

ABSTRACT

Securitization of the residential mortgage market is a new structured finance method in Indonesia. However, watching the success in the US, Australia and such other countries, securitization is a promising way to push forward the residential mortgage market. This research examine how deep securitization's impact in the Indonesia Mortgage Market by measure the effect of Government Sponsored Enterprise (GSE) purchase of mortgage portofolio to mortgage yield spread in the primary mortgage market.

Cointegration techniques are employed to test the relationship between the current volume of mortgage securitization, prepayment risk, default risk, yield of treasury and the yield spread on mortgage loan rates. The cointegration and vector error-correction model (VECM) was applied to monthly data from year 2009 to 2015.

Unit root test show that each variabel is non stationary in levels at the 5 percent level of significance, then they can be stasionary in first difference. The cointegration test shows two cointegration between variables, so the VECM framework being used. The estimate of error correction model shows a significant positive correlation between default risk to mortgage yield spread. Meanwhile, GSE purchases responded very slowly to yield spread but the cointegration show possibilities that GSE purchases could give a high adjustment speed for yield spread in the long run equilibrium.

Keywords: Securitization, GSE Portofolio Purchase, residential mortgage, yield spread, error correction