

Chapter 21

Thrift Operations

1. The insuring agency for S&Ls is the:
 - A) Securities and Exchange Commission (SEC).
 - B) Federal Deposit Insurance Corporation (FDIC).
 - C) U.S. Treasury.
 - D) Savings Association Insurance Fund (SAIF).

ANSWER: D

2. The _____ savings institutions hold the most assets in aggregate.
 - A) stock-owned
 - B) mutual
 - C) closely-held
 - D) privatized

ANSWER: A

3. Which of the following statements is incorrect?
 - A) A mutual-to-stock conversion allows savings institutions to obtain additional capital by issuing stock.
 - B) Because of the difference in owner control, mutual savings institutions are more susceptible to unfriendly takeovers.
 - C) When a mutual savings institution is involved in an acquisition, it first converts to a stock-owned savings institution.
 - D) Consolidation and acquisitions have caused the number of mutual and stock savings institutions to decline consistently over the years.

ANSWER: B

4. Savings institutions use most of their funds for _____. Commercial banks use most of their funds for _____.
 - A) mortgages; mortgages
 - B) mortgages; business loans and commercial real estate loans
 - C) business loans; commercial real estate loans and mortgages
 - D) commercial real estate loans and mortgages; business loans

ANSWER: B

5. Federally chartered savings institutions are regulated by the:
- A) Securities and Exchange Commission (SEC).
 - B) Federal Reserve.
 - C) Office of Thrift Supervision (OTS).
 - D) Comptroller of the Currency.

ANSWER: C

6. Savings institutions obtain most of their funds from:
- A) savings and time deposits.
 - B) loans.
 - C) mortgages.
 - D) repurchase agreements.

ANSWER: A

7. When savings institutions are unable to attract sufficient deposits, they can borrow:
- A) in the federal funds market.
 - B) from the Federal Reserve.
 - C) through a repurchase agreement.
 - D) through all of these methods.

ANSWER: D

8. If deposits move money from their checking account to short-term CDs, this would _____ the rate-sensitivity of the savings institution's liabilities to interest rate movements.
- A) increase
 - B) have no effect on
 - C) decrease
 - D) increase or decrease, depending on the size of the savings institution

ANSWER: A

9. _____ are the primary asset of savings institutions.
- A) Mortgages
 - B) Cash balances
 - C) Investment securities
 - D) Business loans

ANSWER: A

10. Savings institutions that reduce their amount of _____ will best reduce their exposure to interest rate risk.
- A) fixed-rate mortgages
 - B) consumer loans
 - C) commercial loans
 - D) short-term securities

ANSWER: A

11. For savings institutions in aggregate, _____ are the main asset.
- A) investment securities
 - B) mortgages
 - C) commercial loans
 - D) credit card loans

ANSWER: B

12. Which of the following is *not* an asset of savings institutions?
- A) loans
 - B) mortgages
 - C) NOW accounts
 - D) mortgage-backed securities

ANSWER: C

13. Most mortgages originated by SIs are for:
- A) commercial buildings.
 - B) land for commercial purposes.
 - C) single-family homes or multifamily dwellings.
 - D) none of these.

ANSWER: C

14. If a savings institutions' assets have considerably longer duration than its liabilities, it can reduce its exposure to interest rate risk by:
- A) reducing its proportion of assets in the short duration categories.
 - B) increasing its proportion of liabilities in the short duration categories.
 - C) increasing its proportion of liabilities in the long duration category.
 - D) doing all of these.

ANSWER: C

15. Adjustable-rate mortgages _____ the adverse impact of rising interest rates on a typical savings institution's spread. They _____ the favorable impact of declining interest rates on the spread.
- A) reduce; reduce
 - B) reduce; increase
 - C) increase; increase
 - D) increase; reduce

ANSWER: A

16. To measure _____ risk, some SIs measure the duration of their respective assets and liabilities.
- A) credit
 - B) interest rate
 - C) liquidity
 - D) none of these

ANSWER: B