

Asset-Backed Securities

***Asset-Backed Securities:
Overview***

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Schedule

	<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>
<i>AM 1</i>	<i>Cagamas Talk</i>	<i>Legal, Tax & Acctg</i>	<i>ABS Cost- Benefit</i>	<i>HongKong/ Chase</i>
<i>AM 2</i>	<i>Corp Fin & The Market</i>	<i>ABS Credit Risk</i>	<i>Alternative Structures</i>	<i>ABS & Swaps</i>
<i>PM 1</i>	<i>Securitizati on Process</i>	<i>Rating Process</i>	<i>Mortgage- Backed</i>	<i>Project Finance</i>
<i>PM 2</i>	<i>CBOs and CDOs</i>	<i>ABCP</i>	<i>Asian MBS</i>	<i>New ABS; Review</i>

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Corporate Financing Choices

- Do financing choices matter?
- Debt or equity?
- What kind of debt?

Certain kinds of *market imperfections* allow corporations to reduce costs by improving the financing mix

Asset-Backed Securities: Summary

- Asset-backed securities can create value for investors and issuers if:
 - ◆ The assets are for some reason worth more off the balance sheet than on
 - ◆ The right legal framework is in place
 - ◆ The costs do not exceed the benefits
- Sometimes they do not work because you cannot make money by cutting up a dog

Asset-Backed Securities

- Why securitization works
- Mortgages and mortgage-backed securities
 - ◆ The technique: creating MBS
 - ◆ The option element
- Asset securitization
 - ◆ Issuer view
 - ◆ Investor view
 - ◆ The technique

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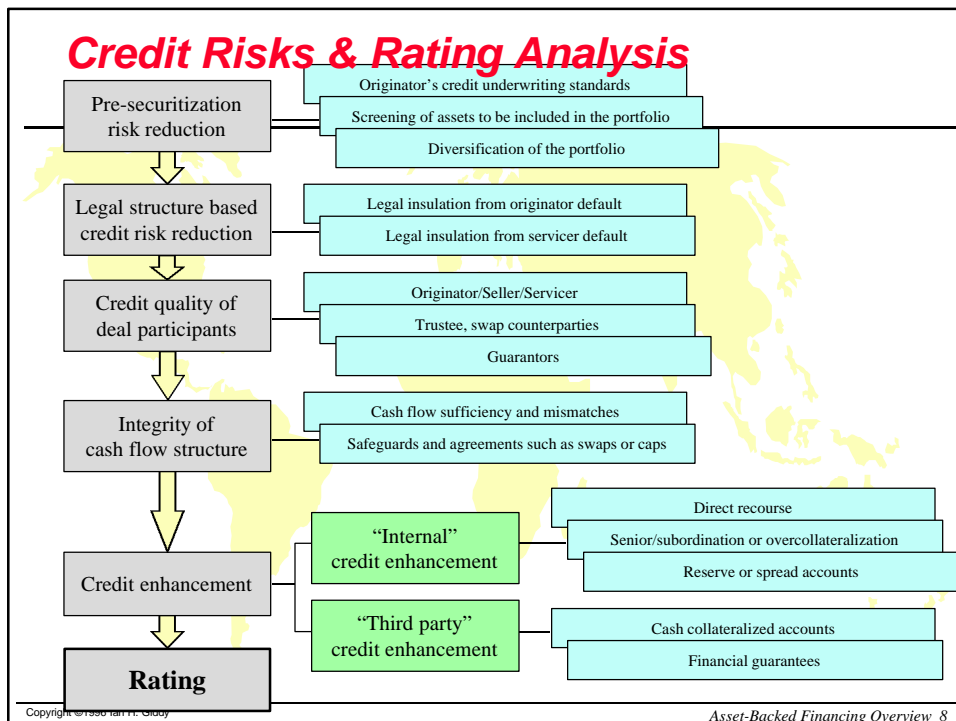
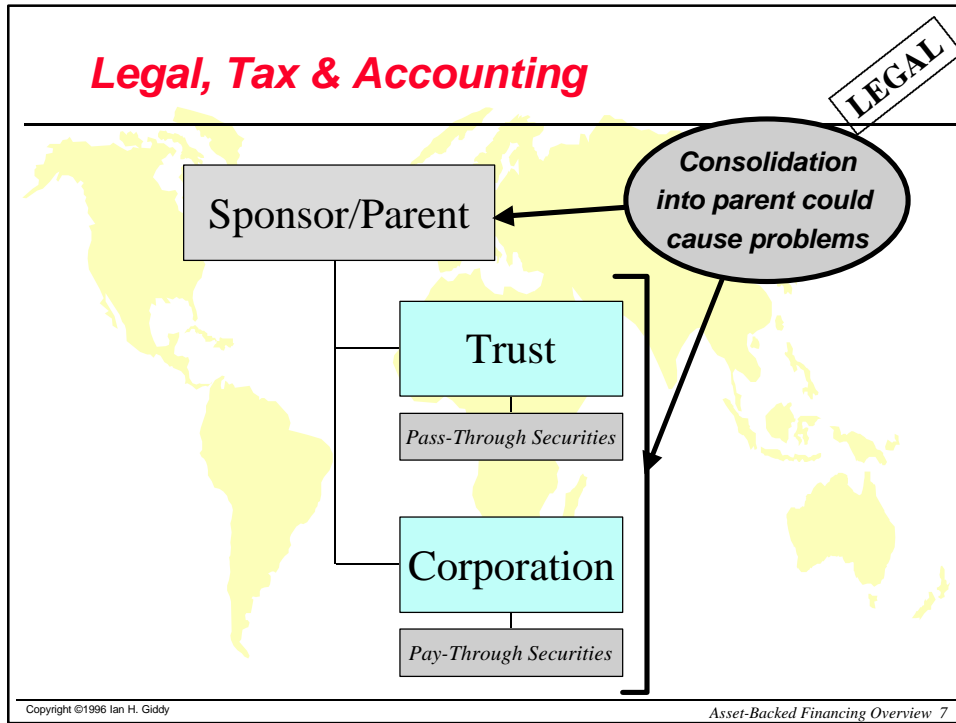
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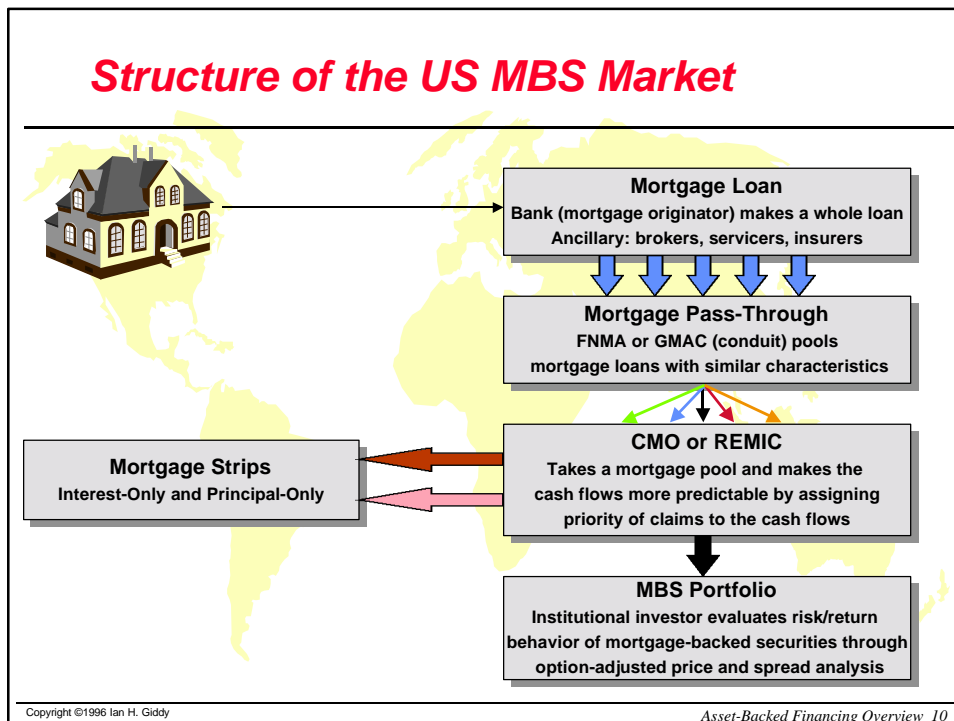
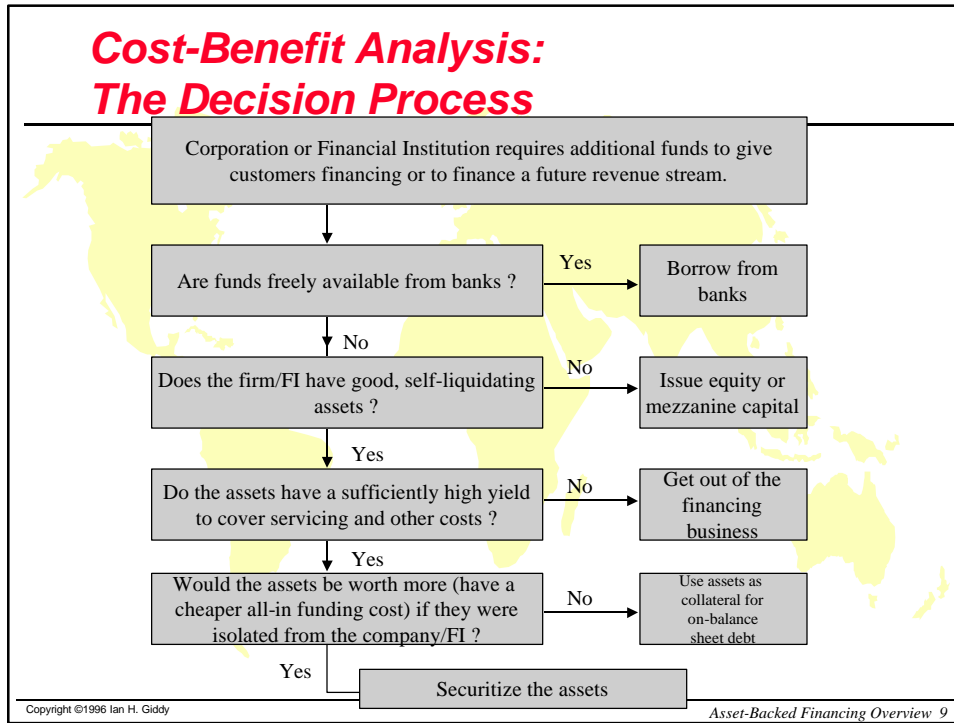
Focus on Asset Classes

- Mortgages
- Credit card ABS
- Auto receivables ABS
- Leases & supply contracts
- Asset-backed commercial paper
- Intangible expected revenues
- Future-flow ABS

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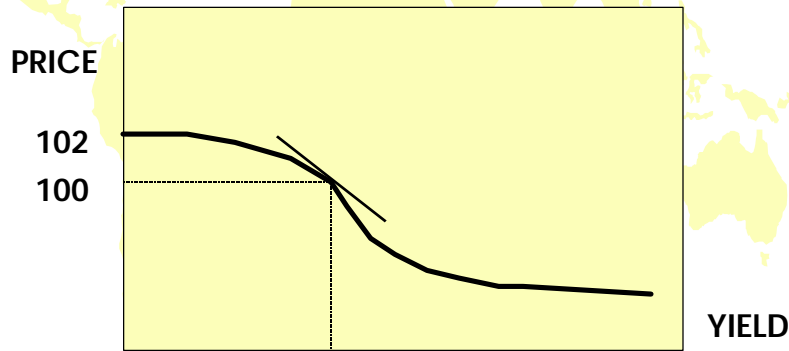
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Convexity of Callables

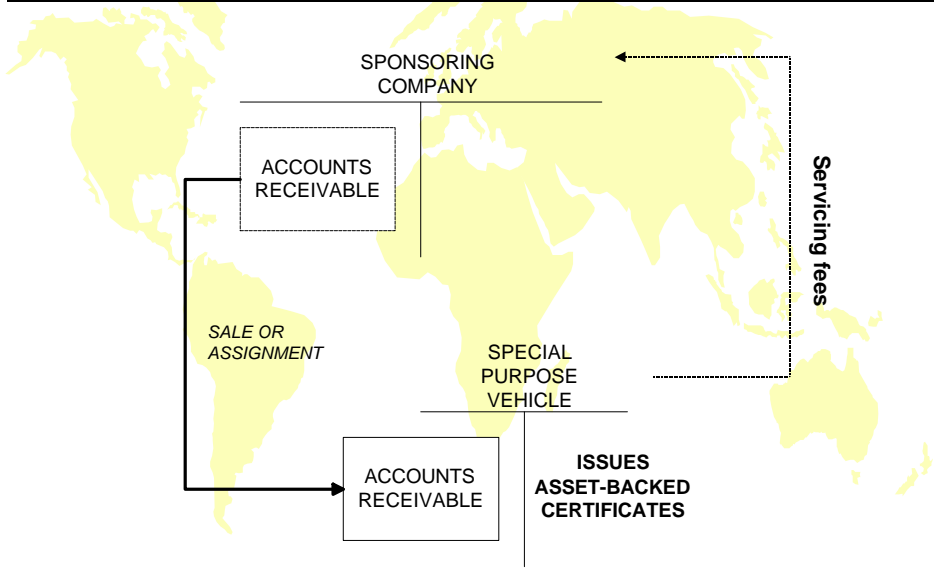
Mortgage-backed securities and other callable bonds may have negative convexity which cushions a bond's price rise and accelerates its fall!



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Non-Mortgage ABS: The Technique Illustrated

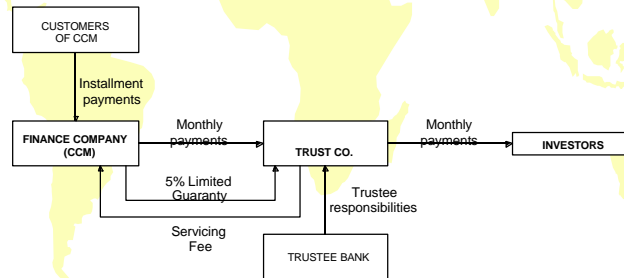


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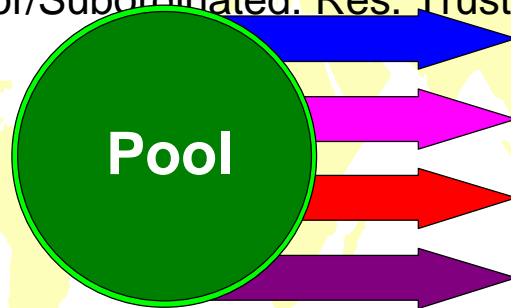
Alternative Ways of Structuring Asset Securitization

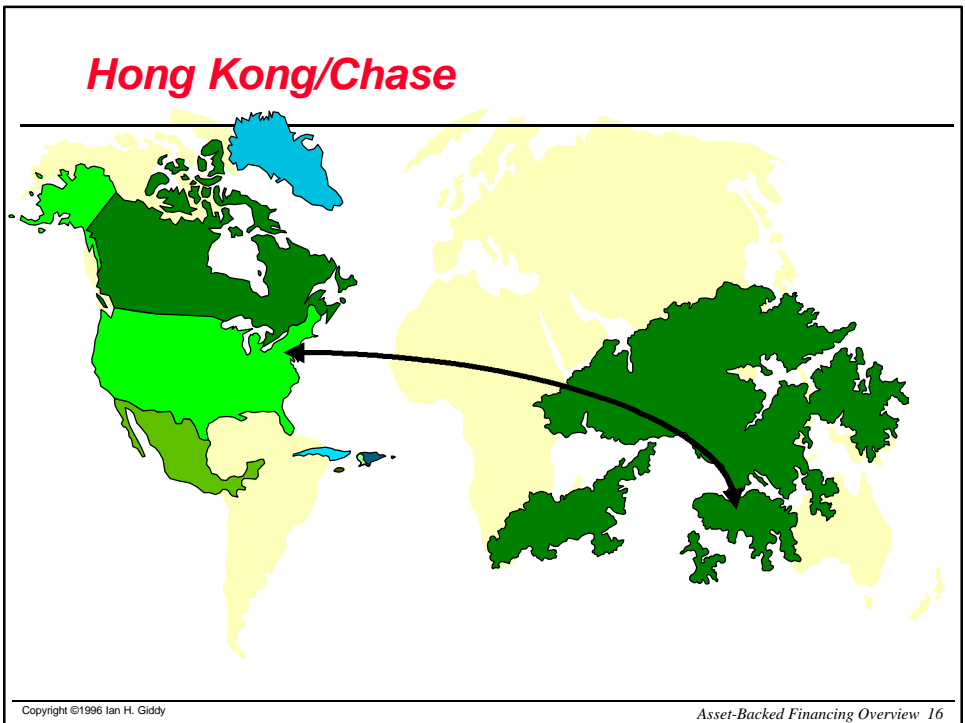
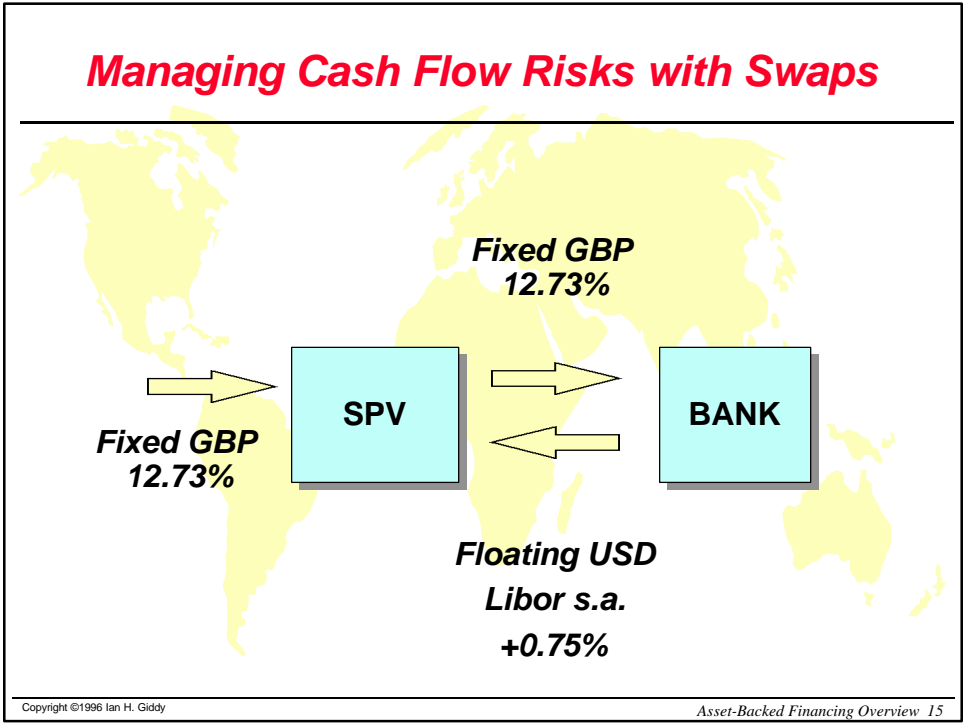
- Collateralized bonds
- Pass-through securities
- Pay-through securities



Splitting the Cash Flows

- Paydown sequence: Chrysler
- Senior/Subordinated: Res. Trust Co.






Project Financing

- *Stand-alone, non-recourse "production payment financing"*
- Structure
- Participants
- Funding sources
- Risks



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www.asiansecuritization.com



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