

These sample terms of reference are intended to be used as an illustrative example to potential applicants seeking OPIC financing for housing projects. The general financial terms contained in this illustrative example are only available to applicants and projects that satisfy OPIC's credit, legal, policy and other applicable criteria. The terms contained in this illustrative example are not conclusive or exhaustive and are subject to change.

SAMPLE TERMS OF REFERENCE

Mortgage Finance – Special Purpose Vehicle (Off Balance Sheet) Structure

These draft terms of reference are for the purpose of discussion only. Extension of a credit facility by OPIC, on these or any other terms has not been approved by OPIC management. This draft indicative terms of reference is not a legally binding document, does not constitute a commitment, an offer, or an agreement by OPIC, and is subject to further review and change. Any representation to the contrary is void.

1. Parties:

Borrower: The SPV (or its parent, also referred to as the "**Company**"), a special purpose entity to be organized under the laws of Country X, which, when formed, will be owned at least 25% by eligible U.S. investors.

Sponsors: U.S. and local investors who own 5% or more of the shares of the SPV or the Company.

Strategic Investors: May include entities such as other international finance institutions or private banks, or subject to the following limitation, local government agencies. Pursuant to shareholders' agreement, government shareholders may not have voting control over the Borrower's activities.
2. Facility:

A dollar denominated loan to be drawn in tranches, not to exceed \$250 million (the "**Credit Facility**").
3. Availability:

A loan or loans under the Credit Facility (the "**OPIC Loan**") may be drawn, from time to time, commencing on initial Disbursement and ending on the earliest to occur of (a) the date the amount of the Credit Facility is drawn in full, (b) 3 to 5 years from the date of the initial Disbursement, and (c) the date the commitment to make the Credit Facility available is terminated (the "**Commitment Period**"). The Commitment Period may not exceed 8 years.
4. Use of Proceeds:

The proceeds of the OPIC Loan shall be applied to the funding of residential mortgage loans (collectively, "**Mortgage**

Loans”) secured by properties in various locations in Country X. [Describe and define “**Project**”.]

5. Financial Plan: The Project Cost is calculated as the purchase price of the houses to be financed with the Credit Facility. Equity is comprised of homebuyers’ downpayments, as well as subordinated debt from the sponsors or other sources, and working capital contributed by sponsors towards operating and start-up expenses approved by OPIC.
6. Term: Each disbursement of the OPIC Loan (each, a “**Disbursement**”) shall be repaid on a quarterly straight line or monthly mortgage amortization basis, over a period of not more than 15-20 years. Funds may be drawn during the Commitment Period, not to exceed a total term (Commitment Period plus amortization) of 20 years. The SPV may not make more than one Disbursement request per quarter.
7. Interest: For direct loans: Interest shall be paid monthly or quarterly in arrears on the 15th day of each month of each year (each such date, a “**Monthly Payment Date**”) calculated at a fixed rate *per annum* for each Disbursement equal to the OPIC Cost of Funds for such Disbursement, plus a margin to be determined. “**OPIC Cost of Funds**” means, with respect to a Disbursement, the *per annum*, fixed rate of interest determined in accordance with the monthly average “U.S. Treasury Constant Maturity Yields” for the previous calendar month as published in statistical release H.15 (519) of the Board of Governors of the Federal Reserve System, taking into account for purposes of such determination (x) the final maturity date specified for such Disbursement and (y) the following constant maturities: (i) the 5-year rate in the case of a final maturity date that is at least 1 year but less than 5 years after the date of such Disbursement; (ii) the 7-year rate in the case of a final maturity date that is at least 5 years but less than 7 years after the date of such Disbursement; (iii) the 10-year rate in the case of a final maturity date that is at least 7 years but less than 10 years after the date of such Disbursement; and (iv) the 20-year rate in the case of a final maturity date that is at least 10 years but not longer than 20 years after the date of such Disbursement.
For investment guaranties (“**IGs**”): Interest shall be paid [semi-annually][quarterly] on [[_____] [15], [_____] [15],] [_____] [15], and [_____] [15] of each year (each such date, a “**Payment Date**”) in arrears, calculated at a rate *per annum* for each Disbursement equal to the sum of the fixed or

floating rate necessary to fund such Disbursement through OPIC's certificates of participation ("**OPIC Cost of Funds Rate**"), plus [] ([])% *per annum* payable to OPIC (the "**OPIC Spread**" and, together with the OPIC Cost of Funds Rate, the "**Interest Rate**"). If the OPIC Cost of Funds Rate is a floating rate, OPIC shall have the right to fix the OPIC Cost of Funds Rate upon an event of default.

[Funding for IGs:

The Loan may be funded through the marketing of OPIC certificates of participation by placement agents satisfactory, and on terms and conditions, and pursuant to documentation (the "**Funding Documents**") satisfactory to each of OPIC, the Sponsor[s], and the Company. The Funding Documents will contain customary provisions that (a) protect the holders of OPIC's certificates of participation against increased costs or loss of yield resulting from prepayment of the Loan, changes in reserve, tax, capital adequacy or other requirements of law and from the imposition of, or changes in, withholding or other taxes and (b) indemnify such holders for "breakage costs" incurred in connection with, among other things, prepayment of the Loan. OPIC will bear no liability in the event that any portion of the Credit Facility cannot be provided on terms and conditions satisfactory to each of OPIC, the Sponsor[s], and the Company.]

8. Default Rate: The Borrower shall pay to OPIC interest at the rate of two percent (2.0%) *per annum* over and above the Interest Rate in respect of any amount not paid when due under the Loan Agreement.
9. Facility Fee: A percentage of the total amount of the Credit Facility (the "**Facility Fee**") less the portion of the retainer fee that was previously paid and has not been applied by OPIC to defray its out-of-pocket expenses. Generally payable at commitment.
10. Cancellation Fee: May be charged a fixed fee for early cancellation of the commitment.
11. Commitment Fee: A percentage of the undisbursed and uncanceled amount of the Credit Facility (the "**Commitment Fee**") shall accrue from the date of execution of the Commitment Letter to and including the earliest of: (a) the date the Credit Facility is drawn in full, (b) the date the Commitment Letter is terminated, and (c) the date the Loan Agreement is terminated. The Commitment Fee shall be paid to OPIC in arrears on the 15th day of each quarter

(each such date, a “**Quarterly Payment Date**”), commencing on the first Quarterly Payment Date to occur after the date of execution of the Commitment Letter.

12. Maintenance Fee: OPIC requires payment of an annual maintenance fee (the "**Maintenance Fee**") to cover costs of outside Program Administrator for monitoring the OPIC collateral pool and the operations of the Company.
13. Voluntary Prepayment: May be allowed, subject to various conditions, in amounts not less than the full outstanding balance of a single Disbursement (or Note). Voluntary prepayments are subject to make-whole provisions for IG funded Loans.
14. Mandatory Prepayment:
(i) If a Mortgage Loan is repaid in full, the Company shall prepay the OPIC Loan in the amount equal to the outstanding balance of such Mortgage Loan and OPIC shall release its security interest in the applicable Mortgage.

(ii) The Loan shall be prepaid in the event that, and in the amount by which, [(a) insurance[, condemnation or other extraordinary] proceeds received by the Company in any fiscal year in excess of \$[_____]] are not used to repair or replace damaged [or otherwise affected] assets.
15. Eligible Mortgage Loans: “**Eligible Mortgage Loans**” shall be defined as Mortgage Loans that are underwritten in accordance with Mortgage Loan Guidelines defined below and, in particular, meet all of the following criteria:
- (i) Principal of Mortgage Loans may be denominated in dollars or local currency.
 - (ii) Mortgage Loans shall have fixed interest rates and fixed monthly payments. The Company has the option to raise the rates according to market conditions. (Variable rate loans permitted with appropriate interest rate hedges.)
 - (iii) The term of Mortgages Loans shall generally be no more than 15-20 years but longer terms may be negotiated if cash flow models support OPIC debt

service.

- (iv) Maximum and minimum Mortgage Loan amounts will be determined, but generally are \$100,000 and \$10,000.
- (v) Mortgage Loans shall be applied to single family detached, semi-detached or apartment-style residential housing.
- (vi) Purpose of the Mortgage Loans shall be to (a) purchase a new or existing primary home, (b) purchase a local residence by a non-resident citizen (who must certify that he or she does not own other residential properties for rent). Other purposes will be considered subject to credit and developmental considerations.
- (vii) Mortgage Loan to value ratio may never exceed 80%, without mortgage insurance or other credit enhancement. Ratio is subject to market and credit considerations.
- (viii) Property appraisals are required.
- (ix) Debt to income ratios for Mortgagors shall be in compliance with underwriting standards approved by OPIC.
- (x) Property and Mortgagor life insurance shall be in place from OPIC-approved insurance companies, showing Company and/or OPIC as additional beneficiaries.
- (xi) Mortgage Loans shall be current when placed in collateral pool.

The SPV must have written credit policies and procedures for loan origination and servicing approved by OPIC (“**Mortgage Loan Guidelines**”). The Mortgage Loan Guidelines will reflect the requirements of the Financing Documents, and credit scoring procedures that incorporate an assessment of currency risks.

16. Collateral Agent:

A collateral agent (“**Collateral Agent**”) acceptable to OPIC shall be appointed, at the expense of the Company, to take possession of all OPIC collateral and perform such other duties as OPIC shall direct.

17. Paying Agent: A paying agent (“Paying Agent”) acceptable to OPIC shall be appointed, at the expense of the Company, to receive payments from Mortgagors into an account in the name of the Company, distribute payments according to the paying agent agreement (“**Paying Agent Agreement**”), and perform such other duties as OPIC shall direct.
18. Cash Flow Waterfall: Provided no Event of Default or Trigger Event has occurred, Mortgage Loan payments (excluding prepayments in full of Mortgage Loans) shall be made into an account in the name of the Company established with the Paying Agent and shall be distributed by the Paying Agent to OPIC at least monthly according to the following waterfall:
- 1) Collateral Agent/Paying Agent fees;
 - 2) Mortgage servicing fee (if applicable)
 - 3) OPIC debt service account for OPIC principal and interest payments as well as for any Commitment Fees or Maintenance Fees due and payable;
 - 4) repurchase reserve account if applicable, and
 - 5) any excess remaining to the Company operating account.
19. Trigger Events: “Trigger Events” that will cause the Paying Agent to freeze payments to the Company and retain all cash for the benefit of OPIC, and, if unremedied, to require transfer of servicing to an OPIC-approved alternate or back up servicer (as appropriate) include:
- 1) The occurrence of any Event of Default (as defined in the Loan Agreement);
 - 2) Payments on the Mortgage Loans to OPIC debt service drops below a minimum debt service coverage ratio (debt service coverage ratio is defined as: “for each of its four consecutive fiscal quarters, taken as a single accounting period, a ratio of cash flow to OPIC debt service”, cash flow being the cash available after deductions for reserve account and bank fees);
 - 3) Portfolio delinquency rate is in excess of 10% and foreclosure/repurchase rates are in excess of 3%; (these percentages are for discussion purposes only); and
 - 4) Other conditions that may be determined.
20. Program Administrator: A Program Administrator selected by OPIC will conduct a review of the Company’s mortgage lending operations and will select and audit a sampling of Company’s loan files for

compliance with OPIC requirements semi-annually during the first three years and once every year thereafter until the OPIC Loan is repaid.

21. Repurchase Provision: It may be required that the Company repurchase any loans from the SPV that become more than 60 days past due as well as Mortgage Loans that were not Eligible Mortgage Loans or otherwise not in conformance with the requirements of the Loan Agreement. In that case a Repurchase Liquidity Reserve may be required.
22. Liquidity Reserve: A liquidity reserve fund may be required, to be funded in advance or from cash flow from the SPV. Amounts and structure are dependent upon the structure of the SPV and the capitalization of the Company, as well as on collateral characteristics.
23. Financial ratio covenants: The OPIC Loan outstanding balance must be covered by the outstanding principal balance of the Mortgage Loans at a ratio to be determined. Other financial ratio covenants related to the Company may apply.
24. Other Covenants: Covenants will be those customary to a transaction similar in nature and will include, but not be limited to, the following:
- (a) covenants (i) prohibiting the Company from taking any actions to prevent its employees from lawfully exercising their right of association and their right to organize and bargain collectively, obligating the Company to observe applicable laws relating to a minimum age for employment of children, acceptable conditions of work with respect to minimum wages, hours of work, and occupational health and safety, and prohibiting the Company from using forced labor; and (ii) obligating the Company to require its Project contractors to comply with the foregoing worker rights requirements with respect to employees in [Project country] of such contractors and their subcontractors in the Project; *provided, however*, that neither the Company nor any such contractor shall be responsible for non-compliance with such worker rights requirements resulting from the actions of a government [There may be supplemental workers rights requirements];
 - (b) covenants obligating the Company to (i) [construct and] operate the Project in compliance with the environmental, health and safety standards set forth in the applicable World

Bank Guidelines, host country laws and regulations, OPIC's environmental policies and other terms and conditions as may be set forth in the Loan Agreement, and (ii) maintain all required permits and approvals relating to environmental, health, or safety matters [There may be supplemental environmental requirements];

(e) covenants obligating the Company to comply with Corrupt Practices Laws (as defined in the Commitment Letter) and implement internal management and accounting practices and controls adequate to ensure compliance with such Corrupt Practices Laws;

(f) other covenants regarding maintenance of insurance on the Project with the coverages and in the amounts satisfactory to OPIC; maintenance of financial ratios; restrictions on the payment of dividends, the transfer of shares, the incurrence of other indebtedness, the incurrence of liens and the making of other investments; subordination of other indebtedness; and reporting requirements;

(g) covenants requiring the Mortgage Loan Guidelines to be incorporated into the SPV's underwriting policies and procedures.

(h) requirement for certification by an authorized officer of the SPV on an annual basis that the SPV and the Mortgage Loans and mortgages are in compliance with the terms and conditions of the Mortgage Loan Guidelines.

(i) events of default; material adverse change; credit support requirements; conditions for project completion;

(j) payment for or reimbursement of all expenses (including fees and expenses for outside legal counsel and consultants) incurred by or on behalf of OPIC in connection with the negotiation, execution, and implementation of the Financing Documents and the documents, instruments, and approvals required to be delivered thereunder; any amendment or waiver related to any of the foregoing; and any costs, fees, and expenses incurred by or imposed on OPIC in connection with the enforcement of its rights under any Financing Document;

(k) indemnity by the Company of all Indemnified Persons (as defined in the Commitment Letter) from and against and

reimbursement of such Indemnified Persons for (a) any and all Losses (as defined in the Commitment Letter) in any way relating to or arising out of or in connection with the Project, the Financing Documents, the Credit Facility or the use or intended use of the proceeds thereof to which an Indemnified Person may become subject; and (b) any and all claims, litigation, investigations, or proceedings relating to any Loss regardless of whether any Indemnified Person is a party thereto, and any and all costs and expenses incurred by an Indemnified Person in defending, analyzing, settling, or resolving a Loss; and

(l) New York governing law; and such other terms and conditions as are mutually agreed to between the parties.

The Financing Documents shall be satisfactory to OPIC in form and substance.

25. Reports to OPIC:

At their cost, the Company must provide a variety of quarterly and annual reports such as:

(a) Quarterly un-audited financial statements;

(b) Annual audited financial statements in IFRS or US GAAP;

(c) A quarterly progress report which includes current year and annual projected (through the OPIC Loan maturity date) Mortgage Loans (i) principal and interest payments and prepayments, and (ii) aggregate default, late payment, and loss reserve data, (iii) Mortgage Loan classification and performance summary information, and (iv) such other information with respect to the Project as OPIC may reasonably request from time to time.

(d) Monthly Cash Flow Reports and (ii) quarterly Delinquent Mortgage Loan Reports. "**Cash Flow Report**" means a report concerning each Mortgage Loan included into the OPIC collateral package broken down by reference to the relevant Disbursement, setting forth the following information for that Mortgage Loan in detailed and summary format: the loan number, the Mortgagor's name(s), origination date, original balance, current balance, next due date, last payment date, scheduled principal and interest payment, and actual principal and interest paid (including prepayments). "**Delinquent Mortgage Loan Report**" means a report which lists all

Mortgage Loans in the OPIC collateral package that are past due more than one (1) day, broken down into categories of (a) ten (10) days or less, (b) thirty (30) days or less, (c) sixty (60) days or less, and (d) more than sixty (60) days, including all relevant information on the collection efforts of the SPV.

26. Dividends: No dividends may be paid to the Sponsors during a period of time to be determined by OPIC (up to 5 years). Thereafter they may be paid subject to Restricted Payments Provisions as defined below.
27. Restricted Payments Provisions: After the period when no dividends may be paid, dividends may be paid to the Sponsors in an amount not to exceed a to-be-determined percentage of net profit, with pro-rata payment to OPIC for any additional distributions requested, so long as the Company is not in default and is in compliance with all financial ratio requirements.
28. Documentation: Documents typically associated with a facility of this type include: Loan Agreement, Promissory Note, Pledge of Shares in the SPV, Assignment or Pledge of Mortgage Collateral, Assignment of insurances with OPIC or Collateral Agent as loss payee, Paying Agent Agreement, Collateral Agent Agreement, Servicing Agreement (if a separate servicer is used), Management Agreement, Repurchase Agreement and Reserve Account Agreement, Subordination Agreement, Back-up Servicer Agreement etc. All such documents shall be in form and substance acceptable to OPIC.
29. Some Conditions Precedent to Initial Disbursement:
- (a) Legal Opinions regarding, among other things, the validity and enforceability of (i) the collateral (ii) the security documents, (iii) the Financing Documents, and (iv) that the SPV is not subject to consolidation with Sponsor assets (true sale).
 - (b) OPIC shall have approved the selection of the Collateral Agent and the Paying Agent and the Backup Servicer.
 - (c) OPIC shall have reviewed and approved the underwriting guidelines, origination and servicing procedures and information management systems of the Company, the SPV

and/or the Servicer/Back-up Servicer as well as its quality control procedures.

(d) OPIC shall have approved the property and Mortgagor life and casualty insurer and the errors/omissions insurer for persons acting in the servicer capacity.

(e) OPIC shall have received evidence of the establishment of the Company and all other legal entities related to this transaction with appropriate legal opinions, copies of joint venture and operating agreements etc. as well as copies of all legal and service agreements between those entities.

(f) OPIC shall have reviewed and found satisfactory all counter-party agreements, including the servicing agreement, the forms of mortgage agreements, any other loan agreements as applicable.

(g) Receipt of final financial model approved by OPIC Credit Policy.

(h) Proof of equity contributions by Sponsors as evidenced by an opinion from an accounting firm acceptable to OPIC.

(k) Establishment of bank accounts as required (including an insurance escrow account, if applicable).

(l) Other conditions may be established.

30. Some conditions precedent to Disbursement: The Loan Agreement shall include the following conditions precedent to Disbursement:

(a) no condition shall exist that, in OPIC's sole judgment, has had or could have a material adverse effect on (i) the business, operations, property, condition (financial or otherwise) or prospects of the Company, the Sponsor[s], or the Project, (ii) the ability of the Company or any Sponsor to carry out the Project or to perform its respective obligations under the Financing Documents, or (iii) the condition or value of any security;

(b) OPIC shall have completed to its satisfaction its due diligence investigation of the Project and matters relating thereto and to the Credit Facility (including environmental

issues), and the results of such investigation shall be satisfactory to OPIC; and

(c) Confirmation to OPIC's satisfaction that the Mortgage Loans financed by any previous Disbursements comply with the Mortgage Loan Guidelines.

31. Security:

Collateral will generally include: a first priority security interest in all of the SPV's assets, including all accounts receivable, real property, Mortgage Loans and Mortgages and rights under the Project agreements; a pledge of all the shares in the SPV; reserve accounts pledged to OPIC; an agreement to repurchase or substitute any loan that is found to be fraudulent or not in compliance with the Mortgage Loan Guidelines or that becomes 60 days past due; pledge of each Mortgagor's escrow account; subordination of loan or loans to the SPV (if any); assignment of Project documents to OPIC, including the servicing agreement; assignment of insurances and insurance proceeds. Support may also be required from affiliated third parties.

32. Yield Enhancement:

OPIC may require a "Yield Enhancement" in an amount and a form to be determined with each transaction.

Mortgage SPV Structure

