



INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP

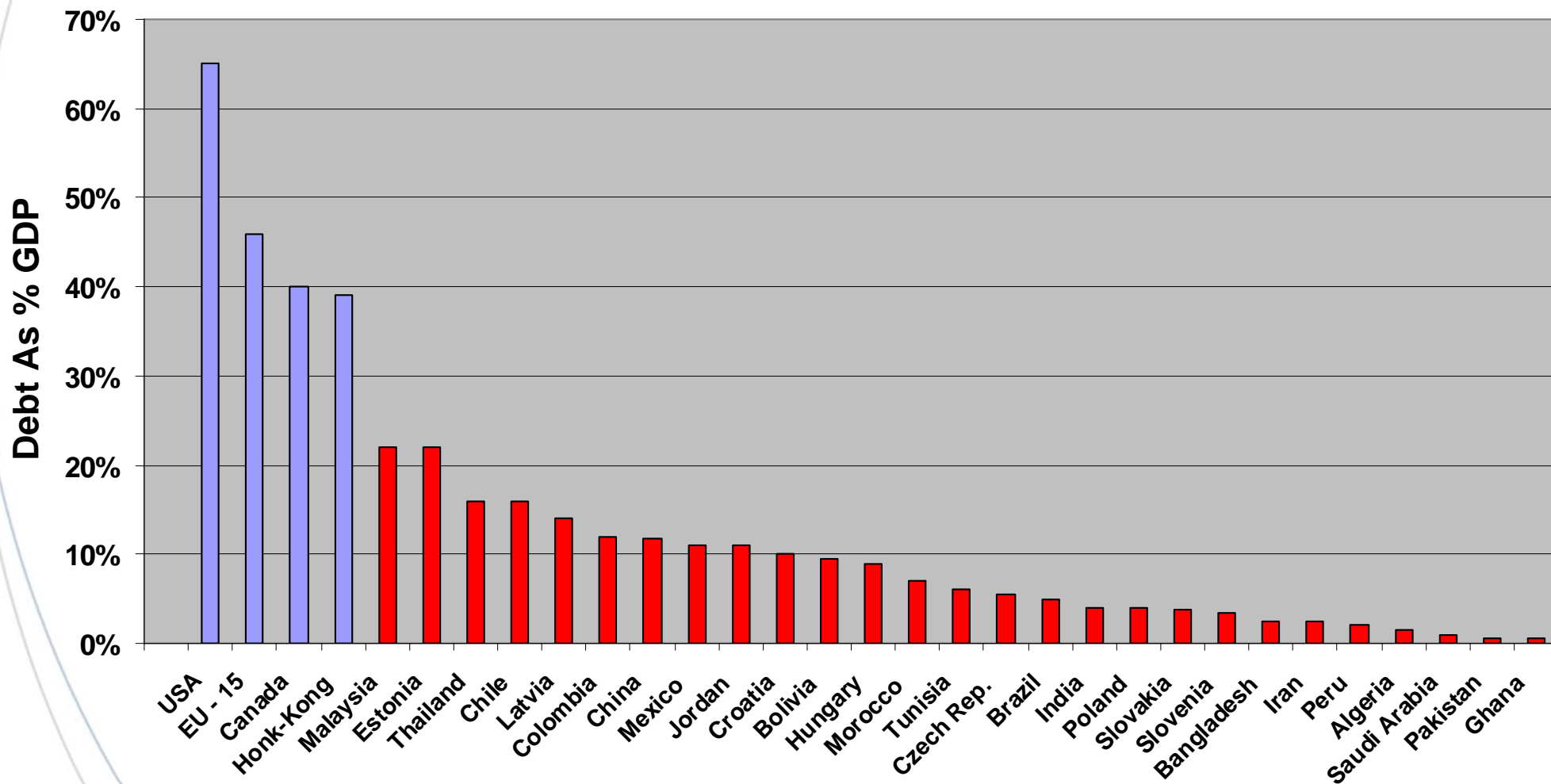


Promoting Secondary Markets IFC Housing Finance Products

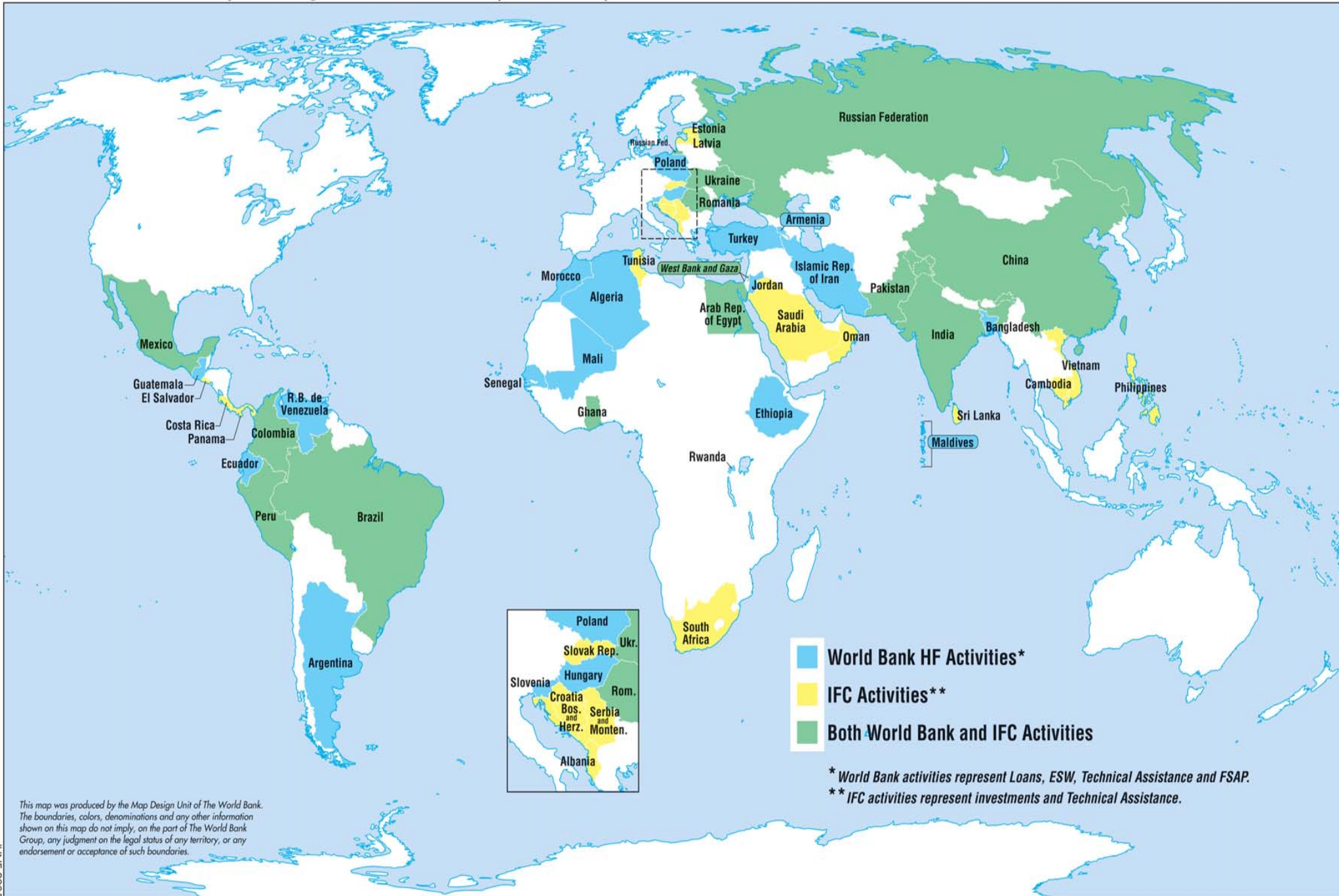
IFC Value Proposition in Housing

- **Innovative Structures**
 - Debt term debt facilities with collateral and revolving structures;
 - Structured finance products
- **Capacity for providing TA at the institution and sectoral level**
- **Staff with extended experience in housing finance**
 - Both US and European context and significant emerging markets experience.
- **Collaboration with the World Bank to shape housing policy**
- **International recognition and experience in emerging markets**
 - First ever MBS in Korea, Colombia, South Africa, and Mexico
 - First ever secondary mortgage market entity in Trinidad and Tobago, Colombia, and Argentina (soon Brazil and Mexico)
 - First ever securitized NPL transaction (won award from Latin Finance) in Colombia (soon Philippines)
 - First ever Collateralized Warehouse Mortgage Line in Mexico (US\$300)
 - First ever cross-border mortgage backed securitization in Baltics (BALAEF)
 - First ever second mortgage program (Latvia)

Depth Residential Mortgage Markets



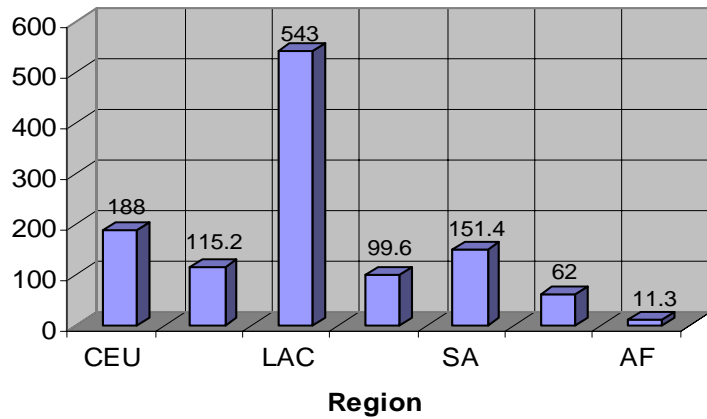
Recent World Bank Group Housing Finance Activities (2003–2004)



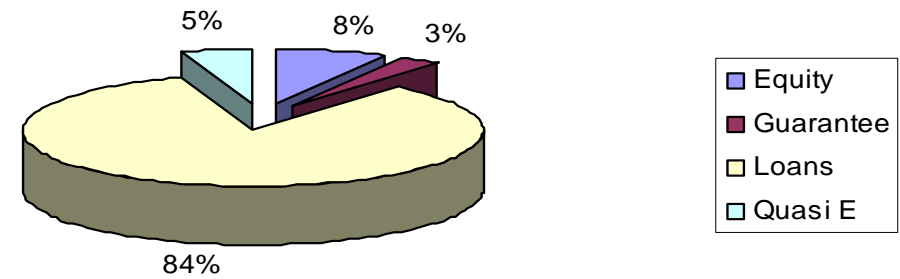
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IFC: Where Are We?

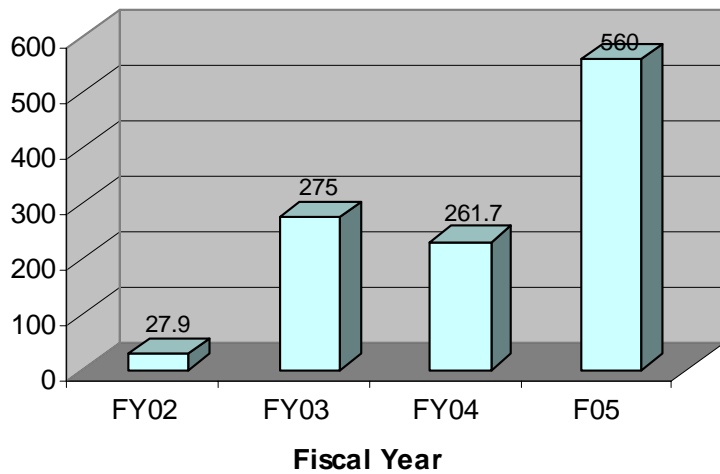
IFC Housing Finance Portfolio



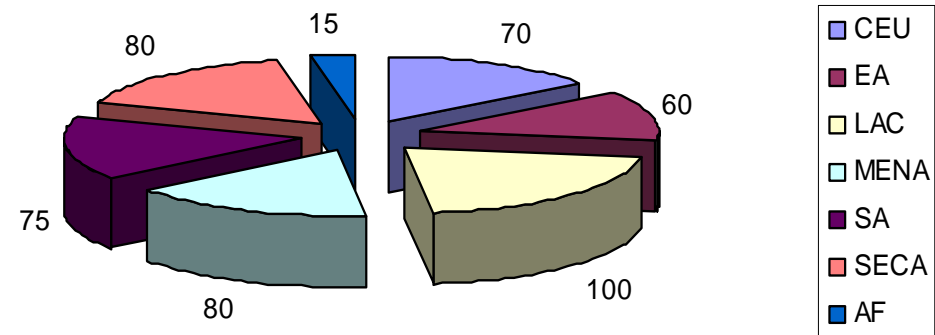
IFC Housing Portfolio - Product



Committments (FY02-FY05)

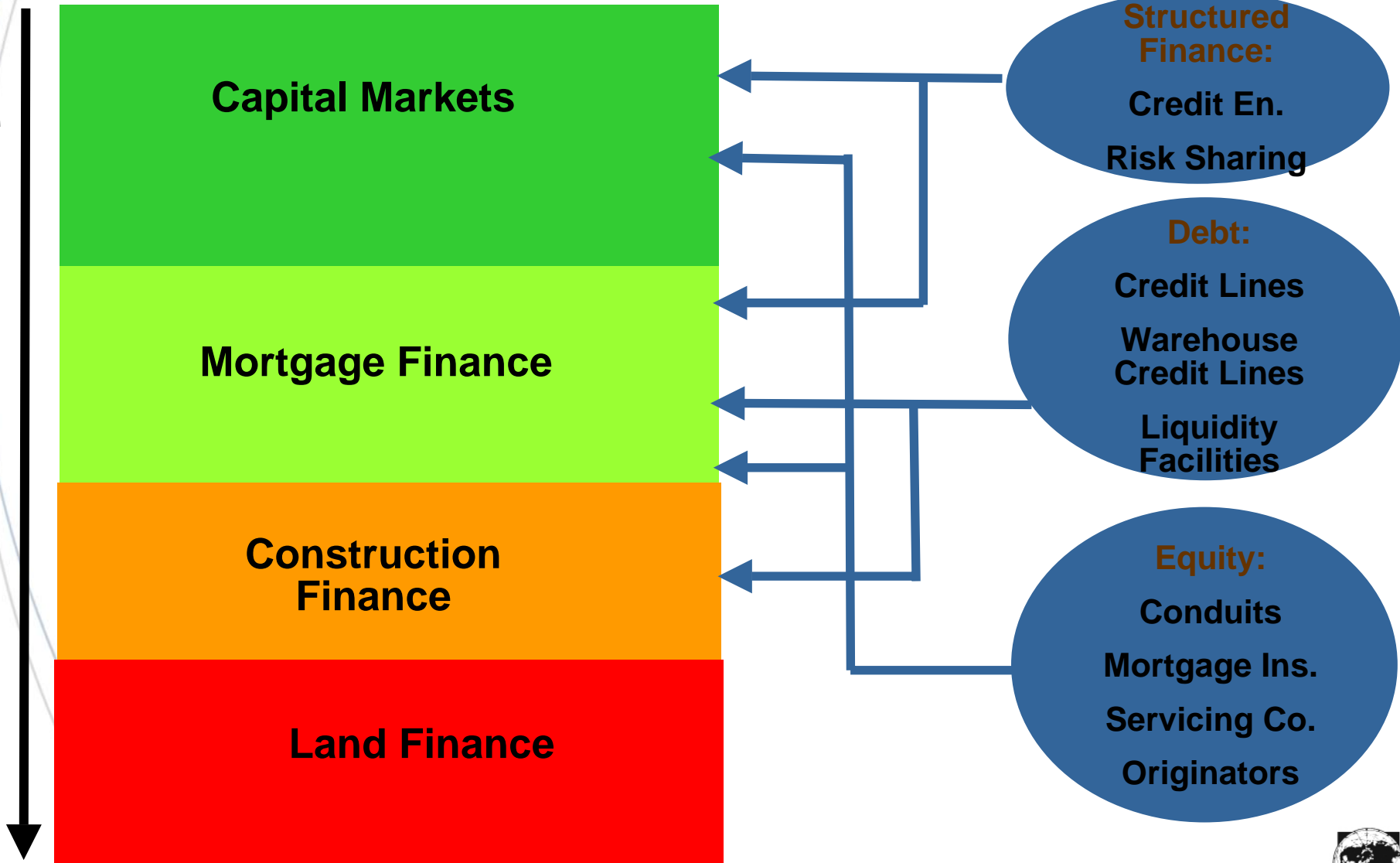


Housing Finance Pipeline - to FY06 (USD)

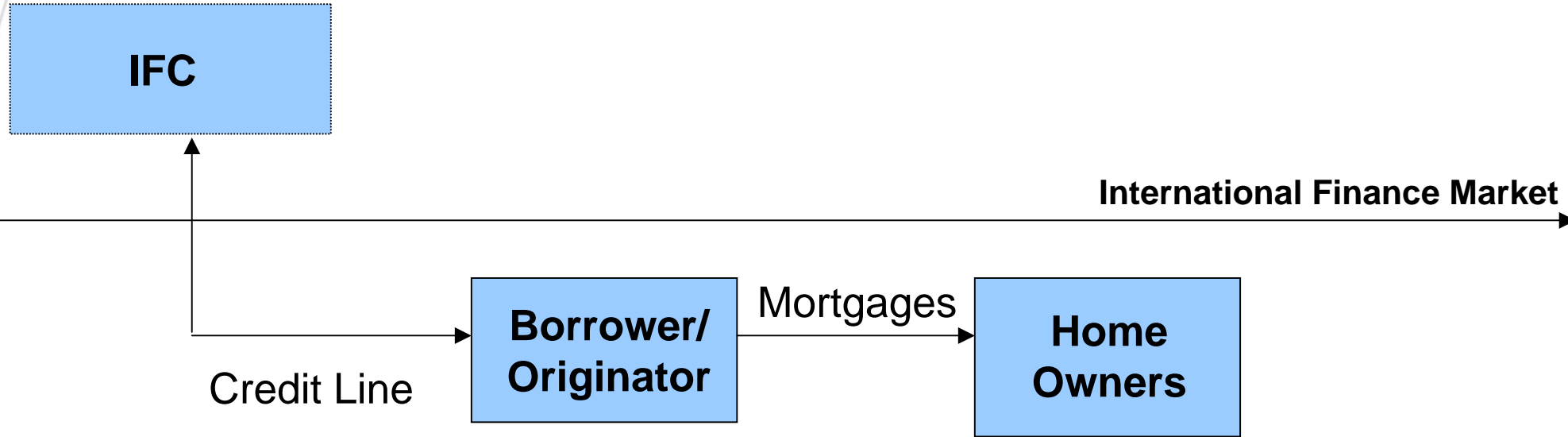


IFC's HF Products: Intervention in the Value Chain

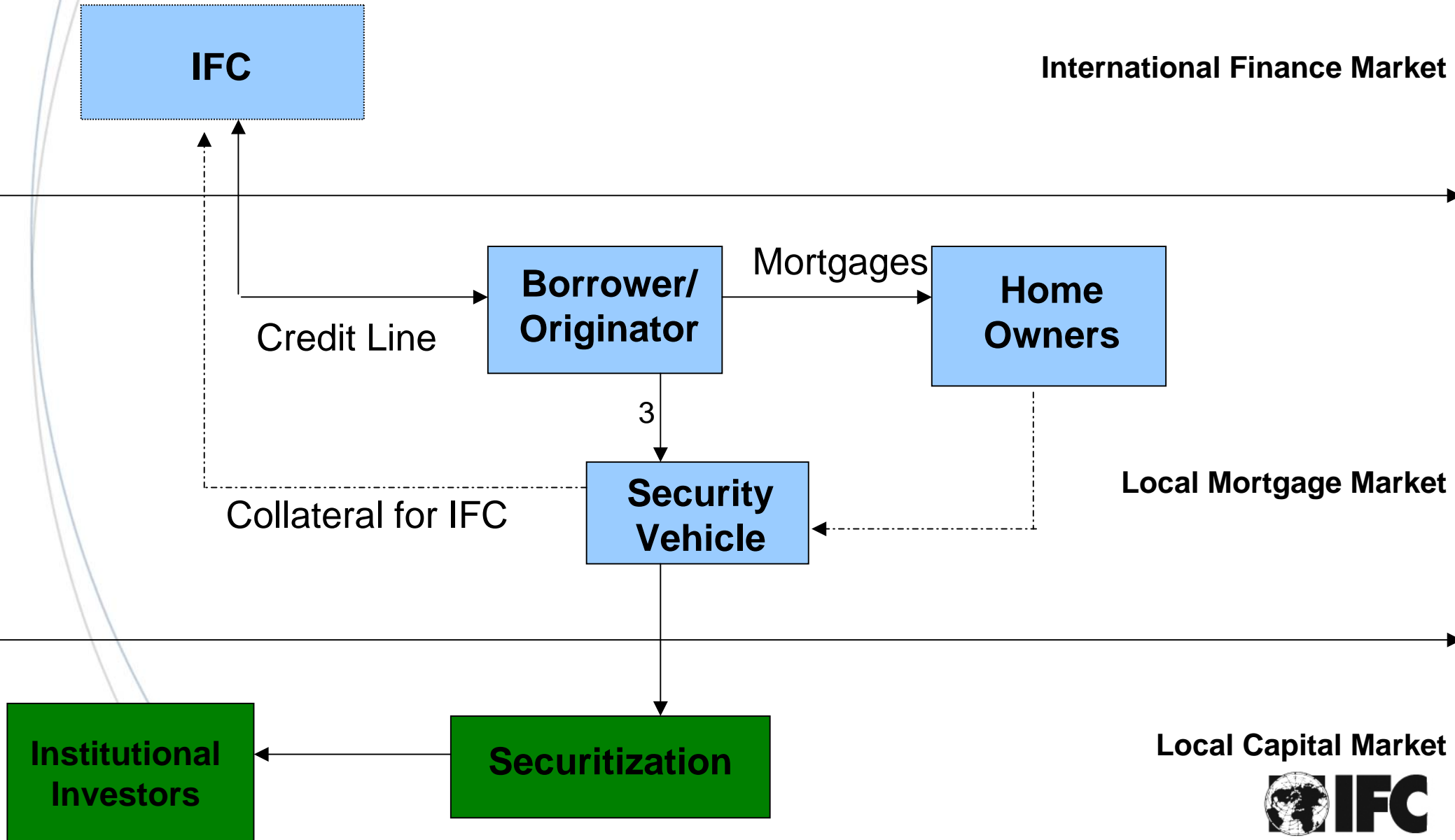
In. Risks



Mortgage Credit Line: Structure



Mortgage Warehouse Line (WHL): Structure

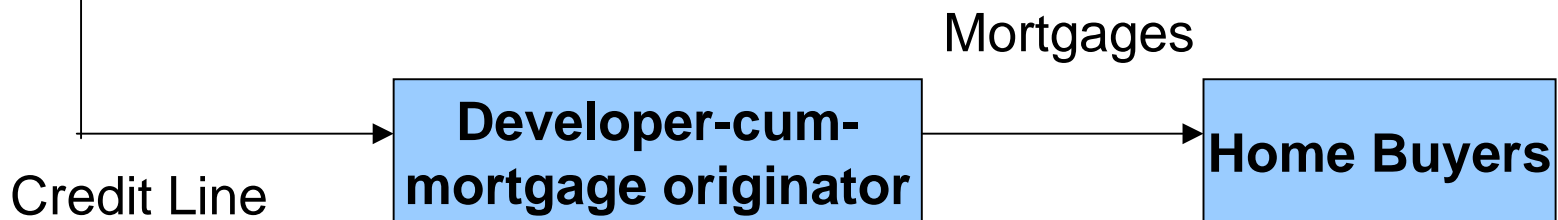


Mortgage Warehouse Line (for a Developer cum Originator)

Phase I

IFC

International Finance Market



Local Mortgage Market

Phase II

Institutional Investors

Securitization

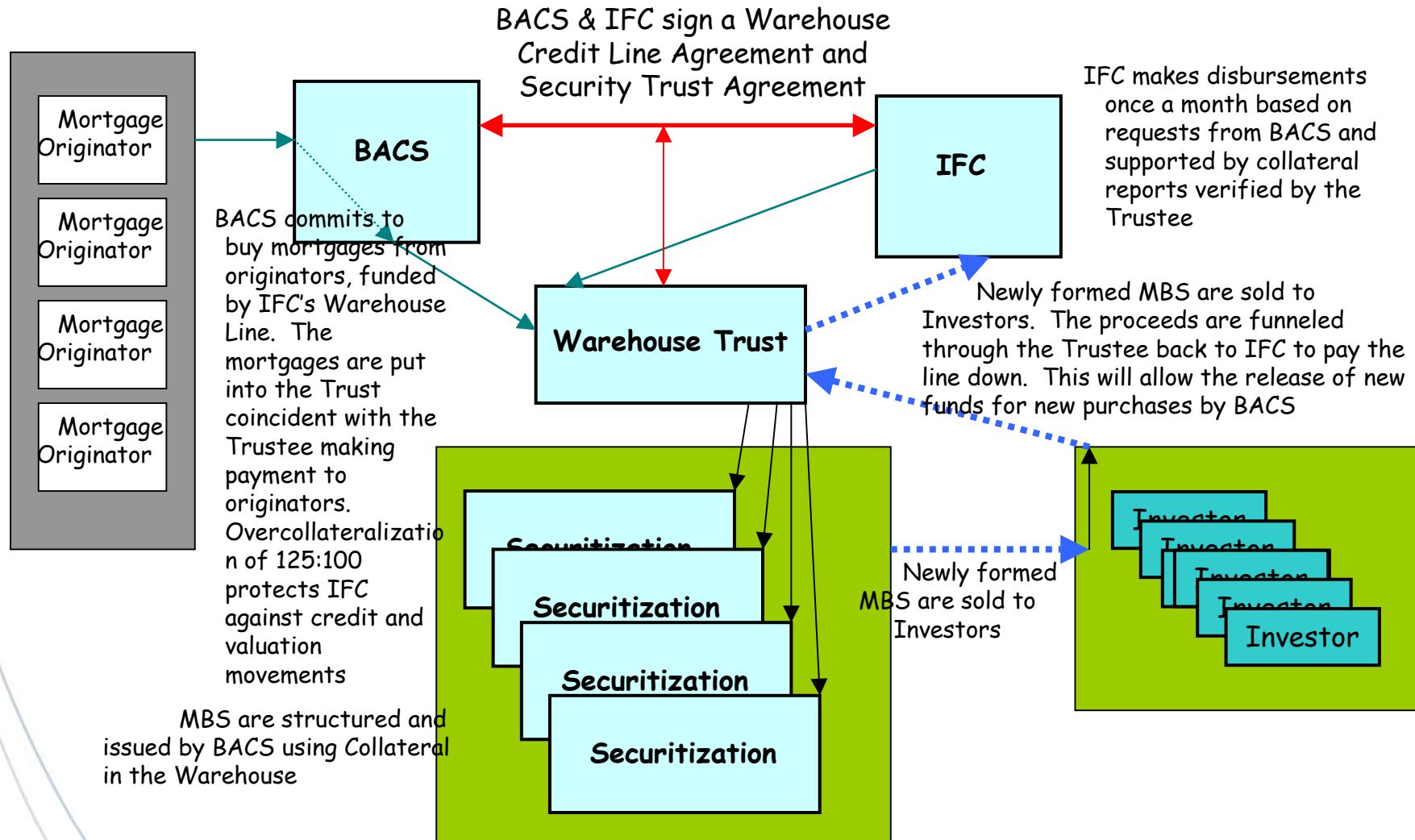


Local Capital Market

La Hipotecaria Credit Line: Key Terms and Conditions

- **Amount:** Up to US\$20 million
- **Currency:** USD;
- **Tenor:** 7 years, with a grace period;
- **Pricing:** Libor + (spread);
- **Security:** Collateralized by mortgages held via Pledge Deed
- **Mortgages:** Eligible mortgages that meet criteria relating to underwriting standards, performance, borrower characteristics, and concentration ratios;
- **Leverage:** Revolving;
- **Trustee:** Supervisor appointed to monitor the types of mortgages that are assigned to the trust and reporting to IFC;
- **Coverage Ratio:** 125%; and
- **Servicing:** La Hipotecaria no back-up servicer needed ex ante.

BACS/GMAC Mortgage Warehouse Line: Structure



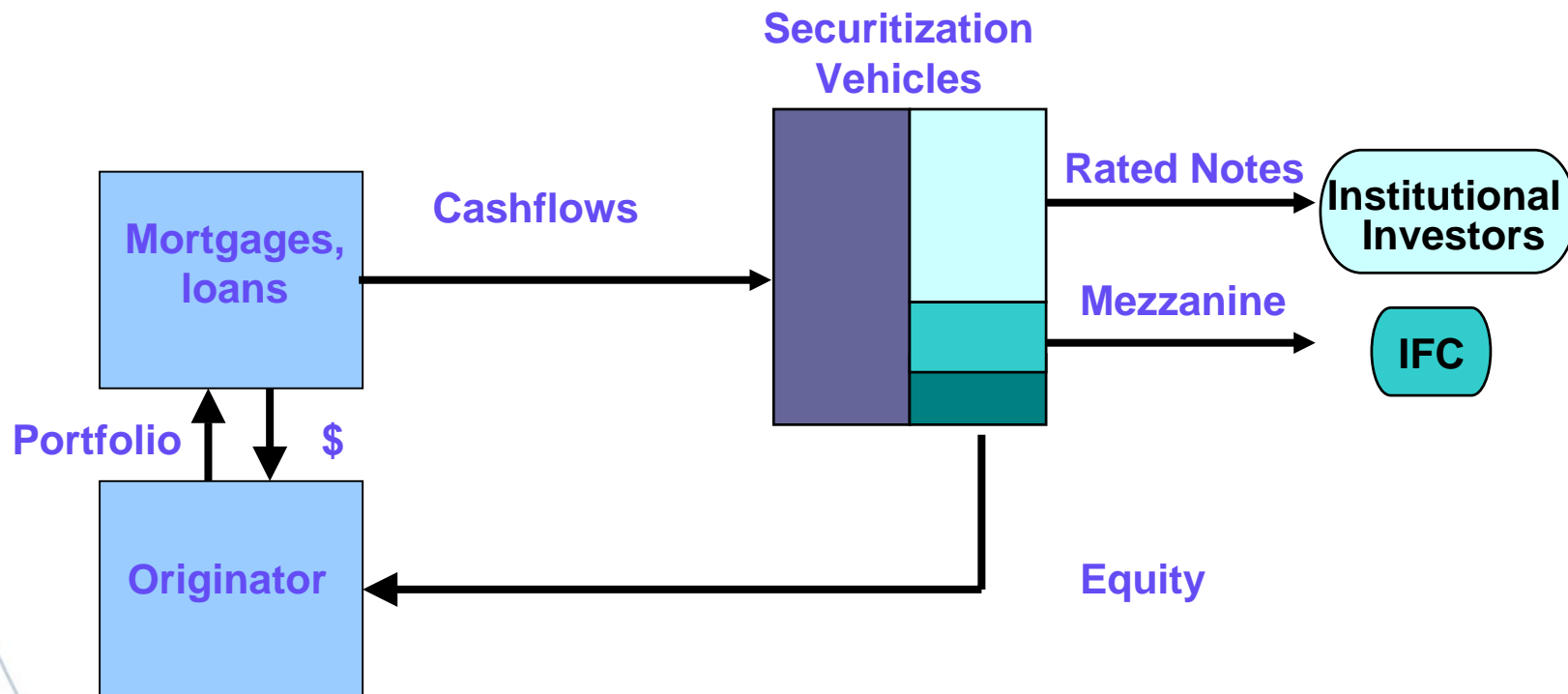
Comparing Debt Facilities

Feature	Credit Line	Collateralized Credit Line	Warehouse Lines	Liquidity Facilities
Example	PBZ	HipNal	BACS	Titularizadora Colombiana
Country	Croatia	Mexico	Argentina	Colombia
Objective	Increase finance Maturity Mismatch	Increase Finance Standardization Securitization	Increase finance Standardization Securitization Sectoral Access	Increase finance Standardization Securitization Sectoral Access Market Flexibility
Eligible Mortgage Loans	Optional	Yes	Yes	Yes
Security	Negative Pledge	EML OC Trustee	EML OC Trustee	EML Other assets
Borrower	Bank or Mortgage Originator	Bank or Mortgage Originator	Wholesale Lender	Wholesale Bank or Securitization Co.

Structured Finance Products

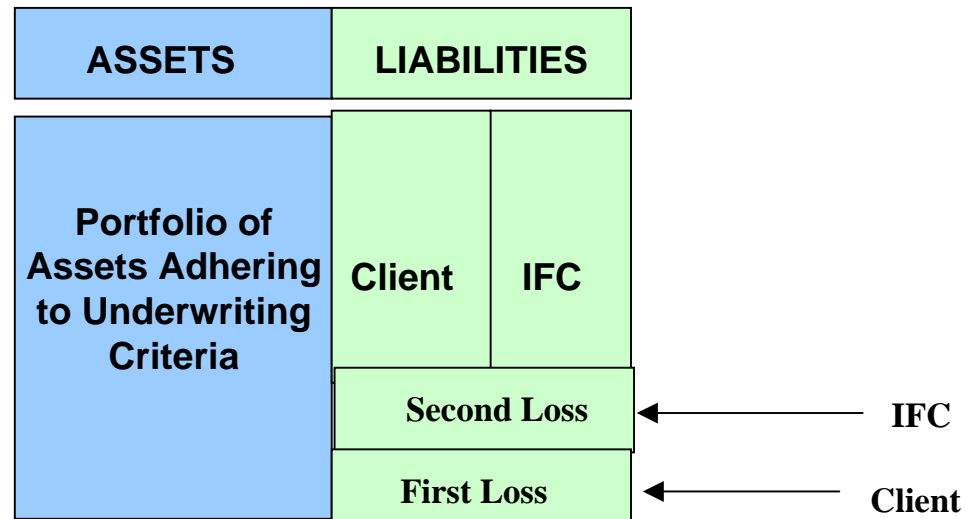
**Credit Enhancement
Risk Sharing Facility**

Securitizations – Structure



Risk Sharing Facility

Sharing the Risks



Case 1: Accessing International Capital Markets

- **The Company:**

- Strategy: Create mortgage style bank operations in Baltic countries;
- Non-deposit taking specialized mortgage finance institutions;
- Capital limited given it is a non-profit entity;
- Funding primarily based on short term lines from banks and multilateral;
- Operations in three Baltic countries: average market share 7%;
- Mortgage products: variable rate mortgage products in multi currency and for tenors up to 20 years; and
- Performance: little prepayment risk and default rates under 2%.

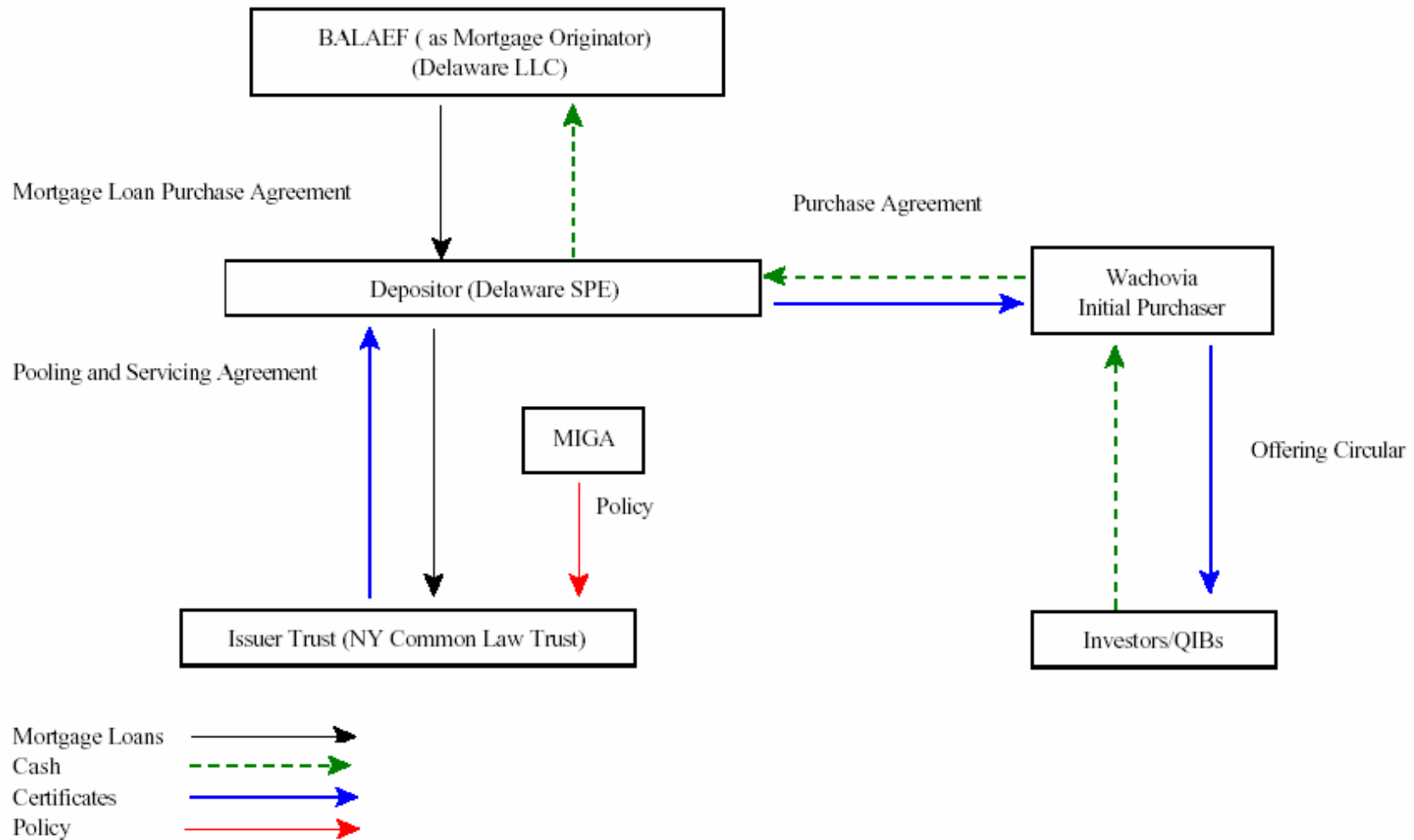
The Market Environment

- Transition economy with new access to credit based on increasing average monthly income, banks have little interest in mortgage sector;
- High level of ownership but high population growth which sustain demand for housing over the long term.
- Highly urbanized economies which drive economic activity;
- Market size approximately US\$1.6 billion dollars representing about 5% of GDP; and
- Securitization framework in place but little experience coupled with limited capital market activity at the local level.

- **The Problem**

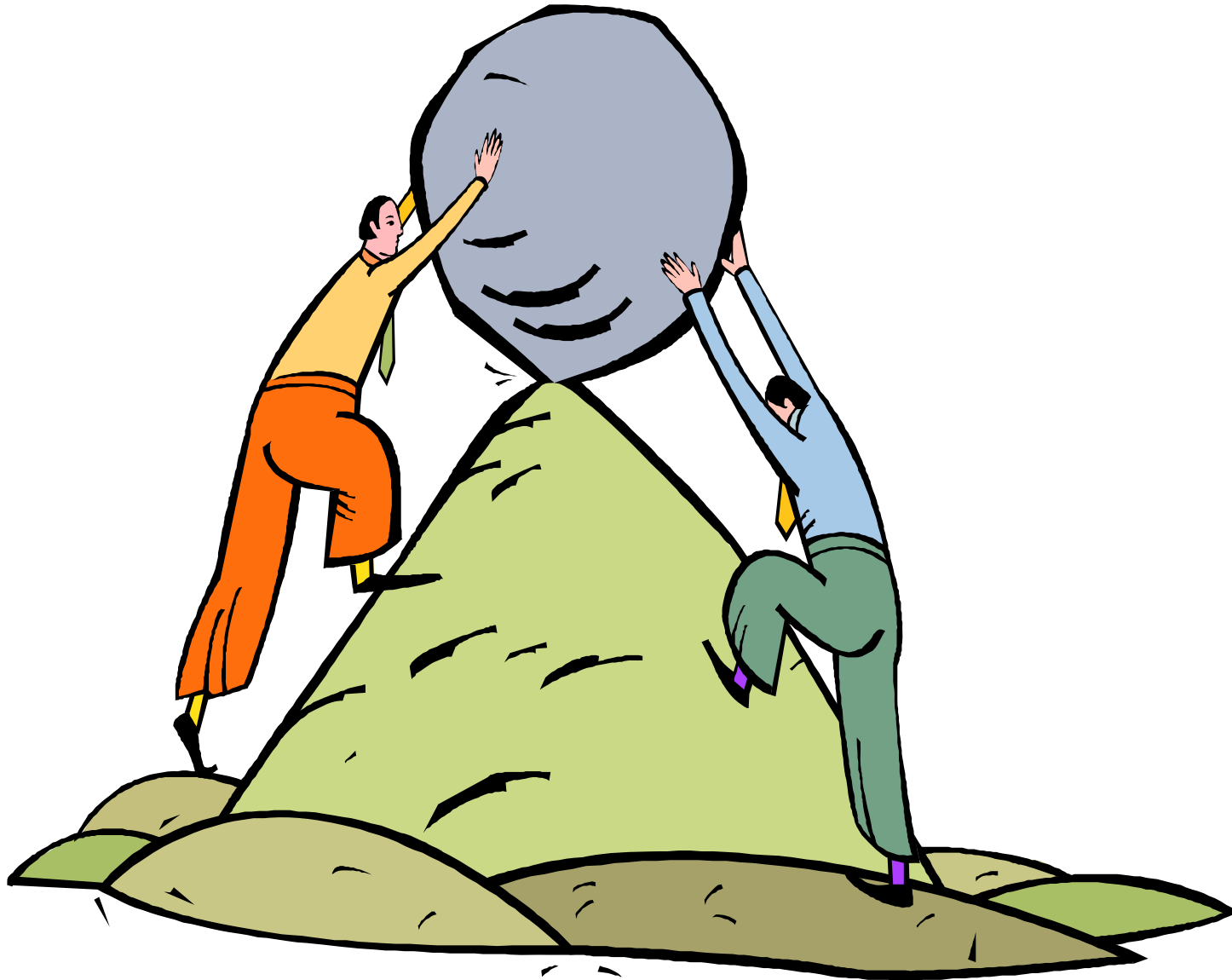
- Sustaining access to mortgage finance;
- Reaching the low cost capital markets in Western Europe;
- Bridging the sovereign ceiling with the cross-border issuance.

Case 1: The Structure



Equity

EQUITY INVESTMENTS - PUBLIC/PRIVATE PARTNERSHIP IS KEY



IFC Equity Secondary Mortgage Market: Conduits

- **Model:**
 - We are not wedded to any particular model
 - Believe in market representation and demand driven;
- **Investments:**
 - Up to 20% of entity capital base;
- **Focus:**
 - Provide support to build up sector and introduce market standard
- **Contribution:**
 - Advisory services/Technical Assistance
 - Corporate Governance/Honest Broker
 - **Debt and Guarantee Facilities (Titularizadora Colombiana)**
 - **Could choose to participate on the Board (Director or Observer)**
- **Exit:**
 - IFC expects to exit (via capital market or put)

Sustainability Products

**Second Mortgage
Block House (under development)**

Housing Products - Second Mortgage Product

Guarantee Structure

ASSETS	LIABILITIES
Portfolio of Second mortgages adhering to Underwriting Criteria	Client
	IFC
	Client

Other countries:

First Loss: [x%]
covered by Client;

Second Loss: [X%]
covered by IFC

Private Enterprise Partnership – Southern Europe TA Products for Housing Finance

MARKET	TA Products/Beneficiaries (in close coordination with project development facilities)	
	SECTORAL	INSTITUTION
PRIMARY	Registries Legal Drafting/ Implementation Market Diagnostics/Needs Assessment (Algeria, Pakistan, Guatemala, Nicaragua, Honduras, Egypt, India, Ukraine)	Standardization Servicing Training (Peru, Russia, Central America, Ghana)
SECONDARY	MBS Laws Market Diagnostics (Romania, Russia, El Salvador)	Launch of MBS Market Feasibility Training (Colombia)