

Answers

Chapter 5 – Banking

1. An opinion of an obligor's overall financial capacity to pay its financial obligations.
2. It is not a recommendation as it does not comment on market price or suitability for a particular investor.
3. A-1+ and A-1.
4. An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.
5. An obligor rated 'R' is under regulatory supervision owing to its financial condition.

Teaching Tips

Chapter 5 – Banking

1. Have the students explore the FDIC Web site at <http://www.fdic.gov>. Ask the students to select two banks in their community and using the Web site, find out if they are insured through the FDIC.
2. Using the same Web site, have the students click on the International Deposit Insurance link. Ask them to find out what it is and how many countries are involved.