

Question #1 of 6

Question ID: 1574405

Total cash flows to investors in an ABS issue are:

- A) 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.
 - B) equal to the total interest and principal payments from the underlying asset pool.
 - C) less than the total interest and principal payments from the underlying asset pool.
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Question #2 of 6

Question ID: 1574402

Securitization *least likely* benefits the financial system by:

- A) increasing liquidity for mortgages and other loans.
 - B) increasing the amount banks are able to lend.
 - C) removing liabilities from bank balance sheets.
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Question #3 of 6

Question ID: 1574403

One of the primary benefits of securitization is that it:

- A) improves the collectability of the loans that are securitized.
 - B) improves the legal claims of the security holders to the loans that are securitized.
 - C) removes problem assets from the issuing firm's balance sheet.
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Question #4 of 6

Question ID: 1574404

Which of the following is *least likely* a benefit of securitization?

- A) Removing liabilities from the balance sheet.

- B)** Reducing funding costs.
 - C)** Increasing the liquidity of balance sheet assets.
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Question #5 of 6

Question ID: 1574406

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 #6 of 6

Question ID: 1574407

Asset-backed securities (ABS) may have a higher credit rating than the seller's corporate bonds because:

- A)** ABS are investment grade while corporate bonds may be speculative grade.
- B)** the seller's ABS are senior to its corporate bonds.
- C)** they are issued by a special purpose entity.