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Market Watch

Loan securitisation deprives 1 cr retail customers of moratorium benefit: Report

BY PTI | APR 10, 2020, 10.25 PM IST

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MUMBAI: Securitisation of loans by troubled non-bank lenders has led to one crore eligible retail borrowers being deprived of the three-month loan repayment [moratorium](#), a report said on Saturday.

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Securitisation refers to the pooling of assets by a lender which originates the loans and passing it off to investors such as banks, mutual funds, insurers and high networth individuals against upfront payment on the folio.

The RBI had given a three-month moratorium on all term loans like the ones for buying vehicles or homes in view of the economic hardships being faced because of the [COVID-19](#) pandemic, where the country is in [lockdown](#) to arrest the spread of the infection.

Domestic rating agency Crisil explained investors are yet to approve a moratorium on underlying loans and reschedule most PTC (pass-through certificate) repayments because they don't have clarity on the impact such a move will have on the valuation of their investments.

It added that any rescheduling will force reclassification of the investments as 'restructured', which would raise provisioning requirements and cost, and impact marked-to-market (MTM) valuations.

Crisil's senior director Rohit Inamdar said a delay by the PTC holders to pass on the benefits will aggravate borrowers' hardships in the already difficult times.

"If there is no moratorium, they (PTC holders) will need extensive efforts to collect dues. Our estimate is that one crore borrowers, whose loans were packaged into PTCs through ~700 transactions, would be significantly impacted," it said.

Despite the moratorium being in line with RBI's guidance, there is 'ambiguity' on provisioning and valuation in such a scenario like moratorium, it said.

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