Financing and Settlement Exam Cheat Sheet

National / General | 7 scored items | about 6% of all scored items

STUDY RULE

Identify the document or law before reading the numbers. The note is the promise to repay, the mortgage or deed of trust secures that promise, and federal disclosures explain the cost and terms.

What Pearson Tests

- Notes, mortgages, deeds of trust, loan clauses, primary and secondary markets, and seller financing
- Conventional, FHA, VA, and USDA programs, LTV, mortgage insurance, and hazard or flood insurance
- TILA, Regulation Z, TRID, RESPA, ECOA, the Loan Estimate, Closing Disclosure, and settlement

Exam Traps

- The promissory note is evidence of the debt. The mortgage or deed of trust is the security instrument.
- FHA insures qualifying loans and VA guarantees qualifying loans. Neither agency normally lends the purchase funds directly.
- RESPA prohibits kickbacks and unearned fees for settlement-service referrals. It does not ban every lawful payment for actual services.

Essential Vocabulary

- Promissory note: The borrower’s written promise to repay the debt.
- Deed of trust: A three-party security instrument commonly used in Texas to secure repayment.
- Loan-to-value ratio: The loan amount divided by the value used by the lender.
- Amortization: Repayment of debt through scheduled installments that reduce principal over time.
- Discount point: One percent of the loan amount, often paid in connection with the loan’s pricing.
- RESPA: The federal settlement law addressing disclosures, servicing, escrow, and prohibited referral payments.
- Closing Disclosure: The TRID disclosure that presents final loan and closing terms for a covered transaction.
- Secondary mortgage market: The market in which existing mortgage loans and related interests are bought and sold.

Recall Check

- Which document contains the promise to repay? Answer: The promissory note.
- What does one discount point equal? Answer: One percent of the loan amount.
- Which law is associated with settlement-service kickbacks? Answer: RESPA.

My Miss Log

Write the rule you missed, then schedule the next rep.