



## FINAL EXAM

# Course # 171014 The Professional Financial Consultant: Commercial,

based on the electronic .pdf file(s):

### **The Professional Financial Consultant: Commercial,**

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pages



20 CPE Credit Hours  
Financial Planning

*This exam sheet is made available for your convenience in answering questions while offline.  
Please note that you will still need to enter your answers on the online exam sheet for grading.  
Instructions are provided at the end of this document.*

## **Chapter 1 - The Professional Loan Broker**

1. Who does not use a Loan Broker's service?

- Mortgage lenders.
- Investment bankers.
- Private lenders.
- Insurance investment funds.

2. What type of loans cannot be classified as specialization?

- Receivable financing.
- Conforming loans.
- Second mortgages.
- Signature loans.

3. Why does a broker request information about the client's present negative financing?

- To warn the client.
- To review his/her current needs.
- To cause him to admit that his efforts to secure a loan are unsuccessful.
- To help him refinance.

4. \_\_\_\_\_ does not determine the fee charged for a loan?

- Size of the loan.
- Purpose of the loan.
- FICO
- The services required of the broker.

## **Chapter 2 - Loan Packaging**

5. What is not a typical loan-packaging Service?

- Preparing business income and expense statements.
- Preparing a tax return.
- Preparing personal budget.

Preparing loan applications.

6. What is not a component of the five C's™s?

Character.

Capacity.

Consideration.

Collateral.

7. Secured debt is considered to be?

Commercial services.

Taxable revenues.

Techniques of using collateral.

Secondary sources of payment.

8. Commercial finance can be divided into two main categories

Stability and credit history.

Unsecured or secured.

Overdrafts and notes payable.

Discount loan and discount rate.

9. Alternative methods to traditional bank financing are

Factoring and commercial finance.

Government loans.

Letters of credit.

Venture capital.

10. What is not a basic factoring plan?

Import factoring

Commercial factoring

Export factoring

Conventional or standard factoring

11. Factoring frees client management from

Costly credit and collection activities.

Foreclosure activities.

Garnishment.

Fiduciary relationships.

12. Equipment financing is composed of two categories

- Purchase of used equipment and capital depreciation.
- Refinancing of building and existing equipment.
- Purchase of new equipment and refinancing of existing equipment.
- Purchase of capital goods and refinancing inventory on hand.

13. \_\_\_\_\_ is not a leasing language

- Purchase
- Option clause.
- Fixed rate.
- Residual.

14. Most equipment leases can be described as

- Primary and secondary.
- Full pay-out and partial pay-out.
- Negotiable or non-negotiable.
- Fixed rates or capitalized costs.

15. Leasing advantages do not include

- Hedge against inflation.
- Leaves clients credit lines open for investment.
- Frees working capital.
- Offers a lesser tax write-off.

16. A sale-leaseback is a financial transaction which provides a borrower with immediate cash and with the no tax-deductible benefits.

- True
- False

17. Sources of business capital do not include

- Suppliers.
- Thrift associations.
- Federal mints.
- Personal savings.

18. Venture capitalists and individual investors typically will finance a significant portion of your capital needs, but in return they require around 10% annual return on their investment.

- True
- False

19. When dealing with venture capital (VC) firms, you must keep in mind the following suggestion(s) except

- Make sure to read the fine print.

- Yield part of ownership.
- Watch for delay maneuvers (they may be waiting for your financial position to weaken further).
- Guard your trade secrets and other proprietary information zealously.

## Chapter 3 - Commercial Finance

20. For borrowing money, lenders look for security in your assets and cash flow regardless of your character.
- True
  - False
21. Service Corps of Retired Executives is a commercial organization of business mentors and counselors ([www.score.org](http://www.score.org)).
- True
  - False
22. The Internet can help you simplify the first step in your search for equity or venture capital by getting your business plan in front of potential investors.
- True
  - False
23. \_\_\_\_\_ is an example of personal property.
- A growing tree.
  - A cutdown tree.
  - Boards nailed to the wall.
  - Trees shrubs or fences.
24. Underwriting a loan application is an objective analysis of evaluating the degree of risk inherent in a loan.
- True
  - False
25. \_\_\_\_\_ is normally not included in the loan verification process
- Age of applicant.
  - School class standing.
  - Secondary income.
  - Recent school graduate.
26. The federal law requires lenders to treat all loan applicants equally. The law is
- Equal Credit Opportunity Act.
  - Fair Credit Billings Act.
  - Fair Credit Reporting Act.

Truth-in-Lending Act.

27. As opposed to conventional loans, FHA/VA loans normally have

Lower interest rate.

Higher down payment.

No assumability.

Prepayment penalty

28. Lender/Agencies include all but

FHA.

BLT.

FNMA.

FHLMC.

29. Which of the following is not considered a major secondary market?

Federal National Mortgage Association.

S&L.

Federal Home Loan Mortgage Association.

Government National Mortgage Association.

30. Lenders normally offer their best terms for

Single-family detached dwellings less than 10 years old.

Rental units fully occupied.

Homes older than 25 years old.

Add-on rooms to existing buildings.

## Chapter 4 - Factoring

31. \_\_\_\_\_ is not an objective of the HUD-FHA.

Upgrade housing standards.

Promote loans in distressed areas.

Promote wider home ownership.

Provide continuing and sound methods of financing home mortgages.

32. A FICO (an acronym for Fair, Isaac & Company), or credit score is a computer-generated numerical grade that predicts a lender's risk in doing business with a borrower. This is used exclusively for mortgage loans.

True

False

33. Which one of the following is not a factor in determining FICO scores?

- Payment history.
- Assets.
- Credit history.
- Negative information.

34. Lenders take a greater risk with special use property. But they do not insist on

- Higher interest rates.
- Personal or corporate guarantees.
- Good location.
- Pre-leasing requirements.

35. Exhibits to be furnished for an apartment loan application do not require

- Current credit reports/financial statements.
- Architectural designs.
- Maps and aerial photos.
- Detailed descriptions of project.

36. The term lenders use to describe the relative amount of money they will loan on a given piece of property is the

- Price-earnings ratio.
- Times interest earned.
- Loan-to-value ratio.
- Gross rent multiplier.

37. For one seeking financing on construction, the best possible institutional source of financing would be

- Savings and loan association.
- Insurance companies.
- Both A and B.
- Neither A nor B.

38. The most likely permanent construction loan source for office building would be

- Mutual savings bank.
- Savings and loan association.
- Insurance company.
- Commercial bank.

39. \_\_\_\_\_ is not a basic type of financing.

- Land development deals.

- Construction loans with permanent commitments.
- Construction loans without permanent commitments.
- Feasibility, location deals.

40. A large residential tract builder seeking construction funds most likely would seek financing from

- Federally chartered savings and loan.
- State-chartered savings and loan.
- Insurance company.
- Commercial bank.

41. Regulating the loan policies of national banks is the

- Federal Housing Administration.
- Federal Reserve Board.
- Controller of the Currency.
- Federal Home Loan Bank Board.

## Chapter 5 - Equipment Leasing

42. Usury occurs when the lender

- Charges less than the maximum legal rate of interest.
- Collects more than the maximum legal rate of interest.
- Loans more than 95% of the appraised value of the property.
- Charges the state's legal limit.

43. The annual percentage rate (APR) is the annual cost of credit and is

- A rate that includes any adjustments for service charges and discount rates.
- The same as the contract rate in a note.
- An estimate of the nominal interest rate on the mortgage.
- The same as the debt service.

44. Which of the following must be disclosed as a finance charge under Regulation Z?

- Title examination fees.
- Appraisal fees.
- Discount points.
- Survey fees.

45. Which of the following is commonly referred to as Regulation B?

- Equal Credit Opportunity Act.

- Fair Credit Billings Act.
- Fair Credit Reporting Act.
- Truth-in-Lending Act.

46. With respect to credit reports, an applicant may

- Not correct errors on them.
- Transfer their report from one lender to another.
- Receive the credit information on file if denied for a loan.
- Obtain their own report and give it to the lender.

47. In order to prevent the practice of redlining and divestment in central city areas, Congress passed the \_\_\_\_\_.

- Fair Credit Reporting Act
- Community Reinvestment Act..
- National Flood Insurance Program
- Community Divestment Act.

48. The Community Reinvestment Act Statement must contain

- The names of all loan officers.
- Total lending policy of the institution.
- Definition of the lender's community in which its lending activities take place.
- Reasons for not properly serving the credit needs of the community.

49. The largest source of funds for home loans comes from

- Savings and loan associations.
- Private lenders.
- Commercial banks.
- Life insurance companies.

50. Mortgage bankers may be involved in the following activities except

- Writing insurance policies.
- Loan origination.
- Bring together the user of capital (borrower or mortgagee).
- Loan servicing.

51. A loan for \$645,500 would be considered a

- Grande loan.
- Jumbo loan.
- Super loan.
- Ineligible loan.

52. Funds to finance Freddie Mac (FHLMAC) operations and mortgage purchase programs come from
- Participation certificates.
  - Convertible subordinated debentures.
  - Loans from u.s. treasury.
  - Both A and B.
53. Freddie Mac purchase loans from
- Loan brokers.
  - Real estate brokers.
  - Approved seller/servicers.
  - Investment bankers.
54. A firm that specializes in the details of loan origination is known as what?
- A mortgage banker.
  - A mortgage broker.
  - A portfolio lender.
  - A commercial broker.
55. GNMA receives its funds from
- Federal National Mortgage Association.
  - Freddie Mac.
  - U.S. Treasury and mortgage operations.
  - Residential Funding Corporation.
56. Private mortgage insurance (PMI) typically needs to be carried
- If the loan amount is more than 80%.
  - If the loan-to-value ratio is more than 70%.
  - If the loan-to-value ratio is more than 95%.
  - If the loan-to-value ratio is less than 80%.
57. Ordinarily the best source for obtaining construction financing is the
- Private lender.
  - Life insurance company.
  - Commercial bank.
  - Savings and loan associations.
58. The role of the FHA is to
- Lend money.

- Insure a lender.
- Insure a borrower.
- Establish loan standards.

59. The money in a VA loan comes from

- FHA.
- An approved lending institution.
- Federal government.
- Department of Defense.

60. In order to qualify for VA entitlement, a veteran needs to apply for

- A certificate of eligibility.
- A Veteran status.
- Junior financing.
- A certificate of fair value.

61. Private mortgage insurance claims are paid by

- Foreclosure.
- Acquisition of the loan from the lender.
- Paying the amount of insurance coverage to the lender.
- Both B and C.

62. "Balloon payment" is a term commonly associated with

- Junior loans.
- Most institutional loans.
- Negotiable instruments.
- Government-backed loans.

63. Standard home loans that are not insured or guaranteed by an agency of the U.S. government are referred to as what?

- FHA loans.
- VA loans.
- Conventional mortgage loans.
- Home equity loans.

64. A wraparound mortgage

- May be a first lien.
- Can be only a junior lien.
- Is always negotiated at a higher rate than senior indebtedness.
- Always requires the maker to make payments on senior debt.

66. Which of the following statements is false about a participation mortgage?

When more than one mortgagee lends on a real estate project, such as with a large commercial project.

This financing technique is aimed at those people who only plan to live in a house for a short period of time.

It involves more than one borrower being responsible for a mortgage, such as with a cooperative apartment.

It represents an agreement between a mortgagee and a mortgagor which provides for the lender having a certain percentage ownership in the project once the lender makes the loan.

67. Under \_\_\_\_\_ the interest rate charged by the lender can vary according to some reference index not controlled by the lender, such as the interest rate on 1-year United States T-bills or the 11th District Cost of funds Index.

Rollover mortgages

Flexible payment mortgages.

Variable rate mortgages.

Graduated payment mortgages.

68. A type of mortgage where a buyer pays a seller monthly and the seller pays the lender is.

A buydown.

A wraparound mortgage.

Margin.

A balloon payment.

69. A note where payments are adjusted over time is most likely to be

A standard mortgage instrument.

An adjustable mortgage instrument.

A fixed rate mortgage.

A jumbo mortgage.

70. In reverse mortgage, the homeowner has the option to receive

Monthly payments.

A lump sum payout.

A line of credit.

Any combination of the above.

71. Which of the following is not a potential type of index interest rate used in an adjustable rate

mortgage?

- Cost of Living indexes.
- 5-year U.S. Treasury rate.
- 11th District cost of funds index.
- LIBOR rate.

72. Under \_\_\_\_\_, the homeowner has the option to receive monthly payments, a lump sum payout, a line of credit, or any combination.

- Adjustable Rate Mortgages (ARM)
- Reverse Annuity Mortgages (RAM)
- Flexible Loan Insurance Program (FLIP)
- Graduated Payment Mortgages (GPM)

73. Which of the following is an example of real assets?

- Corporate stocks.
- Condos.
- Bonds.
- Derivatives.

74. A principal disadvantage of real estate is that it does not provide a hedge against

- Inflation.
- Interest rate risk.
- Purchasing power risk.
- Market risk.

75. Using your credit to purchase an asset (such as property or stocks) of substantial appreciation is called

- Plottage.
- Leverage.
- Amortization.
- Unearned increment.

76. Current income is derived from income property by

- Appreciation.
- Rental payments.
- Depreciation.
- Tax write-offs.

77. The return on investment typically comes from two sources: \_\_\_\_\_ and current income.

- Capital gains.
- Selling price.

Liquidity.

Purchase price.

78. An advantage to buying a home to the person who is to occupy it as his or her personal dwelling is its

Relatively low maintenance.

Equity buildup.

Liquidity.

Depreciation write-off.

79. Which of the following is not an advantage of buying over renting?

Mobility.

Appreciation.

Tax deductibility.

Tax savings.

80. The home price should not exceed \_\_\_\_\_ your family's annual gross income.

Times 2 ½.

35% of.

40% of.

50% of.

81. Reasons for investing in real property do not include

Relatively low risk.

Income tax benefits.

Appreciation potential.

Inflation hedge.

82. Depreciation taken as a deduction on annual income tax is a form of

Tax shelter.

Tax evasion.

Tax increment.

Tax rebates.

83. Which of the following is a disadvantage of real estate investing?

Leverage.

Equity buildup.

Limited marketability.

Tax shield.

84. Investment techniques that persons in high income brackets use for the purpose of reducing

income tax liability through tax loss write-offs are known as

Tax assessments.

Tax evasion.

Tax shelters.

Tax impounds.

85. The market value of property less all liens and charges against the property is referred to as

Leverage.

Equity.

Appreciation

Margin.

86. Disadvantages of investing in real property do not include which of the following?

Limited marketability.

Management headache.

High transaction cost.

Tax shelters.

87. The principle of maximizing the use of other people's money (OPM), providing a large percentage of return on a relatively small outlay is called

Liquidity.

Appreciation.

Cash flow.

Leverage.

88. \_\_\_\_\_ is not a type of real estate investment property:

Raw land.

Real Estate Investment Trust (REIT) .

Land to be developed.

Income property.

89. Real Estate Investment Trusts (REIT) are characterized as

Equity trusts.

Mortgage trusts.

Appreciation.

Any of the above.

90. \_\_\_\_\_ is not an advantage of a REIT.

Tax benefits.

Pooling interests.

Less distribution of earnings.

Diversification.

91. REITs differ from other real estate investments because

Their income is tax-exempt.

Their shares are publicly traded.

They only offer capital gains.

The investor is guaranteed income.

92. The amount to be deducted from potential gross income to allow for vacancies should be

5% of potential gross income.

10% if the building is more than 10 year old.

Will range between 0 and 10%.

Will vary with each property.

93. Specialists in marketing of income properties generally apply which of the following approaches to valuation?

Market comparison.

Replacement cost.

Capitalization of net income.

Reproduction cost

94. If the capitalization rate is 9 percent and the net operating income is \$150,000.00, the indicated value would be

\$135,000.00.

\$166,667.00.

\$202,500.00.

\$150,000.00.

95. Leverage is best illustrated by which of the following?

Use of borrowed money to purchase real property.

Buying as much acreage as possible for cash.

Buying a parcel of raw land with a large down payment.

Leasing rather than purchasing.

96. As the degree of risk increases, the income generated by a piece of property will be capitalized at a

Higher rate which will produce a higher value.

Higher rate which will produce a lower value.

Lower rate which will produce a higher value.

Lower rate which will produce a lower value.

97. A previously appraised building with a net income of \$5,000 was valued at \$50,000. What is the

current estimate of value if the capitalization rate has increased by one percentage point?

45455

47619

50000

55555

98. Which of the following will result in a capitalization rate of 20%?

Potential gross income \$50,000; value \$250,000.

Effective gross income \$50,000; value \$250,000.

Net income \$50,000; value \$250,000.

Cash flow \$50,000; value \$250,000.

99. Certain terms used in real estate investments have applications similar to those used in security analysis. For example, the price-earnings (P/E) ratio found in the analysis of stocks is equivalent to \_\_\_\_\_ in real estate investment analysis.

Earnings on sales price.

Gross income (rent) multiplier.

Net spendable.

Cost recovery.

100. The \_\_\_\_\_ is the interest rate which is charged business borrowers having the highest credit rating.

Fund rate.

Discount rate.

Prime rate.

Yield.

## **Chapter 6 - Estates**

## **Chapter 7 - Deeds**

## **Chapter 8 - Apartment Loan Underwriting Guidelines**

## **Chapter 9 - Shopping Centers**

## Chapter 10 - Real Estate Financing And Investment

### Instructions for Submitting Answers Online:

- Sign In at [www.ApexCPE.com](http://www.ApexCPE.com)
- Click the "My CPE" tab at the top of the page.
- Click "My CPE Courses".
- Find the current CPE year and click "Go to My Courses".
- Find this course and click the "Go to Course" link.
- Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.
- Enter your answers on the online exam sheet.
- Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.
- A short evaluation page will display. Please provide your feedback for the course.
- Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.
- You may print your Certificate of Completion by selecting File Print from your browser. Certificates remain online for at least five years from the certificate date.

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