; 3. 1.3
77	B	Unit 6; 3. 3
78	A	Unit 6; 3.2
79	D	Unit 6; 1.1.3. 3
80	B	Unit 6; 3. 1.8
81	A	Unit 6; 1.1.7
82	C	Unit 6; 3. 1.13
83	C	Unit 6; 3. 1.9
84	D	Unit 6; 1.1. 6.3
85	C	Unit 6; 3.1.8

86	B	Unit 6; 3.1.3.2
87	B	Unit 6; 3.1.4
88	A	Unit 6; 3.1.5
89	D	Unit 6; 1.1.7.1
90	D	Unit 6; 1.1.7.1
91	A	Unit 6; 1.1.6. 10
92	D	Unit 6; 2.1. 1.5
93	A	Unit 6; 2.1
94	C	Unit 6; 2.1. 1.2
95	C	Unit 6; 2.1.3
96	B	Unit 6; 2. 1.1.7
97	C	Unit 6; 2.2.5
98	B	Unit 6; 2.2.1.1
99	D	Unit 6; 2. 1.1.2
100	B	Unit 6; 2.1.2.1