

With tight liquidity conditions, IMG C sees demand for mortgage guarantee products

Shobha Roy Updated on January 24, 2019



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India Mortgage Guarantee Corporation (IMG C) is witnessing an uptick in demand for its mortgage guarantee products among banks and non-banking finance companies (NBFCs) following tight liquidity conditions and fear of deterioration in portfolio quality.

IL&FS crisis

According to Sovan Mandal, Chief Commercial Officer (CCO), IMG C, the housing finance sector, which was growing at a healthy pace in the first half of this fiscal, has

witnessed a moderation in growth in the second half due to liquidity squeeze following the IL&FS crisis.

A number of NBFCs and housing finance companies (HFCs) have either stopped or slowed down disbursements, particularly to the self-employed or non-salaried customers.

“In the past two to three years, NBFCs and HFCs were gaining share in housing finance from banks; some of this share will now be regained by banks that are trying to step up their exposure to the sector, albeit cautiously. This is likely to push up the demand for mortgage guarantee products,” Mandal told *BusinessLine*.

IMGCC provides mortgage default guarantee to lenders. This helps lenders save capital on the risk-insured loan component, thereby enabling them to reach out to a larger consumer base, particularly in the affordable housing segment. For a buyer, it offers higher loan-to-value.

The risk mitigation support offered by the products will help banks – which were otherwise wary of lending to certain segments of customers – extend housing loans.

“There is an opportunity for us to leverage because there is a moderation in growth, liquidity crisis, and fear of portfolio deterioration. Since we are into risk mitigation, there is higher acceptability of our products,” he said.

The affordable housing segment is growing steadily and is expected to continue growing, supported by positive dispensation of the government and demand and supply side issues getting steadily addressed.

However, the delinquencies are also likely to be higher in this segment, necessitating risk mitigation products, he pointed out.

Growing business

IMGCC, a joint venture between National Housing Bank, Genworth Inc, International Finance Corporation, and Asian Development Bank, has witnessed an upswing in volumes through additional sourcing coming in from banks and HFCs.

“Our volumes are growing by 10-15 per cent on month-on-month basis,” he said.

IMGCC will have a book of approximately ₹5,000 crore by March 2019.

The company is currently working with 12 banks and HFCs, including State Bank of India, Bank of Baroda, ICICI Bank, Axis Bank, Tata Capital and Aditya Birla Capital, among others.

IMGCC is also in talks with another five to 10 lenders for offering mortgage guarantee support.

Of these, two to three are likely to be added by March this year and another three to five by the first half of FY-20, taking the total number of lenders to 20 by next fiscal.

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