

## Structured Finance Ratings

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# MBS Pools Rated by ICRA

Report on Performance up to September 2019

## Introduction

This report provides a pool-wise summary of the performance of all ICRA-rated Mortgage Backed Securitisation (MBS) transactions that were live between October 2017 and September 2019, that is 58 live transactions across 14 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 June 01, 2019 and November 30, 2019 are also summarised in the report.

The report also presents an analysis of key performance indicators pertaining to all (93) mortgage loan pools that were rated by ICRA between January 2003 and September 2019. These include 67 home loan pools and 26 LAP pools. Of the total, as on September 30, 2019, 58 pools were live and 23 pools had matured, while the clean-up call option was exercised in 12 pools.

The key observations at an asset class level are listed below

- 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% consistently for the past ten years. LAP pools have performed weaker in comparison to HL pools in terms of collection efficiency with a CCE of 98.0%.
- As of Sep 2019, the average loss-cum-90+ and 180+ dpd in HL pools stood at 0.57% and 0.45% respectively. The delinquencies, in the same buckets, for LAP pools are relatively higher at 0.73% and 0.49% respectively. These level of delinquencies, however, are considered to be low when compared to other retail loan asset classes.
- Consequently, credit enhancement utilisation in most transactions has been low. Cash collateral utilisation in MBS transactions has been even lower (nil in 38 out of 58 live transactions analysed), with most of the credit enhancement utilisation being in the form of shortfalls absorbed by an excess interest spread.
- Prepayment levels in MBS transactions have been higher than in other asset classes rated by ICRA. Moreover, prepayment rates and volatility for LAP pools are 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 upwards of 3.7 times in the initial 3 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 102 MBS transactions till date, with the total rated amount exceeding Rs. 22,600 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**

- 58 transactions, across 14 originators that were live as on September 30, 2019.
- 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 June 01, 2019<sup>2</sup> and November 30, 2019 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 September 2019. This includes 67 Home Loan pools and 26 Loan against Property pools. As on September 30, 2019, 58 pools were live and 35 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	:	
Trustee	:	
Commencement Month	:	Asset Composition
Monthly Payout Date	:	
Structure	:	

### Details of Rated Instruments

Rated Instrument	Principal (Rs. Cr.)		Rating	Yield	Amortization %	Average Maturity (Years)	
	Initial	Present				Initial	Present

### Initial Pool Details (as on pool cutoff date)

Pool Principal (Rs. Cr.)			
Pool Cashflows (Rs. Cr.)			
Tenure (Months)			
Average Seasoning (Months)			
Average Loan to Value			
Weighted Average Pool Interest Rate			
Top Ten Obligor			
Number of Contracts			
Overdue Profile- Share of Current Contracts			
Share of Overdue Contracts			

### Initial Credit Enhancement Details (as % of )

Cash Collateral		Excess Interest Spread	
First Loss Piece		Subordination during the Tenor	
Second Loss Piece		Liquidity Facility	

### Performance of Pool till ( Months Post securitization, Pool Amortization)

<b>Collection Performance Analysis</b>			
Cumulative Collection Efficiency			
Rolling Quarterly Collection Efficiency			
Cumulative Collection/ Cumulative PTCs Payouts			
<b>Prepayment Analysis</b>			
Average Monthly Prepayment Rate			
Cumulative Prepayment Rate			
<b>Loss and Delinquency Analysis</b>			
Loss cum 90+ dpd (% of Initial Pool Size)			
Loss cum 180+ dpd (% of Initial Pool Size)			
Peak Loss cum 90+dpd			
Peak loss cum 180+dpd			
<b>Credit Enhancement Details</b>			
Cumulative Credit Enhancement Utilisation			
Cumulative Cash Collateral Utilisation			
First Loss Piece Utilisation			

Second Loss Piece Utilisation  
Peak Cash Collateral Utilisation

### Static Delinquency Profile

Loss cum 30+ dpd (% of Initial Pool Size)				
Loss cum 90+ dpd (% of Initial Pool Size)				
Loss cum 180+ dpd (% of Initial Pool Size)				

### Dynamic Delinquency Profile

	<i>Current</i>	<i>1-30</i>	<i>31-90</i>	<i>91-180</i>	<i>&gt;180</i>
As % of Balance Pool Principal Outstanding					
As % of Balance Pool Principal Outstanding					
As % of Balance Pool Principal Outstanding					
As % of Balance Pool Principal Outstanding					

### Details of Balance Pool

Pool Principal Outstanding (Rs. Cr)			
Pool Cashflows Outstanding (Rs. Cr)			
Balance Pool Tenure (Months)			
Weighted Average Pool Interest Rate			
90+ dpd (% of balance Pool Principal)			
180+ dpd (% of balance Pool Principal)			

### Availability of Credit Enhancement (as % of Balance )

Principal Subordination		Excess Interest Spread	
Break-even Collection Efficiency (% of Pool Cashflow)		Cash Collateral	
Credit Enhancement to 90+dpd POS (times)		First Loss Piece	
Coverage Ratio (times)		Second Loss Piece	

### Collection Efficiency

### Loss cum Delinquency

### Pool Yield & Investor Yield

### Cumulative Prepayment and Pool Amortization

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