

**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

### Housing Construction Loan

**This draft terms of reference is 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.**

<b>DIRECT LOAN</b>	
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

	year U.S. Treasury Rate. Interest may not be capitalized.
Repayment Schedule	Principal payments are made at loan takeout or in equal quarterly installments after expiration of the Grace Period.
Loan to Cost Ratio	Typically 60%, not to exceed 65%, calculated on the project costs associated with the first “phase” of the project. (see Loan Type section above)
Eligible Project Costs	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.
Other acceptable sources of funds	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).
Commitment Fee	Approximately .5% on the outstanding, undisbursed commitment amount
Facility Fee	Approximately 1% of the loan amount, or payable at execution of the Commitment Letter or the Loan Agreement.
Maintenance Fee and OPIC Monitoring Engineer Fee	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.
Voluntary Prepayment	Borrower may prepay without penalty.
Pre-Sale Requirement [as a CP to disbursement]	Negotiated on a case by case basis, depending upon market feasibility, availability of mortgages, off-take agreements, etc.
Collateral	<ol style="list-style-type: none"> <li>1. A first priority lien on the property and improvements.</li> <li>2. A pledge of 100% of the shares of the Borrower.</li> <li>3. A first ranking security interest in any project-related bank accounts or reserve accounts.</li> <li>4. Assignment or pledge of other equipment, contracts, guaranties and bonds as required.</li> </ol>
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"> <li>1. Copies of major executed construction contracts and subcontracts.</li> <li>2. Copies of all permits.</li> <li>3. Required insurances in place.</li> <li>4. Performance bonds in place, and assignments as required.</li> <li>5. Evidence of equity contributions made to date.</li> <li>6. Evidence of property titled in the name of the Borrower, as well as sales contracts and evidence of purchase price paid.</li> <li>7. Executed mortgage over property and improvements, if property has been purchased.</li> <li>8. Final financial model in form and substance acceptable to OPIC.</li> <li>9. Satisfactory preliminary report on project status, budget and operating structure from OPIC monitoring engineer.</li> </ol>
Typical Conditions Precedent to Each Disbursement	<ol style="list-style-type: none"> <li>1. Evidence of pre-sales or completed sales as required in project milestones.</li> <li>2. Certificates of completion or other consents required from local authorities.</li> <li>3. Validation of costs paid to date.</li> <li>4. Updated project progress report.</li> <li>5. Satisfactory report from OPIC monitoring engineer.</li> </ol>
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"> <li>• Development fees may not be paid until project completion to be defined by OPIC or repayment in full of the OPIC loan.</li> <li>• 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.</li> </ul>
Profit Distributions	Not permitted until the OPIC loan is repaid