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Financial

CEMAP-1

Certificate in Mortgage Advice and Practice Module 1: UK Financial Regulation - 2025

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Question: 458

Which of the following is an example of a repayment mortgage?

- A. Interest-only mortgage.
- B. Buy-to-let mortgage.
- C. Lifetime mortgage.
- D. Capital and interest mortgage.

Answer: D

Explanation: A repayment mortgage, also known as a capital and interest mortgage, requires the borrower to make regular payments that cover both the interest on the loan and a portion of the principal amount. Over time, as the borrower makes these payments, the outstanding balance of the mortgage gradually decreases until it is fully repaid at the end of the mortgage term. This is the most common type of mortgage and ensures that the borrower will own the property outright once the mortgage is paid off.

Question: 459

What is the purpose of a mortgage valuation survey?

- A. To assess the borrower's creditworthiness
- B. To determine the market value of the property

- C. To calculate the borrower's affordability
- D. To verify the borrower's employment history

Answer: B

Explanation: The purpose of a mortgage valuation survey is to determine the market value of the property. It helps the mortgage lender assess the property's worth and make informed decisions regarding the loan amount and terms.

Question: 460

Which of the following insurance policies is typically required by lenders when granting a mortgage?

- A. Buildings insurance
- B. Life insurance
- C. Contents insurance
- D. Travel insurance

Answer: A

Explanation: When granting a mortgage, lenders typically require the borrower to have buildings insurance. Buildings insurance provides coverage for damage to the structure of the property, including walls, roof, floors, and fixtures, caused by events such as fire, flood, or subsidence. It helps protect the lender's investment in the property. While life insurance may be recommended to provide financial protection for the borrower's family in the event of their death, it is not typically a requirement for obtaining a mortgage.

Question: 461

Mortgage Payment Protection Insurance (MPPI):

- A. Provides coverage for the property against damage or loss
- B. Insures the borrower against the risk of being unable to make mortgage payments due to illness, accident, or unemployment
- C. Covers the costs of property repairs and maintenance
- D. Represents additional payments made toward the mortgage principal to reduce the overall interest costs

Answer: B

Explanation: Mortgage Payment Protection Insurance (MPPI) is a type of insurance that insures the borrower against the risk of being unable to make mortgage payments due to illness, accident, or unemployment. It provides financial protection and helps ensure that mortgage payments can still be made during difficult circumstances.

Question: 462

What is the purpose of a mortgage illustration?

- A. To summarize the borrower's income and expenses
- B. To provide an overview of the mortgage lender's financial performance
- C. To outline the terms and conditions of the mortgage loan
- D. To estimate the property's market value

Answer: C

Explanation: The purpose of a mortgage illustration is to outline the terms and

conditions of the mortgage loan. It provides detailed information about the interest rate, repayment schedule, fees, and other important aspects of the mortgage agreement.

Question: 463

What is the purpose of the Key Facts Illustration (KFI) in mortgage lending?
Mark one answer.

- A. To provide a summary of the key terms and costs of the mortgage
- B. To evaluate the borrower's creditworthiness
- C. To assess the value of the property for mortgage purposes
- D. To calculate the monthly mortgage payments

Answer: A

Explanation: The purpose of the Key Facts Illustration (KFI) in mortgage lending is to provide a summary of the key terms and costs of the mortgage. It helps borrowers understand the details of the mortgage, including interest rates, fees, and repayment terms.

Question: 464

Which of the following factors can affect a borrower's eligibility for a mortgage?

- A. The borrower's age and ethnicity.
- B. The borrower's employment status and income.

- C. The borrower's political affiliation.
- D. The borrower's educational background.

Answer: B

Explanation: A borrower's employment status and income are significant factors that lenders consider when assessing eligibility for a mortgage. Lenders need assurance that the borrower has a stable source of income to meet the mortgage payments and that the borrower's income is sufficient to cover other financial commitments. Factors such as age, ethnicity, political affiliation, and educational background are generally not relevant to mortgage eligibility.

Question: 465

What is the purpose of a mortgage offer?

- A. To provide legal advice on property transactions
- B. To outline the terms and conditions of the mortgage
- C. To assess the borrower's creditworthiness
- D. To transfer ownership of the property

Answer: B

Explanation: The purpose of a mortgage offer is to outline the terms and conditions of the mortgage. It is a formal document issued by the lender, stating their willingness to lend the agreed-upon mortgage amount to the borrower. The mortgage offer contains important details such as the loan amount, interest rate, repayment terms, and any specific conditions or requirements. The borrower must review and accept the mortgage offer before proceeding with the mortgage transaction.

Question: 466

What is the purpose of the Financial Conduct Authority (FCA) in relation to mortgage advice and practice?

- A. To regulate and supervise mortgage lenders
- B. To provide mortgage advice to consumers
- C. To set interest rates for mortgages
- D. To issue mortgage licenses to brokers

Answer: A

Explanation: The Financial Conduct Authority (FCA) is responsible for regulating and supervising mortgage lenders to ensure that they operate in a fair and transparent manner. Option B is incorrect as providing mortgage advice to consumers is not the primary role of the FCA. Option C is incorrect as setting interest rates for mortgages is the responsibility of the Bank of England. Option D is incorrect as issuing mortgage licenses to brokers is typically done by industry-specific regulatory bodies.

Question: 467

Standard Variable Rate (SVR):

- A. Refers to the initial interest rate offered on a mortgage
- B. Is the interest rate charged by the Bank of England
- C. Is a fixed interest rate that remains constant throughout the mortgage term
- D. Represents the interest rate charged by the lender after any initial discounted

or fixed-rate period ends

Answer: D

Explanation: The Standard Variable Rate (SVR) represents the interest rate charged by the lender after any initial discounted or fixed-rate period ends. It is the lender's default rate and can fluctuate in response to changes in market conditions.

Question: 468

Which of the following is a type of mortgage interest rate that is directly linked to the Bank of England's base rate?

- A. Standard variable rate (SVR)
- B. Fixed-rate
- C. Tracker rate
- D. Discount rate

Answer: C

Explanation: A tracker rate is a type of mortgage interest rate that is directly linked to the Bank of England's base rate. The interest rate on a tracker mortgage is set at a certain percentage above or below the base rate. As the base rate changes, the interest rate on the tracker mortgage adjusts accordingly.

Question: 469

Which of the following mortgage types typically offers the lowest interest rate?

- A. Fixed-rate mortgage
- B. Tracker mortgage
- C. Discount mortgage
- D. Offset mortgage

Answer: A

Explanation: A fixed-rate mortgage offers a consistent interest rate over a specified period, providing stability and predictability for borrowers. This type of mortgage is often preferred by individuals seeking the lowest interest rate because it protects them from potential rate increases during the fixed period.

Question: 470

Which of the following is a factor that may affect a borrower's affordability for a mortgage?

- A. The color of the borrower's car
- B. The borrower's previous employment history
- C. The number of bedrooms in the property
- D. The borrower's preferred vacation destination

Answer: B

Explanation: The borrower's previous employment history. When assessing a borrower's affordability for a mortgage, lenders typically consider factors such as income, employment stability, credit history, and financial commitments. The borrower's previous employment history can provide insights into their income stability and ability to meet mortgage repayments, which is an important consideration for lenders.

Question: 471

Which of the following actions is an example of subrogation in mortgage lending?

- A. The lender repossessing the property due to mortgage default
- B. The borrower making additional principal payments on the mortgage
- C. The lender transferring the mortgage to another financial institution
- D. The borrower obtaining mortgage insurance to protect against default

Answer: C

Explanation: Subrogation in mortgage lending refers to the transfer of a mortgage from one lender to another financial institution. This can occur when the original lender sells the mortgage to another party or when the borrower refinances the mortgage with a different lender. The new lender assumes the rights and obligations of the mortgage, including the right to receive repayments and enforce the terms of the loan.

Question: 472

What is the purpose of the Financial Conduct Authority (FCA) in the context of mortgage regulation?

- A. To ensure fair competition among mortgage lenders
- B. To provide financial advice to mortgage consumers
- C. To regulate the conduct of firms offering mortgage advice and services
- D. To promote investment in the mortgage market

Answer: C

Explanation: The Financial Conduct Authority (FCA) is responsible for regulating the conduct of firms offering mortgage advice and services. Its role is to ensure that mortgage consumers are protected and that the mortgage market operates in a fair and transparent manner.

Question: 473

Which of the following is an example of a "hard" credit search?

- A. Checking your own credit report
- B. A lender conducting a credit check for a mortgage application
- C. A soft inquiry by a credit card company for pre-approved offers
- D. A landlord verifying your credit history for a rental application

Answer: B

Explanation: The correct answer is B. A lender conducting a credit check for a mortgage application is an example of a "hard" credit search. A hard credit search is a thorough inquiry into an individual's credit history and is typically conducted by lenders when considering a loan or credit application. It leaves a footprint on the individual's credit report and may temporarily impact their credit score. Checking your own credit report, soft inquiries by credit card companies for pre-approved offers, and landlords verifying credit history for rental applications are examples of "soft" credit searches that do not have the same impact on credit scores.

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