Q-1. In the securitization process, which of the following is most likely a third party to the transaction? The:

A. seller of the collateral.

B. special purpose entity.

C. financial guarantor.

Q-2. In a mortgage pass-through security the pass-through rate:

A. Is adjusted as market rates rise or fall.

B. Is equal to the mortgage rate on the underlying pool of mortgages.

C. Adjusts the rate on the underlying pool of mortgages by a servicing fee.

Q-3. An investor who owns a mortgage pass-through security is exposed to contraction risk which is the risk that when interest rates:

A. decline, the security will effectively have a longer maturity than was anticipated at the time of purchase.

B. decline, the security will effectively have a shorter maturity than was anticipated at the time of purchase.

C. rise, the security will effectively have a shorter maturity than was anticipated at the time of purchase.

Q-4. Assume that an investor has invested in a mortgage pool with a $100,000 principal balance outstanding. The scheduled monthly principal payment is $28.61.

The mortgage pool has a conditional prepayment rate (CPR) of 6% and pool is seasoned. The single monthly mortality rate is closest to:

A. 0.005098.

B. 0.005113.

C. 0.005143.

Q-5. David Smith purchased a mortgage-backed security with a coupon rate of 8% and a par value of $1,000 for $960. Coupon payments are made monthly. The monthly interest payment is closest to:

A. $6.67.

B. $6.40.

C. $6.94.