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# CEMAP-2

CeMAP Module 2 - Mortgages (MORT)

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# CeMAP® Module 2 - Mortgages (MORT)

## Questions in this Pool cover the below

### Exam Outline:

#### Syllabus covered in Killexams Q&As of CeMAP 2

- Mortgage law, policy practice and markets
- Mortgage Applications
- Mortgage payment methods and products
- Mortgage arrears and post completion

#### Detailed Contents Covered in Killexams Questions and Answers

##### **1. *Understanding the Mortgage Process***

- Overview of the mortgage market
- Types of mortgages
- Roles of different stakeholders

##### **2. *Regulatory Framework and Compliance***

- Key regulations affecting mortgage lending
- Understanding the role of the Financial Conduct Authority (FCA)
- Compliance with anti-money laundering (AML) requirements

##### **3. *Mortgage Products and Features***

- Fixed-rate vs. variable-rate mortgages
- Specialist mortgage products (e.g., buy-to-let, shared ownership)
- Features and benefits of different mortgage types

##### **4. *Assessing Client Needs***

- Conducting a needs analysis
- Understanding client financial situations
- Advising on suitable mortgage options

## **5. Application Process and Documentation**

- Steps in the mortgage application process
- Required documentation for mortgage applications
- Importance of credit assessments

## **6. Valuation and Security**

- Role of property valuation in lending
- Types of valuations and their purposes
- Understanding security for loans

## **7. Post-Completion Considerations**

- Managing client expectations post-completion
- Mortgage repayments and product transfers
- Impact of market changes on mortgage clients

## **8. Ethical and Professional Standards**

- Importance of ethics in mortgage advice
- Professionalism in client interactions
- Handling conflicts of interest

**BELOW ARE SOME EXAMPLE QUESTIONS TAKEN FROM FULL VERSION OF DOCUMENT. REGISTER TO DOWNLOAD PREMIUM PDF CONTAINING FULL VERSION OF QUESTIONS AND ANSWERS**

**Question: 77**

When a lender performs a "desktop valuation," what are they primarily assessing?

- A. The condition of the property
- B. The market value based on recent sales data
- C. The borrower's creditworthiness
- D. The property's compliance with building regulations

Answer: B

Explanation: A desktop valuation involves assessing the market value of a property based on recent sales data and market trends, often without a physical inspection of the property.

**Question: 78**

A borrower takes a discounted-rate repayment mortgage with an interest rate of 3% (discounted from 5%) for a loan amount of £200,000 over 25 years. What is the initial monthly payment?

- A. £948.10
- B. £850.00
- C. £1,000.00
- D. £1,050.00

Answer: A

Explanation:

To calculate the initial monthly payment, we use the formula for a fixed-rate mortgage:

$$M = P \times \frac{r(1+r)^n}{(1+r)^n - 1}$$

Where:

- $M$  = monthly payment
- $P$  = loan amount (£200,000)
- $r$  = monthly interest rate (3% annual = 0.25% monthly = 0.0025)
- $n$  = number of payments (25 years  $\times$  12 = 300)

Calculating gives:

$$M = 200,000 \times \frac{0.0025(1+0.0025)^{300}}{(1+0.0025)^{300} - 1} \approx \text{£}948.10$$

### Question: 79

Which of the following best describes a "first-time buyer" in mortgage terms?

- A. Someone who has owned property previously
- B. A borrower purchasing a property to rent
- C. An individual buying their first home
- D. A borrower using family inheritance to buy a home

Answer: C

Explanation: A first-time buyer is defined as someone who has never owned residential property before, which qualifies them for specific mortgage products.

### Question: 80

Which of the following accreditation schemes is specifically designed for modular homes?

- A. ISO 9001
- B. BOPAS
- C. Energy Star
- D. FMB

Answer: B

Explanation: BOPAS (Build Offsite Property Assurance Scheme) is specifically tailored for offsite and modular construction, providing assurance regarding the quality and longevity of such homes.

**Question: 81**

Which of the following is NOT a requirement under the Mortgage Market Review (MMR)?

- A. Conducting thorough affordability assessments.
- B. Providing a minimum of two mortgage options to the borrower.
- C. Ensuring borrowers receive clear information about their options.
- D. Assessing the risks of lending to the borrower.

Answer: B

Explanation: While MMR requires clear communication and thorough assessments, it does not mandate that lenders provide a specific number of options to borrowers.

**Question: 82**

Which of the following best describes a "building scheme"?

- A. A plan for constructing roads.

- B. A set of restrictive covenants applied to a development.
- C. A type of easement.
- D. A financial plan for property development.

Answer: B

Explanation: A building scheme refers to a group of restrictive covenants that apply to a particular development to maintain uniformity and property values.

**Question: 83**

If a buyer has an offer accepted for a property worth £600,000 and provides a deposit of £120,000, what is the mortgage amount required?

- A. £480,000
- B. £500,000
- C. £520,000
- D. £450,000

Answer: A

Explanation: The mortgage amount needed is calculated by subtracting the deposit from the property value:  $£600,000 - £120,000 = £480,000$ .

**Question: 84**

Which of the following is a characteristic of a 'fixed-rate mortgage'?

- A. The interest rate can change periodically.
- B. Monthly payments remain consistent for the entire term.
- C. It is typically more expensive than a variable-rate mortgage.

Answer: B

Explanation: A fixed-rate mortgage locks in the interest rate for the entire term, providing borrowers with consistent monthly payments and protection from interest rate fluctuations.

**Question: 85**

If a homeowner's claim is denied under the Buildmark scheme, what is the recommended next step?

- A. Accept the denial without question.
- B. Request a review of the decision from the warranty provider.
- C. Immediately seek legal action.
- D. Attempt to fix the defect independently.

Answer: B

Explanation: If a claim is denied, the homeowner should request a review of the decision from the warranty provider to clarify the reasons for denial and explore potential options.

**Question: 86**

Which organization oversees the regulation of consumer credit activities in addition to mortgage regulation?

- A. The Bank of England
- B. The Prudential Regulation Authority
- C. The Financial Ombudsman Service
- D. The Financial Conduct Authority

Answer: D

Explanation: The Financial Conduct Authority (FCA) oversees both consumer credit and mortgage regulation to ensure consumer protection.

**Question: 87**

What is the maximum loan-to-value (LTV) ratio typically permitted by lenders for residential mortgages?

- A. 50%
- B. 75%
- C. 90%
- D. 95%
- E. 100%

Answer: D

Explanation: While many lenders offer loans up to 95% LTV, this means the borrower must provide a 5% deposit. Some may even allow 100% LTV mortgages under specific conditions, though these are rare and often associated with higher risks.

**Question: 88**

What is the primary reason for lenders to require a deposit from borrowers?

- A. To reduce the lender's workload.
- B. To establish borrower commitment.
- C. To increase property values.

Answer: B

Explanation: A deposit indicates a borrower's commitment and financial stability, reducing the lender's risk by ensuring the borrower has a financial stake in the property.

**Question: 3671**

What might a leaseholder be required to pay as part of the lease extension process, aside from the premium?

- A. Legal fees and valuation costs
- B. Maintenance costs for the property
- C. Increased ground rent
- D. A fee for listing the property

Answer: A

Explanation: In addition to the premium for extending the lease, leaseholders are typically responsible for legal fees and valuation costs, which are necessary for the process.

**Question: 3672**

Under which circumstances might a lender consider a mortgage application as "sub-prime"?

- A. When the applicant has a high credit score.
- B. When the applicant has a low credit score.
- C. When the applicant is self-employed.

Answer: B

Explanation: A mortgage application is considered "sub-prime" when the applicant has a low credit score or poor credit history, indicating a higher risk of default. Lenders may offer higher interest rates to compensate for this risk.

**Question: 3673**

When calculating the total cost of a mortgage, which of the following is NOT typically included?

- A. Interest payments
- B. Arrangement fees
- C. Property taxes
- D. Insurance premiums

Answer: C

Explanation: The total cost of a mortgage typically includes interest payments and arrangement fees but does not usually include property taxes, which are separate expenses.

**Question: 3674**

If a borrower has a bridging loan of £400,000 with a completion fee of 3% and an interest rate of 1.8% per month, what will the total initial costs be, excluding interest for the first month?

- A. £12,000
- B. £15,000
- C. £10,800

Answer: B

Explanation: Total Initial Costs = Completion Fee =  $£400,000 \times 0.03 = £12,000$ . The interest for the first month is  $£400,000 \times 0.018 = £7,200$ , so total initial costs including first month's interest =  $£12,000 + £7,200 = £19,200$ .

**Question: 3675**

In a situation where multiple buyers are interested in a property, how can an undertaking influence the decision?

- A. It eliminates competition.

- B. It can demonstrate the buyer's commitment to repairs.
- C. It reduces the property's value.
- D. It automatically secures the mortgage.

Answer: B

Explanation: An undertaking can demonstrate a buyer's commitment to addressing repairs, which may positively influence the seller's decision, showing that the buyer is serious about maintaining the property.

**Question: 3676**

What is usually required of a buyer at a property auction when their bid is successful?

- A. They must pay the full purchase price immediately.
- B. They must pay a deposit on the day of the auction.
- C. They have 14 days to secure financing.

Answer: B

Explanation: Successful bidders at property auctions are typically required to pay a deposit (usually 10% of the purchase price) on the day of the auction, with the remainder due upon completion.

**Question: 3677**

Which of the following actions must a lender take if a borrower defaults on their mortgage payments?

- A. Offer a new mortgage product.
- B. Wait six months before taking any action.
- C. Issue a default notice.
- D. Automatically repossess the property.

Answer: C

Explanation: A lender must issue a default notice to the borrower before taking further action, such as repossession, ensuring the borrower is informed of their default.

**Question: 3678**

Which of the following best defines a 'tracker mortgage'?

- A. A mortgage with a fixed interest rate for a specific period.
- B. A mortgage that follows an index, such as the Bank of England base rate.
- C. A mortgage with no early repayment charges.

Answer: B

Explanation: A tracker mortgage has an interest rate that is linked to an external index, often the Bank of England base rate, meaning payments will fluctuate as the index changes.

**Question: 3679**

Which of the following scenarios describes a "high-net-worth" borrower?

- A. A borrower with no savings
- B. A borrower with assets exceeding £1 million
- C. A first-time buyer with a small deposit
- D. A self-employed individual with fluctuating income

Answer: B

Explanation: High-net-worth individuals typically have substantial assets, which can qualify them for specific mortgage products and services.

**Question: 3680**

Which of the following is NOT a typical liability for a freeholder?

- A. Property taxes.
- B. Mortgage repayments.
- C. Maintenance of common areas.
- D. Lease agreements with tenants.

Answer: D

Explanation: Lease agreements are typically the responsibility of leaseholders, not freeholders, who own the entire property.

**Question: 3681**

What is the main purpose of the Key Facts Document provided to mortgage applicants?

- A. To outline the lender's profit margins.
- B. To summarize key features and costs of the mortgage.
- C. To provide a legal contract for the mortgage.
- D. To offer financial advice tailored to the borrower.

Answer: B

Explanation: The Key Facts Document is designed to summarize the key features, costs, and terms of the mortgage, ensuring that consumers have clear and concise information before proceeding.

**Question: 3682**

Which of the following best describes the term "equitable interest"?

- A. A legal right to occupy the property

- B. An interest that is not documented in the registers
- C. A right that can be enforced in a court of law
- D. A right of first refusal on the property

Answer: B

Explanation: An equitable interest arises when a person has rights over a property that are not formally documented in the land registries, often due to agreements or trusts.

**Question: 3683**

A power of sale clause allows a lender to sell the property without court intervention in case of default. True or false?

- A. True
- B. False

Answer: A

Explanation: A power of sale clause enables lenders to sell the secured property without needing to go through court proceedings if the borrower defaults.

**Question: 3684**

If a seller has previously received planning permission that has since lapsed, how should this be recorded on the seller's property information form?

- A. It doesn't need to be mentioned.
- B. It should be disclosed as a potential future opportunity.
- C. It should be listed as a current planning issue.

Answer: A

Explanation: If planning permission has lapsed, it does not need to be disclosed since it is no longer applicable. However, any ongoing permission should be mentioned.

**Question: 3685**

Which of the following best describes a remortgager?

- A. A borrower purchasing their first home.
- B. A homeowner refinancing their existing mortgage.
- C. An investor buying rental properties.
- D. A borrower with a poor credit history.

Answer: B

Explanation: A remortgager is a homeowner who refinances their existing mortgage, often to secure better rates or access equity in their property.

**Question: 3686**

Sarah has a mortgage of £200,000 with an interest rate of 3%. If she pays £1,000 monthly, how much of her payment goes toward interest in the first month?

- A. £400
- B. £500
- C. £600
- D. £700

Answer: B

Explanation: The interest for the first month is calculated as  $£200,000 * (3\% / 12) = £500$ . Thus, £500 of her first payment goes toward interest.

**Question: 3687**

What does "negative equity" indicate for a homeowner?

- A. The property value exceeds the mortgage balance
- B. The mortgage balance exceeds the property's market value
- C. The homeowner has significant equity in the property

Answer: B

Explanation: Negative equity occurs when the outstanding mortgage balance is greater than the current market value of the property, which can limit the homeowner's options for selling or refinancing.

**Question: 3688**

What is a common characteristic of a fixed-rate mortgage?

- A. Interest rates fluctuate with the market.
- B. Monthly payments remain constant throughout the term.
- C. It typically has a shorter repayment term.

Answer: B

Explanation: Fixed-rate mortgages offer stability by maintaining the same monthly payment for the entire loan term, regardless of market interest rate changes.

**Question: 3689**

If a borrower takes a bridging loan of £80,000 at an interest rate of 2.5% per month, what is the total interest payable after 3 months?

- A. £4,800

- B. £6,000
- C. £7,200

Answer: C

Explanation: Total Interest = Principal  $\times$  Rate  $\times$  Time = £80,000  $\times$  0.025  $\times$  3 = £6,000.

**Question: 3690**

If a buyer wishes to challenge a lender's retention decision, what is the most effective initial step?

- A. Contact the seller.
- B. Gather supporting evidence and documentation.
- C. Hire a lawyer immediately.
- D. Ignore the decision and proceed with the purchase.

Answer: B

Explanation: Gathering supporting evidence and documentation can provide a solid foundation for challenging a lender's retention decision, allowing the buyer to present a case for reconsideration.

**Question: 3691**

If a borrower is facing a possession order, which of the following actions is least advisable?

- A. Engaging with the lender to discuss options.
- B. Seeking legal advice.
- C. Ignoring all correspondence from the lender.

Answer: C

Explanation: Ignoring correspondence from the lender is least advisable as it can lead to further legal complications and hinder the borrower's ability to negotiate or seek assistance regarding the possession order.

**Question: 3692**

Which type of mortgage is specifically designed for elderly borrowers looking to release equity from their home?

- A. Fixed-rate mortgage
- B. Tracker mortgage
- C. Lifetime mortgage
- D. Standard variable rate mortgage

Answer: C

Explanation: A lifetime mortgage is designed for older borrowers, allowing them to release equity from their home while retaining ownership.

**Question: 3693**

What is a common feature of an offset mortgage?

- A. It allows for higher LTV ratios.
- B. It links savings to reduce the mortgage interest payable.
- C. It is only available for first-time buyers.

Answer: B

Explanation: An offset mortgage links a borrower's savings account to their mortgage, allowing them to reduce the amount of interest paid on the mortgage by offsetting it against their savings.

**Question: 3694**

A borrower's age is a significant factor in determining their mortgage eligibility. True or False?

- A. True
- B. False

Answer: B

Explanation: While age may impact some lenders' decisions, it is not a significant factor compared to income, credit score, and debt levels.



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