**Securitization of Loans**

**Abstract**

Securitization is the process of transformation of non-tradable assets into tradable securities. It involves the repackaging of individual guaranteed loans made by financial institutions into pools of varying maturities for resale to Special Purpose Vehicle (SPV) and investors. Each securitization contract is associated with pool of loan contracts (securitization Pool) and a SPV. Formula definition used to filter or identify the loan contracts that forms part of the securitization pool. The details and documents of a Securitization Product have gotten from the borrower and Special Purpose Vehicle. Once the contract has been signed after the legal verification, the financial institution becomes the service provider for borrowers and SPV. It transfers the monthly payments / interest / charges / Fees / Prepayment / penalty charges directly to SPV as per the agreement. Securitization transactions may include credit enhancement (designed to decrease the credit risk of the structure) provided by an independent third party in the form of credit or guarantees. Trustee is appointed to represent the investors' interests in a securitization. They ensures that the securitization operates as set forth in the securitization documents, which may include determinations about the servicer's compliance with established servicing criteria. Underwriter is one of the third party who purchase the remaining securities from the SPV then they sale it to the investors, the investor got the monthly payment from SPV based on the information in security certificates that issued to investors.

**Flow Chart:**

MP

BORROWER

UNDERWRITTER

BANK/SERVICER

RI

RI

Credit Rating

Investors MP

INVESTORS

SC – Security Certificates

IF – Investor Fund

RI – Rating Information

MP – Monthly Payment

TRUSTEE

Document

Supplies Guarantees

Document

MP

SC

IF

CREDIT RATING

IF

SC

SPECIAL

PURPOSE

VEHICLE (SPV)

CREDIT ENHANCEMENT

Cash

Document

Loan

MP