

Module 11: Servicing of SFH Direct Loans
Learning Activity
Activity #1 – “Open Book” Practice Exam



This particular module discusses many key concepts, terms and procedures. In order to continue developing your understanding it is important for you to test your mettle with the concepts discussed. This activity affords you that opportunity. As you complete the practice exam you may use the resources available to find the information if you are unable to complete the questions asked.

Activity #1 Instructions:

- ✓ Complete as many of the questions shown without consulting resources
- ✓ Locate needed information in the resources available to complete the remaining questions
- ✓ Based upon your performance, identify sections of the module where you may benefit from a quick review of the topic “online” or in the reference material provided

Questions:

1. It's Friday, 4:24 pm, and your office closes in 6 minutes. Everyone left early for the weekend. A non first-year borrower (who lives 70 miles away) comes to your office. The borrower was recently laid off from his job, his phone has been disconnected, he does not qualify for unemployment assistance, and he missed his last payment. What should you do?
 - a. Briefly explain that he may qualify for additional assistance that will help him keep his home and allow him to call CSC from the office to request these services.
 - b. Explain that stable employment was a condition of loan approval.
 - c. Approve a 12 month Delinquency Workout Agreement (DWA).
 - d. Tell him to come back Monday because the office is closing in five minutes.

2. A big hailstorm went through town; several customers came to the office with insurance checks for damages, the adjuster's worksheets, and proof the repairs will be completed. These are customers that have always made their payments on time. The largest of these checks is \$2459. What should you do?
 - a. Establish a supervised bank account and pay for the repairs after completion.
 - b. Check the account in MortgageServ to assure it is current. If the account is current, sign the checks over to the customer (endorse without recourse). If account is not current, refer to CSC.
 - c. Put the check in the borrower's file until the work is completed.

3. Why is a voluntary sale generally more desirable than a foreclosure?



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4. A borrower received their loan this year. You have received notice that they are presently 2 payments behind. What should you do?
 - a. Call the customer and inquire about their situation, offering options to bring the account current.
 - b. Visit the customer and inquire about their situation, offering options to bring the account current.
 - c. Write the customer a letter and inquire about their situation, offering options to bring the account current.
 - d. Do whatever it takes to make contact with the customer and discuss options to bring the account current.

5. JoAnn is a Section 502 customer. A family with young children has moved in next door and asked JoAnn if she would consider selling a portion of her lot for \$4,500 to give them room to build an inground pool. What should you do?
 - a. Ask JoAnn to complete a Form 465-1, Application for Partial Release, Subordination or Consent. Determine that \$4,500 is a fair value and allow her to apply the proceeds to reduce the principal of her Rural Development loan.
 - b. Inform her that inground pools are not an eligible loan purpose and, therefore, we could not allow a pool to be built on land she was selling.
 - c. Ask JoAnn to complete a Form 465-1, Application for Partial Release, Subordination or Consent. Determine that \$4,500 is a fair value and allow her to apply the proceeds to reduce the principal of her credit cards, giving her more money available to meet her house payments.
 - d. Do nothing, have her call CSC, they are responsible for all servicing issues.

6. What is the proper and preferred method of sending task notices between CSC and the Field Office?
 - a. Phone call
 - b. Letter
 - c. Fax
 - d. MortgageServ work queue

7. The following duties are primarily the responsibility of field offices, except:
 - a. Graduation review;
 - b. First year delinquency;
 - c. Authorizing of a Sale for less than the Debt; or
 - d. Approval of Debt Settlement offers.



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8. A DWA (Delinquency Workout Agreement), which is approved by CSC, can be scheduled over ____ months.
 - a. 6
 - b. 12
 - c. 24
 - d. As long as it takes to bring the account current
9. True or False. A moratorium is the short time after the beginning of a new fiscal year during which no loans can be made.
10. True or False. CSC will collect back unauthorized assistance only in cases where the borrower knowingly misrepresented information to fraudulently qualify for additional subsidy.
11. What was the subsidy recapture policy designed to do?
12. When does subsidy subject to recapture have to be repaid?
13. Can recapture be assumed by a purchaser when an existing Rural Development property is sold?
14. Is recapture due when a loan is assumed under same rates and terms?
15. Do borrowers get credit for the cost of making a capital improvement when calculating subsidy recapture?
16. Why does the Agency offer an incentive to pay recapture?
17. When can the Agency consent to a sale that is insufficient to pay the Agency debt, prior liens, and authorized selling expenses?



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18. What 3 items does a borrower need to provide you in order to determine if the proposed sale is in the Agency's best interest?

19. In a voluntary sale (short sale), where the proposed sales price is less than market value, what is required?

20. When sales proceeds will not fully satisfy the debt, who determines whether a borrower is released from personal liability?

21. How do you request a debt settlement package from Centralized Servicing Center (CSC)?

22. What 7 items are included in a Debt Settlement Package?

23. Yes or No. If the borrower is unable or unwilling to complete a debt settlement package, can you still proceed with a short sale and release the mortgage, if it is in the best interest of the Agency?

24. Yes or No. Should you make a new loan to pay off an old loan because a borrower would only have one loan instead of two? Explain why or why not.

25. When is a same rates and terms assumption allowed?

26. What three procedural differences affect the purchaser and seller when an assumption is involved?

27. Yes or No. Can subsequent loans be leveraged if they are used in conjunction with assumptions on new rates and terms?



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28. What loan security documents must be modified by the loan originator on a non-program assumption?

29. True or False. In a same rates & terms assumption, a payoff is received, but the original borrower hasn't paid the monthly payment due on or before closing date. You do not have to collect that payment.

