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FEDERAL NATIONAL MORTGAGE ASSOCIATION

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Office of the
General Counsel

January 24, 1974

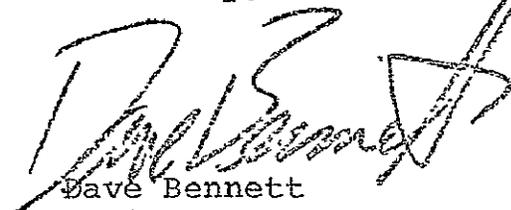
Mr. Harold Robinson
Urban/Industrial Development Division
Bureau for Latin America
Agency for International Development
Department of State
Washington, D. C. 20523

Re: Contract #AID/CM/1a/C-73-24

Dear Harold:

Pursuant to paragraph D2, Article XII of the captioned contract, the contractor reports that Mr. Ralph Grutsch went to Barbados under the contract for a one year term at the beginning of October. There have been no visits by additional personnel during the quarter ended December 31, 1973. Enclosed is a copy of Mr. Grutsch's quarterly report which is incorporated herein for the additional information to be covered by this report.

Sincerely,



Dave Bennett
Assistant General Counsel

Enclosures

RECORDED

QUARTERLY REPORT OF SECONDARY MORTGAGE MARKET OPERATIONS
CARIBBEAN DEVELOPMENT BANK
BARBADOS

OCTOBER TO DECEMBER, 1973

Shortly after the inception of my activities in connection with the introduction of the Secondary Mortgage Market programme in conjunction with the A.I.D./F.N.M.A. assignment a series of meetings were held attended by Sir Arthur Lewis, President, Mr Neville Nicholls, General Counsel and Mr Arthur Maynard, Senior Legal Officer.

It was the purpose of these meetings to co-ordinate the approach to the establishment of this function and to correlate the objectives through the Bank's policies and the A.I.D. Agreement. Although the Bank is fortunate in having within its staff a high degree of expertise in the area in which they normally function namely specialized financing and its attendant operations, the concept of the secondary mortgage market did evolve an approach with some considerable variations. Having been accustomed to many years of high volume activities within F.N.M.A. and the utilisation of vast data and sophisticated equipment, it was essential to adjust the original approach of our efforts here to provide adaptability of the F.N.M.A. method for the purpose of obtaining necessary flexibility to conform with a new and minimal programme.

Because of the long duration of the F.N.M.A. secondary market and the establishment of proven methods and procedures it was expedient and practical to utilise on a modified basis those systems and methods which provided for the successful operation of the secondary market in the States. As the programme began to evolve through the establishment and development of these procedures additional meetings were held with Messrs Nicholls and Maynard and I am appreciative of their collaboration.

During the latter part of October and through November we were in the process of developing the following:

Sellers and Servicers Applications
Sellers and Servicers Agreements
Sellers and Servicers Guides
Property Evaluator Applications

As these developments occurred copies with interim comments were furnished to Mr Harold Robinson, State Department and Mr David Bennett, F.N.M.A.

For the purpose of acquainting the industry we addressed to the various potential organisations a letter outlining the fundamentals of the programme and to keep them advised as to the development and early announcement of the initial availability of funds. During the week of December 10, 1973 in company with Mr Maynard we visited the islands of Antigua, St. Kitts, Nevis and Montserrat. It was quite evident that there was within these various islands a definite need for a facility of this nature to serve the indigenous institutions in providing assistance in the middle income housing area. We have furnished to both A.I.D. and F.N.M.A. reports of these visits.

We ~~have as of this date received one~~ application for approval of a seller/servicer relationship and from all indications others will follow very soon. In all of our discussions and presentation of the programme we emphasised that the finalisation of conditions and terms must await approval of the CDB Board and the A.I.D. in Washington.

During this interim, however, we shall continue the educational programme with the various eligible institutions and anticipate a further trip to Dominica and St. Lucia during the week of January 14, 1974 to be followed by a visit to St. Vincent on January 23 and 24, 1974.

We are at this point confining our distribution of material to the interested parties of selling and servicing applications and agreements, withholding guides and specifics with respect to required yields and so forth until such time as the foregoing approvals are obtained.

Our present projection is estimated as follows:

- Board approval by February meeting;
- Immediately thereafter submission to A.I.D. per Agreement requisite;
- Programme activation by announcement on or shortly after March 1, 1974.

It may be premature at this time to predict or evaluate the utilisation of this facility but predicated on the interest demonstrated the apparent need and developing knowledge of the programme within the area served by the Bank, some degree of achievement will be realized early in 1974.

We have in our proposed concept moderately increased the maximum mortgage amount to US\$11,250,00 which exceeds the amount specified by A.I.D. by US\$450,00. Also we indicate 75% loan to value ratio as opposed to 80% as provided by A.F.D.

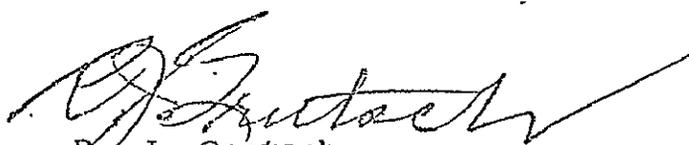
Because of the inflationary costs effects which is very pronounced through the entire area and the estimated rise in earnings we now feel it would be compatible with the present and predicted circumstances to further increase the loan maximum and the loan to value ratio to 80%.

We further believe this would still be consistent with the ~~effort to serve~~ the middle income group. —To more adequately provide for feasible financing and assure continuity of the programme we shall request a thorough analysis, and projection of yield requirements by the financial experts of the Bank.

We have also met with the gentlemen in the Low Cost Housing programme and discussed the various relationships and at the same time the distinct differences between our programmes. The gentlemen involved are Messrs Gouveia, Coleman and Brown.

I have also met with the American Ambassador, Miss Eileen Donovan, and Mr Featherstone, the Economic Officer at the United States Embassy and informed them of our efforts and they were very interested and requested that they be kept further advised.

I want to take this opportunity to express my appreciation for the assistance and co-operation extended to me by the staff of CDB.


R. J. Grutsch
Mortgage Consultant

January 11, 1974