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Analyzing Mortgage Loan Securitization in Commercial Banks: Current Realities and Future Outlook

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Abstract

This study aims to analyze the current state of mortgage loan securitization in commercial banks, highlighting its importance, present condition, associated challenges, and exploring its future prospects in light of technological and regulatory developments. It adopts an analytical approach emphasizing future expectations for mortgage securitization. The study concludes that mortgage loan securitization is a strategic financial tool that enhances liquidity, reduces risk, and supports financial stability, particularly in developed markets. Furthermore, technological developments such as artificial intelligence and blockchain contribute to improving securitization efficiency, while green securities promote the shift toward environmental sustainability.

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1. *Introduction*

Mortgage loan securitization, which transforms mortgage loans into Mortgage-Backed Securities (MBS), is a vital financial tool that contributes to enhancing liquidity, reducing risks, and supporting economic growth in the banking sector. Amid global economic transformations and rapid urban expansion, securitization has become an effective means of meeting the growing demand for mortgage financing, particularly in both advanced and emerging markets. However, this process faces complex challenges, such as a lack of transparency, regulatory disparities, and the impact of economic crises—as highlighted by the 2008 global financial crisis (Gorton, 2009).

Moreover, the importance of understanding securitization has grown particularly acute following major financial disruptions. The 2008 financial crisis exposed critical vulnerabilities in securitization practices, leading to substantial regulatory reforms and renewed focus on risk assessment methodologies. Today, as financial markets continue to evolve with technological innovations and changing regulatory landscapes, examining the current state and future trajectory of mortgage securitization becomes essential for banking institutions, regulators, and investors alike. Furthermore, the post-pandemic economic environment has introduced new dynamics to housing markets globally, affecting mortgage demand patterns and securitization volumes. Simultaneously, emerging technologies such as blockchain, artificial intelligence, and advanced analytics are reshaping how securitization processes are conducted and monitored.

1.1 Problem Statement

Based on the above context, the following central research problem emerges:

- What is the reality and future prospects of mortgage loan securitization in commercial banks in light of current challenges and future developments?

1.2 Research Questions

To comprehensively address this main research problem, the following specific research questions will guide the investigation:

- What is the concept of mortgage loan securitization, and what is its importance to commercial banks and the financial system as a whole?
- What are the factors influencing the spread of mortgage loan securitization in advanced and emerging markets?
- What are the main challenges facing the assessment of risks related to mortgage loan securitization?

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What is the role of technological innovations and new financial products in supporting the growth of the mortgage loan securitization market?

1.3 Research Hypotheses

To provide a theoretical framework for the investigation, the following hypotheses are proposed:

First Hypothesis: Mortgage loan securitization represents a vital financial tool that contributes to enhancing liquidity, reducing risks, and supporting financial stability in commercial banks despite existing challenges.

Second Hypothesis: The mortgage loan securitization market has witnessed significant growth in the past due to technological advancements and regulatory reforms aimed at increasing transparency and developing sustainable products.

1.4 Significance of the Study

The mortgage loan securitization market has witnessed significant growth in recent years, driven by technological advancements and regulatory reforms aimed at increasing transparency and developing sustainable financial products. This study aims to analyze the reality of mortgage loan securitization in commercial banks, highlighting its importance, current status, associated challenges, and exploring its future prospects in light of technological and regulatory developments. Through this analysis, practical recommendations are provided to improve the securitization process, with the goal of enhancing its efficiency and sustainability in supporting the global financial system.

1.5 Study Methodology

To address the research question, the descriptive-analytical approach was adopted in order to formulate the theoretical framework of the study and analyze its key variables. This was followed by an examination of the reality of mortgage loan securitization in commercial banks, with a focus on its importance and the challenges associated with it.

1.6 Study Structure

To address the research question and test the hypotheses, the study is divided into three main sections. The first section presents a review of the relevant literature, the second examines the current state of mortgage loan securitization in commercial banks, and the third explores the future prospects of mortgage loan securitization in commercial banking.

2. Literature Review

Mortgage loan securitization has been widely adopted by commercial banks to enhance liquidity, diversify risk, and optimize capital allocation. However, the practice has also been scrutinized for its role in altering lending standards, influencing bank behavior, and contributing to systemic

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financial risks, particularly highlighted during the 2007-2009 global financial crisis. Recent scholarly research has sought to unravel the complex dynamics underpinning mortgage securitization, examining its impact on credit risk, bank efficiency, financial stability, and regulatory frameworks.

The first major concern addressed in the literature relates to how securitization affects the quality of mortgage lending and banks' screening practices. Kara et al. (2011) explore how securitization affects lending standards in European banks. They find that securitization can weaken banks' incentives to carefully screen borrowers, contributing to looser lending standards, particularly in mortgage markets. The study also shows securitization increases loan supply by freeing bank capital. The paper provides empirical evidence linking securitization to the decline in mortgage credit quality before the financial crisis.

Building on these concerns about deteriorating lending standards, Deku et al. (2019) present a systematic review that synthesizes empirical evidence on how securitization influences bank behavior and financial stability. They confirm that mortgage securitization led to deteriorated lending standards before the 2007-2009 crisis, with banks engaging in weaker borrower screening and increased risk-taking. The review highlights the systemic risk implications of securitization in commercial banking.

The foundational mechanisms behind these quality deteriorations are further illuminated by Ashcraft and Schuermann (2008), who provide an in-depth analysis of the subprime mortgage securitization process, detailing key informational frictions and the roles of market participants, rating agencies, and moral hazard. The study offers foundational insights into the structural features of mortgage-backed securities and the breakdowns that contributed to the financial crisis.

A second stream of research examines the broader implications of securitization on bank risk-taking and systemic stability. Challenging conventional assumptions about securitization's stabilizing effects, Passmore and Sparks (2024) model the mortgage market with and without government-sponsored securitization. Contrary to conventional wisdom, they find that government-sponsored mortgage securitization may increase the frequency and severity of financial crises by influencing banks' mortgage selection and risk-taking behavior. This challenges the notion that securitization always mitigates financial instability.

However, the relationship between securitization and stability appears more nuanced when examined empirically. Ben Salah and Hassouna (2012) analyze US commercial banks from 2001 to 2008 and find that securitization increases credit risk and deteriorates loan portfolio quality but paradoxically has a positive effect on banking stability. The study shows mortgage securitization improves stability, supporting the implicit recourse hypothesis, while non-mortgage securitization reduces banks' monitoring incentives and stability.

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The third major theme in the literature focuses on securitization's operational impacts and market-driven motivations. From an efficiency perspective, Chen et al. (2022) conduct an empirical study that examines the impact of loan securitization on bank efficiency using data from large US commercial banks. It finds that securitization generally improves bank efficiency, especially for banks with higher capital ratios and default risk, but this effect is mainly driven by non-mortgage loan securitization rather than mortgage loan securitization.

Complementing the efficiency analysis, McGowan et al. (2024) investigate how deposit market competition influences banks' decisions to securitize mortgages. They find that increased deposit competition leads to higher mortgage securitization by banks, driven by rising deposit costs and reduced deposit holdings. The study highlights regulatory and market factors motivating banks to adopt the originate-to-distribute securitization model.

The body of research reviewed underscores that mortgage loan securitization remains a double-edged sword for commercial banks. On one hand, securitization has been instrumental in improving bank liquidity, enhancing operational efficiency, and facilitating credit expansion by freeing up regulatory capital. On the other hand, it has been linked to weakened lending standards, increased credit risk, and potential systemic vulnerabilities, especially when coupled with inadequate regulatory oversight and misaligned incentives.

The nuanced findings from recent studies suggest that while mortgage securitization can contribute positively to banking stability under certain conditions, it also necessitates robust risk management and regulatory frameworks to mitigate moral hazard and adverse selection problems. These insights directly inform the central research question of this study: "What is the reality and future prospects of mortgage loan securitization in commercial banks in light of current challenges and future developments?"

The literature reveals that the "reality" of mortgage securitization is characterized by this fundamental duality—simultaneously offering operational benefits while creating systemic risks. The studies demonstrate that securitization's impact varies significantly based on market conditions, regulatory frameworks, and institutional characteristics. This complexity underscores the need for a comprehensive examination of current securitization practices that accounts for both historical lessons and evolving market dynamics.

Looking forward, the prospects of mortgage loan securitization will likely hinge on evolving market dynamics, regulatory reforms, and technological advancements that can enhance transparency and risk assessment. The literature suggests that future research must address the gaps between theoretical benefits and practical implementation challenges, particularly in light of post-crisis regulatory changes and emerging technological capabilities. Consequently, commercial banks, policymakers, and researchers must collaboratively navigate these complexities to harness

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the benefits of securitization while safeguarding financial stability—a challenge that forms the core of investigating The Reality and Prospects of Mortgage Loan Securitization in Commercial Banks.

This study is distinguished from previous research in that it not only analyzes the current reality and challenges of mortgage loan securitization, but also explores its future prospects. It offers practical recommendations to improve the securitization process, with a focus on the role of financial technologies such as artificial intelligence and blockchain in enhancing transparency and reducing costs. In addition, the study highlights the importance of developing innovative financial products such as green securities, and emphasizes the need to strengthen public-private sector cooperation to support market growth.

3. *The Current State of Mortgage Loan Securitization in Commercial Banks*

This section examines the current state of mortgage loan securitization, with a focus on its concept, importance, present reality, and associated challenges.

3.1 Definition and Importance of Mortgage Loan Securitization

Mortgage loan securitization is defined as a complex financial process aimed at transforming a pool of individual mortgage loans into tradable financial securities known as Mortgage-Backed Securities (MBS). The process begins when commercial banks or financial institutions bundle a portfolio of mortgage loans granted to borrowers. Securities backed by these loans are then issued, allowing investors to purchase shares in the portfolio. These investors receive financial returns derived from the interest and principal payments made by the borrowers (Fabozzi, 2016).

This process is considered a form of structured finance, where risks and returns are divided among investors based on different tranches of securities, thus catering to investors with varying risk appetites (Gorton & Souleles, 2007).

The importance of mortgage loan securitization is reflected in several key aspects that positively impact commercial banks and the financial system as a whole:

- **Providing liquidity to commercial banks**: Securitization allows banks to convert illiquid assets—such as long-term mortgage loans—into immediate cash by selling mortgage-backed securities. This enhances banks' ability to issue new loans without having to wait for repayment of existing ones. According to the World Bank Group (2025), securitization is a vital tool for increasing liquidity in the banking sector, thereby supporting economic growth through expanded lending. For instance, in the United States, securitization contributed to providing over $2 trillion in additional liquidity to banks between 2010 and 2020 (Board of Governors of the Federal Reserve System, 2025, p. 27);

- **Reducing risks associated with holding loans:** Through the securitization of mortgage loans, banks transfer part of the default risk to investors who purchase the securities. This contributes to

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a broader distribution of risk within the financial system, thereby relieving pressure on individual banks during economic crises. A study by Levitin and Wachter (2020) indicates that, when effectively implemented, securitization reduces concentration risks on banks' balance sheets and enhances their financial stability.

- **Supporting Financial Stability and Economic Growth:** Securitization is considered a key tool for enhancing financial stability by diversifying funding sources and reducing reliance on traditional deposits. According to the International Monetary Fund's 2024 report, markets that rely on securitization demonstrate greater resilience to financial shocks. Moreover, securitization stimulates the real estate market by increasing the availability of financing for borrowers, thereby boosting the construction sector and creating job opportunities, which in turn supports economic growth (Adrian & Shin, 2014).

- **Improving Capital Allocation Efficiency**: Securitization allows banks to free up capital tied to mortgage loans and redirect it toward new investments or loans, thereby enhancing the efficiency of the financial system. A study by Brunnermeier and Sannikov (2014) showed that securitization contributes to better capital allocation across economic sectors, leading to increased overall productivity.

However, securitization requires careful risk management and strict regulation to avoid the negative recurrence of experiences such as the 2008 global financial crisis, which highlighted the risks of unregulated securitization (Acharya et al., 2013). Therefore, studies emphasize the importance of transparency and regulatory reforms to ensure its sustainability.

3.*2 Analysis of the Current State of Mortgage Loan Securitization*

The securitization of mortgage loans exhibits varying dynamics between developed and emerging markets. This section analyzes the current state of this process, with a focus on market size, geographical distribution, and the factors influencing its prevalence.

A. Prevalence in Developed Markets

Developed markets—particularly the United States and Europe—are experiencing significant growth in mortgage loan securitization, with this sector forming an essential part of the financial markets.

According to a 2024 report by the World Economic Forum, the value of the mortgage-backed securities (MBS) market in the United States exceeded $10.7 trillion in 2023, reflecting a heavy reliance on securitization as a source of liquidity and risk diversification. This growth is attributed to several factors, including (World Economic Forum, 2024):

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- **Advanced financial infrastructure**: Developed markets benefit from well-established regulatory and legal frameworks that support the issuance and trading of mortgage-backed securities (Fabozzi & Fabozzi, 2021);

- **Role of government agencies**: In the U.S., institutions such as Fannie Mae and Freddie Mac play a crucial role in guaranteeing securities, increasing their appeal to investors (Levitin & Wachter, 2020);

- **Investment demand:** Institutional investors—such as pension funds and insurance companies—show strong appetite for these securities due to their relatively stable returns (Adrian & Shin, 2014).

In Europe, the securitization market is growing more slowly compared to the U.S., with the value of mortgage-backed securities reaching around €2.1 trillion in 2023, driven primarily by markets in the United Kingdom and the Netherlands. However, strict regulatory frameworks—such as the European Union's Securitization Regulation—remain a limiting factor for rapid expansion (European Central Bank, 2024). However, strict regulatory frameworks—such as the European Union's Securitization Directives—remain a limiting factor for rapid expansion (European Banking Authority, 2024).

B. The Situation in Emerging Markets

Mortgage loan securitization remains limited in emerging markets due to structural and regulatory challenges. For example, a report by the People's Bank of China (2023) noted that securitization accounts for only about 5% of total mortgage loans in China, with a total value not exceeding $400 billion. Other emerging markets, such as India and South Africa, show similarly slow levels of development. These limitations are attributed to:

- **Lack of supportive legal frameworks**: Many emerging markets lack clear legislation governing the issuance and trading of mortgage-backed securities, which reduces investor confidence (Chiquier & Lea, 2009);

- **Weak financial infrastructure**: The absence of reliable local credit rating agencies and active secondary markets hampers the development of securitization (Claessens & Ghosh, 2016);

- **Economic risks**: Economic volatility and high default rates in some emerging markets present an additional barrier to attracting investors (International Monetary Fund, 2025).

However, some emerging markets—such as Brazil and India—are showing signs of improvement supported by recent regulatory reforms. For instance, initiatives by the Indian government to promote securitization through the establishment of specialized regulatory bodies led to an 8% market growth during 2022–2023 (Reserve Bank of India, 2024).

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C. Factors Influencing the Current Situation

The main factors affecting the global spread of securitization include:

- **Monetary policies**: The rise in interest rates in 2023, due to tightened monetary policies in developed economies, impacted the attractiveness of mortgage-backed securities;

- **Regulatory reforms**: Following the 2008 global financial crisis, markets such as the United States and the European Union imposed stricter transparency requirements. While these reforms improved the quality of securitization, they also increased its costs (Basel Committee on Banking Supervision, 2024);

- **Housing demand:** The continued rise in housing demand in urban areas drives banks to securitize loans to meet growing financing needs (UN-Habitat, 2023).

3.3 Challenges Facing Mortgage Loan Securitization

Although mortgage loan securitization is an effective financial tool, it faces complex challenges that hinder its development and sustainability. These challenges range from technical difficulties in risk assessment, to broader economic impacts, and differences in regulatory frameworks across global markets. The key challenges are detailed below:

A. Difficulty in Assessing the Quality of Securitized Loans and Risk Levels

Assessing the quality of mortgage loans included in securitization transactions is a significant challenge. The attractiveness of mortgage-backed securities largely depends on the accuracy of default risk evaluations for individual borrowers. This process is often complicated by information asymmetry between banks and credit rating agencies, which can lead to inaccurate risk assessments.

A study by Gorton (2009) indicated that the 2008 global financial crisis exposed weaknesses in credit rating evaluations, as many mortgage-backed securities received high ratings despite containing high-risk (subprime) loans. Furthermore, a more recent study by Levitin and Wachter (2020) found that excessive reliance on simplified mathematical risk models increases the likelihood of underestimating actual risks, particularly in times of economic volatility.

B. Impact of Economic Crises

Securitization risks intensify during economic downturns. Deteriorating economic conditions—such as rising unemployment or falling real estate prices—lead to higher default rates. During the 2008 financial crisis, the value of mortgage-backed securities plummeted, resulting in massive losses for both investors and banks. According to the International Monetary Fund, this crisis led to a loss of investor confidence in securitized products, necessitating strict regulatory reforms (Oko-Odion, 2025). Even in the current context, a 2024 Federal Reserve report notes that the increase in interest rates in 2023—implemented in response to global inflation—has negatively

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affected the appeal of mortgage-backed securities, increasing the market's sensitivity to economic shocks (Federal Reserve Board, 2024).

C. Differences in Regulatory and Legal Frameworks

Regulatory and legal discrepancies between countries present a major obstacle to developing a unified global securitization market. In developed markets like the U.S. and the EU, strict regulatory requirements—such as the Dodd-Frank Act in the U.S. and EU securitization legislation—are in place to ensure transparency and protect investors (European Banking Authority, 2023).

In contrast, many emerging markets lack clear regulatory frameworks, reducing investor confidence and limiting market growth. For example, a World Bank Group (2023) report noted that the absence of specific securitization laws in countries like India and Nigeria hampers the sector's development. Moreover, differences in bankruptcy laws and property rights between countries add further complexity, as investors may face difficulties recovering assets in the event of borrower default (Claessens & Ghosh, 2016).

D. Transparency Challenges and Market Behavior

Transparency remains a pressing issue in securitization processes. The success of the market depends on the availability of accurate and comprehensive information about the securitized loans. However, many markets lack sufficient disclosure regarding loan quality and associated risk levels. A study by Acharya et al. (2013) identified the lack of transparency as a key factor that worsened the 2008 crisis, as investors were not fully aware of the risks tied to the securities they purchased. Additionally, irresponsible market behaviors—such as the excessive issuance of high-risk securities—can lead to a loss of market confidence, as highlighted in a 2023 report by the Basel Committee on Banking Supervision.

4. *Prospects for Mortgage Loan Securitization in Commercial Banks*

This section focuses on the future outlook of mortgage loan securitization, considering technological developments and recommendations for improving the process.

4.1 Future Outlook for the Mortgage Loan Securitization Market

The mortgage loan securitization market—which transforms loans into mortgage-backed securities—is expected to experience significant growth over the next decade. This growth will be driven by key economic and demographic factors, as well as developments in monetary policies and financial infrastructure. This section explores the future projections for this market, highlighting the main growth drivers and potential challenges.

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A. Growth Drivers of the Securitization Market

- **Rising Housing Demand and Urban Expansion:** Increasing demand for housing—particularly in emerging economies—is one of the main drivers of securitization market growth. This demand is closely linked to rapid urbanization and rising population density in major cities. According to the United Nations (2024), 68% of the world's population is expected to live in urban areas by 2050, intensifying pressure on housing markets and increasing the need for mortgage financing, which can be supported through securitization.

In India, for example, World Bank Group (2025) projections indicate that urban housing demand will require $2 trillion in investments by 2030, reinforcing securitization's role as a liquidity source for banks. The World Economic Forum (2024) also forecasts an 18% increase in demand for mortgage-backed securities (MBS) by 2030, driven by growth in emerging economies like India, China, and Brazil, where regulatory reforms are supporting securitization. Even in developed markets such as the U.S. and the EU, demand for MBS is expected to remain strong due to their relative stability as investment instruments (Board of Governors of the Federal Reserve System, 2025).

- **Monetary Policy and Interest Rates:** Monetary policy—particularly interest rates—has a direct impact on the attractiveness of securitization as an investment tool. During periods of low interest rates, MBS become more appealing due to their relatively competitive returns compared to other financial instruments. According to the International Monetary Fund (2024), central banks in advanced economies are expected to maintain relatively low interest rates through 2027 to support post-inflation recovery following the global inflationary shocks of 2022–2023.

This outlook boosts the appeal of securitization, especially in markets that rely on long-term financing. However, a report by the European Banking Authority (2024) warns that unexpected interest rate hikes could reduce the attractiveness of MBS, particularly if they lead to higher borrowing costs or declining property values. Thus, a balanced monetary policy remains crucial for sustaining the growth of the securitization market.

- **Growth in Emerging Markets:** Emerging markets show strong potential for expanding the securitization market, supported by regulatory reforms and rising demand for mortgage financing. For instance, regulatory improvements in India aimed at increasing transparency and developing securitization infrastructure led to a 10% market growth during 2023–2024 (Reserve Bank of India, 2024).

Likewise, Latin American countries such as Mexico and Brazil have begun exploring securitization as a tool for financing social housing projects, enhancing growth prospects in these regions (World Bank Group, 2025).

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B. Potential Challenges

Despite the positive outlook, the securitization market faces several challenges that could impact its future growth:

- **Economic Risks:** Economic volatility—such as recessions or declining real estate prices—may lead to higher default rates, reducing the attractiveness of mortgage-backed securities (International Monetary Fund, 2025);

- **Regulatory Challenges:** Differences in regulatory frameworks between developed and emerging markets remain a barrier to establishing a unified global securitization market (Claessens & Ghosh, 2016);

- **Transparency and Investor Confidence:** Market growth requires enhanced transparency in risk assessment and loan disclosures to maintain and strengthen investor confidence (Acharya et al., 2013).

4.2 Innovations and Developments in Mortgage Loan Securitization

Mortgage loan securitization is undergoing notable advancements, driven by progress in financial technology (FinTech), a shift toward sustainability, and the development of innovative financial products. These innovations contribute to improving operational efficiency, reducing costs, and enhancing the attractiveness of securitization for investors. This section highlights key developments in the field, focusing on their economic and regulatory impact.

A. The Role of Financial Technology in Enhancing Securitization

FinTech is a major driver in improving securitization processes by increasing accuracy, transparency, and data processing speed. The use of artificial intelligence (AI) and big data analytics enables more precise assessment of the risks associated with securitized loans, reducing information asymmetry between banks and investors.

For instance, machine learning models are employed to analyze borrowers' credit behavior, allowing loans to be categorized based on the probability of default. According to a study conducted by Harvard University (Maple et al., 2023), these technologies helped reduce securitization processing costs by 15% between 2020 and 2023 by automating operations and minimizing human error.

Additionally, blockchain technology is being used to improve transparency and traceability of securitized assets. This technology enables all transactions related to securities to be recorded in a decentralized digital ledger, ensuring data accuracy and minimizing manipulation risks. A report by McGowan et al. (2024) revealed that implementing blockchain in securitization reduced settlement and registration costs by up to 20% in markets where it has been piloted, such as

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Australia and Singapore. Furthermore, digital platforms have facilitated the issuance and trading of securities, expanding access to global markets and increasing investor confidence (Deloitte, 2025).

B. Emergence of Innovative Financial Products

Securitization products have evolved to meet changing market needs, with a focus on diversifying offerings and aligning with global trends. Among the most prominent innovations are green mortgage-backed securities (Green MBS), which aim to finance environmentally sustainable real estate, such as energy-efficient buildings.

According to the Green Finance Institute (2024), demand for green securities rose by 25% in 2023, driven by government and financial institution commitments to carbon neutrality goals. For example, the European Union issued €500 billion worth of green mortgage-backed securities in 2023 to support financing for eco-friendly real estate projects (European Central Bank, 2024).

Other innovative products include tranche-based MBS, which are structured to cater to varying investor preferences regarding risk and return. These securities are divided into senior tranches (low risk, lower return) and junior tranches (higher risk, higher return), attracting a broad spectrum of investors—from pension funds to high-risk-seeking investors. A study by Fabozzi et al. (2024) found that such structured products contributed to a 10% increase in the global securitization market size during 2022–2023.

C. Enhancing Regulatory Frameworks and Transparency

Recent regulatory reforms have supported the development of securitization by promoting transparency and protecting investors. In the aftermath of the 2008 global financial crisis, markets such as the United States and the European Union introduced strict requirements—such as the Dodd-Frank Act and EU securitization regulations—which require issuers to disclose detailed information about the underlying securitized loans (European Banking Authority, 2024). These reforms have strengthened investor confidence and contributed to the market's recovery.

According to the Basel Committee on Banking Supervision (2024), increased transparency has led to improved credit rating quality for securities, reducing the likelihood of risk underestimation. Initiatives such as standardized securitization platforms, developed by institutions like the European Investment Bank, also contribute to streamlining processes and lowering costs. A study by Claessens and Ghosh (2016) suggests that these platforms could enhance emerging markets' participation in securitization by providing unified frameworks that minimize regulatory complexity.

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4.3 Recommendations for Improving Mortgage Loan Securitization

Improving mortgage loan securitization requires continuous enhancements to ensure its efficiency, sustainability, and attractiveness to investors. The following recommendations are based on an analysis of current challenges, technological advancements, and regulatory developments, with the aim of enhancing transparency, reducing risks, and expanding market reach—particularly in emerging economies.

A. Simplifying Regulatory Procedures and Enhancing Transparency

Complex regulatory frameworks are among the main obstacles to the growth of the securitization market, especially in emerging markets. It is recommended to simplify these procedures by establishing harmonized regulatory frameworks that facilitate the issuance and trading of mortgage-backed securities across global markets. For instance, emerging economies could benefit from adopting models such as the EU Securitization Regulation, which requires issuers to disclose accurate and detailed data on securitized loans, thereby boosting investor confidence (European Banking Authority, 2024). According to a World Bank Group (2025) report, simplifying regulatory procedures in India led to a 12% increase in the securitization market during 2023–2024.

Enhancing transparency is crucial for attracting investors and mitigating risks associated with information asymmetry. It is recommended that banks and securitization entities be required to provide comprehensive and accurate data on loan quality, including repayment history, debt-to-income ratios, and the value of mortgaged properties. A study by Acharya et al. (2013) found that improved risk disclosure could reduce price volatility of securities by up to 15% during economic crises. Furthermore, the development of standardized digital platforms for publishing this data is recommended to facilitate access and improve market efficiency.

B. Developing Advanced Risk Assessment Systems Using Artificial Intelligence

Accurate risk assessment is a fundamental pillar of successful securitization, as investors rely heavily on credit ratings to determine the quality of mortgage-backed securities. It is recommended to develop advanced risk assessment systems that leverage Artificial Intelligence (AI) and Big Data analytics to enhance the accuracy of default risk predictions. These technologies enable the analysis of vast amounts of data—such as credit histories, macroeconomic trends, and borrower behavior—to generate more reliable and dynamic credit ratings. According to a Massachusetts Institute of Technology (MIT, 2024) study, AI-based models reduced risk assessment errors by 20% compared to traditional models.

Moreover, machine learning techniques can improve loan allocation within securitization portfolios, thereby reducing risk concentration in specific tranches. A study by Fabozzi et al. (2024) indicates that integrating AI in risk evaluation enhanced the credit quality of mortgage-backed

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securities, making them more attractive to institutional investors such as pension funds. It is also advisable to integrate these AI systems with blockchain technology to ensure secure and transparent data tracking throughout the securitization process. This integration would further boost investor confidence and contribute to a more robust and trustworthy market environment (Deloitte, 2025).

C - Strengthening Public-Private Sector Collaboration

To support the growth of the securitization market, it is recommended to enhance collaboration between the public and private sectors to develop government-backed financing programs, especially in emerging markets. Governments can play a crucial role by providing guarantees for mortgage-backed securities, similar to the role of Fannie Mae and Freddie Mac in the United States. This reduces perceived risk and attracts investors. According to a report by the International Monetary Fund (2025), public-private partnerships in Brazil contributed to an 8% increase in securitization volume during 2023–2024 through social housing finance programs.

It is also recommended to establish specialized regulatory bodies in emerging markets to oversee securitization activities and ensure compliance with international standards. A study by Claessens and Ghosh (2016) indicates that the creation of regulatory bodies in India and South Africa contributed to increased foreign investor confidence, thereby boosting capital inflows into the securitization market.

D - Supporting Green and Sustainable Securitization

With the growing focus on environmental sustainability, it is recommended to develop green mortgage-backed securities (Green MBS) that focus on financing sustainable properties, such as energy-efficient buildings. These products can attract investors interested in socially and environmentally responsible investments. According to a report by the Green Finance Institute (2024), the green securities market is expected to grow by 30% by 2030, driven by government commitments to carbon neutrality goals. Governments are advised to provide tax incentives or financial support to encourage the issuance of such securities, as has been done by the European Union (European Central Bank, 2024).

4. *CONCLUSION*

This study tracked the current situation and prospects of mortgage loan securitization in commercial banks, leading to a key conclusion: technological advancements such as artificial intelligence (AI) and blockchain have improved the efficiency of securitization, while green securities promote a shift toward environmental sustainability.

Referring back to the study, which was based on the following hypothesis: "*Mortgage loan securitization represents a vital financial tool that contributes to enhancing liquidity, reducing risks, and supporting financial stability in commercial banks, despite existing challenges*."

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The study's axes confirmed this hypothesis through evidence of how securitization contributed to providing additional liquidity exceeding $2 trillion to U.S. banks between 2010 and 2020.

The second hypothesis stated: "*This market has witnessed significant growth and is expected to continue growing in the future, driven by technological advancements and regulatory reforms aimed at increasing transparency and developing sustainable products*." The study supported this hypothesis as well. It showed that advanced markets, such as the United States, are experiencing strong growth in mortgage loan securitization, with the market value of mortgage-backed securities exceeding $10.7 trillion in 2023. However, securitization remains limited in emerging markets due to structural and regulatory challenges, partially validating the first part of the hypothesis concerning the importance and application in advanced markets.

The study revealed that the securitization market is expected to grow significantly over the next decade, driven by increased housing demand, urban expansion, monetary policies, interest rates, and growth in emerging markets. Demand for mortgage-backed securities is expected to increase by 18% by 2030.

The study confirmed that financial technology (FinTech)—particularly artificial intelligence, big data analytics, and blockchain—is a key driver in enhancing the securitization process by improving accuracy, transparency, and data processing speed. Securitization products have also evolved, with innovative financial instruments such as green securities emerging to fund sustainable real estate projects. Additionally, recent regulatory reforms support securitization development by promoting transparency and protecting investors.

Key Findings

Mortgage loan securitization is a strategic financial tool that contributes to enhancing liquidity, reducing risks, and supporting financial stability in commercial banks—especially in advanced markets, where the value of the mortgage-backed securities market in the U.S. reached $10.7 trillion in 2023;

However, securitization remains limited in emerging markets due to the lack of regulatory frameworks, weak financial infrastructure, and economic volatility—as seen in China, where securitization represents only 5% of mortgage loans;

The analysis also revealed key challenges, such as difficulty in accurately assessing risks, the impact of economic crises, and a lack of transparency—issues that were exacerbated during the 2008 global financial crisis;

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Looking ahead, the securitization market is expected to grow by 18% by 2030, driven by housing demand, urban expansion, and favorable monetary policies;

Technological advancements, including AI and blockchain, improve the efficiency of securitization, while green securities promote environmental sustainability.

Recommendations

The study presented recommendations to simplify regulatory procedures, enhance transparency, develop advanced risk assessment systems using AI, strengthen public-private partnerships, and support green and sustainable securitization. These recommendations aim to overcome challenges and ensure the sustainability and efficiency of securitization, supporting the hypothesis that targeted solutions can help develop the future market:

Simplify regulatory procedures and enhance transparency: Emerging markets should adopt unified regulatory frameworks—such as European securitization legislation—and require banks to disclose accurate data on securitized loans to build investor confidence.

Develop advanced risk assessment systems: It is recommended to use AI and big data analytics to improve risk assessment accuracy, reduce credit rating errors, and increase the attractiveness of securities.

Strengthen public-private cooperation: Governments should provide guarantees for securities and establish specialized regulatory bodies in emerging markets to attract foreign capital, as seen in the Brazilian experience.

Support green and sustainable securitization: It is advised to develop green securities and offer tax incentives to encourage investment in sustainable real estate, contributing to carbon neutrality goals.

By implementing these recommendations, securitization can be strengthened as an effective financial tool that supports economic growth, enhances financial stability, and meets the needs of evolving global markets**.**

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