

Chapter 5 Quiz

Borrowing for a Home

****To receive credit for the following assignment, the quiz, along with the Integrity Statement MUST be filled out in its entirety and signed. The completed quiz may be sent through email to, ddavis@urbanleagueok.org or may be faxed to (405) 427-3647. Please allow up to 24 hours on business days for a response regarding assignment grades and at least 48 hours on weekends and holidays.****

1. What is back-end ratio?
 - a. A guide for loan underwriting , dividing total monthly debt by gross monthly income, used to determine whether the borrower can repay the loan
 - b. A guide for loan underwriting, dividing only housing costs by gross monthly income, used to determine whether the borrower can repay the loan
 - c. A formula determining if the total monthly debt is less than 45% of gross monthly income
 - d. A formula that divides the total monthly debt by gross monthly income to determine the borrower's collateral
2. The appraisal affects which of the 4 C's of Credit
 - a. Capacity
 - b. Capital
 - c. Credit history
 - d. Collateral
3. In the 4 C's of Credit, what is capital?
 - a. The value of the house you're buying
 - b. Your credit history
 - c. Your ability to make the mortgage payment
 - d. The amount of money you have available
4. What is preapproval?
 - a. An estimate of how much you can afford without verification
 - b. An agreement with the bank to give you a loan that you can use at any time
 - c. A guarantee that a lender will loan you a fixed amount as long as you purchase within a specified time
 - d. None of the above

5. The requirement that the lenders provide an Annual Percentage Rate is in the
 - a. Truth in Lending Act (TILA)
 - b. Fair Housing Act (FHA)
 - c. Equal Credit Opportunity Act (ECOA)
 - d. Fair and Accurate Credit Transaction Act (FACTA or FACT Act)

6. Private Mortgage Insurance (PMI)
 - a. Reduces the 20% down payment requirement by insuring lenders against the risk of default
 - b. Insures the lender if the buyer defaults on his mortgage
 - c. Lets lenders make loans to people who can't save up for large down payments
 - d. All of the above
 - e. None of the above

7. Private Mortgage insurance
 - a. Is a permanent part of the mortgage payment
 - b. Is collected in the mortgage payment until the balance on the loan is at 78% of the original value of the house and the payments are current
 - c. Is collected in the mortgage payment for three years
 - d. None of the above

8. A lender must provide you with a truth in lending statement that outlines
 - a. The Annual Percentage of the loan
 - b. A total dollar amount including principle, interest and all finance charges and costs
 - c. The date the payment is due, when it is considered late and what late fee will be charged
 - d. Any pre-payment penalties
 - e. All of the above

9. When deciding whether to lend you money the underwriter can consider
 - a. The neighborhood in which the house is located
 - b. Debt ratios, credit scores and guidelines established by the secondary market
 - c. The type of items the applicant owes money for
 - d. The source of the applicant's income

10. Which of the following do you need to bring when applying for a loan
 - a. Your credit card statements for the last two years
 - b. Proof that you have life insurance
 - c. Documentations showing the gross income from all sources you want to declare
 - d. A letter from your boss verifying your employment

Integrity statement

My signature below constitutes my pledge that all of the writing is my own work, with the exception of those portions which are properly documented.

Name (printed)

Date

Signature

Date



Urban League
of Greater Oklahoma City, Inc.