

COURSE OUTLINE:

Real-Estate Backed Securities

- Agency mortgage passthroughs
- Agency Collateralized mortgage obligations
- Nonagency CMOs
- Home equity loan ABS
- Manufactured housing ABS
- Commercial MBS

Mortgage loans

- Fixed-rate and adjustable-rate
- Traditional and balloons
- Prepayment risk

Understanding Prepayment Terminology

- Voluntary versus involuntary prepayments
- Conditional prepayment rate (CPR)
- Prospectus prepayment curve
- Conditional default rate, losses versus defaults, loss severity

Passthrough securities

- Features of passthroughs
- Cash flow characteristics
- Average life
- Factors affecting prepayments
- Extension risk and contraction risk

Stripped mortgage-backed securities

Collateralized mortgage obligations

- Types of bond classes: sequential-pay; floating-rate; Inverse floating-rate; accrual bonds; PACs; support bonds; supports with schedules; TACs; and VADMs
- Interactions of bond classes on average life
- Re-Remics

Non-agency CMOs, HELs, and Manufactured housing

- Defaults and delinquencies
- Credit enhancement mechanisms
- Non-accelerated senior and PAC structures

Commercial Mortgage-Backed Securities

Analysis of Real Estate-Backed securities

- Static cash flow yield analysis: cash flow yield and its limitations; and nominal spread versus zero volatility spread
- Monte Carlo Method: option-adjusted spread; effective (OAS) duration; and special considerations for non-agency CMOs