



Due Monday, **January 29**

- January 22    Topics:    *Models of forward rate processes:  
Lattice models and valuation of call options.*  
Readings:    Van Order, *Shapes of things*  
**Assignment:** Exercise on value of a call option  
Due Wednesday, **January 31**
- January 24    Topic:        *Prepayment behavior; Maturity Measures, Duration, Analysis  
and pricing of pass-through mortgage securities.*  
Readings:    Abrahams, *The New View in Mortgage Prepayments: Insight from  
Analysis at the Loan-By-Loan Level*  
Hayre, Chaudhary and Young, *Anatomy of Prepayments*  
Merrill Lynch's Prepayment Model (Industry Report) F&D, Chapter 8;
- January 29    Special Guests: Dr. Paul Allen, CEO, Taylor, Bean & Whitaker Mortgage Corp;  
Jeremy Collette,  
*Mortgage Banking and Managing Risk with Mortgages*
- January 31    Topic:        *Analysis and Pricing, continued:  
Options adjusted spreads*
- February 5    Topic:        Introduction to WINOAS Mortgage Pricing Software  
**Assignment:** WINOAS assignment  
Due Friday, **February 9**
- February 7    Topic:        *CMOs ("REMICs") - managing prepayment risk, Sequential Pay,  
Z-tranches, PACs*  
Readings:    F&D, Chapter 4  
Carron *Understanding CMOs, REMICs and Other Mortgage  
Derivatives, Handouts.*
- February 12    Topic:        *REMICs - continued: PAC Is vs PAC IIs, TACs, Floaters,  
Inverse Floaters, IO/POs, residuals;CMBS*  
**Assignment:** CMBS Valuation Assignment (Team Project)  
Due Friday, **February 23, 12:00 Noon**
- February 14    Topic:        *CMBS, Rating Agencies and the Rating Process*  
Readings:    F&D, Chapter 7  
Goldstein, *What's in a Rating?*  
Geltner and Miller, Chapter 20
- February 19    Special Guest
- February 21    Topic:        Final topics on CMBS and Ratings
- February 26                      FINAL EXAM: 1:55 PM – 3:55 PM

The Chairman of the Department of Finance, Insurance and Real Estate is Dr. Michael Ryngaert.  
The department is located in 321 Business, 392-0153.