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QUESTION 1

When developing a training plan for commercial lenders, which of the following regulations is least important to include?

- A. Equal Credit Opportunity, FRS Regulation B
- B. Home Mortgage Disclosure, FRS Regulation C
- C. Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks, FRS Regulation O
- D. Truth in Lending Act, FRS Regulation Z

Correct Answer: D

QUESTION 2

Which of the following transactions does NOT require prior approval of the Federal Reserve Board?

- A. The formation of a bank holding company
- B. The acquisition by a bank holding company of a subsidiary
- C. The acquisition of 25 percent of voting stock of a bank by another bank, in good faith, in its fiduciary capacity with no power to vote
- D. The acquisition of 25 percent of voting stock of a bank by another bank in its fiduciary capacity for the benefit of the acquiring bank's employees

Correct Answer: C

QUESTION 3

How must most banks submit loan application registers to their federal supervisory agencies?

- A. In machine-readable format
- B. On the standard LAR form
- C. In three copies with the required transmittal
- D. In a separate package for each branch loan application

Correct Answer: A

QUESTION 4

On March 1, First National Bank opened three accounts:

- 1) a savings account for Margaret Nelson, who did not have a TIN but signed a certification that she had applied for

one;

2) a money market savings account for Linda Miller, who could not remember her TIN but promised to provide it at the earliest possible date; and

3) a certificate of deposit for John Whiteside, who completed a Form W-9 but provided a TIN with only eight numbers. Ms. Nelson provided her newly acquired TIN to the bank on April 15, Ms. Miller provided her TIN on April 5, and Mr.

Whiteside provided his TIN to the bank on March 10. Interest was paid on all of these accounts on March 31, and the bank withheld 28 percent of the interest payments. On April 20 all the payees requested that the withheld interest be refunded.

What should the bank do?

- A. Refund the withheld interest to all payees
- B. Refund to Ms. Nelson and Mr. Whiteside because the interest was erroneously withheld
- C. Refund only to Mr. Whiteside because the interest was erroneously withheld
- D. Refund only to Ms. Nelson because the interest was erroneously withheld

Correct Answer: B

QUESTION 5

In evaluating the coverage of a bank's Regulation U compliance for loans to purchase or carry margin stocks, which of the following securities is NOT covered in the regulatory definition of "margin stock"?

- A. Any OTC stock
- B. A security issued by an investment company that is licensed under the Small Business Administration Act
- C. A warrant or right to subscribe to, or purchase, a margin stock
- D. An equity security registered, or having unlisted trading privileges, on a national exchange

Correct Answer: B

QUESTION 6

First National Bank has foreclosed on several loans. One of the loans is not subject to the requirement to submit an information return on the foreclosed property. Which loan is most likely NOT covered by the regulations?

- A. A loan to Brown and Associates, a local law firm, to purchase furniture, secured by the furniture
- B. A loan to Mrs. Lynch to purchase stereo equipment for use in her office waiting room
- C. A loan to Dr. Stevens to purchase kitchen appliances

D. A loan to Mr. and Mrs. Sanders to purchase a computer for their antique shop

Correct Answer: C

QUESTION 7

Bob Richardson has had three loan applicants this morning:

Heather Smith, age 17, who needs a car loan for \$9,500 for 3 years John Bako, age 42, who would like a stock loan for \$15,000 for 1 year Maynard Williams, age 70, recently retired, who needs a \$50,000 home improvement loan for 12 years

Bob's bank uses a judgmental credit evaluation system. For which of these applications is Bob able to consider the age of the applicant as a factor in the decision making process?

- A. All of them
- B. None of them
- C. Only Mr. Williams
- D. Mr. Williams and Ms. Smith

Correct Answer: D

QUESTION 8

In Receiver's agreement-12 CFR 210.28 it is clearly mentioned that:

- A. Receiving bank authorizes the Reserve Bank to credit the receiving bank's account
- B. An off-line bank warrants to the Reserve Bank that it does not act as an intermediary bank or a beneficiary's bank for payment orders received for a beneficiary that is a bank, unless the off-line bank notifies the Reserve Bank in writing
- C. A Reserve Bank has rights of a creditor to recover an overdraft, including the right of set off
- D. Reserve Banks, when acting as beneficiary's bank, payment order that identifies the beneficiary

Correct Answer: AB

QUESTION 9

Which of the following usually comes under the heading of abusive lending?

- A. Abusive lending usually is defined by a variety of lending practices
- B. It is the excessive and hidden fees in the amount financed
- C. A fundamental characteristic is aggressive marketing of credit to prospective borrowers who cannot repay it on the

terms offered

D. Typically, such loans are underwritten on the liquidation value of the collateral rather than the creditworthiness of the borrower

Correct Answer: ACD

QUESTION 10

It is an extension of credit will be deemed to be made to an insider if the proceeds are transferred to the insider or used for the insider's benefit. This rule does not apply if the credit is made on substantially the same terms and conditions as those made to a non-insider and if the proceeds are used in a bona fide transaction involving the acquisition of property, goods, or services from the insider.

What is it?

- A. Tangible economic benefit rule 12 CFR 215.3(f)
- B. Extension of credit-12 CFR 215.3
- C. Lending restrictions
- D. Intangible economic-benefit rule

Correct Answer: A

QUESTION 11

When does a gift accepted by a banker clearly violate the Bank Bribery Act?

- A. When it is given for personal reasons
- B. When it is given with corrupt intent
- C. When it is valued at a dollar amount exceeding \$50
- D. When it is not given in connection with a generally accepted holiday

Correct Answer: B

QUESTION 12

Which state receives the reporting and escheatment of unclaimed property?

- A. The state where the bank is domiciled, if different from the bank holding company
- B. The state of the customer's last known address, if available and not foreign

- C. The state where the property is located, if a deposit account
- D. The state chosen by a bank holding company, if a multistate operation

Correct Answer: B

QUESTION 13

An individual borrowed \$1,000 to remodel her mobile home. She lives in the mobile home that is not anchored to the ground. The loan will be secured by the mobile home, but the borrower does not own the lot on which it is parked. For HMDA purposes, this loan is considered to be which of the following types of loans?

- A. Consumer RV
- B. Home equity
- C. Home improvement
- D. Second mortgage

Correct Answer: C

QUESTION 14

Fastfood, Inc., a nationwide restaurant chain, opened an account at First National Bank last year. Fastfood is making daily deposits in amounts of \$15,000 to \$20,000. First National needs to determine if this company is an exempt person. What should the bank do first?

- A. Because the restaurant is an established depositor, the bank should provide an unlimited exemption for cash deposits and withdrawals.
- B. The bank should look in the newspaper or on the Internet to determine if Fastfood, Inc.'s stock appears on one of the listed exchanges.
- C. The bank should ask the company if it qualifies as a listed business.
- D. The bank should perform a corporate records check to determine if the company is chartered in the United States.

Correct Answer: B

QUESTION 15

First National Bank is a member of a multibank holding company. The bank makes ARM loans and occasionally purchases ARM loans from its affiliate national and state banks as well as from nonaffiliate banks. Which of the following practices is NOT acceptable under the OCC ARM regulation?

- A. The bank purchases loans from its state affiliate banks where the index on the loan is tied to First National's prime rate.

- B. The bank makes loans to purchase single-family dwellings with interest rates that may be adjusted from time to time.
- C. The bank links the interest rate indices on its own ARM loans to them national prime rate as published in The Wall Street Journal.
- D. The bank requires its national bank affiliates to use the national prime rate as published in The Wall Street Journal as the index for any of the ARM loans it purchases.

Correct Answer: A

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