

Housing and Mortgage Financing

Owning a home is a universal dream. An important part of our's mission is helping to expand the availability of and access to housing in developing countries. OUR Financing is available to support low- and middle-income housing in developing countries and emerging markets.

Construction and Development Financing: Short-term funds to build houses for sale (and supports related secondary infrastructure development as well). We give a sample of Financing.
Lease Purchase: The installment sales or lease purchase variation allows a developer to offer long-term financing to buyers via a conditional sale or installment sales agreement. The OPIC loan consists of a construction phase and a permanent phase which matches the term of the financing to the buyers. In addition to land, bank accounts, project completion guaranty etc. the OPIC loan is secured by the receivables. The developers must retain a subordinated share of the receivables portfolio for the life of the OPIC loan. In addition, it is necessary for the developer to partner or contract with a financial institution to provide credit analysis and loan administration services. See [sample terms of reference](#) for this kind of OPIC financing.

Mortgage Finance: This is designed to provide access to long-term funding to homebuyers through mortgages. OPIC does not fund these loans directly, but provides a loan to a borrower that purchases the mortgages from local financial institutions that originate and service the loans on behalf of the borrower. The borrower must meet OPIC's U.S. ownership and capitalization eligibility requirements.

The borrower may be an operating company with master servicing and quality control capabilities, or it may simply be a trust that is created for the sole purpose of holding the mortgage assets on behalf of its shareholders and OPIC. The borrower may choose to hold the mortgages to term, or may hold them until a successful bond issuance, the proceeds of which will be used to replenish funds for future lending. [Click here](#) to see a sample terms of reference for this kind of OPIC financing.

Mortgage Securitization: OPIC may offer a guaranty to make bonds more attractive to U.S. institutional investors, which can help to jump start local capital market acceptance of mortgage bonds. OPIC expects that these bonds will be rated by one of the rating agencies.

An OPIC guaranty is a guaranty that has the full faith and credit of the U.S. government. It covers timely interest and ultimate principal payment. OPIC may issue a partial guaranty in which OPIC accepts a second or third loss position. The issuer must meet minimum standards for retention of a portion of the total transaction. Alternatively, OPIC can issue a guaranty of a certain percentage of the total bond issuance. See a sample terms of reference for this kind of OPIC financing.

Green Building: A green home is designed to promote sustainability and efficiency of resources. The result is a house that offers savings on energy and maintenance costs, a healthier living space, and a reduced environmental impact. Green design concepts include strategies that developers, designers and managers can implement at little or no additional cost. In some cases, green designs do increase up-front costs but these are usually offset by lower utility bills and maintenance costs as well as higher property value.

Relevancy to OPIC: Green housing is highly developmental and offers a range of social and

economic benefits for the local community. For example, greater energy efficiency reduces utility bills, giving residents more financial freedom and easing rent or mortgage burdens. Green construction materials improve structural integrity and promote better indoor air quality for a healthier, safer living environment. Site design and green construction practices conserve elements of the local environment, reducing impact on the local ecosystem and raising the quality of life for residents.

OPIC will encourage developers to investigate green design concepts that either save money or add minimal or no additional cost. Because some design concepts raise up-front costs of construction and design, OPIC can provide incentives for developers to consider green construction practices.

SAMPLE TERMS OF REFERENCE

Housing Construction Loan

DIRECT LOAN	
Borrower	A U.S. or foreign company owned at least 25% by the U.S. Sponsor
U.S. Sponsor	A U.S. citizen or U.S. corporation at least 51% owned by U.S. citizens
Loan Amount	Typically \$1,000,000 - \$10,000,000
Term	Typically 2 to 5 years, depending on the size of the project.
Availability Period	18 to 24 months
Loan Type	Fixed rate, non-revolving. This means that amounts advanced under the OPIC loan, once repaid, cannot be re-borrowed. In order to minimize interest cost, the loan amount is based upon the cost to build the first group of houses and related infrastructure. The number of houses to be financed will be based upon the financial model for the entire project, but should be sufficient to allow the Borrower to construct subsequent phases of the project using the proceeds of sales from the first group of houses. Note: multi-story condominiums do not fit this model, and will require sufficient financing to cover entire cost to complete each building.
Grace Period	12 to 24 months, on principal payments only.
Number and Amount of Disbursements	Not less than four (4) in a minimum amount to be determined, to be advanced on a percentage of completion basis, no more often than quarterly.
Interest Rate	Varies, between 3.00 and 5.00 percent over 2- 5

Repayment Schedule	<p>year U.S. Treasury Rate. Interest may not be capitalized.</p> <p>Principal payments are made at loan takeout or in equal quarterly installments after expiration of the Grace Period.</p>
Loan to Cost Ratio	<p>Typically 60%, not to exceed 65%, calculated on the project costs associated with the first "phase" of</p>
Eligible Project Costs	<p>the project. (see Loan Type section above)</p> <p>Land purchase, project-related infrastructure such as roads, sewage treatment, drinking water, electricity, telephone. Limited ancillary buildings such as a school, clinic or sports field may be included. Soft costs such as pre-development and administration may be included, subject to OPIC review and validation.</p>
Other acceptable sources of funds	<p>Land contribution by government or private entity (at appraised value acceptable to OPIC), equipment contributions, other in-kind services provided (subject to validation by accountant and approval of OPIC), and deposits/downpayments from buyers (subject to local law requirements and discounted for potential cancelled sales).</p>
Commitment Fee	<p>Approximately .5% on the outstanding, undisbursed commitment amount</p>
Facility Fee	<p>Approximately 1% of the loan amount, or payable at execution of the Commitment Letter or the Loan Agreement.</p>
Maintenance Fee and OPIC Monitoring Engineer Fee	<p>The Maintenance Fee is a fixed amount, payable annually on a payment date. The OPIC Engineer Fee may be a separate amount, and will be based upon location and complexity of the project.</p>
Voluntary Prepayment	<p>Borrower may prepay without penalty.</p>

Pre-Sale Requirement [as a CP to disbursement]	Negotiated on a case by case basis, depending upon
Collateral	market feasibility, availability of mortgages, off-take agreements, etc.
	1. A first priority lien on the property and improvements.
	2. A pledge of 100% of the shares of the Borrower.
	3. A first ranking security interest in any project-related bank accounts or reserve accounts.
	4. Assignment or pledge of other equipment, contracts, guaranties and bonds as required.
Completion and performance guaranties	Performance bonds in an amount acceptable to OPIC will be required from all major contractors and subs. The provider of the bond must be acceptable to OPIC.

	Completion guaranties from the Sponsors will be required in an amount and to an extent to be determined.
Condition Precedents to First Disbursement	<ol style="list-style-type: none"> 1. Copies of major executed construction contracts and subcontracts. 2. Copies of all permits. 3. Required insurances in place. 4. Performance bonds in place, and assignments as required. 5. Evidence of equity contributions made to date. 6. Evidence of property titled in the name of the Borrower, as well as sales contracts and evidence of purchase price paid. 7. Executed mortgage over property and improvements, if property has been purchased. 8. Final financial model in form and substance acceptable to OPIC. 9. Satisfactory preliminary report on project status, budget and operating structure from OPIC monitoring engineer.
Typical Conditions Precedent to Each Disbursement	<ol style="list-style-type: none"> 1. Evidence of pre-sales or completed sales as required in project milestones. 2. Certificates of completion or other consents required from local authorities. 3. Validation of costs paid to date. 4. Updated project progress report. 5. Satisfactory report from OPIC monitoring engineer.
Insurance	Customary builders' all risk insurance, property damage, theft and liability coverages shall be in place, and OPIC shall be an additional insured or loss payee.
Financial Reporting	Quarterly unaudited financial statements (income statements, balance sheet and cash flow statement) and annual reviewed or audited statements for Borrower. During construction, Borrower will also provide quarterly progress reports.
Financial Ratios	Loan-to-cost ratio (disbursements as a percentage of costs incurred) shall not exceed 65% at any time during construction. Other ratios are required on a project basis.
OPIC Policy	OPIC policy covenants, including worker rights,

environmental and Foreign Corrupt Practices Act compliance, are required, and may need to be

	incorporated into key construction contracts.
Other Debt/Liens	Any short-term lines of credit or Sponsor loans taken by the Borrower to cover interim expenses shall be unsecured and/or subordinated to OPIC loan.
Further Indebtedness Restrictions	No further indebtedness permitted, except for short-term trade credit in limited amounts to be determined.
Restricted Payments	<ul style="list-style-type: none">Development fees may not be paid until project completion to be defined by OPIC or repayment in full of the OPIC loan.On a case by case basis, Borrower may pay management fees to the Sponsor or to other affiliated companies or persons, in an amount acceptable to OPIC.
Profit Distributions	Not permitted until the OPIC loan is repaid

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**ANNUAL BACK GROUND CHECK UP REPORT OF MR RASHID AHMAD SHEIKH
& R.A.SHEIKH & CO**

From: **Brands, Andre [Contractor]** <Andre.Brands@opic.gov> Date: Thu, May 9, 2013 at 7:56 PM
Subject: EDN Annual Background Check - R.A. Sheikh & Co. and Rashid Ahmad Sheikh To: Rashid Ahmad Sheikh <rascmc@gmail.com>
Cc: "Colyar, Gary" <Gary.Colyar@opic.gov>, Todd Anderson <tanderson@ednaccess.com>, "Brands, Andre [Contractor]" <Andre.Brands@opic.gov>, Lynn C Anderson <landerson@ednaccess.com>

Dear Mr. Sheikh:

We are pleased to confirm that the annual background checks for R.A. Sheikh & Co. and Rashid Ahmad Sheikh have been completed with no items of concern having been raised.

We look forward to your continuing participation in the Enterprise Development Network.

Best regards,

Andre Brands

Participant Recruiter, Enterprise Development Network

OVERSEAS PRIVATE INVESTMENT CORPORATION

The U.S. Government's Development Finance Institution

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The Enterprise Development Network (EDN) is a global platform dedicated to cultivating business enterprises in developing countries. Sponsored by the Overseas Private Investment Corporation (OPIC), EDN is comprised of more than 1,500 business consultants worldwide and a growing set of financial institutions, government agencies and NGOs united in their focus on business development in emerging economies. View the website at www.ednaccess.com.