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ICRA RESEARCH SERVICES

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# MBS Pools Rated by ICRA

## Report on Performance up to March 2020

## Introduction

This report provides a pool-wise summary of the performance of all ICRA-rated Mortgage Backed Securitisation (MBS) transactions that were live between September 2019 and March 2020, i.e. 63 live transactions across 13 originators including residential loans (home loans; HL) and loans against existing property (loans against property; LAP). For each transaction, key performance parameters including cumulative collection efficiency, static and dynamic delinquency profile, prepayment rate and credit enhancement utilisation are discussed. ICRA's rating actions (new ratings assigned, rating upgrades, rating downgrades and rating reaffirmations) between December 01, 2019 and May 31, 2020 are also summarised in the report.

The report also presents an analysis of key performance indicators pertaining to all (99) mortgage loan pools that were rated by ICRA between January 2003 and March 2020. These include 73 home loan pools and 26 LAP pools. Of the total, as on March 31, 2020, 63 pools were live and 23 pools had matured, while the clean-up call option was exercised in 13 pools.

The key observations at an asset class level are listed below:

- Till March 2020, ICRA-rated mortgage loan pools continued to demonstrate sturdy performance which is in line with historically observed trends. Collection efficiency levels have been consistently high with the median cumulative collection efficiency (CCE) being around 99% for the past ten years. LAP pools have performed weaker in comparison to HL pools in terms of collection efficiency though still enjoyed a healthy CCE of 98%.
- Owing to the spread of the Covid-19 pandemic in India, the economic activity came to a grinding halt with the nationwide lockdown beginning March 24, 2020. Due to the lockdown, the collection activities of all financiers were impacted significantly due to logistical and operational challenges. The collection efficiency (calculated as per pre-moratorium billing schedule) of MBS pools witnessed sharp drop in April 2020 at around 68%. Nonetheless, collections in MBS remain the most resilient across all asset classes and displayed signs of recovery in May 2020. ICRA expects the collections to witness a steady improvement though the pace of recovery in economic activity will remain important. Any reversal on the easing of lockdown will be a negative.
- As of March 31, 2020, the average loss-cum-90+ and 180+ dpd in HL pools stood at 0.84% and 0.58% respectively. The delinquencies, in the same buckets, for LAP pools were relatively higher at 1.23% and 0.86% respectively. These levels of delinquencies, however, are low when compared to other retail loan asset classes.
- Consequently, credit enhancement utilisation in most transactions had been low. Cash collateral utilisation in MBS transactions was even lower (nil in 39 out of 63 live transactions analysed), with most of the credit enhancement utilisation being in the form of shortfalls absorbed by the excess interest spread.
- Prepayment levels in MBS transactions have typically been higher than in other asset classes rated by ICRA. Moreover, prepayment rates and volatility for LAP pools have been higher than that for home loan pools. Owing to the high prepayment rates, the actual amortisation of MBS pools has been much higher than scheduled. The ratio of actual to scheduled amortisation is typically around 3.5 times in the initial three years post securitisation and then reduces over time.

The report also provides a comprehensive User's Guide enlisting key terms and metrics used by ICRA for rating and monitoring MBS transactions, with a brief description of how these metrics are computed and should be interpreted by the users of this report.

In all, ICRA has rated 103 MBS transactions till date, with the total rated amount exceeding Rs. 22,800 crore<sup>1</sup>.

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<sup>1</sup> Rs. 1 crore = Rs. 10 million = Rs. 100 lakh

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### Pool-wise performance of all live ICRA-rated MBS transactions

- 63 live transactions, across 13 originators that were live as on March 31, 2020.
- Underlying asset class covers residential/commercial property (Home Loans) or loans against existing property (Loans Against Property).
- With respect to each transaction, all the key performance parameters including cumulative collection efficiency, static and dynamic delinquency profile, prepayment rate and credit enhancement utilization are covered (sample format annexed).

### As well as-

- Rating actions (new ratings assigned/ rating upgrades/ rating downgrades and rating reaffirmations) taken by ICRA between December 01, 2019<sup>2</sup> and May 31, 2020 are also summarised.
- A comprehensive User's Guide enlisting key terms/ metrics used by ICRA for rating and monitoring performance of MBS transactions, with a brief description of how these metrics are computed and should be interpreted by the users of this report.

### Summary analysis – MBS Pools

- Analysis of the key performance indicators pertaining to all (93) ICRA-rated mortgage loan pools that were rated by ICRA between January 2003 and March 2020. This includes 73 Home Loan pools and 26 Loan against Property pools. As on March 31, 2020, 63 pools were live and 36 pools had matured. This analysis covers the following-
  - Cumulative collection and monthly collection efficiency at a median level and average 90+ and 180+ delinquency levels in the ICRA-rated mortgage loan pools compared separately for home loans and LAP
  - Trends in cash collateral utilisation as well as overall credit enhancement utilization in ICRA-rated MBS transactions vis-a-vis the underlying pools' amortisation levels
  - Prepayment levels seen in the mortgage loan pools and a comparison of movement in prepayment rates and pool interest rate in these pools

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<sup>2</sup> Date of release of previous MBS Pool Performance Note by ICRA

## Sample Report Format

Issue Name: [(Originator) (Asset Class) D.A. (MMM-YY)] / (Name of S.P.V)

Originator Name : XYZ Limited

Trustee/PR: ABC Trust Ltd.

### Issue details - Pool

### Issue details – Acquirer Payouts

Commencement Month	Acquirer Payouts (Rs. Cr.)
Transaction Structure	Acquirer Payouts Scheduled Maturity
Pool Principal (Rs. Cr.)	Acquirer Payouts Yield
Number of Contracts	<b><i>Credit / Liquidity Support (% of Acquirer Payouts)</i></b>
Pool Scheduled Maturity	Cash Collateral
Average Seasoning (months)	Excess Interest Spread
Average Loan to Value	Subordination during Tenor

### Pool performance till Month & Year

### Details of Balance Pool / Acquirer Payouts

Months post securitisation	Pool Principal Outstanding (Rs. Cr.)
Amortisation (% of initial pool principal)	Revised Schedule Maturity for Pool
Cumulative Collection Efficiency	Weighted Average Pool Interest Rate
Average Monthly Prepayment rate	Acquirer Payouts (Rs. Cr.)
Cumulative Prepayment Rate	Revised Scheduled Maturity for Acquirer Payouts
90+ Loss cum delinquency	Acquirer Payouts Yield
180+ Loss cum delinquency	Break-even collection efficiency
90+ Delinquency Rate	<b><i>Credit / Liquidity Support (% of Acquirer Payouts)</i></b>
180+ Delinquency Rate	Cash Collateral
Cumulative Credit Enhancement Utilisation	Excess Interest Spread
Cumulative Cash Collateral Utilisation	Subordination during Tenor

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## ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

### **Alliance with Moody's Investors Service**

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

### **The ICRA Factor**

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.



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