Lesson #10 Quiz
Graded Quiz • 30 min
Due Nov 30, 4:59 PM +09
Congratulations! You passed!
TO PASS 80% or higher

Keep Learning

GRADE

87.50%

Lesson #10 Quiz

LATEST SUBMISSION GRADE

87.5%

1.
Question 1
Which of the following is FALSE of Direct Participation Programs (DPPs)?
1 / 1 point

A major example of a DPP is a real estate partnerships.

They may skip corporate profits tax.

They must operate for at least some minimum amount of time.

They are for accredited investors only

Correct

DPPs must have a limited lifetime. Corporations derive much of their value from the fact that they will last for a long time, which is why there are restrictions on the duration of DPPs.

2.

Question 2

If Sabine is “under water”, what can we say about her situation?

1 / 1 point

She has sent her keys to the bank and abandoned her house.

She has no choice but to declare bankruptcy.

The value of her home is less than the value of her mortgage.

She does not have enough money to make payments on her home.

Correct

This is the definition of being under water.

3.

Question 3

Why does the 30 year mortgage rate so closely match the 10 year treasury bond YTM?

1 / 1 point

Banks intentionally track the 10 year treasury bond YTM.

The interest rate of 30 year mortgages and the price of 10 year treasury bonds are set by the same organization.

There are similar psychological causes which influence both the 30 year mortgage rate and the 10 year treasury YTM.

People could choose to finance their home with 10 year treasury bonds instead of with 30 year mortgages.

Correct

30 year mortgages usually only last about 10 years because people will sell their homes.

4.

Question 4

Who pays for private mortgage insurance on a mortgage?

1 / 1 point

The US government

The homeowner

Fannie Mae and Freddie Mac

Thank banks

Correct

5.

Question 5

Before the recession in 2007, why were banks giving out mortgages to people who could not afford them?

1 / 1 point

Banks would resell to mortgages to CMOs, and thus they were not incentivized to make sure their mortgages were unlikely to default.

Many people faked documents in order to get a mortgage, known as a “liar loan”

CMOs were incentivized to buy mortgages which were likely to default, since these would only affect their lowest tranche.

Banks had no way to verify whether people would be able to pay.

Correct

Banks could make more money by offering mortgages to people who they knew could not pay for them.

6.

Question 6

Select TWO key causes of the housing bubble which crashed in 2007:

1 / 1 point

Hyper-inflation

Fraudulent mortgage lending

Correct

Over-optimistic mortgage lending

Correct

Corruption within the government

7.

Question 7

During the housing bubble of 2007, which of the following tended to fluctuate with home price index?

1 / 1 point

The percentage of new homeowners who have been evicted from their home.

The percentage of new homeowners who think investing in real estate is a bad long term investment.

The percentage of new homeowners who think that investing in real estate is a good long term investment.

The percentage of new homeowners who regretted their decision.

Correct

8.

Question 8

What in 2005 indicated the housing market might be a bubble?

0 / 1 point

Media was discussing how people were no longer purchasing houses.

Time magazine predicted that the housing market was a bubble.

Media was discussing a home-buying mania in the American public.

The expected 10 year home price appreciation dropped below the 30 year mortgage rate.

Incorrect