

Set to buy up housing loans (The Nation)

SMC set for public offer of mortgage-backed securities

SUCHEERA PINIJPARAKARN
THE NATION

SECONDARY Mortgage Corporation (SMC) will launch its first ever public offering - for mortgage-backed securities (MBS) worth Bt3 billion-Bt4 billion this year - to retail investors, who have developed a greater awareness of SMC's business performance.

SMC is a special financial institution (SFI) owned by the Finance Ministry serving as an intermediary in mobilising funds to finance the primary market via securitisation.

It recently saw its ratings upgraded to "AA-" from "A+" by Tris Rating, which guarantees its performance and ensures that its next issue will receive an overwhelming response from institutional investors and high-net-worth individuals, said SMC president Pornnipa Hachaiyaphum.

The state-owed enterprise believes the time is right to issue mortgage-backed securities to retail investors via an offering worth Bt3 billion-Bt4 billion.

The office is seeking a financial adviser for its public offering. Bidding for this process must be handled in accordance with the regulation governing state-owned institutions.

Previously, SMC issued mortgage-backed securities to institutional investors. Most of the subscribers were asset-management companies.

The recent MBS worth Bt2.05 billion received a subscription of 1.5 times the securities offering. Moreover, its MBS are in high demand among high-net-worth individuals, who have been offered MBS by asset-management companies that subscribed to the units.

This means retail investors have

more interest in investing in MBS, she said.

For the MBS, she said the office will select housing loans for quality projects by leading property developers such as Sansiri, AP and Q-House, as the customers of these projects have good financial discipline, which attracts investors.

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SMC has set aside a budget of Bt15 billion this year to purchase housing loan portfolios from commercial banks to back the MBS issuance. Last year, SMC purchased housing loans worth Bt4.3 billion, of which Bt3 billion were housing loans from Kasikornbank.

"We set a higher budget because KBank assured us that the bank this year can transfer housing loans of Bt10 billion to us. Apart from KBank, we are in talks with two or

three other commercial banks to purchase additional housing loans worth Bt5 billion.

SMC currently has a customer base of 5,000, totalling Bt9 billion in portfolios.

She said the funding plan at SMC was not a problem because the office has many sources of funds, comprising MBS, bond issuances and promissory notes, and bills of exchange issuances.

The office, however, requires new capital of Bt2 billion after receiving new capital of Bt130 million from the ministry last year. SMC needs the capital to support further fund mobilisation through financial instruments.

SMC currently has BIS of 16 per cent. If the Finance Ministry is unable to inject new capital into the office to buy housing loan portfolios of Bt10 billion this year, BIS will decline to 9 per cent.

