Question #1 of 15

Question ID: 1574420

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 #2 of 15

Question ID: 1574429

When evaluating the loans backing a commercial mortgage-backed security based on credit ratios, which of the following *most likely* indicate better credit quality?

A) Lower debt-service coverage ratios and higher loan-to-value ratios.

B) Higher debt-service coverage ratios and higher loan-to-value ratios.

C) Higher debt-service coverage ratios and lower loan-to-value ratios.

Question #3 of 15

Question ID: 1574427

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.

Question #4 of 15

Question ID: 1574422

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 support tranches are exposed to high levels of credit risk.

B) The purpose of a support tranche is to provide prepayment protection for one or more PAC tranches.

C) If prepayments are too low to maintain the scheduled PAC payments, the shortfall is provided by the support tranche.

Question #5 of 15

Question ID: 1574417

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

A) non-amortizing.

B) non-conforming.

C) non-recourse.

Question #6 of 15

Question ID: 1574419

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

A) equal to its weighted average maturity.

B) greater than its weighted average maturity.

C) less than its weighted average maturity.

Question #7 of 15

Question ID: 1574418

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

A) has a prepayment penalty.

B) is convertible from fixed-rate to adjustable-rate.

C) is non-recourse.

Question #8 of 15

Question ID: 1576512

Extension in an agency residential mortgage-backed security is *most likely* to result from:

A) exhaustion of a support tranche.

B) a decrease in interest rates.

C) slower-than-expected prepayments.

Question #9 of 15

Question ID: 1574425

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) less contraction risk and more extension risk.

B) more contraction risk and less extension risk.

C) more contraction risk and more extension risk.

Question #10 of 15

Question ID: 1574430

The type mortgage-backed security that is *most likely* to offer significant call protection is:

A) a commercial mortgage-backed security.

B) an agency residential mortgage-backed security.

C) a non-agency residential mortgage-backed security.

Question #11 of 15

Question ID: 1574428

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

A) both recourse and nonrecourse loans.

B) nonrecourse loans only.

C) recourse loans only.

Question #12 of 15

Question ID: 1574416

A renegotiable mortgage has a fixed interest rate that:

A) changes to a different fixed rate during its life.

B) changes to a variable rate during its life.

C) the borrower may change to a variable rate.

Question #13 of 15

Question ID: 1574424

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

A) conditional prepayment rate.

B) PSA prepayment benchmark.

C) single monthly mortality rate.

Question #14 of 15

Question ID: 1574423

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) a higher interest rate.

B) more protection against contraction risk.

C) more protection against extension risk.

Question #15 of 15

Question ID: 1574426

An investor in mortgage-backed securities who is concerned about extension risk but willing to accept contraction risk should *most appropriately* invest in:

A) agency residential mortgage-backed securities.

B) sequential-pay collateralized mortgage obligations.

C) planned amortization class collateralized mortgage obligations.