

Question #1 of 24

In contrast with most asset-backed securities (ABS), a collateralized debt obligation (CDO):

- A) has senior and subordinate tranches.
 - B) employs a collateral manager.
 - C) is issued through a special purpose vehicle.
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Question #2 of 24

The primary motivation for investing in the support tranche of a planned amortization class CMO, compared to investing in another tranche, is that the support tranche offers:

- A) more protection against extension risk.
 - B) a higher interest rate.
 - C) more protection against contraction risk.
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Question #3 of 24

An agency RMBS pool with a prepayment speed of 50 PSA will have a weighted average life that is:

- A) less than its weighted average maturity.
 - B) equal to its weighted average maturity.
 - C) greater than its weighted average maturity.
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Question #4 of 24

A renegotiable mortgage has a fixed interest rate that:

- A) the borrower may change to a variable rate.
 - B) changes to a variable rate during its life.
 - C) changes to a different fixed rate during its life.
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Question #5 of 24

A collateralized debt obligation (CDO) in which the collateral is a pool of residential mortgage-backed securities is *most accurately* described as a:

- A) structured finance CDO.

B) collateralized loan obligation (CLO).

C) synthetic CDO.

Question #6 of 24

When evaluating the loans backing a commercial mortgage-backed security based on debt service coverage (DSC) and loan-to-value (LTV) ratios, which of the following indicate better credit quality?

A) Higher DSC and lower LTV.

B) Higher DSC and higher LTV.

C) Lower DSC and higher LTV.

Question #7 of 24

A mortgage-backed security has a pass-through rate of 4.3%. The average interest rate on its underlying pool of mortgages is 4.5%. The difference between these rates is *most likely* due to:

A) faster-than-expected prepayments.

B) issuance and servicing costs.

C) slower-than-expected prepayments.

Question #8 of 24

One of the primary benefits of securitization is that it:

A) removes problem assets from the issuing firm's balance sheet.

B) improves the legal claims of the security holders to the loans that are securitized.

C) improves the collectability of the loans that are securitized.

Question #9 of 24

Strategic default by a mortgage borrower is *most likely* if the loan is:

A) non-amortizing.

B) non-recourse.

C) non-conforming.

Question #10 of 24

Which of the following classes of asset-backed securities typically includes a lockout period?

- A) Credit card ABS.
 - B) Non-agency residential MBS.
 - C) Auto loan ABS.
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Question #11 of 24

With respect to auto-loan backed ABS:

- A) all of them have some sort of credit enhancement.
 - B) some of them have some sort of credit enhancement.
 - C) the underlying loans are collateralized so no credit enhancement is necessary.
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Question #12 of 24

A mortgage that includes some repayment of principal in each payment, and has an outstanding principal balance at maturity, is *most accurately* described as a:

- A) partially amortizing mortgage.
 - B) hybrid mortgage.
 - C) rollover mortgage.
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Question #13 of 24

Securitization *least likely* benefits the financial system by:

- A) removing liabilities from bank balance sheets.
 - B) increasing the amount banks are able to lend.
 - C) increasing liquidity for mortgages and other loans.
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Question #14 of 24

Total cash flows to investors in an ABS issue are:

- A) equal to the total interest and principal payments from the underlying asset pool.
- B) equal to the total interest and principal payments from the underlying asset pool if only one class of ABS has been issued from the trust.

C) less than the total interest and principal payments from the underlying asset pool.

Question #15 of 24

A synthetic collateralized debt obligation (CDO) is backed by a pool of:

- A) other CDOs.
 - B) leveraged bank loans.
 - C) credit default swaps
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Question #16 of 24

A sequential-pay CMO has two tranches. Principal is paid to Tranche S until it is paid off, after which principal is paid to Tranche R. Compared to Tranche R, Tranche S has:

- A) more contraction risk and more extension risk.
 - B) more contraction risk and less extension risk.
 - C) less contraction risk and more extension risk.
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Question #17 of 24

A mortgage is *most* attractive to a lender if the loan:

- A) is convertible from fixed-rate to adjustable-rate.
 - B) is non-recourse.
 - C) has a prepayment penalty.
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Question #18 of 24

The special purpose entity (SPE) in a securitization is:

- A) a subsidiary of the seller.
 - B) an entity independent of the seller.
 - C) a joint venture partner of the seller.
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Question #19 of 24

An asset-backed security with a senior/subordinated structure is said to have:

- A) credit tranching.
 - B) prepayment tranching.
 - C) time tranching.
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Question #20 of 24

A waterfall structure is *least likely* describe:

- A) auto loan ABS.
 - B) credit card ABS.
 - C) agency RMBS.
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Question #21 of 24

Which of the following statements concerning the support tranche in a planned amortization class (PAC) CMO backed by agency RMBS is *least accurate*?

- A) The purpose of a support tranche is to provide prepayment protection for one or more PAC tranches.
 - B) If prepayments are too low to maintain the scheduled PAC payments, the shortfall is provided by the support tranche.
 - C) The support tranches are exposed to high levels of credit risk.
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Question #22 of 24

An annualized measure of the prepayments experienced by a pool of mortgages is its:

- A) PSA prepayment benchmark.
 - B) single monthly mortality rate.
 - C) conditional prepayment rate.
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Question #23 of 24

The pool of loans backing a commercial mortgage-backed security consists of:

- A) recourse loans only.
- B) both recourse and nonrecourse loans.
- C) nonrecourse loans only.

Question #24 of 24

In a commercial mortgage-backed security (CMBS), which of the following is an example of CMBS-level call protection?

- A)** Prepayment lockout.
- B)** Residual tranche.
- C)** Yield maintenance charges.

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