



## Definition of Loan Products

IFC offers a variety of loan products to support house financing needs in emerging markets. Such loan products can be broadly categorized as unsecured loan, secured loan and quasi-loan.

## Risk Factors and Mitigants

### Unsecured Loan

#### Credit Risk

Arising from the inability of Borrower to repay the loan.

### Secured Loan

#### Credit Risk

Arising when the value of the underlying security.

- External Credit Enhancement—Corporate guarantee, insurance
- Internal Credit Enhancement—Over-collateralization, debt service account

#### Legal Risk

Arising from the ineffectiveness of enforceability of lien in the event that default occurs at a significant scale.

- Legal opinion from reputable local counsel

#### Servicer Risk

Arising from the ineffectiveness of enforceability of line title in the event that default occurs at a significant level.

- Pre-identify a back-up servicer

### Quasi-Equity

#### Credit Risk

Arising from the failure of the invested company to perform as projected from feasibility study.

- Partner with strong international partners
- Seek government commitment when necessary

## Features of Loan Products for Housing Finance

Features	Unsecured Loan	Secured Loan	Quasi-equity
Clients Profile	Commercial banks Financial institutions	Commercial banks Financial institutions Specialized mortgage origination companies Construction developer	Commercial banks Financial institutions Specialized mortgage origination companies Construction developer
Currency	US dollar or select local currencies	US dollar or select local currencies	US dollar or select local currencies
Security	None	Land and construction Seasoned mortgages Newly-produced mortgages External guarantee	None
Key Documents	Loan agreement	Loan agreement Security agreement Trust agreement (optional) Servicer agreement (optional)	Equity investment agreement
Ranking of Claims	Pari passu with other obligations	Pari passu with other obligations	Junior to other obligations, and is paid after claims to holders of senior debt are satisfied
Standard Fees	Commitment fee of 0.5% per annum on the undisbursed loan amount One-time up-front fee of 1.0% of the loan amount Hedging cost if the loan is in local currencies	Commitment fee of 0.5% per annum on the undisbursed loan amount One-time up-front fee of 1.0% of the loan amount Hedging cost if the loan is in local currencies	Commitment fee of 0.5% per annum on the undisbursed loan amount One-time up-front fee of 1.0% of the loan amount Hedging cost if the loan is in local currencies

## Potential Impact of Loan Funding to Emerging Housing Finance Market

- Provide financial assistance to primary mortgage market players.
- Development of standardized and prudent credit underwriting, mortgage origination and servicing standards.

## Examples of IFC's Loan Products

### Asia

- Bangladesh—DBH
- China—Anjia
- India—Sundaram Home, Dewan, BHF, and HDFC
- Korea—KOMOCO

### Europe and Central Asia

- Bulgaria—BAC Baml
- Central Europe—BalAEF ML
- Georgia—Bank of Georgia
- Romania—Transilvaniabank and Romania
- Russian Federation—DeltaCredit, Absolut Bank, City Mortgage Bank

### Latin America and the Caribbean

- Argentina—BACS and Banco Hipotecario
- Caribbean Region—ECHMB
- Colombia—CHMC
- El Salvador—Banco Agrícola
- Mexico—Su Casita
- Mexico—HipNal
- Panama—La Hipotecaria

### Middle East and North Africa

- Egypt—EHF
- Lebanon—Byblos Bank, SGLEB, and Fransabank
- Oman—Aliance Housing
- Pakistan—IHFL
- Saudi Arabia—SBB

### Sub-Saharan Africa

- South Africa—SAHL

IFC, a member of the World Bank Group, is the largest multilateral source of loan and equity financing for private sector projects in the developing world. IFC's mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives.

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# Loan Products

Promoting Access to Affordable Housing  
in Emerging Markets