Transactioneering Mastery Academy
Week 3 Homework (Answers)

1. Download the following documents from the website and save them on your computer so that you don't have to call our office in 6 months and ask for them:

   [ ] Sample escrow agreement
   [ ] Sample mortgage for use with a trustee
   [ ] Sample mortgage without a trustee
   [ ] Sample lender protection land trust

2. Find out the answer to these questions:

   Is your state a:

   [ ] Lien theory state

   [ ] Title theory state

   Does your state use:

   [ ] Judicial foreclosure

   [ ] Non-judicial foreclosure

   [ ] Both

3. Find an attorney in your area who can COMPETANTLY draft/review mortgage/deed of trust documents and land trust documents. If you don't know one, ask members of your REIA group who they use, or ask on facebook, or whatever. I'm serious. This week. Don't wait until you have a deal on the table

   Attorney's name: _____

   Attorney's phone number: _____

4. Material comprehension questions:

True or false:

In a conventional mortgage situation, the bank is the mortgagor [ ]T [x]F

The bank is the mortgagee

A seller-held mortgage secures a loan [ ]T [x]F

No “loan” is made in a seller-held mortgage deal; the mortgage secures a promise to pay payments in an installment sale

When a land trust buys a property subject to a mortgage, the Trustee must sign both the mortgage and the note [ ]T [x]F

The trustee only signs the mortgage. The borrower—the person or entity actually legally responsible for making payments—signs the note.

With the right paperwork, you could foreclose on a SELLER for refusing to sell to you at the end of an option term [x]T [ ]F

See discussion on “Mortgage to Secure Option”

Lenders take back properties through a process called foreclosure [ ]T [x]F

Foreclosures end in public auctions, not in a lender being granted the property back. Lenders auction off properties in the hopes of being ‘made whole’ through the foreclosure process. They ‘take back’ properties only when no one outbids them.

If there are 2 mortgages on a property, the larger on is called the first mortgage, and the smaller one is called the junior mortgage [ ]T [x]F

The first mortgage is the one that’s recorded first, no matter the relative sizes of any other mortgages

Escrowing a quick-claim deed is a good way to make sure mortgagees can avoid having to foreclose on a property [ ]T [x]F

There’s no such thing as a quick-claim deed. It’s QUIT-claim.

Which of the following are alternatives to a seller having to foreclose on a property against which he carried financing?

[x] Loan Modification
[x] Lender security land trust
[ ] Quick claim deed in escrow
[ ] Eviction
[x] Short sale
[ ] Burning the house for the insurance money

The 3rd one in the left column would also be correct, IF there were any such thing as a quick-claim deed. It’s QUIT claim. QUIT claim.

Match the mortgage term to the definition:

a. Mortgagor--3
b. ARM--5
c. Balloon--7
d. PMI/MIP--2
e. Amortization--1
f. Note--6
g. Credit bid--4

1. The term over which a loan would pay off if equal payments were made every period during that term
2. Insurance charged by, and used exclusively by, banks and FHA to recover part or all of their investment in a loan
3. The person who pledges a property as security for a promise
4. What the lender does at a foreclosure sale, up to the amount of what's due to the lender
5. A mortgage loan with an interest rate than can change over time
6. The promise to pay that is usually, but not always, included along with the mortgage
7. A final, large payment that pays off a mortgage loan prior to the end of the amortization period