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Elements of mortgage securitization

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Abstract

In this paper we review the forms of mortgage securitization, analyze the demand for securitization, and demonstrate how securitization meets these demands by reducing intermediation costs. We argue that the increased use of securitization is a response to increased interest rate volatility and represents a contractual innovation that facilitates an efficient allocation of risk-bearing among households and intermediaries.

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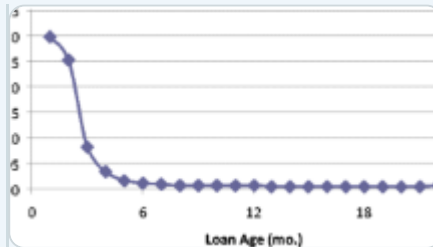
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