



## Mortgage Backed Securities - Day

This course provides a broad overview of the mortgage-backed securities industry. The primary focus is on the types of MBS, factors that influence their investment characteristics, analytic techniques used to evaluate risk and return, and MBS trading/settlement. The course begins with an exploration of agency pass-through securities and is followed by an investigation of derivative mortgage backed securities: CMOs (collateralized mortgage obligations), IO (interest only) and PO (principal only) strips. The course also discusses trading issues such as TBA trading and dollar rolls. The final session focuses on non-agency CMOs, and other mortgage-related asset-backed securities.

### Available Session(s):

05-Nov-2008 -- 06-Nov-2008	New York	USD \$2375
NY Institute of Finance - Downtown	9:00am - 4:30pm	Wed Thu
Instructor(s):[Douglas Carroll; ]		

### Targeted Audience

Portfolio managers, institutional sales staff, research analysts, back office professionals, financial analysts, cash/money managers, auditors, and compliance staff.

### Special Offer

Clients who register for this course will receive a complimentary 6 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process, and are limited to one per client. For questions about your subscriptions call 800-628-8088 or email [uscirculation@ft.com](mailto:uscirculation@ft.com). US and Canada enrollees only.

### Advance Preparation

No advance preparation required.

## Prerequisites

None

## Learning Objectives

Students will be able to:

- Describe the structural features and cash flow characteristics of pass-through securities
- Recognize the impact of prepayment rates in the analysis and valuation of MBS
- Explain the basic features of agency and nonagency CMOs as well as important types of tranches (sequential pay, Planned Amortization Class, accrual/z-bond, etc)
- Describe the basic elements of TBA (To Be Announced) trades and dollar rolls

## Alumni Comments

*"The course's strengths included its fluidity and the relevance of the material to my work."*

*"The course begins with the basics and then moves forward."*

*"The instructor had in-depth knowledge of the subject."*

*"Doug is great; he's very knowledgeable."*

## Follow-Up Courses

Structured Products Suite

**Level:** Intermediate

**CPE Credits:** 14.0

**Instructional Method:** Group-Live

## Detailed Outline

### Overview Of The Mortgage Backed Securities Market

- Introduction to mortgage backed securities
- Historical background
- Evolution of federal agency mortgage backed securities
- Government National Mortgage Association
- Federal National Mortgage Association
- Federal Home Loan Mortgage Corporation
- Innovations (ARMs, CMOs, SMBS, etc.)
- Originators, servicers, dealers and investors

### Mortgages Loans

- Characteristics of mortgages
- Types of mortgages

- Mortgage cash flows

### **Mortgage Pass Through Securities**

- Types of mortgage pass through securities
- Structural characteristics of pass throughs
- Weighted average maturity (WAM)
- Weighted average coupon (WAC)
- Weighted average loan age (WALA)
- MBS sector considerations

### **Dynamics Of Mortgage Prepayments**

- Demographic considerations
- Seasonal patterns in prepayment rates
- Home sales activities
- Mortgage refinancing
- Quantifying prepayment speed   PSA benchmark

### **Bond Math Basics of MBS**

- Price present value of projected future cash flows
- Yield to maturity, cash flow yield and bond equivalent yield
- Complexity of MBS
- Yield spreads versus treasuries
- Yield versus return

### **Analysis Of Pass Through Securities**

- Pass throughs compared to other fixed income securities
- Prepayments and uncertain average life
- Pass throughs price and cash flow dynamics
- Negative convexity
- Total return analysis
- Option adjusted spread analysis
- Duration measures for MBS

### **Collateralized Mortgage Obligations**

- CMO basics
- Pay through versus pass through securities
- Plain vanilla CMOs - sequential pay bonds
- Z-bond tranches
- Planned amortization class (PAC) bond tranches
- Targeted amortization class (TAC) bond tranches
- Very Accurately Defined Maturity (VADM) bonds
- Floating and inverse floating rate tranches
- Stripped mortgage backed securities   IOs and POs
- CMO valuation issues
- Structural factors affecting value

## **MBS Trading**

- TBA trading
- Dollar Rolls

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.