**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. The Financial institution will be giving loans as tokens to borrowers. It should keep track of all the loans that have been issued to the borrowers along with the details as rate of interest. Borrower should make payments towards the loan every month. They should be able to look up at any point how much the balance of the loan is and how much the next payment is. If borrower misses a payment, they should be charged a penalty. The Financial Institution should be able to sell/transfer the loan asset to SPV and get tokens in return. Once the contract has been signed after the legal verification, the financial institution becomes the service provider for borrowers and SPV. The SPV also sells the loan asset as security to Investors and get tokens in return. When a borrower makes a payment, the payment / interest / charges / Fees / penalty charges should be transferred down to either FI/SPV or Investor.

**Flow Chart:**

LD

MT

BORROWER

NMP/BLP

CB

TOKEN

LA

MT

TOKEN

LA

SPV

FINANCIAL INSTITUTION

Loan Completed

MT

TOKEN

SD

INVESTOR

MT

MT+FINE

NO

YES

MT

MT - MONTHLY TOKEN

LA - LOAN ASSET

LD - LOAN DETAILS

NMP - NEXT MONTH PAYMENT

BLP - BALANCE LOAN PAYMENT

SD - SECURITY DOCUMENTS

CB – CHECK BALANCE