

Residential Mortgage-Backed Securities

Learning Objective: After taking this tutorial participants will have a thorough understanding of the various types of mortgage-backed products and types of bond classes in a collateralized mortgage obligation, the interaction of bond classes in a CMO, how to value these securities, and how to measure their interest rate risk.

Typical Schedule

Registration: 8:30-8:40am

Class: 8:40-5:15

Lunch: 12-12:45

COURSE OUTLINE:	(continued)
<p>Residential Mortgage-Backed Securities</p> <ul style="list-style-type: none"> • Agency mortgage passthroughs • Agency Collateralized mortgage obligations • Nonagency CMOs • Home equity loan ABS • Manufactured housing ABS <p>Mortgage loans</p> <ul style="list-style-type: none"> • Fixed-rate and adjustable-rate • Traditional and balloons • Prepayment risk <p>Understanding Prepayment Terminology</p> <ul style="list-style-type: none"> • Voluntary versus involuntary prepayments • Conditional prepayment rate (CPR) • Prospectus prepayment curve • Conditional default rate, losses versus defaults, loss severity <p>Passthrough securities</p> <ul style="list-style-type: none"> • Features of passthroughs • Cash flow characteristics • Average life • Factors affecting prepayments • Extension risk and contraction risk 	<p>Stripped mortgage-backed securities</p> <p>Collateralized mortgage obligations</p> <ul style="list-style-type: none"> • 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 <p>Non-agency CMOs, HELs, and Manufactured housing</p> <ul style="list-style-type: none"> • Defaults and delinquencies • Credit enhancement mechanisms • Non-accelerated senior and PAC structures <p>Analysis of Real Estate Backed Securities</p> <ul style="list-style-type: none"> • 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