

OPIC in South Eastern Europe and Worldwide



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What Is OPIC?

Self-sustaining government agency that enables U.S. businesses to succeed in emerging markets

- Promotes sustainable development overseas and creates U.S. jobs
- Supports foreign policy objectives of President Bush's Administration
- Operates at no net cost to the taxpayer

Supports private sector growth in developing countries

- Provides long term financing for U.S. businesses in emerging markets
- Most experienced provider of political risk insurance in the world
- Brings equity capital and to developing countries by supporting private equity investment funds



OPIC's Mission

To mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from non-market to market economies, thereby complementing the development assistance objectives of the United States.



OPIC Product Overview

OPIC Finance

- Loans from 3-20 years in dollars
- Funding from U.S. Treasury and Capital Markets
- Guaranties for up to 75% of U.S. bank loan
- Guaranty MBS issuance

OPIC Political Risk Insurance

- Terrorism, political violence
 - Expropriation
- Inconvertibility and transferability
- Contract Frustration
- Sovereign Guaranty “wrap”

OPIC Investment Funds

- Providing local firms with access to capital, management guidance, and financial expertise
- Funds are established according to asset allocation plan, and extensive RFP process



OPIC Finance – Eligibility and Terms

Eligibility

- Successful track record in mortgage lending operations
- At least 25% U.S. equity ownership in the mortgage SPV or investment in securities
- Projects meet environmental, labor and human rights standards, anti-corruption guidelines
- Beneficiary of guaranty should be U.S. financial institution or Trust

Terms

Loan term*

- Amortization of up to 15 years, 20 years on limited basis

Amount of OPIC participation

- Up to \$250 million per project

Leverage*

- Not more than 75%

Pricing

- A spread over relevant U.S. Treasury, plus transaction fees
- Currency generally \$\$, but Euro is possible

Limited recourse financing

- Reliance on mortgage cash flows and Mortgage as collateral.
- Repurchase or first loss provision usually required

* Terms and leverage vary

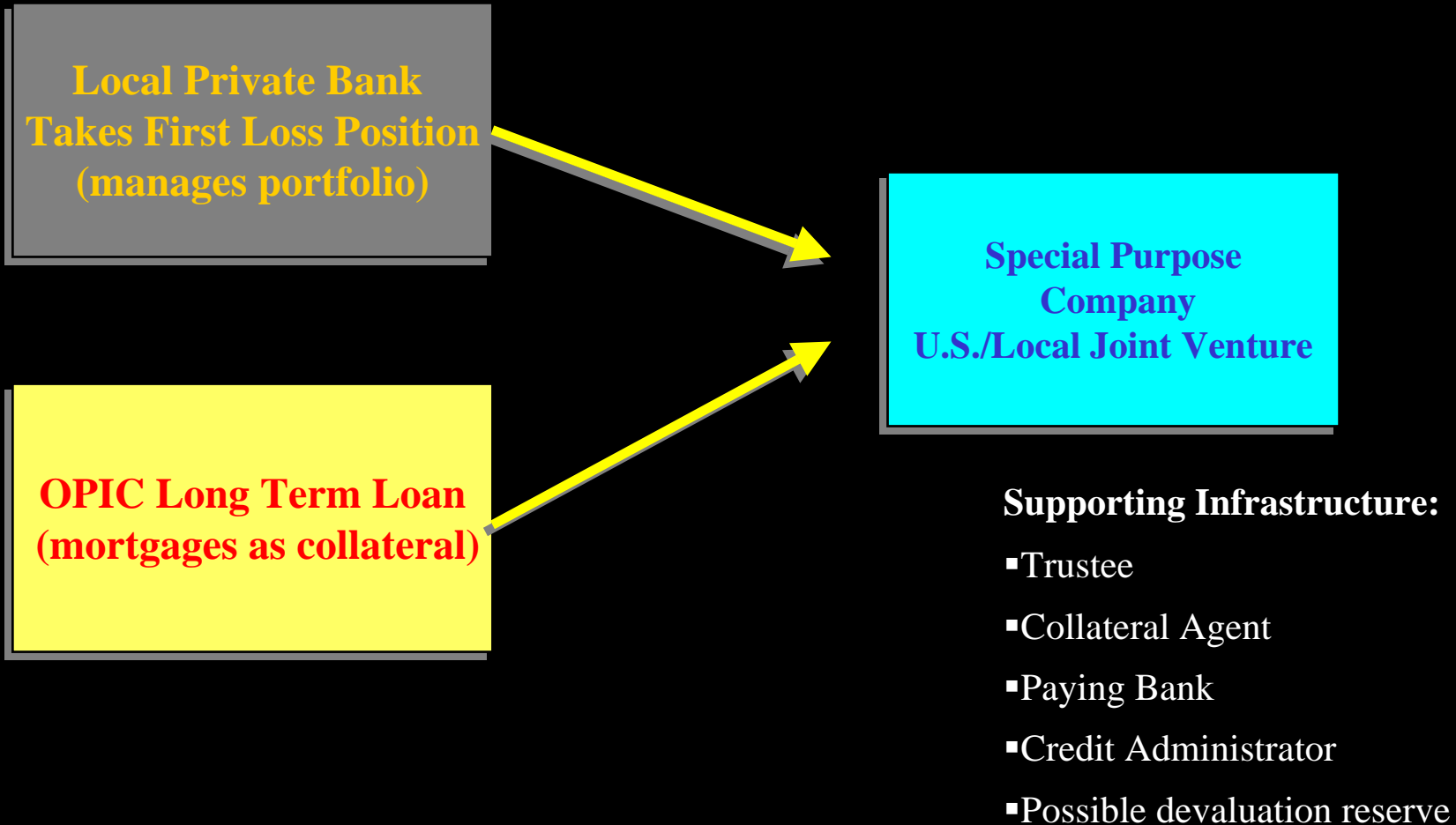


OPIC Recent Housing Experience

RussiaRussia	Funding for mortgages	IG funding	\$125m
Ukraine	Funding for mortgages	Direct Loan	\$30 m
Bosnia	Construction of apartments	Direct Loan and Insurance	\$2.5 m
S. Africa	Construction of low income houses	Loan Guarantee	\$15 m
Nicaragua	Mortgage finance	Direct Loan	\$30 m
Guatemala	Mortgage bond	Financial Guaranty	\$25 m
KenyaKenya	Lease purchase/construction	Direct Loan	\$7.1 m
Honduras	Lease purchase employer assisted	Direct Loan	\$9.2 m
Romania	Mortgage funding	Euro guaranty	\$30 m



OPIC Direct Loan for Mortgages



Issues to Consider with Mortgage Programs

- OPIC loan is in dollars – for Russia and CIS we may be able to mobilize Euros using a U.S. bank to fund
- Needs adequate legal framework for mortgage lending and collateral enforcement
- Strong bank experience with underwriting and servicing mortgages is necessary – or strong technical partner
- Equity – homebuyer's equity may be included in financing equation on case by case basis.



OPIC Capital Markets Programs

- Inconvertibility and transferability (90% coverage)
- Financial guarantee – up to 75% of the total issuance
- Senior/Sub structure 75%/25% - OPIC covers 100% of senior bonds, all risk guaranty (includes PRI)
- Possible enhancement of mezzanine notes.
- Sovereign guaranty cover. All risk. BBB- minimum rating.
- U.S. trust required. U.S. institutional investors must purchase at least 25% of the OPIC guaranteed bonds, depending on trust structure used.
- Now able to consider local currency guaranties, with a cap in dollar terms.



Mortgage Specific Criteria for Cap. Markets

- Shadow/provisional rating required
- Pricing dependent upon “OPIC value added”
- Cannot cover swap counterparty risk
- New originations or existing portfolios (must reinvest in new mortgages)
- Up to five year commitment possible



Mortgage Insurance

- Share up to 75% of risk, pari-passu or second loss with mortgage insurer
- Primary level mortgage insurance – public private partnership, private management, 25% U.S. ownership
- Bond insurance for local issuance – U.S. insurer writes coverage, OPIC provides back-up guaranty
- Portfolio guaranty example



Key Issues to Remember

- Currency risk – OPIC is dollar lender for now, with more flexibility in guarantees
- Must have U.S. investor “at risk”
- Developmental effects and policy concerns
- Expectation of strong operational capacity
- Middle income “local” mortgagors
- Generally a senior lender, but can cooperate with other lenders. Mezz debt possible with high quality credit
- The housing sector is a priority for OPIC!



For more information, finance applications and contact information, visit our website:

<http://www.OPIC.gov>



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