

## 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

<b>COURSE OUTLINE:</b>	<b>(continued)</b>
<p><b>Residential Mortgage-Backed Securities</b></p> <ul style="list-style-type: none"> <li>• Agency mortgage passthroughs</li> <li>• Agency Collateralized mortgage obligations</li> <li>• Nonagency CMOs</li> <li>• Home equity loan ABS</li> <li>• Manufactured housing ABS</li> </ul> <p><b>Mortgage loans</b></p> <ul style="list-style-type: none"> <li>• Fixed-rate and adjustable-rate</li> <li>• Traditional and balloons</li> <li>• Prepayment risk</li> </ul> <p><b>Understanding Prepayment Terminology</b></p> <ul style="list-style-type: none"> <li>• Voluntary versus involuntary prepayments</li> <li>• Conditional prepayment rate (CPR)</li> <li>• Prospectus prepayment curve</li> <li>• Conditional default rate, losses versus defaults, loss severity</li> </ul> <p><b>Passthrough securities</b></p> <ul style="list-style-type: none"> <li>• Features of passthroughs</li> <li>• Cash flow characteristics</li> <li>• Average life</li> <li>• Factors affecting prepayments</li> <li>• Extension risk and contraction risk</li> </ul>	<p><b>Stripped mortgage-backed securities</b></p> <p><b>Collateralized mortgage obligations</b></p> <ul style="list-style-type: none"> <li>• Types of bond classes: sequential-pay; floating-rate; Inverse floating-rate; accrual bonds; PACs; support bonds; supports with schedules; TACs; and VADMs</li> <li>• Interactions of bond classes on average life</li> <li>• Re-Remics</li> </ul> <p><b>Non-agency CMOs, HELs, and Manufactured housing</b></p> <ul style="list-style-type: none"> <li>• Defaults and delinquencies</li> <li>• Credit enhancement mechanisms</li> <li>• Non-accelerated senior and PAC structures</li> </ul> <p><b>Analysis of Real Estate Backed Securities</b></p> <ul style="list-style-type: none"> <li>• Static cash flow yield analysis: cash flow yield and its limitations; and nominal spread versus zero volatility spread</li> <li>• Monte Carlo Method: option-adjusted spread; effective (OAS) duration; and special considerations for non-agency CMOs</li> </ul>