

DHFL becomes India's first lending institution to take up Mortgage Guarantee

Indian Mortgage Guarantee Corporation (IMGC) provides guarantee against borrower credit default

Mumbai, March 31, 2014 – DHFL, India's second largest housing finance company in the private sector, today announced its entering into the country's first ever Mortgage Guarantee contract with IMGC, Indian Mortgage Guarantee Corporation. This offers DHFL a first loss guarantee on its pool of priority sector housing loans.

In a first-of-its-kind transaction, DHFL has securitized this pool of priority sector housing loans with a Mortgage Guarantee to ICICI Bank Ltd. The pool has been rated AAA (SO) by CARE Ltd. This guarantee has enabled DHFL to reduce the level of credit enhancement that would have otherwise been required for securitization, thereby releasing capital which can be redeployed to earn higher returns. Currently, for any securitization transaction, the originator of the pool is required to provide credit enhancement, including liquidity support in the form of cash collateral.

Speaking on the transaction, Mr Kapil Wadhawan, Chairman and Managing Director of DHFL said, *"It is very heartening for me to state that DHFL has led the Indian mortgage market in availing of the country's first ever mortgage guarantee. This is yet another pioneering move from DHFL that provides the mortgage market a novel template for a securitization transaction. Further, the Company's vision of ensuring homes to every Indian, especially the low and middle income group customers across the country's small towns receives an impetus with a mortgage guarantee that releases the pressure of credit risk to a large extent. Mortgage Guarantee in its current structure will however need to travel a long way before becoming an attractive business proposition, towards fulfilling its objectives in India."*

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