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201920_25957 PROPERTY



Assignments

Review Test Submission: Mortgage Questions

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User	Chris A. Cotropia
Course	PROPERTY
Test	Mortgage Questions
Started	3/13/20 12:41 PM
Submitted	3/13/20 12:41 PM
Due Date	4/2/20 2:30 PM
Status	Completed
Attempt Score	4 out of 4 points
Time Elapsed	0 minute
Instructions	<p>This quiz includes four (4) multiple choice questions. You have until the ZOOM session on April 2 to complete the quiz. The quiz should take you only 10-15 minutes.</p> <p>There is one correct answer for each question. There are no penalties for answering a question incorrectly, so please answer all questions.</p> <p>You may refer to course materials (the casebook and material on and link to the course blog) and notes to which you have made some contribution while taking the quiz. You may not, however, consult with anyone else while taking the quiz.</p> <p>Do not copy or distribute the questions or answers. Do not discuss the questions or answers until we discuss them on April 2, 2020.</p>
Results Displayed	All Answers, Submitted Answers, Correct Answers, Feedback, Incorrectly Answered Questions

Question 1

1 out of 1 points



A landowner mortgaged her land to a nationally chartered bank as security for a loan. The mortgage provided that the bank could, at its option, declare the entire loan due and payable if all or any part of the land, or an interest therein, was sold or transferred without the bank's prior written consent.

Subsequently, the landowner wanted to sell the land to a neighbor by an installment land contract, but the bank refused to consent. The neighbor's credit was good, and all mortgage payments to the bank were fully curr

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The landowner and the neighbor consulted an attorney about their proposed transaction, their desire to complete it, and the bank's refusal to consent. What would the attorney's best advice be?

Selected



Answer:

Even if the landowner transfers to the neighbor by land contract, the bank may accelerate the debt and foreclose if the full amount is not paid.

Answers:



Even if the landowner transfers to the neighbor by land contract, the bank may accelerate the debt and foreclose if the full amount is not paid.

The due-on-sale clause is void as an illegal restraint on alienation of the fee simple, so they may proceed.

By making the transfer in land contract form, the landowner will prevent enforcement of the due-on-sale clause if the mortgage payments are kept current.

The only effect of the due-on-sale clause is that the proposed transfer will automatically make the neighbor personally liable on the debt, whether or not the neighbor specifically agrees to assume it.

Response
Feedback:

The mortgage contains a valid due-on-sale clause. If the landowner conveys the land without the prior consent of the bank, the bank may accelerate the mortgage debt. A sale by use of an installment land contract is a transfer of the land, which can trigger the due-on-sale clause.

Question 2

1 out of 1 points



A woman borrowed \$100,000 from a bank and executed a promissory note to the bank in that amount. As security for repayment of the loan, the woman's brother gave the bank a mortgage on a tract of land solely owned by him. The brother did not sign the promissory note.

The woman subsequently defaulted on the loan, and after acceleration, the bank instituted foreclosure proceedings on the brother's land. The brother filed a timely objection to the foreclosure.

Will the bank succeed in foreclosing on the tract of land?

Selected



Yes, because the bank has a valid mortgage.

Answer:

Answers:

No, because a mortgage from the brother is invalid without a mortgage debt owed by him.

Yes, because the bank is a surety for the brother's mortgage.



Yes, because the bank has a valid mortgage.

No, because the bank has an equitable mortgage rather than a legal mortgage.

Response Feedback: A mortgage is security for the performance of an act. The performance may be by the mortgagor or by some other person. The mortgage granted by the brother to secure the debt of the woman is valid even though the woman also has personal liability on the debt.

Question 3

1 out of 1 points



A man obtained a bank loan secured by a mortgage on an office building that he owned. After several years, the man conveyed the office building to a woman, who took title subject to the mortgage. The deed to the woman was not recorded. The woman took immediate possession of the building and made the mortgage payments for several years.

Subsequently, the woman stopped making payments on the mortgage loan, and the bank eventually commenced foreclosure proceedings in which the man and the woman were both named parties. At the foreclosure sale, a third party purchased the building for less than the outstanding balance on the mortgage loan. The bank then sought to collect the deficiency from the woman.

Is the bank entitled to collect the deficiency from the woman?

Selected



Answer: No, because the woman is not personally liable on the loan.

Answers: No, because the woman did not record the deed from the man.



No, because the woman is not personally liable on the loan.

Yes, because the woman took immediate possession of the building when she bought it from the man.

Yes, because the woman was a party to the foreclosure proceeding.

Response Feedback: The woman took title to the office building subject to the mortgage but did not assume the mortgage debt. The debt is to be satisfied out of the building. The building is the principal, and the man, as transferor, is the only party liable for any deficiency. This situation can be contrasted with one in which a buyer expressly assumes the mortgage debt. In that case, the buyer would be primarily liable for any deficiency and the seller, absent a release by the mortgagee, would be secondarily liable.

Question 4

1 out of 1 points



An investor purchased a tract of commercial land, financing a large part of the purchase price with a loan from a business partner that was secured by a mortgage. The investor made the installment payments on the mortgage regularly for several years. Then the investor persuaded a neighbor to buy the land, subject to the mortgage to his partner. They expressly agreed that the neighbor would not assume and agree to pay the investor's debt to the partner. The investor's mortgage to the partner contained a due-on-sale clause stating, "If Mortgagor transfers his or her interest without the written consent of Mortgagee first obtained, then at Mortgagee's option the entire principal balance of the debt secured by this Mortgage shall become immediately due and payable." However, without seeking his partner's consent, the investor conveyed the land to the neighbor, the deed stating that it was "subject to a mortgage to [the partner]" and giving details and recording data related to the mortgage. The neighbor took possession of the land and made several mortgage payments, which the partner accepted. Now, however, neither the neighbor nor the investor has made the last three mortgage payments. The partner has sued the neighbor for the amount of the delinquent payments.

In this action, for whom should the court render judgment?

Selected



Answer:

The neighbor, because she did not assume and agree to pay the investor's mortgage debt.

Answers:

The partner, because the investor's deed to the neighbor violated the due-on-sale clause.

The partner, because the neighbor is in privity of estate with the partner.

The neighbor, because she is not in privity of estate with the partner.



The neighbor, because she did not assume and agree to pay the investor's mortgage debt.

Response

Feedback:

A grantee who does not assume the mortgage, but rather takes subject to the mortgage, is not personally liable for the debt. In this case, there was no express assumption. In fact, the parties agreed that the neighbor was not assuming the mortgage debt. The debt is to be satisfied out of the land first, with the investor liable for any deficiency.

