



OVERSEAS PRIVATE INVESTMENT CORPORATION

*Mobilizing Housing
Investment in Africa
September 2006*





OPIC: An Introduction

- For more than 35 years, the Overseas Private Investment Corporation (OPIC) has been the primary U.S. government agency charged with mobilizing U.S. private sector capital and skills to foster economic and social development in developing countries, while also serving important foreign policy interests.
- OPIC accomplishes its mission by providing financing and political risk insurance to U.S. businesses of all sizes for projects in a range of sectors.
- The agency is currently operating in 154 countries around the globe.



OPIC Housing Program: Components

Four essential components of OPIC's housing program:

- Land Development and Construction;
- Lease Purchase Finance;
- Mortgage Finance;
- Mortgage Securitization.



OPIIC Housing Program Strategy

- To support affordable homeownership for local families (\$10,000 to \$50,000)
- To fill “gaps” in local funding sources
- To coordinate with other multilateral institutions’ programs
- To partner with private companies wherever possible
- To support implementation of government policies through the private sector



OPIC Eligibility – U.S. Investment

- Loans
 - For direct loans, significant involvement of a U.S. small business
 - Typically, 25% U.S. ownership of the Project (usually a joint venture with local partner)
- Guaranties
 - Beneficiary: if foreign corporation, must be 95% U.S. owned, or if entity established under U.S. law, 51% U.S. owned.
- Insurance – same restrictions as for guaranties. If U.S. equity insured, benefits the U.S. partner only



How OPIC Supports Mortgage Finance Projects

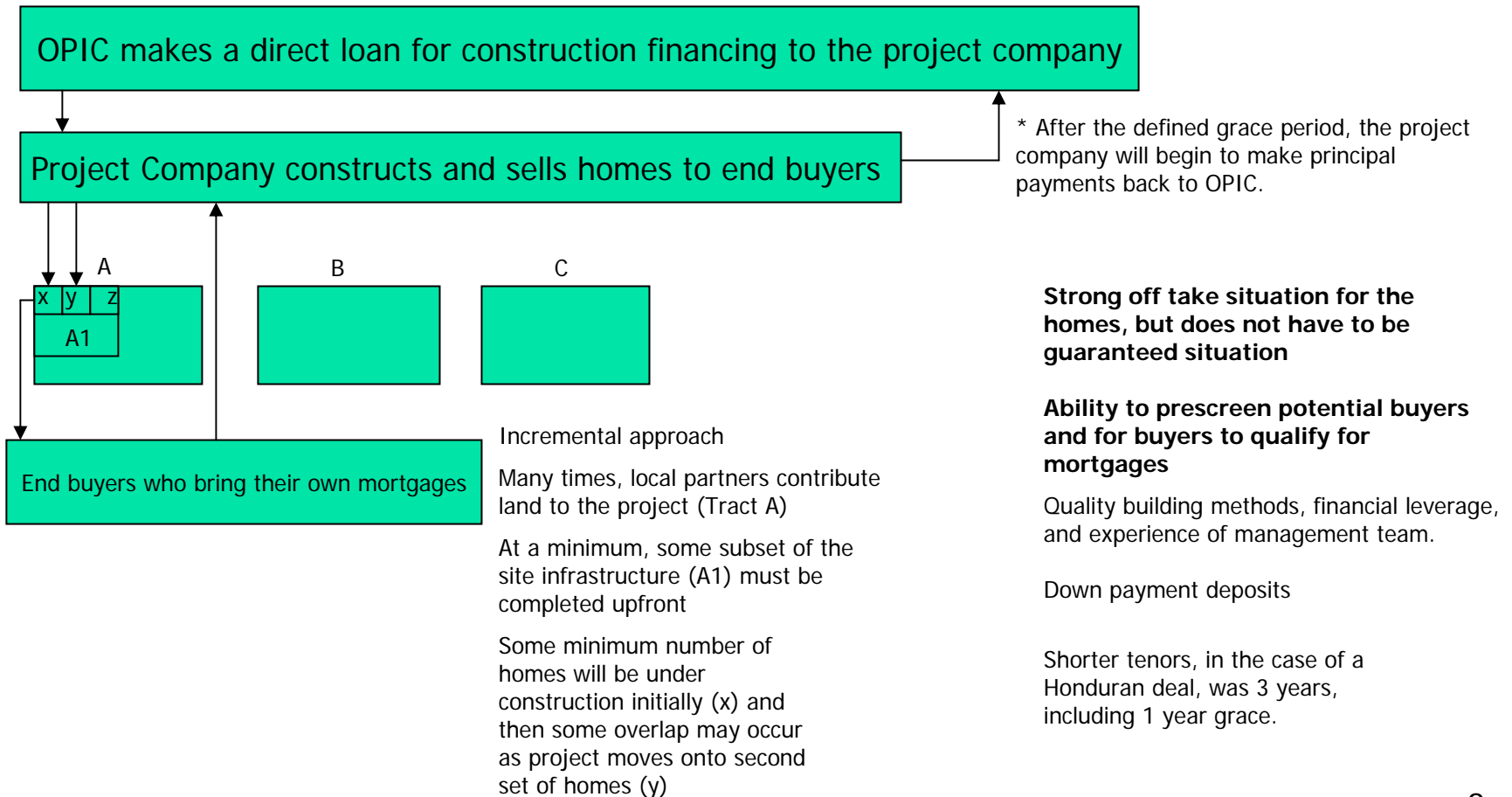
- Framework agreements with U.S. Banks
- Direct loans to eligible banks
- Loans to special purpose companies – U.S. and local joint ventures
- Support for companies that issue mortgage insurance and title Insurance



Framework Agreements and Bank Loans

- Framework Agreements:
 - OPIC guaranties loans made by U.S. banks to commercial banks to expand mortgage financing capacity in emerging markets.
 - OPIC shares risk on loan repayment with the U.S. bank.
 - Loans are generally made by U.S. banks to first or second tier commercial banks for portfolio lending (e.g., mortgage financing). Loans are generally \$10-25 million in amount, 5-years in tenor, unsecured, floating rate, and dollar-denominated.
 - OPIC's U.S. bank partners are Citibank, National City Bank, and Wachovia.
 - New National City facility has \$100 million tranche for housing construction funding; more recent arrangements provide for longer tenors.
- Bank Loans:
 - OPIC provides long-term funding directly to commercial banks in emerging markets to expand the supply of long-term funding for mortgages. These loans are generally 15-17 years in tenor, secured, fixed rate, and dollar-denominated.

Construction Loans –Case Study in Honduras

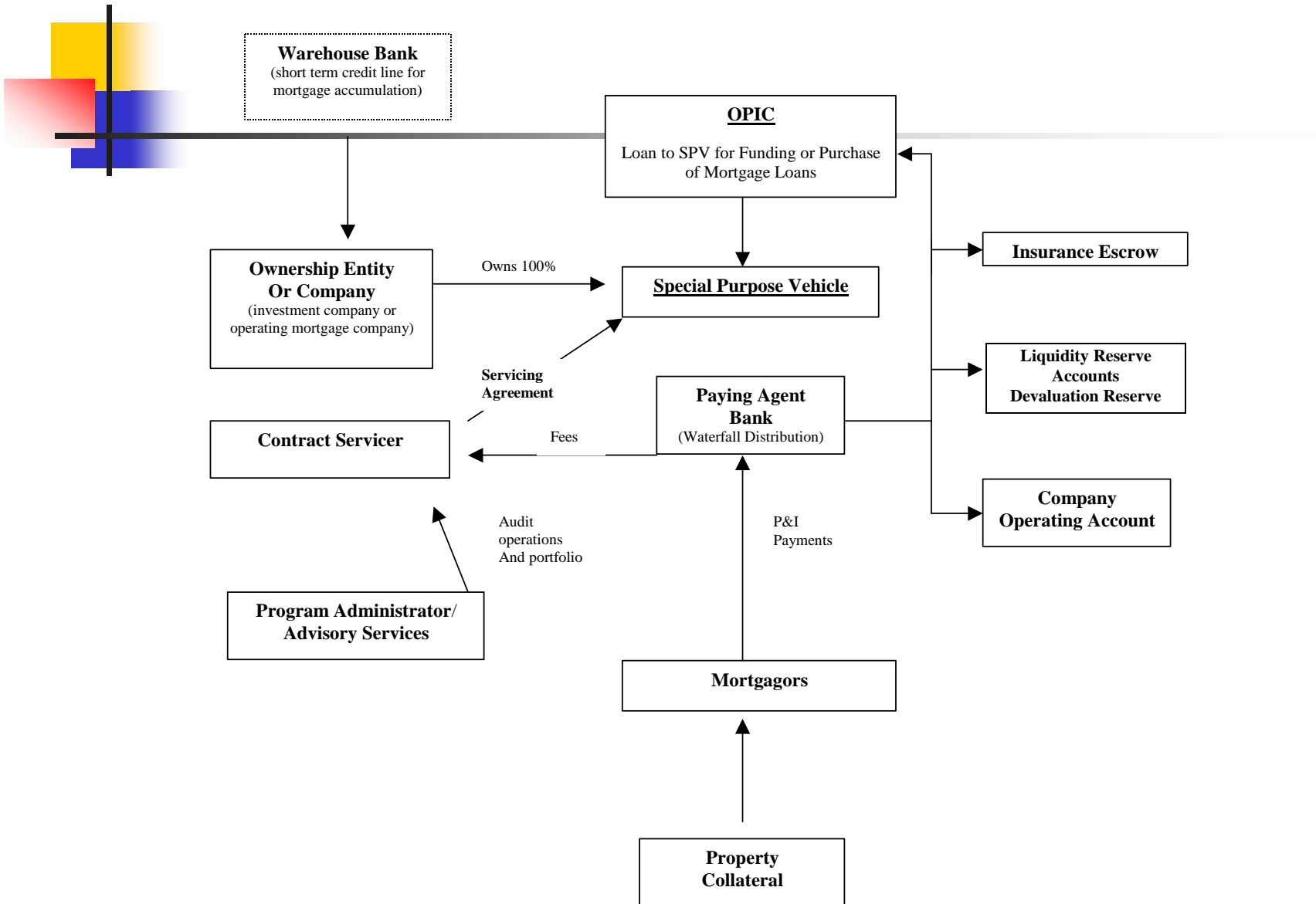




Lease Purchase Financing

- Employer assisted housing
- Developer deferred profit structure
- Rent-to-own program
- May be easier to enforce defaults
- Requires less downpayment
- Requires property management or portfolio management capacity

SPV Mortgage Structure – Case Study





Issues to consider with Mortgage Programs

- OPIC loan is in dollars
- 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.
- Middle income target



Mortgage Securitization – Types of Support

- Political risk insurance
- Financial guaranties “wraps”
- Mezzanine tranche support
- Dollar vs local currency issues
- Bonds vs MBS
- Investor eligibility



MBS Case Study Guatemala

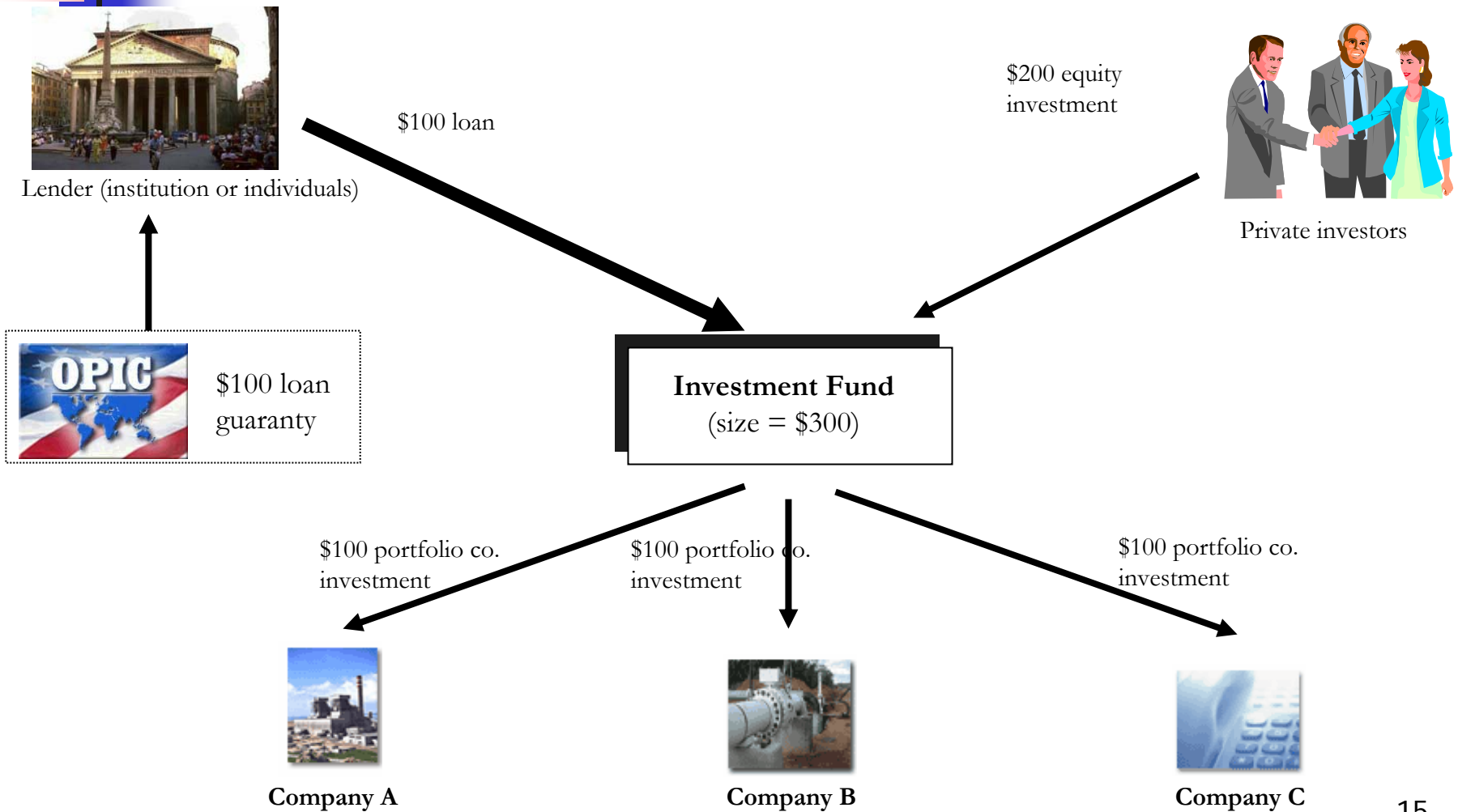
- Senior-Subordinated structure, OPIC to wrap the Senior Bonds
- Cayman corporation as issuer
- Senior Note sold to U.S. statutory business trust, 25% of which beneficially owned by U.S. investors
- Shadow rating from Moodys
- Historical data obtained from FHA and banks
- Local banks are originators and servicers
- OPIC fee is paid from spread
- Extensive operational oversight and regular due diligence on banks and loans
- No recourse to local banks, but they lose servicing rights on defaulted loans
- Senior notes equal 75% of the total issuance
- Newly originated loans, rather than existing portfolios



OPIC Investment Funds

- Investing in emerging market PE funds since 1991; comprising over **\$5.0 billion** in total capital allocated
- Today, **\$2.7 billion** OPIC capital invested across **33 partnerships** in **50 OPIC-eligible countries**
- **\$1.0 billion** currently invested in over **400 portfolio companies**
- Targeting \$400 million in new commitments for FY2006, \$500 million each for FY2007 & FY2008
- New Housing Fund Call recently closed

OPIC Fund Structure





Political Risk Insurance

INCONVERTIBILITY AND TRANSFER:

- **Inconvertibility and Transfer:** OPIC insures against nonpayment of debt service due to inconvertibility and transfer risk.
- **Coverage:** OPIC insures investors against nonpayment of debt service due to certain political risks. OPIC can match tenor of the bonds and provide coverage of up to \$200 million per project.
- **Strengths:** OPIC is committed to putting effective coverage in place for the length of the debt term. OPIC has an outstanding claims payment record, and its payment obligations are backed by the full faith and credit of the United States.
- **OPIC protects against:**
 - Inability to convert local currency
 - Inability to transfer dollars
 - Blocked accounts
(whether through legal or illegal means.)

OPIC will consider coverage against the risks of expropriation and political violence on a case-by-case basis.

Political Risk Insurance



EXPROPRIATION RISK

Redenomination Risk: Compensation is payable for expropriatory redenomination

of Mortgage loans if:

- Enacted as law in the host country
- Act deprives the banks/bondholders of the ability to collect the mortgage loans in the amount of U.S. dollars provided for in the mortgage loan documentation
- Acts are discriminatory
- Acts continue for the waiting period

Example: OPIC client filed a claim for expropriation of its equity interest when

Govt. of Argentina pesofied tariffs of gas pipeline project.

OPIC compensated client based on an expropriation of the underlying contractual obligations.

Additional OPIC Housing Projects

Afghanistan	Home construction	Finance and Insurance	\$3.0m
Afghanistan	Residential apartment buildings	Finance and Insurance	\$2.9m
Angola	Housing materials production and supply	Insurance	\$5.7m
Bosnia	Construction of apartments	Finance and Insurance	\$2.95m
Brazil	Construction of low- & middle-income housing	Finance	\$5m
Costa Rica	Mortgage finance	Finance	\$10m
Ghana	Housing construction	Finance	\$1.2m
Guatemala	Mortgage-backed security guaranty	Finance	\$7.5m
Honduras	Lease-Purchase Program for Low-Income Homes	Finance	\$9.2m
Honduras	Home construction	Finance and Insurance	\$1.5m
Kenya	Land Registration and Property-Tax System	Finance	\$0.84m
Mexico	Portfolio investment in real-estate company	Private equity fund	\$11.3m
Mexico	Micro-loans for housing	Finance	\$2.5m
Mexico	Prefabricated Modular Concrete Housing Units	Finance	\$10m
Nicaragua	Mortgage finance	Finance	\$30m
Romania	Micro-loans for housing	Finance	\$2.5m
Russia	Residential mortgages	Finance	\$100m
S. Africa	Construction of low-income houses	Finance	\$15m
South/Central Amer.	Private equity investments in real estate	Private equity fund	\$35m
*For Angola project, figure represents level of insurance coverage on U.S. investor's equity.			





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



<http://www.OPIC.gov>

To discuss your project, please contact OPIC's
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(202) 336-8688