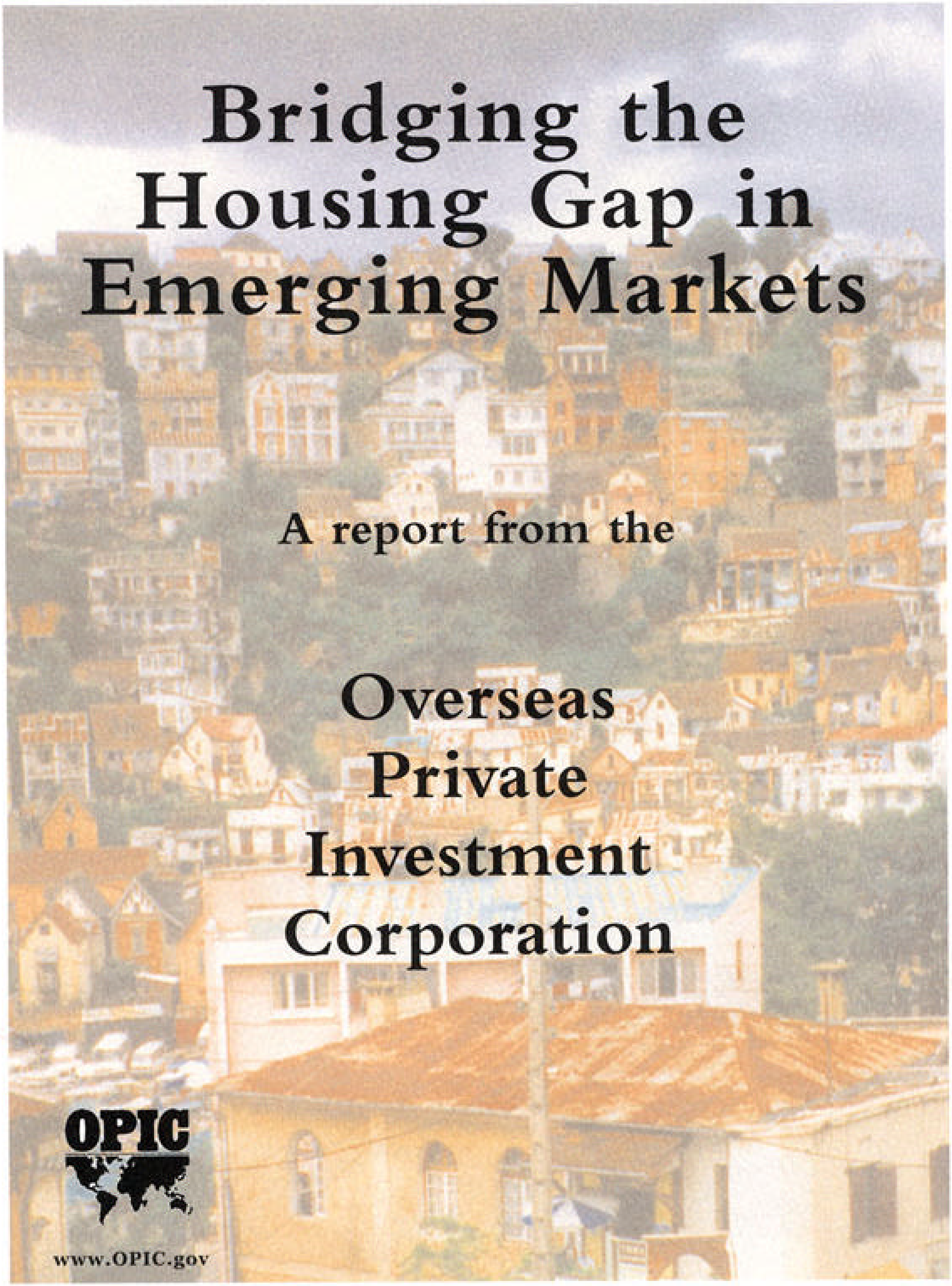

Bridging the Housing Gap in Emerging Markets

A report from the

Overseas Private Investment Corporation

OPIC

www.OPIC.gov

Fall 2000

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This report was prepared for the Overseas Private Investment Corporation by Societas, the International Institute for Real Estate Finance, under the direction of Debra L. Erb, President.

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Message from George Muñoz, President and CEO:

Adequate housing is essential to a decent standard of living. And owning one's home promotes stable communities. It is for that reason that private home ownership and affordable housing is the goal of many developing countries that are now emerging as democracies and free markets. But, the call for market financing of homes is going unanswered in the developing world.

The market is staying away because of three kinds of risk. First, many developing countries—especially those in transition to the market system—do not have the legal framework normally required for private home ownership and financing. The second category of risk is economic. Many of the emerging markets experience economic volatility that plays havoc with local currency value and affects the ability of local workers to pay a continuous, fixed dollar mortgage amount. The third category of risk is more in the nature of high transactions costs associated with the lack of adequate loan management practices and infrastructure for processing mortgages, payments and collections.

OPIC is very familiar with the political and economic risks generally encountered in the emerging markets. We also know how to best mitigate these risks. And, as a branch of the U.S. government, we have great influence in advising governments on how to best adapt their laws and policies to facilitate foreign direct investment in their countries.

Because the United States is widely viewed as the most successful housing market in the world, many developing countries have looked to the U.S. as a model for their own housing markets. Our country has a tremendous amount of information, technology and management to offer in the housing sector. And the U.S. housing industry is increasingly interested in finding the best mechanisms for using that knowledge and skill base to tap into the opportunities that are beginning to take shape internationally.

RISK FACTORS FOR HOUSING IN EMERGING MARKETS

- Adequacy of Legal System
  (public title registration and transfer of property rights, foreclosures, and evictions, contract enforcement, consumer fraud, home building warranties and regulations)
- Loan Management and Infrastructure
  (Private banking system, payment system, and telecommunications)
- Macroeconomic Conditions
  (Local currency fluctuations, inflation, interest rate, unemployment rate, and tax politics)
- Political / Social Environment
  (political instability, corruption in home building financing and oversight, social factors that discourage private ownership, and role of government as provider of housing)

Given the crucial role of private home ownership, and the concerns of the markets to address the housing gap, OPIC has been working with U.S. housing industry experts on how to best bring their know-how to the developing countries and how OPIC can help mitigate and cover some of the political risks.

In an effort to identify, assess and build a "road-map" for U.S. private sector providers of capital, skills and services, for housing in emerging markets, OPIC assembled a roundtable of housing experts (see appendix for list of participants). This report stems from that roundtable meeting.

This report can be viewed as a primer on the risk and solutions to market financing of housing in developing countries.

Our first attempt at helping bring dollar-denominated market financing to the emerging markets is targeted at the Caribbean Central America region. This region recently suffered devastation from two hurricanes, which increased the housing deficit. OPIC and the U.S. Department of Housing and Urban Development established a task force to help build the "road map." This report lays the groundwork for what I am certain will be new "breakthroughs" in bringing private sector financing for housing in emerging markets. OPIC expects to play a crucial role in helping lead the way.

Finally, this report has recommendations for action for private/public initiatives. We are hopeful that this report will help bring the dream and need for home ownership to the developing world.

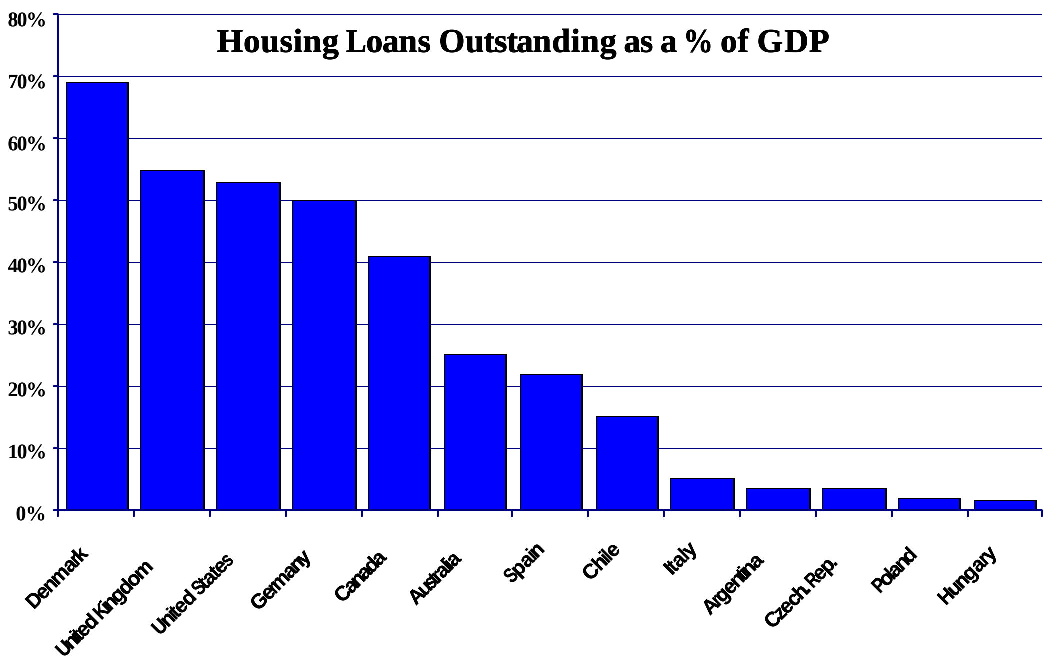
George Muñoz
President and CEO

OPIC is a self-sustaining federal agency that sells investment products to small, medium and large American businesses expanding into some 140 developing nations and emerging markets around the world. OPIC's political risk insurance, project finance and investment funds fill a commercial void, create a level playing field for U.S. businesses and support development in emerging economies. Since 1971, OPIC has supported $130 billion worth of investments that will generate $61 billion in U.S. exports and create more than 242,000 American jobs.

I. U.S. Housing Expertise Needed in Emerging Markets

Within a generation, the number of urban residents in developing countries will increase by 2.5 billion—the current urban population of the entire world. The scale of this urbanization and its impact on the ability of countries to meet the housing needs of their citizens will be unprecedented. In fact, a recent KPMG survey of the mayors of the world's largest cities ranked housing as one of the top five priorities for the next three years and the number one priority in the next ten years for their cities. Real estate assets account for anywhere between seven percent and 20 percent of GDP in countries around the world, and housing expense accounts for between 15 percent and 40 percent of monthly family expenditure. This means that the systems that support housing development are critical to the long-term growth and stability of countries, as well as to their people. The theme of this paper is that in order to meet this great need (which represents opportunity as well), as effectively as possible, private capital and technical expertise must be engaged along with the public sector efforts. Organizations like OPIC, that bridge the public and private perspectives, will play a critical role in this process.

The major barrier to meeting the housing needs in developing countries is the lack of long-term capital. The pool of international capital is large, but competition for long-term funding is fierce. This group of international investors is primarily institutional, and is therefore mostly risk averse.



Their first priority is liquidity, with yield a distant second. This means that emerging markets will find it difficult to compete with established issuers from developed countries. And, institutional investors, both domestic and international, are limited in the amount of real estate-related assets they can hold. While local pension funds may have the capital to invest in mortgages or real estate, they often prefer (or are forced by regulation) to buy government backed bonds. Since mortgage instruments in developing markets are new, they are illiquid, making them unattractive investments, regardless of their social value. As a result, most housing in developing countries is funded directly by government institutions, offered by banks on a short-term, variable rate basis, or is not available at all. Conversely, demand for long-term loans is limited in countries with particularly unstable economic conditions. People are not willing to take on long-term debt unless they have some assurance of payment stability, fair enforcement of the loan contract and ultimate economic value of the home investment. As one person said, “people in my country may be poor, but they aren’t stupid.”

Development institutions around the world have been increasing their focus on the housing sector. The United States Agency for International Development (U.S.AID), for example, has had a housing finance program for many years, and most recently has been working in Poland and Eastern Europe, Russia and the Newly Independent States. Its funding has been greatly reduced by Congress, and therefore new projects are scarce. Housing and Urban Development (HUD) has also been sharing information and resources with governments in China, South Africa, Central America and Brazil, as they work to establish sources of affordable housing and mortgages. The Inter-American Development Bank has housing-related projects in various stages in a number of countries, including Mexico, Venezuela, and Bolivia. The Organization for Economic Cooperation and Development (OECD) and the United Nations (UN) have new initiatives to support housing finance primarily in the Central and Eastern European region as well as in the Newly Independent States (NIS). These government-to-government efforts are useful, because they have facilitated new enabling legislation for securitization and other housing finance infrastructure, as well as new laws on foreclosure and eviction, land titling and property transfers. Changes in elected officials, along with a lack of coordinated policies on housing and finance have hampered these efforts.

The International Finance Corporation and the World Bank have facilitated the creation of a variety of second tier financial institutions whose role is to bring new capital to housing by selling bonds, and using the proceeds to purchase long-term loans originated by local intermediaries. Other similar organizations have been created by local governments to guarantee, fund or securitize mortgage loans for low and moderate-income homebuyers. A few examples are listed below.

Second Tier Lenders in Developing Markets

Korea	Korean Mortgage Corporation (KOMOCO)
Malaysia	CAGAMAS
Algeria	Société de Refinancement Hypothécaire (SRH)
South Africa	S.A. Home Loans
Ecuador	Corporacion de Desarrollo de Mercado Secundario De Hipotecas (CTH, S.A.)
Brazil	CIBRASEC
Russia	Agency for Mortgage Lending
Mexico	FOVI
Hong Kong	Hong Kong Mortgage Corporation
Argentina	Corporacion Financiera Hipotecaria (CFH)
Caribbean	Eastern Caribbean Home Mortgage Bank
Trinidad-Tobago	The Home Mortgage Corporation

While the structure of these institutions varies, they perform a valuable market function by facilitating standardization of loan terms, documents, underwriting guidelines, and by collecting market data for investors and risk-sharing entities. They also impose standards of practice on the operations of companies who originate and service on their behalf. They can become a regular issuer of bonds in the marketplace, helping to establish a benchmark for private issues and to create confidence in the quality of housing-related investments. Governments often give these institutions beneficial treatment under local laws regarding property registration, foreclosure, eviction and loan transfer in order to ensure their success in attracting investors and customers.

This type of facility (the so-called secondary market system) is familiar to U.S. companies, so there will be good opportunities to establish joint ventures with local lenders in order to import more modern loan production and servicing systems that reduce operational cost, improve management control and enhance lending capacity. This type of "secondary market" system also tends to lead to the segmentation of lending functions, which motivates supporting entities to invest in the development of housing-related products such as insurance, appraisal, credit reporting, technical services, brokerage, and property management for condominiums. These institutions reduce risk for borrowers and investors by reducing costs, improving liquidity and flexibility of the system.

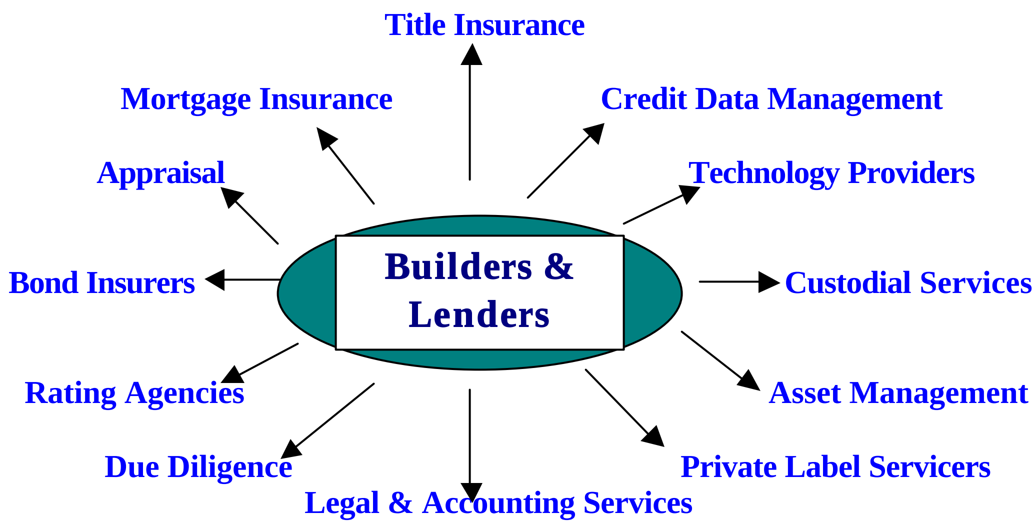
Cross Border Activity

Cross-border activity in housing development is not new. Builders have been active in Eastern Europe, Asia, and Latin America for some time. The activity in finance has taken longer to develop, but it is on the rise as it originates not only from the U.S., but also from Canada, Australia, Germany, and The Netherlands, to name a few. Most of this activity is between developed countries, with a few exceptions. European lenders are logically focused on their neighbors to the East. U.S. and Spanish companies are moderately active in Latin America, with some of the multinational companies making inroads to more advanced Asian markets such as Japan, Hong Kong and Korea.

The types of cross-border activity taking place in the developing housing finance markets today include:

- ✓ Insurance – hazard, title, private mortgage, bond
- ✓ Private label servicing (and application service providers)
- ✓ Technology – origination and servicing systems, etc.
- ✓ Due diligence, trust services, custodial services, other services related to structured finance transactions
- ✓ Ratings of transactions and servicing operations
- ✓ Portfolio acquisition and distressed asset recovery
- ✓ Warehouse finance
- ✓ Investment banking

In general, these activities are characterized as fee-based services, in the sense that there is little (if any) capital invested by the U.S. company. It is also important to recognize that there is great variance among countries and companies as to the level of activity, which can be described as anything from simple technical consulting or fact-finding to partnerships with local firms. The market for these fee-based services is limited because most of them prefer direct investment from foreign companies in the form of technology, expertise or capital. They are not as a rule prepared to pay high fees for services because 1) they don't have the capital to do it, or 2) they don't believe that a consultant is sufficiently committed to the venture to give good advice. After all, emerging markets can be quite competitive. The local owner will want exclusive rights to the know-how of the foreign advisor and will prefer that the advisor have a vested interest in the success of the company (consultants are welcome as long as someone else is paying for them, such as the World Bank, etc.).



The housing industry in developed markets is supported by a large network of services, most of which have just begun to develop in emerging markets. The need for a wide variety of specialized service providers is a function of the size of the market and the types of funding utilized. The types of services that have been slowest to develop in emerging markets are the following:

- ✓ Purchase of mortgage-backed bonds or whole loans
- ✓ Purchase of mortgage servicing rights
- ✓ Establishment of subsidiaries or branches of U.S. company
- ✓ Multinational loan/asset management services
- ✓ Relocation of U.S. based "back office" operations
- ✓ Equity investment in or acquisition of local lenders

As mentioned before, while the opportunities in emerging markets appear to be significant, U.S. mortgage companies have been most attracted to Western Europe, Canada, Australia, Hong Kong and Japan where the political and economic risks are considered to be low, and the financial markets are well developed. There are still significant barriers to doing business in these countries, but they are perceived surmountable, given the opportunities. U.S. companies can bring the latest risk management techniques and operational efficiencies to foreign partners, which in turn help those companies, achieve a competitive advantage in their markets. In some cases there are two-way benefits, in that European partners may offer products that may help gain access to new markets in the U.S.

This is a fundamental paradigm of risk and reward. The effort and risk required to enter any foreign market is high, especially in the lending business. This means that the rewards have to be substantially quantifiable to justify this risk. Hence the emphasis on developed countries, despite the fact that developing markets would appear to have greater long-term opportunity. Mainstream U.S. companies and investors will turn to developing real estate markets when:

1. They have exhausted the possibilities of so-called "low hanging fruit" in more developed markets.
2. They have developed their own internal capacity to manage cross-border transactions (working in relatively low risk markets is a preliminary step to more complex markets).
3. They have sufficient understanding of the real risks in emerging markets and how to manage them, as well as how to price them.
4. There have been enough international transactions to show historical performance of emerging markets in economic crises, or consensus that major economic crises are unlikely in the near future.
5. Everyone else is doing it successfully.

There is a small but dedicated group of companies that are involved in developing countries, and these companies are the innovators with whom OPIC can create new solutions that can be replicated elsewhere. If the U.S. investor is presented with a model product that anticipates and addresses their risk concerns, the amount of activity is sure to increase. On the other hand, competitive instincts prevail, and many U.S. companies that have invested the time and funds to penetrate a new market do not want to give up their beachhead too quickly to the competition. While the development of standardized financing structures is very beneficial to the local market because it does increase competition and lowers costs, it is important to realize that for the foreign innovator it is a mixed blessing.

A key barrier to further development of U.S. interests in foreign real estate markets is the perception that all developing markets are equally risky. In part this stems from an abundance of caution mentality after the series of financial crises that have rocked the globe over the past twenty years. It is also the result of a general lack of understanding about the varying levels of risk and kinds of risk that exist in developing real estate markets. U.S. companies tend to have short planning horizons, limited capital for new business ventures, and very limited access to information about foreign markets. In addition, the U.S. housing market is huge—there is plenty of room for companies to compete on the tactical level at home, without taking unknown risk on a strategic venture with a long horizon for positive returns.

The fact is that there are wide variances in the type and degree of risk involved in housing finance among developing countries, as well as within the different regions of each country. In order to facilitate investment in emerging housing markets it will be necessary to more clearly quantify those differences. The participants in the OPIC roundtable on March 30, 2000, agreed that it is possible to be successful in developing markets with patience, creativity and adaptation to local conditions. They were pleased to see OPIC's interest in providing more support for them, since with their unique local knowledge they can leverage the capacity of OPIC very effectively to increase their business volume as well as their returns. The representatives from the emerging markets also see great benefit to using OPIC to support them when they are seeking business partners in the U.S.

II. Challenges in Housing Development

The range of barriers to development of housing and mortgage finance in developing countries is well known. These are generally listed as "lacks", that is, things that exist in the U.S. and other developed countries but don't exist in the target markets. It is more appropriate to examine the extent to which risk exists in those markets and how that risk can be managed or mitigated. As we learned in the roundtable meeting, risks that would be perceived as unacceptable in the U.S. or Europe have been successfully mitigated by effective management or creative financing structures in developing countries.

This is discussed in more detail later in the paper.

However there is general agreement that there are fundamental factors that would prohibit the development of any sustainable private housing market, and consequently would represent the minimum threshold for foreign investment as well. These factors are shown in the following "housing market hierarchy."

Institutional Infrastructure
(private banking system, payment system, telecommunications, quality builders)

Favorable Macroeconomic Conditions
(inflation, interest rates, wages, home prices, tax policies)

Regulatory Structure
(contract enforcement, consumer rights, safety and soundness)

Funding Source
(deposits, pension system, capital markets)

Legal System for Real Estate
(public registration and transfer of property claims, foreclosure and eviction, condominium laws)

Other barriers that exist in varying degrees can be (and have been) overcome, depending upon the circumstances. Using an underwriting analogy, it is possible to compensate for one major weakness in a deal, but a combination of small factors can be fatal. The combination of factors that make real estate transactions succeed is extensive, and includes variables ranging from global economic conditions to loan level characteristics and lender capacity.

The problems that are generally encountered in emerging markets in addition to the "macro" issues listed above are summarized below:

Customer/Borrower

- ✓ Informal/unreported income commonplace
- ✓ Little use of formal banking system
- ✓ Tax avoidance by underreporting of income and property value
- ✓ Lack of knowledge about mortgages, home ownership value
- ✓ New credit culture
- ✓ Lack of alternatives for housing
- ✓ Small loan sizes

Lending Operations

- ✓ Short term, variable rate loans, low loan-to-value ratios
- ✓ Lack of standardized documentation and underwriting guidelines
- ✓ Overall low level of technical expertise in the real estate and mortgage finance operations
- ✓ Lack of reliable data of all kinds
- ✓ Weak credit reporting system

Market Characteristics

- ✓ Informal housing is commonplace
- ✓ Competition from government institutions at subsidized rates
- ✓ Predominance of new construction, and/or lack of resale market for houses
- ✓ Lack of systematic private construction industry
- ✓ Little professional infrastructure in appraisal, credit reporting, title insurance, financial services counseling, brokers, rating agencies, trustees, document custodians, etc.
- ✓ Lack of domestic investors for long-term mortgage debt
- ✓ Relatively limited development of the capital markets

Legal/Regulatory System

- ✓ Laws prohibiting data transfer out of the country, or among financial institutions
- ✓ Weak regulations for condominium association management
- ✓ Weak or unproven implementation of foreclosure and eviction laws
- ✓ Excessive delays in recordation of title transfers and liens
- ✓ Conflicting or ambiguous regulatory regime for mortgage lending
- ✓ Lack of legal provision for special purpose vehicle, or trust law for securitizations

III. Risks of Real Estate Finance Activities

Mortgage lending in any market has risks that are summarized in the following table:

Types of Risk	Presence of Risk		
	Primary Market	Secondary Market	Both, in different forms
Legal			
Loan Agreement	X		
Enforceability			X
Property	X	X	
Consumer Protection	X		
Business Fraud			X
Borrower Credit (Default)			
Repayment	X	X	
Collateral	X	X	
Interest Rate			
Prepayment	X	X	
Pipeline			X
Operations	X	X	
Liquidity			X

Source: Douglas Duncan, "The importance of the collection, dissemination of mortgage market data", International Journal of Real Estate Finance, May 2000.

All mortgage markets are subject to temporary fluctuations in pricing and availability of funds, based upon changes in investor appetite for real estate related investments, local economic conditions, and, as we saw most recently with the "flight to quality" in the U.S., global capital flows. The extent to which a market is exposed to these fluctuations is dependent upon the depth and breadth of funding sources as well as its economic stability. The U.S. has the broadest and deepest market for mortgage finance in the world. But its sheer size is an important consideration when attempting to apply U.S.-style measurement methods to other countries.

For example, a simple primary market structure makes more sense than a secondary market system in small to medium-sized markets (where populations are 1/5 or less the size of the U.S. and consumer demand for mortgages is still low). There is limited room for a large number of lenders to compete, so when sufficient liquidity exists in the depository system, there is no need for secondary market institutions. Securitization may make sense on a "one-off" basis for individual institutions, but there isn't enough consistent demand to support the development of the kind of infrastructure that exists in the U.S. As the chart above indicates, a secondary market structure adds cost and risk to the overall system. From the standpoint of capital markets investors, most countries are not able to generate deals of the size they are accustomed to from the more developed markets. This means that the risk is more concentrated, the economics more difficult to manage and the credit enhancement needed will be greater. When the primary market capacity is not fully developed, the secondary market cannot be successful for the long-term. Therefore, in the early stages of development, the costs and risks of secondary market development are often shared by the government or other risk-sharing entities.

Risk in the U.S. is highly diversifiable, and shared by a number of different entities in the food chain. But the costs imbedded in this system are substantial, and as risks become more and more quantifiable (or as they can be diversified away with ever-larger portfolios) the trend has been away from a highly segmented system to a more consolidated one. This is good news for developing countries. It means that a new model for risk management is developing – one in which the risks themselves can be measured and mitigated by a few key institutions, rather than distributing those risks among a network of separate entities (each of which adds its premium to the lending cost).

Mitigators for risk categories described above are (in order of application) 1) effective management controls; 2) access to reliable data; 3) availability of financial instruments for hedging; 4) capital reserves (for all parties to transactions); and as a last resort, 5) insurance. There is no mitigator for a legal infrastructure that substantially constrains the ability of a lender to conduct prudent operations. In a deep and fully developed market, states that maintain prohibitive legal restraints will receive less funding or higher cost funds for housing, or they will be limited in choices for types of products or types of homes.

The Content of Collected Data

Excerpt from **The Collection, Dissemination, and Importance of Mortgage Market Data** by Douglas Duncan, International Journal of Real Estate Finance, June, 2000

"The mortgage-related data which are collected typically fall into three broad, general categories: demographic, microeconomic, and market. The demographic and microeconomic data are developed at levels as finely disaggregated as individual person or company. The market data include macroeconomic data available at the most aggregate or national level and also microeconomic data at the individual market or sector level.

The discussion of risk …identified a number of areas where information on borrowers is sought by market participants to better understand the potential for repayment of mortgages of different types or understanding their relative returns to investors. In general, the detailed data on consumers falls into one of four categories: personal characteristics, credit characteristics, mortgage characteristics, and property characteristics.

Similarly, data are gathered on firms participating in any segment of the mortgage market. … which provide a service and/or earn a return by managing a part of the risk on either the supply or demand side of the residential and commercial mortgage markets. Those who do business with these firms need to understand their operational characteristics but more importantly, their viability and efficiency in performing their chosen market role. The ability to assess this implies the availability of a broad range of operational data for performing the required analysis.

Finally, there is a need for a broader set of market data both on the macroeconomy and on the housing and housing finance sector. These data provide economic policymakers and analysts with a set of measures with which to monitor economic performance and recommend or institute policy decisions in order to foster the optimal economic environment."

(see Appendix for data categories)

IV. Unique Risks of Emerging Real Estate Markets

In addition to the specific factors related to real estate and mortgage lending, investors in developing and emerging markets must accept an overall higher level of risk, which is generally reflected in the sovereign rating. These factors include the following:

Social/Economic Risk Factors

- ✓ Political instability
- ✓ Public agency corruption
- ✓ Lack of market-based economy
- ✓ Social factors that discourage private ownership
- ✓ Dominance of government in the sector
- ✓ Social unrest and violence
- ✓ Extremely prohibitive tax policies

Buyers of sovereign debt and rated foreign corporate debt have learned to price the risks, but real estate investments must take into account the full range of sovereign issues as well as the real estate-related factors described earlier.

The macro factors having the greatest impact on housing markets are those that reduce the borrower/buyers' financial capacity to buy or rent, the ability of lenders to offer affordable interest rates and loan terms, and the existence and capacity of domestic investors in mortgages or real estate. This means that the risks associated with real estate lending involve consumers, builders, bankers, capital markets players, local employers and governments as well as the national political and regulatory bodies.

Investors are looking for long-term trends, historical "worst case" benchmarks, and the extent to which long-term stability can be expected. Specifically, they are the following:

- ✓ The overall legal and regulatory environment for banking, capital markets, property ownership and contracts—with implementation history.
- ✓ Government policies as they relate to housing—subsidies, taxes, government funded lending programs—will all affect the demand for housing, for loans and the ability of private sector entities to compete profitably.
- ✓ Historical volatility of domestic currency vs. U.S. or other hard currencies.
- ✓ Inflation history and trends, along with real interest rates, and relationship of wage and price inflation.

One of the challenges of managing risk for long-term mortgages is precisely this difficulty in predicting long-term political and economic conditions in countries that have experienced recent turmoil. While there is an established base of investors in sovereign debt in emerging markets, there is little familiarity with mortgage debt unless it is guaranteed by the government. Private sector issues are difficult to place with domestic investors who do not understand the dynamics and risks of the real estate sector—or worse, where perception of the sector is that it represents unacceptable risk. A host-country government guarantee can attract a local investor, but may not be sufficient to attract foreign investors. The challenge will be to find (or develop) an investor base that is comfortable both with emerging markets debt and the unique characteristics of mortgage-related instruments. The most likely targets are so-called "social investors" who are sometimes willing to accept higher risk in order to fulfill a social mission, or local and regional investors who are familiar with the market and are comfortable with local currency issues with a high "story" component. Venture funds and vulture funds are also possible sources, but the yields they require are not conducive to the development of affordable loan products for homebuyers.

In order to grow the investor base it is important to collect performance data that can be used as a benchmark for future issues from other sources. Unfortunately, many of the early issues in developing markets are privately placed or are a simple conversion of whole loans to security form. Details of these transactions are not published, nor are there any post-issue performance records kept or released. The rating agencies, both domestic and international, will certainly help in the performance tracking process. It will also be important to show private investors that it is in their best interest to disclose information about the character-istics, pricing and performance of their bonds in order improve the overall liquidity of the market. The so-called "buy and hold" tendency of some institutional investors is another factor that limits sharing of information with the market.

The opportunities for OPIC in this arena are significant. OPIC can work with local com-panies to provide management capacity, government and aid agencies to ensure appropriate legal and regulatory framework, private risk-sharing entities to enhance their products, investment bankers and rating agencies to structure creative financings. This will help develop a "case history" of transactions in emerging real estate markets that can be used as examples for others and also to seek correlations between different market experiences that might lead to a new set of criteria for assessing this unique type of investment. OPIC can also help to educate the investment community about real estate related risk in emerging markets so that risk factors can be measured in the appropriate context of each market.

V. Risk Mitigation in Emerging Markets

Despite the concerns listed in previous sections, the fact is that lending is taking place to some degree in virtually every country mentioned so far. Much of this activity is in the government housing banks, or other government subsidized programs, and much of it is outside the formal lending institutions. Regardless of where the lending takes place, it permits the collection of market intelligence and creative risk management tools that allow the primary market to function today and will ultimately support the creation of capital market capacity. The market may not be as liquid as one would like nor are the interest rates as low as they should be, but the experience gained from the existing intermediaries is invaluable to the future development of the markets. Foreign companies have played an important role in this development by collecting information, introducing new techniques, and educating stakeholders in the market.

Most of the methods described below add intensity and cost to the management of the lending process. When this added cost is coupled with smaller loan amounts, it can be difficult to generate a profit on operations. This is a strong argument for the introduction of the latest technologies for loan origination and servicing, so that the "back office" processes can be streamlined as much as possible. It is also an argument for cooperation among lenders within the market—standardization of documents, credit data, and even loan terms. It makes it more difficult for lenders to differentiate themselves, but if the process is more streamlined, lenders can handle more loans with the same resources—it increases the amount of business for everyone.

In addition to the methods discussed below, the full range of insurance products can be used, depending upon the market. Clearly, the creative use of life insurance products, along with the standard health, hazard and sometimes title insurance, will reduce the overall impact on borrowers of catastrophic events. There may also be loan level guarantees and subsidies from public or private entities. To the extent that these enhancements are available, they certainly improve the overall riskiness of the loan, but the lender still retains the short-term cash flow risk of non-payment. And in some cases, the existence of such guarantees can create "moral hazard" risk with the borrowers.

The risk management tools being used more effectively in developing markets fall into five categories—insurance, operations management, product design, market coordination, and credit underwriting strategies. These methods can be valuable for any lending entity, whether it is public or private.

Insurance

Lenders in Poland are using insurance as collateral to bridge the timing gap from loan closing to recordation of the property title and the mortgage claim. The term of the policy is six months to two years, to benefit the lender in the event there is a default during the unsecured period. In Mexico, one lender uses a life insurance policy as a hedge against negative amortization on a dual indexed mortgage. The borrower pays monthly premiums along with his mortgage, and can clearly see the value of the policy grow as compared to the principal balance on the mortgage. This helps to alleviate the borrower's concern that they are not accumulating equity in their property during the loan term. Other lenders simply require life insurance as additional collateral or to pay off the loan in the event of death of a primary wage earner. Self-funded (or employer funded) default pools are also used to over short-term late payments for groups of borrowers. The pool is controlled by the lender, but this type of method does present some management problems when loans pay off, etc.

Loan Management

The most effective management technique for first time homeowners or customers who are unaccustomed to making a monthly mortgage or rent payment is intensive customer contact. The Association of Sofoles in Mexico has maintained low delinquency rates by locating branches in neighborhoods close to customers that are open evenings and weekends, accepting partial payments, and keeping close touch with shaky borrowers. This also includes very personal support of borrowers who do go into irrecoverable default. This very close customer contact is supported with highly automated back office operations.

Customer communication at all stages—saving, home selection and purchase, borrowing, loan and property maintenance and collection—has provided good results in emerging markets. Continuous contact with the homeowner to show them how the value of their "asset" has improved relative to the loan balance is important to maintain motivation to repay. Working with local community groups also helps maintain commitment to the care of the neighborhood.

Other methods include automatic deduction of payments from wages or pension accounts, employer guarantees.

Product Design

The so-called "micro-loan" has been successful in countries where houses are self-built in stages, or where renovations are badly needed. In uncertain economic conditions borrowers may not want to take long-term mortgages, and very short term, unsecured loans are an alternative. Borrowers don't receive additional funds until they pay back the first loan, the amounts are never more than they can afford to pay with short-term wages, and collateral issues are not a problem. This can also build up the quality of the housing stock for future long-term loans that will mobilize the asset for other purposes. Loans can include payment "incentives" that give customers a premium or "points" for timely payment.

Dual-indexed inflation-indexed and dollar-based loans are common, especially in inflationary economies. They present their own problems for loan management and default risk, depending upon purchasing power parity and property value trends.

Market Coordination

The Polish Banks Association has recently conducted its first study of banks' lending practices and portfolio conditions, such as delinquency rates. This is the first of a series of surveys that will help the banks change their operating methods to improve performance, but will also provide a framework for cooperation on improvements to the market infrastructure. The Association of Sofoles in Mexico has cooperated on standardized documents, the collection of data for a prospective mortgage insurance program, and policy coordination with their primary funder—FOVI. Banks in a number of countries have jointly established credit bureaus. Data collection on the property market and lending activity is one of the most important market coordination activities of these associations. By working with local partners, foreign companies can have a significant impact on addressing these issues. They are more likely to be heard when they have a vested interest in the market.

As mentioned earlier, banks in some markets have joined together to create second tier liquidity facilities in order to issue long-term bonds with mortgages purchased from members. (Brazil is a good example in the private sector. In other cases, the government has been the primary driver of these new institutions.) One of the greatest constraints on market development for securitization is the lack of domestic investor base for long-term instruments. The BHN responded to this situation by placing the higher risk, shorter-term tranches domestically, and selling the lower risk, longer tranches internationally. This local investor expertise needs to be shared among countries so that domestic local currency sources of funding can be developed to supplement international, hard currency sources. Local funding sources are arguably the most effective source of long-term funding for mortgages, since they are less subject to international competition and economic stresses.

Credit Risk

When the value of the property cannot be clearly established or when foreclosure laws are weak, the importance of the credit of the borrower is paramount. Some countries have no credit reporting system, or they have a closed system with limited access. In others, the data simply does not exist, especially where people are unaccustomed to using credit or formal banking systems.

The solutions range from reliance on the "capacity" side of the credit equation (as compared to "willingness") to guarantees by the government. One of the best is to set up a savings plan with the customer that simultaneously builds money for down payment, a "habit" of making a monthly payment, and a credit history for those payments. Excess collateral in the form of additional property or a restricted deposit account is sometimes required. While most credit verifications are done manually in new markets, some credit information is available through central bank agencies that collect data on bounced checks. Employers may be willing to provide subsidies or short-term default insurance.

The structure of the property market can have a significant impact on portfolio risk. Most developing countries have limited resale market for houses. In some cases, virtually all sales are new construction, and it is common for a lender to work with one or two builders exclusively. This creates problems with diversification. The primary mitigator is to emphasize the quality and reputation of the builder, but also to maintain a reserve fund to ensure that the common areas are completed so that the homes retain their value. Another common issue in transition countries relates to condominium management and maintenance of the common areas. When there is no association to take control of this, a lender may need to set up a similar reserve fund for repairs, etc.

VI. Structured Finance in Emerging Markets

In order to use credit enhancement tools at the loan or the bond level, there must still be some assurance that the lender can manage the asset so that it performs according to expectations. The better the lender/issuer can document its capacity to manage the asset, the lower the cost of credit enhancement will be, and the better the pricing will be. In the case of the Banco Hipoticario National IV transaction, all of the market and operational fundamentals were in place, and, with political risk insurance the issue was rated to exceed the sovereign rating in Argentina. This deal is the "poster child" for developing market mortgage backed securities, and yet the pricing was still 400 basis points over U.S. Treasury rate, due to the lack of liquidity for the bonds and the general uncertainty associated with any developing market.

A proposed structure for a possible deal in the Dominican Republic (presented at the March 30 meeting by HUD and OPIC) was at the opposite end of the spectrum. Numerous fundamental weaknesses had to be addressed. As described, the deal would include substantial support from U.S. and Dominican government entities, the involvement of a private mortgage insurance company, a spread account for foreign exchange risk and for credit risk. Controls on the origination and servicing of loans are imposed. Some data for the development of underwriting criteria were collected with surveys of local consumer payment habits.

The motivating force behind this complex proposal is the need to help a country devastated by natural disaster, but the model is an excellent indicator of what can be done to overcome insurmountable barriers in the market. The combination of mechanisms for mitigating and managing the risk in this situation creates interesting ideas for private sector transactions of the future. And, despite the high cost of all of these enhancements, there is expected to be a net reduction in the interest rate charged to the borrower, as compared to current market rates. This points to the fact that double digit spreads in emerging market leave plenty of room for covering operating costs and at the same time improving affordability via more efficient management of those costs.

> "Our experience in the housing finance industry has been that everything works well with information. The more information that's there and the better the foundation to accurately capture that information, the better the system works. People looking to initiate housing finance programs should start with the basics and fundamentals of the business, build them properly and correctly, and the funds for housing will follow."
>
> — Randy Appleyard, AGS Financial

> "There are sources of capital out there that will price in the risk and make a purchase based on an analysis of the project and analysis of the story behind it… as evidenced by affordable housing bonds in this country that have not been insured or guaranteed by any government agency."
>
> —James Campbell, AFL-CIO Building Investment Trust

On the scale of market risk, most developing countries fall between Argentina and the Dominican Republic. By identifying the best practices locally in each country, finding the right partners, engaging government agencies productively, and adapting existing methods and tools to the local market, it is possible to be successful. For U.S. companies in particular, however, it is necessary to redefine the ranges of acceptable performance—such as tolerances for late payments, acceptance of alternative sources of data, customer contact methods, down payment and income sources—in order to understand the riskiness of the business in the context of the local market.

The market leaders in the international housing finance industry can play an important role in collecting information based upon these new paradigms and then using that information to show investors how to understand and price the risk of developing mortgage markets. Recent innovations in multi-national securitizations in Europe, along with the Spanish practice of multi-originator MBS, have great significance and potential for developing markets. The goal for the industry should be to develop liquidity in this unique segment of the market—it is the only way that the funds can be mobilized in the quantities needed.

In order to generate liquidity, we must work together to build a global base of information about mortgages in emerging markets; we must develop efficiency in the local markets and work with international agencies to encourage the needed legal and regulatory changes. As local policymakers see the successes of their peer countries around the world, they will be motivated to make the necessary changes. OPIC can play an important role in this process, because it provides direct support to the innovative solutions developed in each country.

VII. Role for OPIC

The private-sector participants at the roundtable felt strongly that OPIC could play an important role in the development of the housing sector in emerging markets. The following ideas were derived for further discussion and development.

> "Local circumstances are going to play a role...but any one of these things can apply to Trinidad...there have been some very good ideas thrown out here. The issue is ... the context of how each of the countries are trying to increase the level of financial sophistication.... The solutions will be local."
>
> —Calder Hart, The Home Loan Corporation

1. Since infrastructure and capacity building are key to building a foundation for development of long-term finance sources, it makes sense to design a product focused on the activities to support these types of investments. This could be a fairly inexpensive program that lays the groundwork for the private sector to create needed financing. This is especially true for servicing.

2. Use guarantees and insurance to support existing risk-sharing entities (e.g. reinsurance or co-insurance, different tranches targeted to different investor classes, etc.). This engages private sector involvement in the sector, leverages OPIC capacity in each country, familiarizes investors with emerging market risk, and improves demand for future issues.

3. Use guarantees and insurance to target specific cash flow gaps in bond transactions, or specific tranches where risk elements are critical to the pricing or placement of the bonds.

4. Foreign exchange risk is of great concern with mortgage lending. While there are opportunities to make dollar loans that pass through dollar payments to investors, this merely moves the foreign exchange risk to the borrower, which is ultimately counter-productive (unless the borrowers receive their income in dollars).

5. The risk associated with conversion of foreign exchange risk is also a problem when a company is funding its operations in dollars, but receiving income in local currency. The OPIC insurance has definite value in this case.

6. Cooperation with governments to create credit guarantees that avoid moral hazard, but permit the government to take the appropriate share of risk at moderate cost. Moral hazard issues are managed at the operational level of the lenders and issuers.

7. Play a role similar to the Dominican Republic project, where OPIC is directly involved on the ground, to bring in private entities that will leave behind local expertise to sustain market development for the long-term.

8. Support the creation of a facility targeted to emerging markets transactions, similar to what IFC is doing with its investments in housing finance entities. This provides incentive for countries to make necessary changes in infrastructure.

Appendix I - OPIC Objectives for Housing Sector

This document lists a range of objectives for OPIC's involvement globally in the housing industry. All of these objectives support OPIC's strategic goals (advancing development and free enterprise, helping American companies compete and encouraging best practices), and all of them are equally important and often interrelated. Often the most basic objectives, for example, the developmental benefits of housing stock, cannot be achieved without accomplishing one of the other objectives, for example, providing liquidity in the market through the securitization process and corresponding issuance of bonds or direct loans. This is because OPIC is trying to achieve its objectives in a market-based private sector environment—private investors will only enter the market if financial conditions are ripe, and they are most likely to start with the lowest risk transactions.

Developmental Benefits of Housing Stock

- ✓ Meeting the basic need for adequate shelter—affordable housing
- ✓ Increasing the sense of community that leads to lower crime and more stability
- ✓ Creating an economic engine for growth—housing construction and related services
- ✓ Providing employment for local population
- ✓ Providing tax revenues and other positive financial flows for the government

Building the Local Financial Infrastructure

- ✓ Involving local financial institutions in the construction loan, mortgage, and securitization process furthers their depth and sophistication, helping the economy grow.
- ✓ Creating a cadre of local financial professionals with expertise that can be applied at other institutions over time.

Building the Local Physical Infrastructure

- ✓ Without a source of funding, the physical infrastructure necessary for housing will never be built—the roads, the water supply, the schools, the power. And yet, without customers, there is no market incentive to build them. To escape this cycle, anything that can be done to free up local capital and bring in fresh capital is highly developmental. Securitization is a key component of such a strategy.
- ✓ In many cases the local physical infrastructure will be built with U.S. components or services or U.S. equity and, once built, it forms the base upon which further development in not only the housing sector but related and even unrelated sectors can flourish.

Increasing Liquidity in the Construction Loan and Mortgage Market

- ✓ Creation of a secondary mortgage market or securitization provides local banks with incentives to offer construction lending and a vehicle to sell their existing mortgages, allowing them to replenish their cash and make more mortgages available to others.
- ✓ A successful securitization will spawn additional lending in that institution that is more likely to reach down to a lower income tier and provide longer and better terms.

- ✓ Other institutions will see profit potential and feel a need to remain competitive with their existing customers as well as gain new ones. This will result in more activity.
- ✓ Securitization allows a reliable record of data to be collected on mortgage defaults and recoveries. Consequently, in a few years, securitized deals from that country can be done with significantly reduced or without OPIC default support. This access to capital is important for the bank and for the continuation of its mortgage program.
- ✓ Support for construction lending and securitization will showcase the prominence of the U.S. in the financial sector and will introduce a new class of investors to emerging market housing opportunities.

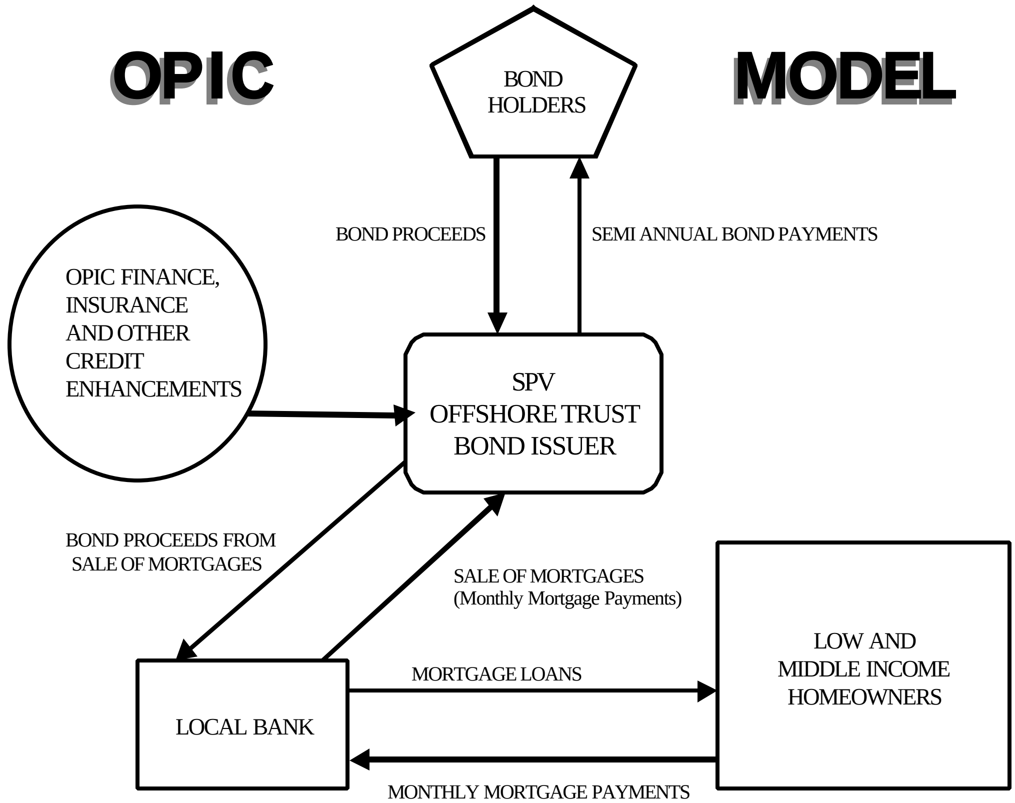
Transfer of Technology and Know-how

- ✓ In addition to building the housing stock, developing countries obtain an infusion of highly developmental technology and know-how. This technology transfer can form the base for future technological and system developments that are uniquely suited for the local market.

Positive U.S. impacts: Helping an Important U.S. Industry Expand Globally

- ✓ Housing and housing finance have truly been the engines of growth in the U.S. economy. The U.S. housing industry has traditionally focused its attention solely on the U.S. domestic market. To sustain this positive impact as the U.S. market matures, it is critical that U.S. companies be in the forefront of the development of these markets overseas.
- ✓ Because U.S. companies in this sector have the greatest technology, systems and know-how in the world, developing countries seek out U.S. firms.
- ✓ The potential for a full range of hard and soft exports—from building components and supplies all the way to the services of title companies, loan servicers, mortgage processing software, and technical advisory services—can mean very tangible benefits to the U.S. economy.

Appendix II - OPIC Model



Appendix III - OPIC & Capital Markets

"OPIC is to be commended for designing a political risk policy well suited for the capital markets. Their efforts should help accelerate the worldwide shift of emerging market project financing from loans to bonds."

— Chris Donnelly, head of Latin American structured finance
at Duff & Phelps Credit Rating Company

About OPIC

OPIC is a self-sustaining agency, operates at no net cost to the U.S. taxpayer, and has accumulated reserves of more than $3 billion.

OPIC programs are available for new and expanding business enterprises in approximately 140 countries and areas worldwide. OPIC has recorded a positive net income for every year of operation. All of OPIC's guaranty and insurance obligations are backed by the full faith and credit of the United States of America.

OPIC assists U.S. investors through four principal activities designed to promote overseas investment and reduce the associated risks:

- insures investments overseas against a broad range of political risks;
- finances businesses overseas through loans and loan guaranties;
- finances private investment funds that provide equity to businesses overseas; and
- advocates the interests of the American business community overseas.

Project Eligibility

Eligible projects include new projects, expansions of existing operations and privatizations located in any of the 140 countries and areas where OPIC operates.

OPIC provides insurance and financing for projects that are financially sound, promise significant benefits to the social and economic development of the host country, and foster private initiative and competition. OPIC will not support projects that could result in the loss of U.S. jobs, adversely affect the U.S. economy or the host country's development or environment or contribute to violations of internationally recognized worker rights.

OPIC's statute encourages the agency to give preferential consideration to projects significantly involving U.S. small businesses and cooperatives.

Investments in certain sectors may be excluded from consideration based on statutory or policy guidelines. Investors can contact OPIC directly to obtain more information about these sectors.

Neither financing nor insurance will normally be available for investments in enterprises majority-owned and controlled by a foreign government.

OPIC Insurance & Capital Markets

OPIC's Insurance Coverages

OPIC has developed a special insurance contract to insure capital markets transactions, such as private placements and Rule 144A bond issuances. Under this contract, debt service payments are protected against the risks of a deterioration in the ability to convert local currency into U.S. dollars, of an inability to transfer U.S. dollars out of the host country, and that debt service will be prevented due to unlawful host government blockage of funds. OPIC is currently considering projects in a range of sectors, including infrastructure development, manufacturing, oil & gas, and financial services. On a case-by-case basis OPIC is also prepared to insure new bond financing intended to refinance existing ventures.

OPIC can provide up to U.S. $200 million in insurance coverage per project and can match the tenor of the bonds. OPIC's new capital markets coverage is similar to the coverage which OPIC has provided for many years to eligible commercial banks under its institutional lenders program, adapted to fit the needs of capital market transactions. The insurance provided by OPIC does not cover currency devaluation or other commercial risks of a project.

Insurance Benefits

The availability of OPIC insurance coverage will give emerging market companies and projects better access to capital market funding. A recently published analysis of the OPIC coverage by Moody's concluded that: "By insuring their foreign currency denominated bonds against currency convertibility risk, certain companies located in emerging markets could be assigned a higher rating than the government's foreign currency rating, thus piercing the sovereign ceiling." For those companies and projects with strong underlying credits, the coverage may allow them to move from a sub-investment grade rating to an investment grade rating. Consequently, certain projects in developing economies that are currently constrained by the lack of long term financing may now be able to proceed successfully.

Investor Eligibility and Policy Criteria

OPIC's standard eligibility and policy criteria will be applied to each transaction. Under a typical structure, the coverage will be issued to a U.S.-based trust, which will hold the insurance for the benefit of bondholders. To qualify for the coverage, at least 55 percent of the funding for the bonds must come from U.S. financial institutions and must be held by U.S. financial institutions for a minimum of 40 days. After the 40-day holding period, there are no restrictions on trading of the bonds. To ensure that the project meets OPIC's policy guidelines, including environment and worker rights requirements, OPIC enters into a separate agreement (the Company Support Agreement) with the issuer of the bonds, the project company or another party in a position to assure compliance by the project with OPIC's policy requirements. In the event of a breach of the Company Support Agreement and failure to cure the breach during applicable cure periods, OPIC has the right to terminate the insurance contract covering the bondholders.

OPIC Finance & Capital Markets

OPIC's Financing Products

OPIC provides financing through direct loans and loan guaranties that provide medium- to long-term funding to ventures involving significant equity and/or management participation by U.S. businesses.

OPIC can provide financing on a project finance or a corporate finance basis. Project financing looks for repayment from the cash flows generated by projects. Therefore, OPIC carefully analyzes the economic, technical, marketing and financial soundness of each project.

OPIC Project Financing

OPIC has provided project financing to emerging market transactions since its creation more than 27 years ago. In order to stimulate the return of capital into emerging markets and broaden the sources of funding in those markets, OPIC is offering its traditional project financing alongside financing obtained in the capital markets. Some projects in developing countries that would otherwise be constrained by a lack of capital may now be able to proceed with a combination of OPIC's long-term financing and a capital market issuance. OPIC's project financing allows for flexible repayment structures and long-term tenors that can improve debt service coverage ratios for the capital markets tranche and thus improve the credit rating of that tranche of the project's debt. OPIC can provide up to $200 million in project financing per project. OPIC provides financing for a wide range of enterprises under flexible terms and conditions that permit sound projects to be implemented.

Financing Eligibility

OPIC provides financing for overseas investments that are wholly owned by U.S. companies or that are joint ventures in which the U.S. sponsor firm is a participant. The U.S. investor is expected to assume a meaningful share of the risk, generally through ownership of at least 25 percent of the equity in the project. Financing is not available for projects that can secure adequate financing from commercial sources.

Loan Terms

The repayment schedule of a direct or guaranteed loan will reflect the purpose of the loan and the projected level of cash flows to be generated in the transaction. The terms of such loans will typically provide for a final maturity of five to fifteen years following a suitable grace period during which only interest is payable.

Interest rates on OPIC loans will vary with OPIC's assessment of the financial and political risks involved. They will also reflect interest rates in long-term capital markets in the United States.

OPIC does not offer concessionary terms usually associated with government-to-government lending, nor does it typically offer financing of export sales unrelated to long-term investments in overseas business.

In general, OPIC expects that its creditor participation will be on a senior basis, pari passu with the holders of other senior debt, and that it will share in a first lien on fixed assets and any other appropriate collateral. A host government guaranty normally is not required by OPIC.

Consistent with commercial lending practices, up-front, commitment and cancellation fees may be charged, and reimbursement is required for related out-of-pocket expenses, including fees for outside counsel and for the services of experts or consultants.

General Information

For more information on OPIC financing and insurance coverages or to obtain application forms visit OPIC's website at www.opic.gov or send written requests to the attention of "Vice President - Finance Department" or "Vice President - Insurance Department" at OPIC.

Appendix IV - Data Examples

Demographic Data

Population characteristics including income, age, race/ethnic group, household structure (marital status, family size and ages), education, employment, own/rent. Number of apartments, single-family homes, mobile homes, vacant properties, household characteristics, income, housing and neighborhood quality, housing costs, equipment and fuels, size of housing unit, and recent movers.

Credit Data

Personal identification data, residence data, employment history, income data, and credit history data. The credit history data includes all reported creditor accounts and whether they are active. The dates of any bankruptcy and associated details. Checking account history.

Mortgage Data

Volumes of origination, sale, purchase, repayment, and gross and net acquisitions of loans by major lenders groups, classified by loan type and by property type (residential, commercial, multifamily, and farm). Interest rates, fees, loan terms and purpose where possible.

Company/Industry-Level Data

Detailed balance sheet, income statement, and operations activity data on deposit institutions, by type of institution. Also on publicly traded entities and those engaged in issuance of securities.

Property Data

Building Permits, Housing Starts, Housing Completions, Characteristics of New Housing, Manufactured Housing, Value of Construction Put In Place, Residential Improvements. Nationally and by region or locality.

Housing Finance Activity Data

Outstanding mortgages, the delinquency/foreclosures by loan type, length of delinquency and housing region. Prepayment activity.

Appendix V - Roundtable Participants

OPIC Sponsored Roundtable
"From Housing Demand to Housing Delivery:
How Can OPIC Help Bridge the Gap in Emerging Markets?"

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Washington, DC
March 30, 2000

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Appendix VI - Societas

Societas was established in October 1999. It is a non-profit foundation incorporated in the U.S. as a 501C3 charitable organization for education, research and professional/technical assistance in the field of real estate finance. The mission of Societas is to facilitate the development of long-term capital for real estate in emerging markets, and to create a global knowledge center for the benefit of investors, lending intermediaries and consumers of real estate loan products around the world.

The values of our organization are the promotion of a global, non-partisan perspective, collaboration with existing institutions, low-cost services tailored to local needs, and a focus on the practical implementation of effective financing methods. Through our network of experts from the world's leading real estate finance organizations, Societas designs programs and initiatives to help:

- Design affordable loan products for low-income families
- Build the confidence of customers and investors in mortgage instruments, especially in emerging markets
- Measure and manage risk of real estate assets
- Implement technology to "leapfrog" old methods and reduce costs
- Improve institutional capacity by creating a pool of knowledgeable professionals

Activities

- Creation of the Global Real Estate Finance Library
- Research on the impact of globalization on local real estate lending institutions
- Support of multi-national community development efforts around the world
- Country assessments and risk analysis
- Technical consultation and meeting facilitation
- Seminars and symposia on global real estate finance issues
- Education and training of lending professionals

Financial Resources

The financial support for the work of Societas comes from grants from foundations and supporting organizations, sponsorship of corporate benefactors, fees received for products and services, and contracts performed under International Lending Agency programs. Our initial operating grant was provided by the Mortgage Bankers' Association of America.

Governance and Staff

The Board of Directors is comprised of bankers from Australia, Brazil, Canada, Germany, Mexico, The Netherlands and the U.S. A permanent staff of three is located in Washington D.C. Experts for programs and product development are drawn from a pool of highly qualified "associates" who are hired on a project basis. The Advisory Council includes international and regional experts who provide technical guidance to the work of the organization. Partner Organizations cooperate with Societas on programs, research and other global initiatives.

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Contacting OPIC

General Information

OPIC on the Internet

If you have access to the Internet, visit OPIC's website at the address below for a wide variety of publications, application forms, press releases. OPIC's free electronic newsletter, and other information including updates on the information, including updates on the information contained in this document.

http://www.opic.gov

Electronic Mail

To obtain general information via electronic mail, requests may be sent to the following address:

Info@opic.gov

Written Inquiries

Written requests for general information should be sent to the attention of "Information Officer" at:

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, D.C. 20527

The OPIC Infoline

OPIC maintains an automated system to provide callers with general information on OPIC's insurance and financing programs 24 hours a day.

Using the OPIC Infoline, callers with a touch phone may listen to brief recorded program descriptions, request that printed program information be sent to them via mail or fax or, from 8:45 a.m. to 5:30 p.m., Eastern Time, speak with an OPIC Information Officer.

OPIC InfoLine: (202) 336-8799

Contacting OPIC by Fax

Facsimiles may be sent to the number below. Please be sure to specify an OPIC officer and/or department on the cover sheet so the fax may be properly routed.

Main Fax Number: (202) 408-9859

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