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Education loans the newest asset class in securitisation mart

BY PTI | UPDATED: MAR 23, 2018, 07.42 PM IST

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MUMBAI: The Rs 75,000-crore [education loan](#) market, growing at over 15 per cent on a compounded annual basis since in the past decade, has become the latest asset class for securitisation.

Though banks dominate the education loan segment as it is eligible for priority sector lending, non-banking [finance](#) companies have also been steadily scaling up their loan book over the last few years.

"Well-underwritten education loan portfolios lend themselves to securitisation given the long-term nature of assets and attractive yields on the pass through certificates (PTCs). For originators, securitisation provides the much-needed capital relief and liquidity," says [Crisil](#) in a report.

But the report is quick to add that selection of underlying pools recognising the unique characteristics of the asset class, adequate credit enhancement levels, and adequate level of liability-side structuring to ensure the right risk-return profile are essential to draw investors to this segment on a sustained basis.

Securitisation of education loans is driven by two key developments, widening of the investor base and growing demand for non-priority sector loan securitisation.

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In February this year, Crisil had rated the country's first personal loan/cash loan securitisation transaction in almost a decade and early this month it rated the PTCs backed by receivables from consumer durable loans.



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Earlier this month, Crisil also rated on the country's first education PTC by Vivriti Victor Trust originated by Avanse Financial Services.

According to Crisil, "appetite for non-priority sector asset classes will remain elevated given the increasing participation of mutual funds and NBFC treasuries in the securitisation market, and banks' continued focus on retail asset growth."

"Healthy demand growth for non-priority sector securitisation augurs well for the long-term growth of the securitisation market, which is facing headwinds from the wide adoption of priority sector lending certificates by banks," concludes the report.

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