QUIZ
Chapter 2

Multiple-Choice & True/False
15 Multiple-Choice and True/False questions. Each question is worth 4 points for a total of 60 points:

1. The federal government encourages home ownership by allowing tax advantages to home owners. True or false?

2. The insurance policies for a single family home and for a condominium are identical. True or false?

3. One of the factors that determine your insurance rate is where you live. True or false?

4. What percentage of homes in the United States are owner occupied?
   a. 20%
   b. 40%
   c. 68%
   d. 90%

5. The Federal Housing Administration (FHA):
   a. loans money for low-income housing.
   b. insures loans to protect private lenders from losses.
   c. loans money for investment purposes.
   d. sets the interest rate for all lenders.

6. Equity is defined as:
   a. the fair market value of your home minus the amount you owe on loan(s) against the property.
   b. the difference between the purchase price of your home and the current fair market value of your home.
   c. the difference between the fair market value and the amount that has been depreciated for income tax purposes.
   d. the real cost of borrowing purchase money for a house.

7. The fact that turning a real estate asset into cash can be time consuming is referred to as:
   a. liquidity.
   b. risk of loss.
   c. illiquidity.
   d. convertibility.

8. One of the main obstacles to owning a home might include:
   a. a regionally high unemployment rate.
   b. a glut of homes in certain areas.
   c. a glut of homes in a certain price range.
   d. lack of cash for a down payment and closing costs.

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9. It is possible to research the history of a parcel of real estate by researching records that have been filed at:
    a. the district court.
    b. the federal courthouse.
    c. the county courthouse.
    d. the local bank.

10. Before making an offer on a piece of property, it might be wise to check:
    a. the information at the tax appraiser’s office.
    b. the information at the tax collector’s office.
    c. the information at the building inspector’s office.
    d. all of the above

11. If you own a house worth $160,000 that is insured for $80,000 and you have a fire that causes $40,000 in damage, how much will your insurance pay for your claim?
    a. $40,000
    b. $32,000
    c. $20,000
    d. Nothing

12. The principal of indemnity states that:
    a. every claim should indemnify the property owner.
    b. an insured person will not be reimbursed more than the economic loss he or she actually sustains.
    c. premiums may not exceed 50% of the value of a mortgage.
    d. lower insurance deductibles mean lower premiums.

13. If you borrow money to purchase a home in a floodplain:
    a. your regular homeowners insurance policy covers floods.
    b. you must purchase separate flood insurance.
    c. you must build a retaining wall to keep out the flood waters.
    d. you may obtain a waiver from FEMA and therefore be exempt from needing insurance against flooding.

14. Who may cancel an insurance policy?
    a. The insurance company or the insured party
    b. Only the insurance company
    c. Only the insured party
    d. No one, because it is a contract with a written term

15. When choosing an insurance company, which of the following factors should you consider?
    a. Cost
    b. The financial stability of the insurance company
    c. The insurance company’s claim payment record
    d. All of the above

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Short Answer
5 Short Answer questions. Each question is worth 4 points for a total of 20 points:

16. What is the difference between an excise tax and a real property tax?

17. Why can't you take out insurance on your neighbor's house?

18. What is the difference between insurance that has replacement cost and insurance that has an actual cash value clause?

19. Under most insurance policies, does it matter if your house will be vacant for six months while you sail around the world?

20. What is meant by the term "house poor"?

Essays/Problems
2 Essays/Problems. Students should answer both questions using complete sentences for essays and show all work for problems. Each essay/problem is worth 10 points for a total of 20 points:

21. Discuss ways through which federal and state government encourage home ownership.

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22. Discuss the advantages and disadvantages of home ownership.