


**Pool Canvas**

Add, modify, and remove questions. Select a question type from the Add Question drop-down list and click **Go** to add questions. Use Creation Settings to establish which default options, such as feedback and images, are available for question creation.

Add   [Creation Settings](#)

**Name** TestBanks Chapter 8 Multiple-Choice Questions

**Description** Question pool for TestBanks Chapter 8 Multiple-Choice Questions

**Instructions**

[Modify](#)

[◀ Add Question Here](#)

Question 1 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Since 1984 the number of banks in the United States has:

- Answer**  been shrinking.  
 been growing.  
 stayed about the same.  
 been moving away from New York City.

[◀ Add Question Here](#)

Question 2 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The country with the largest number of banks is:

- Answer**  Japan.  
 China.  
 the United States.  
 Germany.

[◀ Add Question Here](#)

Question 3 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The process of transforming loans into securities is called:

- Answer**  collateralization.  
 securitization.  
 subordination.  
 hypothecation.

[◀ Add Question Here](#)

Question 4 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The two main types of banks are:

- Answer**  commercial and investment.  
 commercial and thrifts.  
 investment and credit unions.  
 savings and loans and pensions.

[◀ Add Question Here](#)

Question 5 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

A bank's size is measured by its:

- Answer**  ownership of securities.  
 number of depositors.  
 number of employees.  
 total assets.

[◀ Add Question Here](#)

Question 6 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The largest commercial banks are called:

- Answer**  investment banks.  
 money-center banks.  
 federal reserve banks.  
 international banks.

[◀ Add Question Here](#)

Question 7 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Money-center banks' largest loans are to:

- Answer**  private equity firms taking over companies.  
 individual households.  
 credit card firms.  
 large corporations.

[◀ Add Question Here](#)

Question 8	<p><b>Multiple Choice</b> <span style="float: right;"><b>0 points</b></span></p> <p><b>Question</b> Money-center banks' largest loans are to:</p> <p><b>Answer</b> <input type="checkbox"/> large corporations. <input type="checkbox"/> the U.S. government. <input type="checkbox"/> credit card firms. <input checked="" type="checkbox"/> private equity firms taking over companies.</p> <p style="text-align: right;"><a href="#">Add Question Here</a> <a href="#">Modify</a> <a href="#">Remove</a></p>
Question 9	<p><b>Multiple Choice</b> <span style="float: right;"><b>0 points</b></span></p> <p><b>Question</b> The largest superregional bank in late 2007 was:</p> <p><b>Answer</b> <input checked="" type="checkbox"/> Bank of America. <input type="checkbox"/> JPMorgan Chase. <input type="checkbox"/> Citibank. <input type="checkbox"/> M&amp;T Bank.</p> <p style="text-align: right;"><a href="#">Add Question Here</a> <a href="#">Modify</a> <a href="#">Remove</a></p>
Question 10	<p><b>Multiple Choice</b> <span style="float: right;"><b>0 points</b></span></p> <p><b>Question</b> Money-center banks finance their lending primarily through:</p> <p><b>Answer</b> <input checked="" type="checkbox"/> borrowing from other banks. <input type="checkbox"/> taking deposits. <input type="checkbox"/> borrowing from the Federal Reserve System. <input type="checkbox"/> All of the answers are correct.</p> <p style="text-align: right;"><a href="#">Add Question Here</a> <a href="#">Modify</a> <a href="#">Remove</a></p>
Question 11	<p><b>Multiple Choice</b> <span style="float: right;"><b>0 points</b></span></p> <p><b>Question</b> Community banks have less than _____ in assets.</p> <p><b>Answer</b> <input checked="" type="checkbox"/> \$1 billion <input type="checkbox"/> \$500 thousand <input type="checkbox"/> \$100 million <input type="checkbox"/> \$500 million</p> <p style="text-align: right;"><a href="#">Add Question Here</a> <a href="#">Modify</a> <a href="#">Remove</a></p>
Question 12	<p><b>Multiple Choice</b> <span style="float: right;"><b>0 points</b></span></p> <p><b>Question</b> Which of the following is a "thrift" institution?</p> <p><b>Answer</b> <input type="checkbox"/> insurance company <input checked="" type="checkbox"/> credit union <input type="checkbox"/> finance company <input type="checkbox"/> commercial bank</p> <p style="text-align: right;"><a href="#">Add Question Here</a> <a href="#">Modify</a> <a href="#">Remove</a></p>
Question 13	<p><b>Multiple Choice</b> <span style="float: right;"><b>0 points</b></span></p> <p><b>Question</b> Which of the following is a "thrift" institution?</p> <p><b>Answer</b> <input type="checkbox"/> commercial bank <input type="checkbox"/> investment bank <input type="checkbox"/> finance company <input checked="" type="checkbox"/> credit union</p> <p style="text-align: right;"><a href="#">Add Question Here</a> <a href="#">Modify</a> <a href="#">Remove</a></p>
Question 14	<p><b>Multiple Choice</b> <span style="float: right;"><b>0 points</b></span></p> <p><b>Question</b> The original purpose of savings and loans was to accept:</p> <p><b>Answer</b> <input checked="" type="checkbox"/> savings deposits and make mortgage loans. <input type="checkbox"/> checking deposits and make household loans. <input type="checkbox"/> all household deposits and make personal loans. <input type="checkbox"/> savings deposits and make all household loans.</p> <p style="text-align: right;"><a href="#">Add Question Here</a> <a href="#">Modify</a> <a href="#">Remove</a></p>
Question 15	<p><b>Multiple Choice</b> <span style="float: right;"><b>0 points</b></span></p> <p><b>Question</b> An institution that is owned by its depositors is called a:</p> <p><b>Answer</b> <input type="checkbox"/> savings and loan. <input type="checkbox"/> commercial bank. <input checked="" type="checkbox"/> credit union. <input type="checkbox"/> pension fund.</p> <p style="text-align: right;"><a href="#">Add Question Here</a> <a href="#">Modify</a> <a href="#">Remove</a></p>
Question 16	<p><b>Multiple Choice</b> <span style="float: right;"><b>0 points</b></span></p> <p style="text-align: right;"><a href="#">Add Question Here</a> <a href="#">Modify</a> <a href="#">Remove</a></p>

**Question**

Credit unions make:

- Answer**
- small personal loans.
  - automobile loans.
  - mortgage loans.
  - All of the answers are correct.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 17 **Multiple Choice** **0 points**

**Question**

A credit union is different from a savings and loan because it:

- Answer**  restricts membership to a common group of people.
- restricts the maximum balance a depositor must have.
  - only makes mortgage loans.
  - will not accept checking deposits.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 18 **Multiple Choice** **0 points**

**Question**

A finance company:

- Answer**
- underwrites large capital investments.
  - does not make loans.
  - does not accept deposits.
  - finances takeovers.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 19 **Multiple Choice** **0 points**

**Question**

Finance companies only \_\_\_\_\_; they do not \_\_\_\_\_.

- Answer**
- issue bonds; accept savings
  - accept checking deposits; make loans
  - make loans; accept deposits
  - underwrite pension funds; exchange foreign currency

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 20 **Multiple Choice** **0 points**

**Question**

In 2010, commercial banks had about \_\_\_\_\_ in outstanding loans and deposits.

- Answer**
- \$14 trillion
  - \$8 trillion
  - \$6 trillion
  - \$13 trillion

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 21 **Multiple Choice** **0 points**

**Question**

Commercial banks and finance companies differ in that:

- I. commercial banks accept deposits and finance companies do not.
- II. commercial banks make private loans and finance companies do not.
- III. commercial banks do not specialize in a type of loan, while finance companies do specialize.

- Answer**
- I only
  - II only
  - II and III only
  - I and II only

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 22 **Multiple Choice** **0 points**

**Question**

Which of the following statements about money-center banks is true?

- Answer**  Their headquarters are located in a major financial center.
- They finance their lending primarily by accepting deposits.
  - Usually their assets amount to around \$10 billion.
  - Their assets amount to less than \$1 billion.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 23 **Multiple Choice** **0 points**

**Question**

Which of the following statements about community banks is true?

- Answer**
- They have assets of more than \$10 billion.
  - They operate all across the country.
  - They usually raise funds from local depositors and lend to consumers and small businesses.
  - They only conduct businesses with other banks.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 24 **Multiple Choice** **0 points**

**Question**

Which of the following statements about regional and superregional banks is true?

- Answer**
- There are around 3500 regional and superregional banks in the United States.
  - A superregional bank operates across most of the United States.
  - Their assets are valued at below \$500 million.
  - They conduct businesses only in the state in which they are chartered.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 25 **Multiple Choice** **0 points**

**Question**

\_\_\_\_\_ banks finance their lending primarily by borrowing from other banks or by issuing bonds.

- Answer**
- Regional
  - Superregional
  - Money-center
  - Community

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 26 **Multiple Choice** **0 points**

**Question**

Most credit unions are \_\_\_\_\_, their assets totaling around \_\_\_\_\_.

- Answer**
- small; \$2 trillion
  - small; \$900 billion
  - large; \$2 trillion
  - large; \$900 billion

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 27 **Multiple Choice** **0 points**

**Question**

Savings institutions focus primarily on:

- Answer**
- underwriting securities.
  - making loans to private equity firms.
  - making home mortgage loans.
  - making loans to big corporations

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 28 **Multiple Choice** **0 points**

**Question**

Which of the following statements about thrifts institutions is true?

- Answer**
- Thrifts are divided into credit unions and savings institutions.
  - Assets of a typical thrift exceed \$1 billion.
  - Thrifts specialize in underwriting securities.
  - Thrifts specialize in trading currencies.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 29 **Multiple Choice** **0 points**

**Question**

In 1927, Congress passed the \_\_\_\_\_, which forbade a bank from operating in more than one state.

- Answer**
- McFadden Act
  - Sherman Act
  - Federal Reserve Act
  - Glass-Steagall Act

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 30 **Multiple Choice** **0 points**

**Question**

Because of the McFadden Act, each state had its own:

- Answer**
- kind of money.
  - real estate supervision.
  - rules regulating stock exchanges.
  - banking industry.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 31 **Multiple Choice** **0 points**

**Question**

The 1994 Riegle-Neal Act repealed the \_\_\_\_\_ ban on \_\_\_\_\_.

- Answer**
- Sherman Act's; monopolies
  - McFadden Act's; interstate banking
  - Monroe Doctrine's; interstate rail transportation
  - Sarbanes-Oxley Act's; corporate accounting trickery

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 32 **Multiple Choice** **0 points**

**Question**

A bank charter is a:

- Answer** ✓ government license to operate a bank.  
 set of rules set up by individual banks.  
 list of possible interest rates charged by banks.  
 list of bank operating processes.

◀ [Add Question Here](#)

[Modify](#) [Remove](#)

Question 33 **Multiple Choice** **0 points**

**Question**

When \_\_\_\_\_ was Secretary of the Treasury, he argued for \_\_\_\_\_.

- Answer**
- John Adams; state-chartered banks
  - Thomas Jefferson; a gold standard
  - ✓ Alexander Hamilton; a central bank
  - George Washington; low interest rates

◀ [Add Question Here](#)

[Modify](#) [Remove](#)

Question 34 **Multiple Choice** **0 points**

**Question**

Which of the following describes the services offered by the First Bank of the United States?

- Answer**
- was the lender of last resort
  - issued a national currency
  - lent money to federal government
  - ✓ All of the answers are correct.

◀ [Add Question Here](#)

[Modify](#) [Remove](#)

Question 35 **Multiple Choice** **0 points**

**Question**

The charter for the First Bank of the United States lasted \_\_\_\_\_ years.

- Answer**
- ✓ 20
  - 10
  - 5
  - 100

◀ [Add Question Here](#)

[Modify](#) [Remove](#)

Question 36 **Multiple Choice** **0 points**

**Question**

One of Andrew Jackson's primary goals when elected president was to:

- Answer**
- eradicate slavery.
  - ✓ eliminate the Second Bank of United States.
  - increase trade with the Middle East.
  - abolish Congress.

◀ [Add Question Here](#)

[Modify](#) [Remove](#)

Question 37 **Multiple Choice** **0 points**

**Question**

In 1836, Congress passed legislation renewing the charter of the \_\_\_\_\_; it was vetoed by \_\_\_\_\_.

- Answer** ✓
- Second Bank of the United States; Andrew Jackson
  - Monroe Doctrine; Paul Revere
  - First Bank of the United States; Alexander Hamilton
  - National Bank; Abraham Lincoln

◀ [Add Question Here](#)

[Modify](#) [Remove](#)

Question 38 **Multiple Choice** **0 points**

**Question**

The National Bank Act was proposed by:

- Answer**
- Thomas Jefferson.
  - Alexander Hamilton.
  - ✓ Abraham Lincoln.
  - James Madison.

◀ [Add Question Here](#)

[Modify](#) [Remove](#)

Question 39 **Multiple Choice** **0 points**

**Question**

National banks are chartered by the:

- Answer**
- House of Representatives.
  - Federal Reserve.
  - ✓ Comptroller of the Currency.
  - Labor Department.

◀ [Add Question Here](#)

[Modify](#) [Remove](#)

Question 40 **Multiple Choice** **0 points**

**Question**

The Glass-Steagall Act was passed in \_\_\_\_\_ to minimize \_\_\_\_\_.

- Answer** ✓
- 1933; bank failures
  - 1913; the expansion of bank branches
  - 1863; the number of banks

1832; the number of currencies in circulation

[Add Question Here](#)Question 41 **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

The result of the populists' belief that risky bank behavior helped cause the Great Depression was the:

**Answer**

- Sarbanes-Oxley Act.
- First Bank of the United States.
- Sherman Antitrust Act.
- Glass-Steagall Act.

[Add Question Here](#)Question 42 **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

Banking regulations began to decline after:

**Answer**

- the Great Depression.
- World War II.
- the passage of the Federal Reserve Act.
- the Roaring Twenties.

[Add Question Here](#)Question 43 **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

The Gramm-Leach-Bliley Act, which fully repealed the \_\_\_\_\_ was passed in 1999.

**Answer**

- use of creative corporate accounting
- restriction on finance companies to take deposits
- separation of commercial banks and securities firms
- restrictions placed upon shareholders

[Add Question Here](#)Question 44 **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**The *primary* reason for the decline in the number of U.S. banks is:**Answer**

- bank consolidation.
- foreign purchases of U.S. banks.
- increased banking regulation.
- None of the answers are correct.

[Add Question Here](#)Question 45 **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

Many of the today's largest U.S. banks were created by:

**Answer**

- banking defaults.
- a series of mergers.
- predatory takeovers.
- bank consolidation encouraged by the Office of Comptroller.

[Add Question Here](#)Question 46 **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

The reason for bank consolidation is:

**Answer**

- economies of scale.
- empire building.
- diversification.
- All of the answers are correct.

[Add Question Here](#)Question 47 **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

When banks merge they benefit from \_\_\_\_\_ which reduces \_\_\_\_\_.

**Answer**

- economies of scale; transaction costs
- empire building; bank monopolies
- more risk; negative returns
- prestige; the number of bank customers

[Add Question Here](#)Question 48 **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

The Riegle-Neal Act prohibits banks from having more than \_\_\_\_\_ percent of all commercial bank deposits.

**Answer**

- 5
- 1
- 10
- 7.5

[Add Question Here](#)Question 49 **Multiple Choice** **0 points**[Modify](#) [Remove](#)

**Question**

Which bank has, to date, hit the 10 percent of all commercial bank deposits limit set by the Riegle-Neal Act?

- Answer**
- Bank of America
  - JPMorgan Chase
  - Chase Manhattan
  - M&T Bank

[◀ Add Question Here](#)

Question 50 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Community banks are in no danger of dying out because:

- Answer**
- of their trillions of dollars in assets.
  - of their expertise in small-business lending.
  - they generally operate in areas where large banks choose not to.
  - they have considerable economies of scale.

[◀ Add Question Here](#)

Question 51 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The foreign city with the most U.S. banks is:

- Answer**
- London.
  - Frankfurt.
  - Beijing.
  - Tokyo.

[◀ Add Question Here](#)

Question 52 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Eurodollars are:

- Answer**
- Europe's single currency.
  - dollars deposited in European banks.
  - units of foreign currency.
  - dollars deposited in banks outside of the United States.

[◀ Add Question Here](#)

Question 53 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

A financial holding company is an institution that owns:

- Answer**
- a group of financial institutions.
  - a mix of financial and manufacturing companies.
  - numerous mutual funds.
  - a very large investment bank.

[◀ Add Question Here](#)

Question 54 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The repeal of the Glass-Steagall Act paved the way for the creation of:

- Answer**
- investment banks.
  - mutual funds.
  - financial holding companies.
  - venture capital.

[◀ Add Question Here](#)

Question 55 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The creation of the financial holding company Citigroup was made possible by the passage of the:

- Answer**
- Glass-Steagall Act.
  - Gramm-Leach-Bliley Act.
  - Sarbanes-Oxley Act.
  - Sherman Antitrust Act.

[◀ Add Question Here](#)

Question 56 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The \_\_\_\_\_ Act prohibited interstate banking, until Congress passed the \_\_\_\_\_ that repealed that Act in \_\_\_\_\_.

- Answer**
- Glass-Steagall; Dodd-Frank; 2000
  - McFadden; Gramm-Leach-Bliley; 2000
  - McFadden; Riegle-Neal; 1994
  - Glass-Steagall; Riegle-Neal; 1994

[◀ Add Question Here](#)

Question 57 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Under unit banking, banks could operate:

- Answer** in just one state.  
 with just one branch.  
 with just one branch in each state.  
 with any number of branches as long as they did not cross state lines.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 58 **Multiple Choice** **0 points**

**Question**

The financial crisis of 2007–2009 led to:

- Answer** a reinstatement of the Glass-Steagall Act.  
 a relaxation of the restrictions on interstate banking.  
 a nationalization of the banking system.  
 new regulations designed to limit risk taking by banks.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 59 **Multiple Choice** **0 points**

**Question**

The U.S. banking industry has become more concentrated over time due to:

- I. expansion of community banking.  
 II. mergers of healthy banks.  
 III. bank failures.

- Answer**  II and III only  
 I, II, and III  
 II only  
 III only

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 60 **Multiple Choice** **0 points**

**Question**

Banks often merge:

- Answer** after they have suffered large losses.  
 to create an empire for the bank managers.  
 to avoid failure.  
 All of the answers are correct.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 61 **Multiple Choice** **0 points**

**Question**

Since the banking crisis of the mid-1980s, many economists believe that some banks have become:

- Answer** essential to preventing another financial crisis.  
 too big too fail.  
 monopolies.  
 important community lenders.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 62 **Multiple Choice** **0 points**

**Question**

The \_\_\_\_\_ Act restricts banks from holding more than \_\_\_\_\_ percent of all commercial bank deposits.

- Answer** Glass-Steagall; 10  
 McFadden; 5  
 Riegle-Neal; 10  
 Gramm-Leach-Bliley; 5

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 63 **Multiple Choice** **0 points**

**Question**

Community banks continue to play a strong role in the economy because:

- Answer**  of their role in reducing adverse selection.  
 expanding lending to large businesses.  
 giving loans to borrowers whatever their credit rating.  
 keeping employment strong in local communities.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 64 **Multiple Choice** **0 points**

**Question**

Following the 2007–2009 financial crisis, some economists believe that the financial crisis exposed the flaws in:

- Answer** the Glass-Steagall Act.  
 the Dodd-Frank Act.  
 interstate banking.  
 the existence of financial holding companies.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 65 **Multiple Choice** **0 points**

**Question**

During the recent financial crisis, Citigroup almost failed due to \_\_\_\_\_, and it survived partly due to \_\_\_\_\_.

- Answer**
- excessive government regulation; loosening of government regulations
  - losses on mortgage-backed securities; selling new stock
  - losses in its commercial banking division; selling the commercial bank operations
  - losses in its U.S. operations; opening new branches around the world

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 66 **Multiple Choice** **0 points**

**Question**

Which of the following act, forbade banks to operate in more than one state?

- Answer**
- the Federal Reserve acts (1913)
  - the McFadden Act (1927)
  - the Glass-Steagall Act (1933)
  - the Riegle-Neal Act (1994)

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 67 **Multiple Choice** **0 points**

**Question**

The number of U.S. banks fell from around \_\_\_\_\_ in 1984 to around \_\_\_\_\_ in 2010.

- Answer**
- 15,000; 12,000
  - 25,000; 3000
  - 15,000; 7000
  - 4000; 3500

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 68 **Multiple Choice** **0 points**

**Question**

Banks that are considered too big to fail:

- Answer**
- could disrupt the entire financial system if allowed to fail.
  - have no links with other financial institutions.
  - are usually small community banks.
  - usually have assets of less than \$1 billion.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 69 **Multiple Choice** **0 points**

**Question**

Which of the following statements about community banks in the United States is true?

- Answer**
- Due to the consolidation process in the banking industry, fewer than 500 community banks are still in business.
  - Community banks have a niche in small-business lending.
  - Economists agree that community banks will soon completely disappear.
  - Community banks will exist as long as the big corporations they lend to are in business.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 70 **Multiple Choice** **0 points**

**Question**

Which of the following deposits are called Eurodollars?

- Answer**
- euros deposited in a London bank.
  - dollars deposited in Bank of America.
  - dollars deposited in a foreign branch of Chase Manhattan located in Paris.
  - yen deposited in a Japanese bank.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 71 **Multiple Choice** **0 points**

**Question**

Which of the following statements about international banking is true?

- Answer**
- U.S. banks are not allowed to open branches in foreign countries.
  - Hundreds of foreign banks now have subsidiaries in the United States.
  - Eurodollars refer to dollar deposits inside the United States only.
  - Foreign banks are not allowed to open branches in the United States.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 72 **Multiple Choice** **0 points**

**Question**

Which of the following statements about financial holding companies (FHCs) is true?

- Answer**
- FHCs offer customers only bank accounts.
  - FHCs were allowed by the Glass-Steagall Act of 1933.
  - The Dodd-Frank Act of 2010 includes modest limits on the activities of FHCs.
  - FHCs are no longer legal institutions in the United States.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 73 **Multiple Choice** **0 points**

**Question**

A financial institution that pools a group of loans for sale to other institutions has \_\_\_\_\_ the loans.

**Answer** ✓  
 “securitized”  
 “bundled”  
 “mutualized”  
 “sacrificed”

[◀ Add Question Here](#)

Question 74 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

A reason for “securitizing” mortgages is to allow a bank to:

**Answer** ✓ buy other financial assets.  
 consistently generate above normal profits.  
 maximize its risk.  
 reduce loan default risk to zero.

[◀ Add Question Here](#)

Question 75 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

When banks made loans, they traditionally \_\_\_\_; in recent years, they have \_\_\_\_\_ the loans.

**Answer** ✓ sold the loan to another financial institution; deposited  
 kept the loan on their own books; securitized  
 lent money at very low rates; set high-interest rates on  
 took deposits; originated

[◀ Add Question Here](#)

Question 76 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Securitization contributed to the financial crisis of 2007–2009 because:

- I. the securities were backed by subprime mortgages.
- II. risk-taking institutions purchased securities backed by subprime mortgages.
- III. Fannie Mae and Freddie Mac did not purchase subprime mortgages.

**Answer** ✓ I only  
 I and II  
 I, II, and III  
 I and III

[◀ Add Question Here](#)

Question 77 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Securitization benefits for banks include:

**Answer** ✓ increased liquidity.  
 decreased diversification.  
 increased risk of default on individual loans.  
 None of the answers are correct.

[◀ Add Question Here](#)

Question 78 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Fannie Mae and Freddie Mac are both an unusual kind of institution called:

**Answer** ✓ privately managed enterprises.  
 government sponsored enterprises.  
 federally supported companies.  
 publicly owned corporations.

[◀ Add Question Here](#)

Question 79 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Which of the following allowed Fannie Mae and Freddie Mac to pay relatively low interest on their bonds?

**Answer** ✓ They were engaged in a highly risky line of business.  
 They were implicitly backed by the U.S. government.  
 Most of their mortgage portfolio was composed of subprime mortgages.  
 Mortgage loans historically had high rates of default.

[◀ Add Question Here](#)

Question 80 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Following the securitization process, the securitizer issues securities that entitle the owner to a share of the payments on the loan pool. Prospective buyers of these securities include:

**Answer** ✓ community banks.  
 small businesses with extra cash.  
 mutual funds.  
 small savers.

[◀ Add Question Here](#)

Question 81 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Fannie Mae and Freddie Mac started to buy subprime mortgages starting:

- Answer**
- in the 1940s.
  - in the late 1980s.
  - in the early 1970s.
  - in the early 2000s.

[◀ Add Question Here](#)

Question 82 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Securitization of nonmortgage loans refers to issuing securities backed by which of the following types of loans?

- Answer**
- commercial real estate loans
  - two-bedroom home mortgage loans only
  - student loans
  - residential real estate loans

[◀ Add Question Here](#)

Question 83 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Subprime lenders include:

- Answer**
- pawnshops.
  - loan sharks.
  - payday lenders.
  - All of the answers are correct.

[◀ Add Question Here](#)

Question 84 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Subprime lenders include:

- Answer**
- commercial banks.
  - pawnshops.
  - credit unions.
  - All of the answers are correct.

[◀ Add Question Here](#)

Question 85 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Subprime lenders include:

- Answer**
- pawnshops.
  - finance companies.
  - title loan companies.
  - All of the answers are correct.

[◀ Add Question Here](#)

Question 86 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Low-income and high-risk borrowers may have to rely on \_\_\_\_\_ for mortgages.

- Answer**
- subprime lenders.
  - large commercial banks with many assets.
  - pawnshops.
  - credit unions.

[◀ Add Question Here](#)

Question 87 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Credit ratings reduce:

- Answer**
- credit rationing.
  - moral hazard.
  - adverse selection.
  - venture capital.

[◀ Add Question Here](#)

Question 88 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

To compensate for high default risk, banks may:

- Answer**
- require borrowers to put at least 50 percent down.
  - charge high interest rates.
  - charge negative interest rates.
  - do not make loans to high-risk borrowers.

[◀ Add Question Here](#)

Question 89 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Traditional mortgages require \_\_\_\_\_ while many subprime mortgages were offered with \_\_\_\_\_.

- Answer** ✓ a substantial down payment; “zero down.”  
 high interest rates; low interest rates.  
 no down payment; “zero down.”  
 low interest rates; substantial down payment.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 90 **Multiple Choice** **0 points**

**Question**

The problem with credit scores is:

- Answer** they are often wrong.  
 they often give misleading information.  
 ✓ they don't contain all information on default risk.  
 creditors rarely use them.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 91 **Multiple Choice** **0 points**

**Question**

The low introductory interest rates offered by subprime lenders are called:

- Answer** “low-ball rates.”  
 ✓ “teaser rates.”  
 “adjustable rates.”  
 “HomePride rates.”

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 92 **Multiple Choice** **0 points**

**Question**

To make it possible for low-income borrowers to obtain mortgages, subprime lenders:

- Answer** ✓ lowered the loan payment–income ratio.  
 required proof of income.  
 offered standard 30-year mortgage rates.  
 All of the answers are correct.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 93 **Multiple Choice** **0 points**

**Question**

The key factor that kept subprime foreclosures down in the early 2000s was:

- Answer** low interest rates.  
 rising housing prices.  
 the Fed cutting short-term interest rates.  
 ✓ All of the answers are correct.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 94 **Multiple Choice** **0 points**

**Question**

The catalyst for the subprime market crisis beginning in 2006 was:

- Answer** rising interest rates  
 falling interest rates.  
 falling real estate prices.  
 ✓ rising interest rates and falling real estate prices.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 95 **Multiple Choice** **0 points**

**Question**

The fall in the value of securitized subprime loans eventually forced the Federal Reserve to arrange the purchase of the investment bank \_\_\_\_\_ by \_\_\_\_\_.

- Answer** ✓ Bear Stearns; JPMorgan Chase  
 Merrill Lynch; USB  
 Citigroup; Bear Stearns  
 the Marx Group; the Friedman Fund

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 96 **Multiple Choice** **0 points**

**Question**

Companies that make small loans to people who need cash urgently are called:

- Answer** ATMs.  
 credit unions.  
 ✓ payday lenders.  
 community banks.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 97 **Multiple Choice** **0 points**

**Question**

According to a survey of payday lenders, the average annual interest rate charged on loans is about:

**Answer** ✓ 400 percent.  
20 percent.  
150 percent.  
76 percent.

◀ [Add Question Here](#)

Question 98 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Which of the following states has *no* payday lenders?

**Answer** Washington  
Oklahoma  
New Mexico  
✓ Georgia

◀ [Add Question Here](#)

Question 99 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Pawnshops give small short-term loans but require \_\_\_\_\_ in return.

**Answer** ✓ very high collateral  
high interest rates  
a payment equal to twice the amount of the loan  
credit cards

◀ [Add Question Here](#)

Question 100 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Banks are reluctant to lend to borrowers with weak credit histories because of \_\_\_\_\_. They rely on \_\_\_\_\_ to reduce this problem.

**Answer** high default risk; high interest rates  
✓ adverse selection; credit reports  
adverse selection; low interest rates  
asymmetric information; expanding credit

◀ [Add Question Here](#)

Question 101 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Subprime lenders made the financial crisis of 2007–2009 worse by:

- I. providing no-doc loans.
- II. tempting borrowers with teaser rates.
- III. reducing the required down payment.

**Answer** I only  
II and III  
I and III  
✓ I, II, and III

◀ [Add Question Here](#)

Question 102 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

In 2009, payday lenders in California expanded their business to make loans to people with proof of:

**Answer** no income.  
no job.  
✓ government unemployment benefits.  
military employment.

◀ [Add Question Here](#)

Question 103 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Subprime borrowers usually resort to which of the following subprime lenders?

**Answer** ✓ loan sharks  
securities markets  
stock exchanges  
investment banks

◀ [Add Question Here](#)

Question 104 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Finance companies are not as heavily regulated as commercial banks, which enables them to make subprime loans. Reason(s) for this light regulation include(s) which of the following?

**Answer** The adverse selection problem is not as bad in the subprime lending industry.  
Finance companies are better than banks at solving asymmetric information problems.  
✓ Finance companies do not accept deposits.  
All of the answers are correct.

◀ [Add Question Here](#)

Question 105 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Usually a subprime mortgage loan carried interest rates \_\_\_\_\_ the best mortgage rates.

- Answer** ✓ 2 to 5 percentage points above  
 0.5 to 1 percentage points above  
 2 to 5 percentage points below  
 3 to 7 percentage points below

◀ [Add Question Here](#)

Question 106 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Characteristics of payday lenders include which of the following?

- Answer** Everybody agrees that payday lenders provide a great service to subprime borrowers.  
 ✓ They charge very high interest rates.  
 Potential borrowers have to provide more information about themselves than if they are borrowing from a bank.  
 They charge lower rates than commercial banks.

◀ [Add Question Here](#)

Question 107 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

If you cannot get credit from a financial institution and end up borrowing from an individual who everybody knows lends money to others, you would be borrowing from:

- Answer** a pawnshop.  
 a loan barracuda.  
 a payday lender.  
 ✓ a loan shark.

◀ [Add Question Here](#)

Question 108 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Which is the preferred method used by loan sharks to deal with default risk?

- Answer** ✓ threat of appropriate violence.  
 resorting to the appropriate court of justice if the borrower defaults  
 increasing interest rates  
 collecting the collateral pledged by the borrower

◀ [Add Question Here](#)

Question 109 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

\_\_\_\_\_ and \_\_\_\_\_ are mortgage agencies that raise funds by issuing bonds.

- Answer** First Bank of the United States; Second Bank of the United States  
 Federal Reserve; National Bank of the United States  
 ✓ Fannie Mae; Freddie Mac  
 Washington Mutual; Comptroller of the Currency.

◀ [Add Question Here](#)

Question 110 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Freddie Mac and Fannie Mae raise funds by:

- Answer** ✓ issuing bonds.  
 taking savings deposits.  
 borrowing from the Treasury Department.  
 None of the answers are correct.

◀ [Add Question Here](#)

Question 111 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

By 2007, over \_\_\_\_\_ of all mortgages were securitized.

- Answer** 50 percent  
 ✓ 25 percent  
 75 percent  
 10 percent

◀ [Add Question Here](#)

Question 112 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

As a result of the subprime lending crisis, what happened to Fannie Mae and Freddie Mac?

- Answer** They were privatized.  
 ✓ They were put into conservatorship.  
 They were sold to a foreign central bank.  
 The Fed seized their assets and auctioned them off.

◀ [Add Question Here](#)

Question 113 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

In 2008 the Federal Government \_\_\_\_\_ Fannie Mae and Freddie Mac.

**Answer**

- privatized
- put into conservatorship
- released from private ownership
- None of the answers are correct.

[◀ Add Question Here](#)

Question 114 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

A bank loan that is paid off by the government if the borrower defaults is called a:

**Answer**

- usurious loan.
- mortgage.
- bonded loan.
- loan guarantee.

[◀ Add Question Here](#)

Question 115 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

\_\_\_\_\_ guarantees mortgage loans for low-income families.

**Answer**

- Freddie Mac
- Fannie Mae
- The Federal Home Administration
- The Department of Housing & Urban Development

[◀ Add Question Here](#)

Question 116 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

\_\_\_\_\_ are loans offered to the undergraduate's parents.

**Answer**

- Stafford loans
- PLUS loans
- FHA loans
- SBA loans

[◀ Add Question Here](#)

Question 117 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Recipients of Stafford student loans receive their funding from one of two different programs:

- Answer**  Ford Direct Loan Program or Federal Family Education Loan Program.
- PLUS loan or FHA loan.
  - Marks loan or Spencer loan.
  - Sarbans loan or Oxley loan.

[◀ Add Question Here](#)

Question 118 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The largest provider of loans from the Federal Family Education Loans Program is:

**Answer**

- Fannie Mae.
- Freddie Mac.
- Sallie Mae.
- the Ford Direct Loan Program.

[◀ Add Question Here](#)

Question 119 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The Deficit Reduction Act of 2005

- Answer**  increased Stafford loan interest rates.
- reduced the amount of funds students could borrow for college.
  - eliminated student loans.
  - got rid of the Federal Family Education Loan program.

[◀ Add Question Here](#)

Question 120 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The practice of defining areas on a map where banks will not make loans is called:

**Answer**

- ostracizing.
- redlining.
- demarcating.
- left hanging.

[◀ Add Question Here](#)

Question 121 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The only government-owned bank in the United States is the:

- Answer**
- First Bank of the United States.
  - Federal Reserve Bank.
  - ✓ Bank of North Dakota.
  - Bank of America.

[◀ Add Question Here](#)

Question 122 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The bank that exemplifies the problems associated with government-owned banks is in:

- Answer**
- Japan.
  - ✓ China.
  - Mexico.
  - Norway.

[◀ Add Question Here](#)

Question 123 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The government abolished the \_\_\_\_\_ program in 2010 in favor of a \_\_\_\_\_ program to reduce the government's cost to help students finance their education.

- Answer**
- ✓ loan guarantee; direct loan
  - Sallie Mae; Stafford loan
  - government-sponsored; private-lending
  - private-lending; government-sponsored

[◀ Add Question Here](#)

Question 124 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The U.S. government encourages home ownership by:

- Answer**
- guaranteeing mortgages.
  - providing tax breaks.
  - supporting Fannie Mae and Freddie Mac.
  - ✓ All of the answers are correct.

[◀ Add Question Here](#)

Question 125 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

U.S. government policies to promote lending focus on a few sectors of the population, including:

- Answer**
- finance companies.
  - large corporations that are a good credit risk.
  - ✓ students.
  - Wall Street companies.

[◀ Add Question Here](#)

Question 126 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

The U.S. government encourages home ownership by:

- Answer**
- seizing homes that have been vacant for more than a year.
  - ✓ tax incentives.
  - building homes and assigning them to low-income families.
  - buying homes for the poor.

[◀ Add Question Here](#)

Question 127 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Since rent payments for housing \_\_\_\_\_ tax-deductible, individuals \_\_\_\_\_ an incentive to buy homes.

- Answer**
- ✓ are not; have
  - are not; do not have
  - are; have
  - are; do not have

[◀ Add Question Here](#)

Question 128 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Which of the following statements about the Community Reinvestment Act (CRA) of 1977 is true?

- Answer**
- The CRA required banks to lend to small businesses only.
  - ✓ In recent years, most banks have received grades of "outstanding" or "satisfactory" after CRA examinations.
  - Standard CRA examinations are usually conducted in a few hours.
  - Recently, most banks have not passed their CRA examinations.

[◀ Add Question Here](#)

Question 129 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question**

Which of the following statements about the Small Business Administration (SBA) is true?

- Answer** The SBA promotes lending to low-income individuals.
- ✓ A company qualifies for a loan guarantee if it is "small," as defined by the SBA.
  - Everybody agrees that the SBA is a great idea.
  - The SBA promotes lending to corporations that are able to issue securities only.

[◀ Add Question Here](#)

Question 130 **Multiple Choice**

**0 points**

[Modify](#) [Remove](#)

**Question**

If not for government's promotion, it would be quite difficult for college students to get tuition loans because:

- Answer** ✓
- students usually have brief credit histories.
  - students usually have high incomes and net worth.
  - college students have a bad reputation of misbehavior.
  - students are expected to earn higher-than-average salaries during their adult life.

[◀ Add Question Here](#)

OK