



**MBS Pools Rated by ICRA**

**December 2024**

Report on MBS Pool Performance till September 2024

## Structured Finance Ratings

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## Executive Summary

This report provides a pool-wise summary of the performance of all ICRA-rated Mortgage-Backed Securitisation (MBS) transactions that were live between April 2024 and September 2024, i.e. 68 transactions across 19 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 and rating reaffirmations) between May 01, 2024 and October 31, 2024 are also summarised.

The report includes an analysis of the key performance indicators pertaining to all (132) mortgage loan pools that were rated by ICRA between January 2003 and September 2024. These include 105 home loan pools and 27 LAP pools. Of the total, as on September 30, 2024, 66 pools were live and 52 had matured, while the clean-up call option was exercised in 14.

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

The microfinance industry is experiencing stress with impact on the portfolio starting Q1 FY2025. Elections and heatwaves have contributed to this stress to some extent. However, as the lending institutions are taking a cautious approach, these borrowers have been unable to access funds from multiple sources leading to increased overleveraging and compounding stress. This event has majorly impacted the unsecured products. However, the mortgage financing business being a secured product has remained relatively stable during this period and is positioned for continued growth during FY2025. The Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-2.0) scheme, which was approved by the Union Cabinet in August 2024 is expected to further contribute towards the growth of housing finance.

Till October 2024 (payout month), ICRA-rated mortgage loan pools continued to demonstrate robust performance 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 performed weaker in comparison to HL ones and saw relatively lower collections during the first and second waves of the pandemic, though still enjoying a healthy CCE of 98%. The performance of ICRA-rated MBS remained steady throughout FY2024 with business operations returning to normalcy in the light of the stable macro-economic conditions and pick-up/rebound in broader economic and business activities.

With the improved outlook for non-banks and businesses back on track, the performance of MBS pools is expected to remain healthy over the near to medium term. ICRA does not foresee any material credit pressures on its rated securitisation transaction during FY2025, provided there are no further disruptions. Nonetheless, the presence of credit enhancements is more than adequate for the pools, which enhance the liquidity and buffer to absorb the eventual losses.

- As on September 30, 2024, the average loss-cum-90+dpd and 180+dpd in HL pools stood at 0.6% and 0.7% respectively, at 140 months post securitisation. The 90+ delinquencies for LAP pools were relatively higher at 1.6%, 71 months post securitisation. These delinquencies, however, are low compared to most of the other retail loan asset classes.
- Consequently, credit enhancement utilisation in most transactions has been low. Cash collateral utilisation in MBS transactions was even lower (nil in 31 out of 65 live transactions analysed), as the shortfalls in collections were absorbed by the excess interest spread.

- Prepayment levels in MBS transactions typically remained higher than in other asset classes rated by ICRA. Moreover, volatility in prepayment rates for LAP pools has been higher than that for home loan pools. Owing to the high prepayment rates, the actual amortisation of MBS pools (specifically to LAP pools) has been much higher than scheduled. The ratio of actual to scheduled amortisation for MBS pools is typically around 3.5 times in the initial three years, post securitisation which then it reduces over time.
- During H1 FY2025 (March 2024 to September 2024), the ratings of ICRA-rated MBS pools were largely stable and were reaffirmed on account of the material build-up in the credit enhancement cover, given a healthy collection performance. Collection efficiency also has remained stable for the period considered.
- ICRA notes that the key policy rate has been kept unchanged at 6.50% by the Reserve Bank of India (RBI) from February 2023 till the recent monetary policy meeting held in December 2024. However, during the same period there has been an increase of ~55 bps in the scheduled commercial bank's average 1-year MCLR rate. This increase in average 1-year MCLR rate is marginal during the last six months at ~ 15 bps and therefore the spreads have remained stable over the last six months. Thus, the impact of the same was limited on the MBS transactions. Collection efficiency across MBS pools has remained healthy. The excess interest spread (EIS) is typically high in most MBS transactions and thus a marginal decrease in the same would not have a bearing in the credit quality of the MBS pools. Also, at the time of the analysis of any fresh MBS transaction, ICRA identifies the interest rate risks wherever applicable and stresses on the EIS component when arriving at the credit rating for the transaction.
- ICRA expects the credit quality of ICRA-rated securitised MBS pools to remain largely stable in FY2025 due to the availability of sizeable credit enhancements and expectations of steady collections. While macro-economic conditions and like the pandemic, have had intermittent impact on performance of the MBS segment, their performance has been resilient. The focussed collection efforts by originators, particularly due to the tighter asset classification norms introduced by the RBI, coupled with high penetration of online collection methods and increased monitoring are expected to support MBS pool cash flows. The interest rates are also expected to be less volatile with moderate rate cuts possible in the second half of the year.

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 149 MBS transactions till date, with the total rated amount exceeding Rs. 30,000 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

- 66 live transactions, across 19 originators that were live as on September 30, 2024.
- 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).

### In addition to...

- Rating actions (new ratings assigned/ rating upgrades/ rating downgrades and rating reaffirmations) taken by ICRA between May 01, 2024 and October 31, 2024 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 (132) ICRA-rated mortgage loan pools that were rated by ICRA between January 2003 and September 2024. This includes 105 Home Loan pools and 27 Loan against Property pools. As on September 30, 2024, 66 pools were live and 52 pools had matured, while the clean-up call option was exercised in 14 pools. 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

## 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

Commencement Month
Transaction Structure
Pool Principal (Rs. Cr.)
Number of Contracts
Pool Scheduled Maturity
Average Seasoning (months)
Average Loan to Value

### Issue details – Acquirer Payouts

Acquirer Payouts (Rs. Cr.)
Acquirer Payouts Scheduled Maturity
Acquirer Payouts Yield
Credit / Liquidity Support (% of Acquirer Payouts)
Cash Collateral
Excess Interest Spread
Subordination during Tenor

### Pool performance till Month & Year

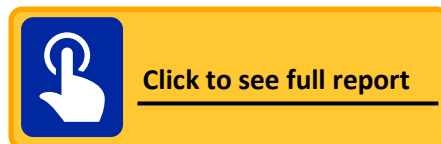
Months post securitisation
Amortisation (% of initial pool principal)
Cumulative Collection Efficiency
Average Monthly Prepayment rate
Cumulative Prepayment Rate
90+ Loss cum delinquency
180+ Loss cum delinquency
90+ Delinquency Rate
180+ Delinquency Rate
Cumulative Credit Enhancement Utilisation
Cumulative Cash Collateral Utilisation

### Details of Balance Pool / Acquirer Payouts

Pool Principal Outstanding (Rs. Cr.)
Revised Schedule Maturity for Pool
Weighted Average Pool Interest Rate
Acquirer Payouts (Rs. Cr.)
Revised Scheduled Maturity for Acquirer Payouts
Acquirer Payouts Yield
Break-even collection efficiency
<b>Credit / Liquidity Support (% of Acquirer Payouts)</b>
Cash Collateral
Excess Interest Spread
Subordination during Tenor

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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. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in) and [www.icraresearch.in](http://www.icraresearch.in)

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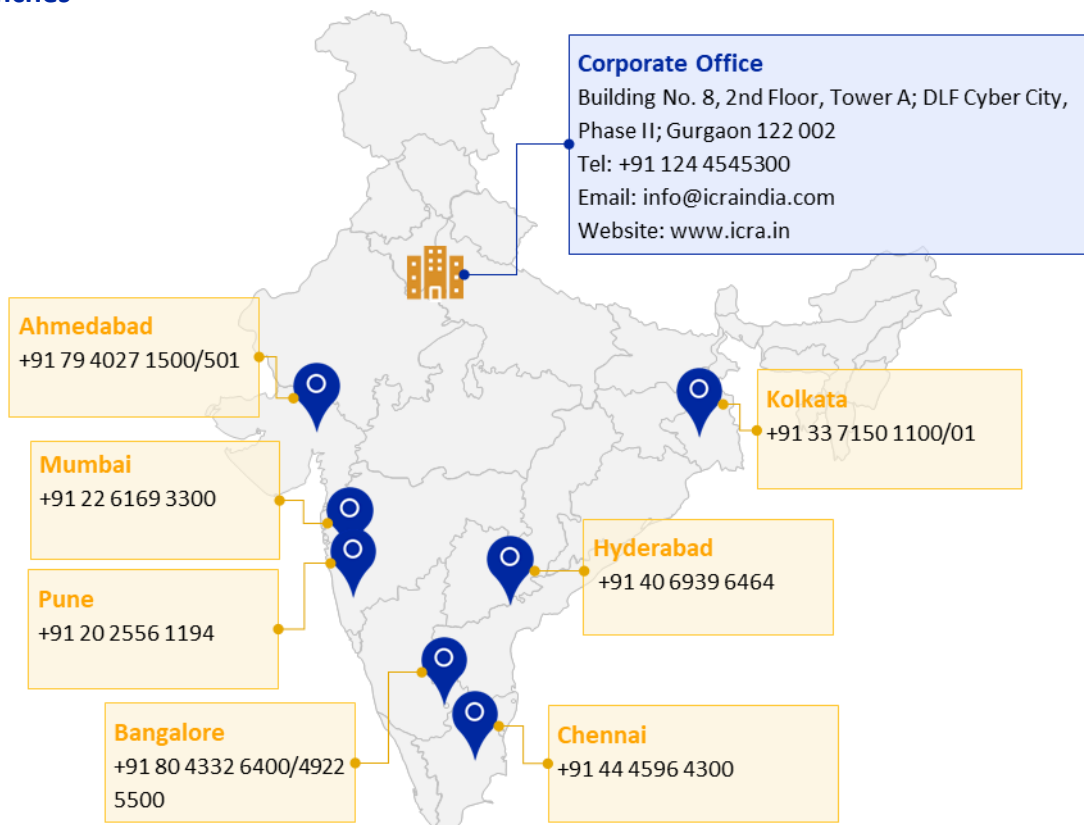


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