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QUESTION 1

Which of the following is NOT a requirement when a bank pays an employee a fee for referring a high-net-worth or institutional customer to a broker?

- A. The bank must have a written agreement with the broker
- B. The bank must give a disclosure to the customer
- C. The bank must reasonably believe that the customer is a high net worth or institutional customer
- D. The employee must be registered with the bank's regulatory agency

Correct Answer: D

QUESTION 2

A financial institution may provide a customer with a short form initial notice at the same time as it delivers an opt-notice. The short form notice must:

- A. Be clear and conspicuous
- B. State that a privacy notice is available on request
- C. Explain a reasonable means by which the consumer may obtain that notice Reasonable
- D. May be disclosed to the affiliates

Correct Answer: ABC

QUESTION 3

First National Bank sold several of its mortgage loans to individual investors and now services the loans for the individuals. First National Bank collects more than \$600 on most of these mortgages and deposits the money into the account of the investors. At the end of each year, First National Bank sends the investors a summary of transactions on the mortgages and a detailed breakdown of the principal and interest payments made. Who is responsible for filing the mortgage interest information returns?

- A. The investors, because they own the loans and the money is collected for them
- B. The investors, because they have the necessary information from the servicer
- C. First National Bank, because it was the first owner of the loans
- D. First National Bank, because it collects the interest and has the information necessary to file the information return

Correct Answer: D

QUESTION 4

The banking agencies issued two guidances to caution depository institutions about risks involved in funding non-depository lenders that engage in predatory lending. Predatory and abusive practices include:

- A. High-pressure sales
- B. Excessive fees and interest rate including fees for unnecessary products
- C. Balloon payments that may never cause foreclosures
- D. Excessive refinancing with fees included in the new loan

Correct Answer: AB

QUESTION 5

Debt collector may not abuse or harass the consumer by:

- A. Using or threatening to use violence or to harm the physical person, reputation, or property of any person when collecting a debt
- B. Using obscene, profane, or abusive language when communicating with anyone
- C. Allowing a telephone to ring repeatedly or engaging a person in telephone conversations repeatedly with the intent to abuse or harass
- D. Making telephone calls without meaningful disclosure of the caller's identity

Correct Answer: D

QUESTION 6

ACME Bank has a separate page on its Web site where it describes insurance products, such as life insurance and health and disability insurance. The page invites consumers to call the bank officer in charge of selling these products. The Web site's lending page also describes consumer loans and uses the following phrase: "Have peace of mind--credit life and disability insurance are available on all consumer loans to qualified borrowers." Neither the insurance page nor the lending page mentions insured deposits. What does ACME need to do to make sure its Web site is in compliance?

- A. Nothing. As long as the insurance products are segregated, the Web site is in compliance.
- B. Place the advertising disclosures (not a deposit, not insured by the FDIC, and so on) on the insurance page.
- C. Place the advertising disclosures on both the Web site's insurance page and its lending page.
- D. Create a separate Web site for all insurance products.

Correct Answer: C

QUESTION 7

Which of the following is an accurate statement according to the requirements of the customer identification program regulations?

- A. A bank must always require documentary verification of a customer's identification
- B. A bank may waive any part of the CIP requirements if senior management approves the waiver and there is a good cause
- C. A physical address or a post office box is acceptable for any new customer
- D. The bank's CIP program must enable it to form a reasonable belief about the identity of the person

Correct Answer: D

QUESTION 8

ABC National Bank regularly purchases mortgage loans from ACME Mortgage Company, a local mortgage broker. ACME places a mandatory arbitration clause in each of its mortgage documents. ACME believes this clause is necessary because of state laws governing arbitration. Is this clause a problem for ABC National?

- A. No, unless other predatory or abusive lending practices are evident in the loans sold by ACME.
- B. Yes, the clause is a sign of an abusive lender, and the bank should not purchase the loans.
- C. Yes, the bank should make ACME strike the clause from future loans.
- D. No, this is a common practice and the bank can ignore it.

Correct Answer: A

QUESTION 9

For which of the following business activities must a bank holding company obtain prior approval of the Federal Reserve Board?

- A. Operating an auto club service
- B. Serving as a safe deposit company
- C. Operating as a management consulting firm for financial institutions
- D. Selling installment loan data processing

Correct Answer: A

QUESTION 10

Transfers involving entries to accounts maintained at two different Reserve Banks are:

- A. Fedwire transfers
- B. Interdistrict transfers
- C. Intradistrict transfers
- D. Any one of these

Correct Answer: B

QUESTION 11

Which of the following is NOT considered an acceptable form of identification for an individual when completing a CTR?

- A. U.S. passport
- B. Long-term deposit account relationship
- C. State-issued photo identification (e.g., driver's license)
- D. Photo identification card issued by a local government agency

Correct Answer: B

QUESTION 12

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 13

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 14

Mrs. Evans, a customer of First National Bank, deposits \$15,000 in cash to her account. During the transaction, Mrs. Evans explains that she received the money in the mail from her sister in Europe. What responsibility does the bank have?

- A. Complete a Currency Transaction Report (CTR)
- B. Complete a United States Customs form 4790 (CMIR)
- C. Complete both a currency transaction report and a CMIR
- D. Complete a CTR and encourage Mrs. Evans to file a CMIR

Correct Answer: D

QUESTION 15

ABC Co. signed a contract to export goods to Country M, a boycotting country. Payment will be made by a letter of credit confirmed by First National Bank. The letter of credit requires ABC Co. to certify that none of its directors are nationals of any country boycotted by Country M before ABC can be paid. First National Bank confirms the letter of credit to ABC after determining that all of the documents are in order. Did First National Bank participate in a boycott, and must the bank report the action to the IRS?

- A. No. The bank's action was only ministerial.
- B. Yes. The action was participation in a boycott and the bank must report the action to the IRS.
- C. No. Only ABC Co. is required to report to the IRS.
- D. Yes, but no reporting requirements were triggered.

Correct Answer: B
