



1. 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.
  
2. 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.
  
3. 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.
  
4. 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.

5. 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.
6. 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.

