Practice Examination

- This document is a practice final examination for Mortgage Professionals Canada's Introduction to the Canadian Mortgage Industry – **Ontario** Mortgage Agent Licensing Course.
- This practice exam contains 50 questions – just like the actual final exam. There is an answer key on the last page.
- This practice exam is modeled after the actual final exam in format and question style. These exact questions will not appear on your final exam.
- We suggest that you attempt the practice exam before you book your final examination with Mortgage Professionals Canada.
- Find a time when you are rested and can have an un-interrupted opportunity to complete the examination.
- Time yourself so that you will be better able to estimate the time required to complete the actual exam. You will have a maximum of 3 hours to complete your final exam – try to adhere to that timeframe for your practice exam.
- The passing mark has been set by the regulator at 60%; this means that you will have to score 30/50 on the exam to pass.
- There is no penalty for guessing, so answer every question. The final exam is "closed book" so you should try to avoid referring to the text, the online course, or any notes when you write your practice exam.
- There is only one correct answer for each question. If you feel that there is more than one correct answer, you must choose the *best, most accurate, or most true* answer, or the answer *closest to* your own.

Good Luck!

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1. Which of the following is a valid license category under the current MBLA Act, which governs Ontario Mortgage Brokers and Agents?
   a) Mortgage Specialist
   b) Mortgage Agent Level 1 and Mortgage Agent Level 2
   c) Mortgage Associate
   d) Mortgage Consultant

2. A Mortgage Broker/Agent must notify FSRA of changes to his/her mailing address, e-mail address, telephone or fax number, and if he/she is no longer authorized to act on behalf of a Mortgage Brokerage. The regulator must be informed within:
   a) 3 business days
   b) 5 business days
   c) 7 business days
   d) You do not need to inform FSRA

3. Under the MBLA Act, Mortgage Brokers and Agents are required to disclose which of the following to borrowers they represent?
   a) Material Risks
   b) Potential Conflicts of Interest
   c) Cost of Borrowing
   d) All of the Above

4. Which of the following represent duties that a mortgage administrator or mortgage servicer would carry out?
   a) Reviewing the application
   b) Calculating GDS, TDS & LTV
   c) Preparing a property appraisal
   d) Receiving P&I instalment payments

5. This entity was established in 1946 to administer the National Housing Act.
   a) The Bank Act
   b) Mortgage Investment Corporation
   c) Genworth Financial
   d) Canada Mortgage and Housing Corporation

6. Who does the Office of the Superintendent of Financial Institutions (OSFI) regulate?
   a) All Canadian financial institutions
   b) All Canadian credit unions
   c) Provincially incorporated deposit-taking institutions
   d) Federally incorporated deposit-taking institutions

7. Interest-only payment loans expose the lender to a considerable amount of:
   a) Equity
   b) Principal risk
   c) Extended amortizations
   d) Lawsuits

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8. In today's environment, who is the main provider of mortgage funds in Canada?
   a) Private Lenders
   b) Banks
   c) Canadian Government
   d) Caisses Populaires

9. *Which of the following word pairings properly complete the sentence?*
   The lender for a mortgage is referred to as the_____, and the borrower in a mortgage is referred to as the_____.
   a) Originator, servicer
   b) Mortgagor, mortgagee
   c) Mortgagee, mortgagor
   d) Administrator, insurer

10. Which of the following is a demand factor affecting real estate?
    a) Government
    b) Land-use regulations
    c) Builders
    d) Demographics

11. This term means that the land can be inherited, and that there is no qualification as to who can inherit it.
    a) Fee simple
    b) Leasehold
    c) Estate sale
    d) Life interest

12. Maria and Roger, a married couple, are purchasing a second property. Maria and Roger want to own the property as individuals independent of one another, based on each person's contribution to the down payment. If one of them passes away, that person's share is left to their estate to be dealt with by the executor of the will. To do this, Maria and Roger must register their ownership in which of the following ways?
    a) Joint tenants
    b) Tenants in common
    c) Life interest
    d) Dead pledge

13. Holly realizes that due to her poor credit rating, she will not be able to qualify for a mortgage on her own. She is looking to purchase this home for her and her family. To hide her poor credit, Holly provides you with a fake social insurance number. Which of the following situations best describes what Holly has done?
    a) Identification Fraud
    b) Fraud for profit
    c) Oklahoma flip
    d) Title fraud

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14. Which of the following would be considered a "red flag" for fraud?
    a) Inquiries and established credit are inconsistent with age, income and profession.
    b) The borrower, who just got married last month, still has some identification in her maiden name.
    c) The loan requires a guarantor.
    d) Part of the down payment is coming from savings; another part is a gift from the borrower's mother.

15. Sabrina is listing her property for sale. The property, as it currently stands, has obvious damage to the main outer wall and must be replaced in order to be habitable. Joseph is interested in purchasing the property, despite the obvious flaw. This is an example of:
    a) Misrepresentation
    b) Patent Defect
    c) Latent Defect
    d) Mistake

16. Which of the following CAN an injunction do?
    a) It can require a party to do something
    b) It can stop a party from doing something
    c) It can be awarded as a remedy by the courts
    d) All of the above

17. Stanley has accepted an offer from Gurpreet to purchase his house. The contract of purchase and sale contains a "subject to" clause for mortgage financing for Gurpreet that will lapse on the 1st of the next month. This means that Gurpreet has until the 1st of the next month to arrange mortgage financing for the purchase of the home from Stanley. Gurpreet is not able to arrange financing, and the contract is discharged. In this scenario, the contract has been terminated due to which of the following?
    a) Breach of Contract
    b) Non-fulfillment of a condition precedent
    c) Frustration
    d) Performance

18. This type of contract is a contract in which one of the parties has the option to cancel. Until the contract is rescinded (cancelled) it is valid and binding on the parties.
    a) Void Contract
    b) Illegal Contract
    c) Voidable Contract
    d) Unenforceable Contract

19. This document is a written contract between a seller and a buyer for the purchase and sale of a particular property. This document becomes a legally binding agreement if the seller accepts the offer.
    a) Transfer/Deed of land
    b) Agreement of Purchase and Sale
    c) Listing agreement
    d) Cessation of charge

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20. Which of the following is NOT one of the "borrower covenants"?
    a) Pay the property taxes
    b) Maintain the property
    c) Provide the right of "quiet possession"
    d) Repay the loan

21. If all other factors remain the same, what effect does increasing your P&I payments have on your amortization?
    a) Increases amortization
    b) Doubles amortization
    c) Decreases amortization
    d) Does nothing to the amortization

22. When do you need the client's authorization to pull their credit bureau?
    a) When they do not provide you with a SIN number
    b) When you cannot verify their identity
    c) When you want to check their credit
    d) You do not need the client's authorization to pull their credit bureau

23. This type of loan requires no payments of interest and no repayments of principal during the life of the loan. The full amount of principal and all interest that accumulates during the term are payable when the mortgage contract expires.
    a) Interest Accruing Loan
    b) Interest Only Loan
    c) Straight-Line Principal Reduction Loan
    d) Principal Plus Specified Interest Loan

24. A variable rate mortgage has an interest rate that:
    a) Stays the same throughout the term
    b) Changes by 0.5% every six months
    c) Fluctuates with market interest rates
    d) None of the above

25. In 2008, Juanita took out a mortgage with a 10 year closed term and a 30-year amortization. Today (2015), Juanita wants pay off the mortgage. Juanita will be subject to a penalty of:
    a) Greater of IRD or 3 months interest, based on lender's preference
    b) The Interest Act forbids Juanita from paying out the mortgage
    c) A maximum penalty of 3 months interest
    d) Juanita is not subject to a penalty

26. Which of the following is generally NOT accepted as eligible income by most lenders?
    a) Social assistance income
    b) Investment income
    c) Disability income
    d) Rental income

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27. This "C" is the most critical of the Five C's of Credit. It represents the borrower's ability to repay the mortgage.
    a) Collateral
    b) Conditions
    c) Capacity
    d) Capital

28. This "C" is the security that is provided to the lender, and in some cases can include outside parties who will guarantee the repayment of the loan.
    a) Collateral
    b) Conditions
    c) Capacity
    d) Capital

29. Alison is searching for her dream home. She believes she has found it and wonders about the potential mortgage. The property has been recently valued at $480,000 by an appraiser and Alison has a down-payment of $108,000 available. Alison's mortgage broker is submitting her application to a Schedule I Bank, Alison is most likely to get:
    a) A conventional mortgage loan
    b) A mortgage loan with mortgage default insurance
    c) A mortgage loan with creditor insurance
    d) Alison does not qualify for a mortgage loan

30. *The following information is for Questions #30 through #34*. Priya has a total of $42,000 in savings that she would like to use as a down payment on a $325,000 house. She makes $49,250 a year in income. The monthly blended mortgage payments are $1,085.75. Taxes are $1,200 per year and heating is $75 per month. What is Priya's GDS (rounded to one decimal place)?
    a) 26.8%
    b) 29.0%
    c) 30.7%
    d) 34.1%

31. If the lender you want to submit Priya's application to has a maximum GDS qualification of 32%, based on GDS ratio only, does Priya fall within the guideline for *this* lender?
    a) Yes
    b) No
    c) There are no guidelines for GDS
    d) None of the above

32. In addition to the information provided in Question #30 above, Priya has informed you that her other monthly obligations include $360 per month for credit cards, and $740 for car payments. Priya also pays $525 per month for car insurance, $99.50 per month for internet/telephone service, and is paying off her student loan with a $125 per month instalment payment. What is Priya's TDS (rounded to one decimal place)?
    a) 57.5%
    b) 57.8%
    c) 60.6%
    d) 75.8%

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33. If the lender you want to submit Priya's application to has a maximum TDS qualification of 44%, based on TDS ratio only, does Priya fall within the guideline for *this* lender?
    a) Yes
    b) No
    c) There are no guidelines for TDS
    d) None of the above

34. Based on the information provided in Question #30 above, what is Priya's LTV (rounded to one decimal place)?
    a) 12.9%
    b) 15.2%
    c) 84.8%
    d) 87.1%

35. Which of the following is a valid approach to value used by appraisers?
    a) Community approach
    b) Cost approach
    c) Capitalization rate approach
    d) Square footage approach

36. A person with which of the following designations CAN perform commercial appraisals?
    a) FRI
    b) AVM
    c) AACI
    d) MVA

37. When using the Direct Comparison Approach, if the "Comparable #1" property is inferior to the subject property, which property's value should be adjusted?
    a) No adjustments are required
    b) Subject Property
    c) Comparable #1
    d) Comparable #2

38. Which of the following is known as the most straight-forward form of business ownership, the easiest to start and the most commonly found in the services sector?
    a) Sole Proprietorship
    b) Limited Partnership
    c) General Partnership
    d) Corporation

39. Typical financial statements have how many parts?
    a) Three (3)
    b) Four (4)
    c) Five (5)
    d) Six (6)

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40. Typically, for self-employed borrowers, most lenders will require income supporting documentation for:
    a) The past one month only
    b) The previous 8 years, no exceptions
    c) The previous 3 years
    d) None of the above

41. This type of insurance may provide coverage to the insured against actual loss or damage resulting from survey errors, contravention of municipal zoning by-laws, or contravention of subdivision development and other agreements.
    a) Mortgage default insurance
    b) Mortgage life insurance
    c) Title insurance
    d) Homeowner's insurance

42. This type of insurance provides coverage for professionals against claims arising from negligent acts or errors and omissions committed in the performance of services to a third party – the consumer. It ensures that there are funds available to pay for consumer losses resulting from either the actions, or the inactions of the mortgage professional.
    a) Mortgage default insurance
    b) Mortgage life insurance
    c) Title insurance
    d) Errors and Omissions insurance

43. *The following information is for Questions #43 and #44.* Laura's mortgage is closing (funding) on June 10. She would like to make monthly mortgage payments on the 15th of every month. What is Laura's Interest Adjustment Date?
    a) June 15
    b) July 15
    c) August 15
    d) September 15

44. Based on the information provided in Question #43 above, Laura's Interest Adjustment amount will include:
    a) 4 days of interest adjustment – Interest accrued from June 11 up to and including June 14
    b) 5 days of interest adjustment – interest accrued from June 10 up to and including June 14
    c) 6 days of interest adjustment – interest accrued from June10 up to and including June 15
    d) Laura will have no Interest Adjustment amount

45. Laurel wants to buy a property with a first mortgage of $626,000 at 5% compounded semi-annually, not in advance, and a second mortgage of $130,000 at 6.5% interest compounded semi-annually, not in advance. What is the average mortgage rate for the two mortgages (rounded to one decimal place)?
    a) 5.0%
    b) 5.3%
    c) 5.5%
    d) 5.7%

46. A $225,000 loan has an interest rate of 4.95% with a term of 3 years. Using simple interest, what is the annual interest amount?
    a) $11,137.50
    b) $22,275.00
    c) $33,412.50
    d) $191,587.50

47. Which of the following terms can be defined by saying "for the same amount borrowed, over the same period of time, the same amount is owed at the end of that period."
    a) Interest Rates
    b) Effective Interest Rates
    c) Stated Interest Rates
    d) Equivalent Interest Rates

48. Steven has a mortgage commitment with a rate of 6.5% compounded semi-annually, not in advance. Oleg has a mortgage commitment with a rate of 6.5% compounded annually, not in advance. They are both for $250,000 loans for 1 year terms. Based on the information provided, choose the correct statement below.
    a) Both loans contravene the federal interest act.
    b) Steven's loan at 6.5% interest compounded semi-annually will cost more in interest over 1 year.
    c) Oleg's loan at 6.5% compounded annually will cost more in interest over 1 year.
    d) Both loans will cost the same amount in interest over 1 year.

49. If Sherrie's monthly P&I payment is $2,305.17, what is her accelerated weekly payment?
    a) $576.29
    b) $531.96
    c) $1,152.59
    d) $2,305.17

50. Which of the following is TRUE?
    a) Accelerated bi-weekly payments are made 48 times per year.
    b) Accelerated bi-weekly payments are made 26 times per year.
    c) Accelerated bi-weekly payments are made 24 times per year.
    d) None of the above.

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Answer Key

- "*Module*" refers to both online and textbook content.

1.	**B** *Module 2*	2.	**B** *Module 2 & FSCO Compliance Checklist*	3.	**D** *Module 2 & FSCO Compliance Checklist*	4.	**D** *Module 1*	5.	**D** *Module 1*
6.	**D** *Module 2*	7.	**B** *Module 1*	8.	**B** *Module 1*	9.	**C** *Module 1*	10.	**D** *Module 1*
11.	**A** *Module 3*	12.	**B** *Module 3*	13.	**A** *Module 11*	14.	**A** *Module 11*	15.	**B** *Module 3*
16.	**D** *Module 3*	17.	**B** *Module 3*	18.	**C** *Module 3*	19.	**B** *Module 3*	20.	**C** *Module 3*
21.	**C** *Module 4*	22.	**C** *Module 6*	23.	**A** *Module 8*	24.	**C** *Module 8*	25.	**C** *Module 4*
26.	**A** *Module 7*	27.	**C** *Module 7*	28.	**A** *Module 7*	29.	**A** *Module 8*	30.	**C** *Module 7*
31.	**A** *Module 7*	32.	**C** *Module 7*	33.	**B** *Module 7*	34.	**D** *Module 7*	35.	**B** *Module 9*
36.	**C** *Module 9*	37.	**C** *Module 9*	38.	**A** *Module 7*	39.	**C** *Module 7*	40.	**C** *Module 7*
41.	**C** *Module 8*	42.	**D** *Module 11*	43.	**A** *Module 10*	44.	**B** *Module 10*	45.	**B** *Module 4*
46.	**A** *Module 4*	47.	**D** *Module 4*	48.	**B** *Module 4*	49.	**A** *Module 4*	50.	**B** *Module 4*

Congratulations! Best of Luck on your Final Exam!

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