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**QUESTION 1**

First National Bank, a U.S. bank, is contacted by Manufacturing Company, Inc. , a U.S. company, to finance its transaction with Country Z, a boycotting country. Payment will be made through a letter of credit in favor of Manufacturing Company at its U.S. address. First National Bank knows that the letter of credit will contain restrictive boycott conditions that would prevent the bank from implementing it. First National Bank suggests to Manufacturing Company, Inc. , that it set up a shell corporation in Country Y, a nonboycotting country, and have the shell corporation be the beneficiary of the letter of credit. Does First National Bank have any problem with this transaction?

- A. No. The transaction is now not subject to Department of Commerce regulations because the beneficiary is not a U.S. company.
- B. Yes. The transaction is set up to evade the regulation and First National Bank is liable.
- C. No. The transaction is set up to evade the regulation, but First National Bank is not liable because Manufacturing Company, Inc. , actually effected the transaction.
- D. No. First National should have Manufacturing Company, Inc. , sign a statement accepting full responsibility for the establishment of the shell corporation.

Correct Answer: B

QUESTION 2

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 3

A Reserve Bank makes the following warranties when it handles _____:

-- For all items, the Reserve Bank warrants that the returned checks bear all endorsements by all parties that previously handled the checks -- For all electronic items, the Reserve Bank warrants all of the -- Regulation CC warranties as though they were paper checks -- For electronic items that are not representations of substitute checks, the Reserve Bank warrants the following to the bank to which it sends the item:

(a)



The electronic portion of the item accurately represents all of the information on the front and back of the check as of the time the check was truncated

(b)

All MICR line information is contained on the item

(c)

The item conforms to the technical standards set forth in the operating circular

(d)

No person will receive a transfer, presentment, or return, or otherwise be charged for the item such that the person will be asked to make payment based on an item he or she has already paid

A.

A returned item

B.

A returning pay check

C.

Clearing the payments

D.

Under Regulation Z

Correct Answer: A

QUESTION 4

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 5**

ABC Bank has an interactive Internet Web site at which it takes consumer credit applications. At the time an applicant completes an application on the Web site and submits it, the applicant also is asked for his or her email address. If the application is denied, ABC sends an adverse action notice to the applicant's email address listed on the application. Using this procedure, what is ABC Bank's responsibility?

- A. Post the notice on its Web site also
- B. Send a paper notice by regular mail also
- C. Use a credit scoring system
- D. Obtain the applicant's affirmative consent before sending the notice

Correct Answer: D

QUESTION 6

Federal regulations define special-purpose credit-12 CFR 202.8 to include:

- A. Any credit assistance program authorized by federal or state law for the benefit of an economically disadvantaged class of persons
- B. Any credit assistance program offered by a not-for-profit organization for the benefit of its members or for the benefit of an economically disadvantaged class of person
- C. A special-purpose credit program must not discriminate on a prohibited basis; however, it can require its participants to share a particular characteristic (such as race or sex) provided the requirement was not established to evade the requirements of the ECOA. If the participants must share a common characteristic, the bank may collect information on that characteristic to determine eligibility
- D. If the program includes financial need as a criterion, the creditor can never request and consider information regarding the applicant

Correct Answer: ABC

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

Hector Martinez is a loan officer in a non-community property state. He receives a verbal request for a small business working capital loan from Leon Rogers for his technology consulting business. The business is a sole proprietorship. Mr. Rogers gives Hector a written business plan for his business, a financial statement for the business for the past two years, and a personal financial statement that includes information on himself and his wife. Can Hector assume that the application is a joint application from Mr. Rogers and his wife?

A. Yes. Because the financial statement is signed by both Mr. and Mrs. Rogers and includes joint information, the application can be considered to be from both spouses.

B. Yes. Because the business is a sole proprietorship, the spouse's financial information is important.

C. No. The bank cannot assume the application is a joint one simply on the basis of submission of joint financial information.

D. No. Because the business is a sole proprietorship, the bank should assume the application is for individual credit.

Correct Answer: C

QUESTION 9

With regard to standards for wear and use of leased property, which of the following statements is true?

A. A lessor must adhere to the manufacturer's standards for wear and use of the leased property.

B. A lessor must develop and disclose its own standards for wear and use of leased property.

C. A lessor must provide a notice of wear and use standards on motor vehicle leases.

D. A lessor need not provide a notice of wear and use standards on motor vehicle leases if the lessor imposes an automatic, standardized charge.

Correct Answer: C

QUESTION 10

A bank has given a customer a merchandise gift with a fair market value of \$25.00 for opening a deposit account. Which of the following statements describes the proper reporting status of this gift?

A. If the cost of the gift is under \$20.00, it is not reportable to the IRS.



- B. The cost of the gift is credited to the customer's account as a bonus, increasing the account balance.
- C. The fair market value of the gift is reported to the customer on the periodic statement.
- D. The fair market value of the gift is added to the interest paid and reported on Form 1099-INT.

Correct Answer: D

QUESTION 11

should include basic elements designed to understand and mitigate risk.

It usually includes: Written program Compliance-related policies and procedures

- A. Tactical Compliance procedure
- B. Rank solution
- C. Compliance program
- D. None of these

Correct Answer: C

QUESTION 12

What may a creditor do in response to an application for credit from a business with gross revenues of \$1 million or less?

- A. Give a disclosure of the applicant's right to receive a statement of reasons at the time of the application instead of at the time of the adverse action
- B. Mention adverse action notices only if requested by the applicant
- C. Omit the ECOA statement on all notices NOTES
- D. Provide only the ECOA statement to the applicant

Correct Answer: A

QUESTION 13

Trust Co. and First National Bank are located in the same city and each has assets of over \$20 million. The president of First National has been asked to serve as a director of Trust Co. First National has no trust department and no trust operations. Trust Co. operates solely as a trust company. Would this relationship violate the prohibitions against management official interlocks in Regulation L?



- A. Yes, because the institutions are in the same city.
- B. No, because the institutions are not both depository institutions.
- C. No, because the institutions do not compete.
- D. Maybe, but it depends on the size of the institutions.

Correct Answer: A

QUESTION 14

According to federal regulations, what must a security officer do when establishing a bank security program?

- A. Survey competitors\\ security procedures
- B. Hire uniformed armed guards to monitor the bank lobby
- C. Modify the cash vault to meet minimum wall thickness standards
- D. Institute procedures for testing security devices periodically

Correct Answer: D

QUESTION 15

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

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