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1972

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

HOUSING GUARANTY PAPER

Proposal and Recommendations  
For the Review of the  
Development Loan Committee

002983

BOLIVIA: CAJA CENTRAL DE AHORROS Y PRESTAMOS PARA LA VIVIENDA

LOS PINOS PROJECT

511- HG- 004  
AID-DLC/P-1008

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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

UNCLASSIFIED

AID-DLC/P-1008

April 3, 1972

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Bolivia: Caja Central de Ahorros y Prestamos para  
la Vivienda - Los Pinos Project

Attached for your review are the recommendations for authorization of a guaranty of \$6,000,000 assuring against losses of not to exceed one hundred per centum (100%) of loan investment and interest by an eligible United States investor or investors acceptable to A.I.D. for the long-term financing of home ownership through the sponsorship of the Caja Central de Ahorros y Prestamos para la Vivienda.

This guaranty proposal is scheduled for consideration by the Development Loan Staff Committee at a meeting on Friday, April 7, 1972.

Rachel R. Agee  
Secretary  
Development Loan Committee

Attachments:

Summary and Recommendations  
Guaranty Analysis  
ANNEXES I and II

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**AID HOUSING GUARANTY**  
**LOS PINOS PROJECT - BOLIVIA**

April 3, 1972

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SUMMARY AND RECOMMENDATIONS

April 3, 1972

1. Sponsor - Administrator: Sponsor and Borrower will be the Caja Central de Ahorros y Prestamos para la Vivienda, the controlling body of the private Bolivian savings and loan system. Co-administrators will be the "La Primera" and "La Paz" Savings and Loan Associations.
2. Builder: The builders will be private contractors in La Paz, selected by the Caja Central in accordance with the terms of public bid procedures in Bolivia.
3. Location: La Paz, Bolivia
4. Amount of Guaranty: \$6,000,000
5. Term: The term of the guaranty will be for twenty-five years.
6. Interest Rate: The interest rate payable to the U. S. Investor(s) shall not exceed the allowable rate of interest prescribed by the Administrator pursuant to Section 223 (f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans.
7. Construction Financing: The Caja will receive construction advances based on construction progress reports after an initial drawdown not to exceed \$500,000, and to be secured by mortgages held by the Caja.
8. Number of Units: Approximately 1,100 units will be built, consisting of two and three bedroom condominium apartments in four-story walkup and 18-story elevator buildings.
9. Price Range: Approximately \$2800 to \$7500.
10. Host Country Guaranty: A full faith and credit guaranty of dollar repayment will be provided by the Government of Bolivia.
11. Mission Views: The La Paz/AID Mission has on several occasions expressed its strong support for the proposal.
12. Conditions of Guaranty: A Guaranty Authorization identifying terms and conditions to be signed by the Deputy U. S. Coordinator, Alliance for Progress, is attached hereto as Annex I.

13. Statutory Criteria: Statutory criteria have been met. See Annex II attached.
14. Recommendation: On the basis of the analysis and discussion in the following report, it is recommended that the subject project be approved.

## I. INTRODUCTION AND BACKGROUND

### A. General

The Caja Central de Ahorros y Prestamos para la Vivienda of Bolivia (Caja) and the La Primera and La Paz Savings and Loan Associations propose a negotiated housing guaranty project in La Paz which is intended to relieve the existing acute housing shortage, provide further support for the Bolivian savings and loan system, and also provide substantial employment in the Bolivian construction industry, relieving to some extent the current high unemployment rate.

The proposed project, designated "Los Pinos", is planned as a \$20 million housing complex, consisting of about 3,000 condominium apartments in elevator and walk-up buildings together with a complete range of community facilities. The present application requests a \$6 million authorization to cover a first stage of about 1,100 units.

The Caja and the Associations hope that if the first stage proves to be successful HJ financing will be available for subsequent stages. However, there has been no commitment of future AID involvement, either express or implied. No alternative sources of long-term financing are known at this time.

### B. Background

On July 16, 1971, USAID/La Paz initiated an airgram transmitting the proposal of the Caja for this project and recommending the reservation of \$6,000,000 for this purpose.

On August 10, 1971 the Housing Guaranty Review Committee of the Latin American Bureau (HGRC) approved the project in principle and authorized a feasibility study. The HGRC stipulated that the feasibility study pay particular attention to the viability of the first stage in the event subsequent stages are not built, the managerial capacity of the Caja to handle the project and the provision for an equity position by the Caja in the project.

The feasibility study was undertaken in September, 1971 and resulted in a Technical Feasibility Report and a Financial and Administrative Evaluation Report which form the underlying basis for this paper. These reports are available in the files of the Office of Housing. On the basis of this study, the Office of Housing has determined that the proposed project

is feasible and suitable for housing guaranty financing, that the project will be viable if only the first stage is built, that with suitable technical assistance, described below, the sponsor has the necessary managerial capacity, and that arrangements for the equity participation of the Caja are appropriate.

The HCRC considered the proposal on November 23, 1971 and January 10, 1972, and at its meeting of February 4, 1972, authorized its transmittal to the DLC.

## II. INSTITUTIONAL CONSIDERATIONS

### A. Sponsors and Administrators

The Sponsor and Borrower will be the Caja Central, the central body of the Bolivian savings and loan system. The proposed project will be administered jointly by the two savings and loan associations located in La Paz, "La Primera" and "La Paz". These institutions are identified and described in the following section of this report.

A coordinating committee is to be established, utilizing the staff and facilities of the two associations and the Caja, which will be responsible for the execution of the preliminary legal, technical, administrative and financial phases of the project.

### B. Housing and Home Finance in Bolivia

The lack of housing and related facilities for a large segment of the Bolivian population constitutes one of the most significant national problems, and has had a strongly negative impact upon the achievement of social and economic stability in the country.

According to various GOB estimates, the housing deficit of the country approaches 170,000 units, of which La Paz alone requires nearly 70,000. Obviously, only a small fraction of this demand can be met with economically viable, self-sufficient programs, nor can the national economy support a subsidy program which would significantly reduce this deficit within the foreseeable future.

Sources of mortgage financing are limited and generally expensive. Commercial banks prefer to make loans for short periods of time - 60 to 90 days - at annual interest rates of 24%. Bonuses for loan renewals bring

effective interest rates up to 30% or higher. The Banco Hipotecario Nacional, a private institution, issues mortgage bonds periodically carrying 12% interest payable in U. S. dollars, and makes mortgage financing available for five year terms at interest rates up to 18%.

Virtually the only source of long-term financing for moderate-priced housing in Bolivia is the savings and loan system which has been developed over the past ten years, largely with the support of the AID Mission in La Paz.

La Primera, the first Savings and Loan Association in the Bolivian system, was established in June, 1964. By the end of 1966, it had formed branches in Santa Cruz, Cochabamba and Oruro. Direct U. S. support was provided to La Primera through seed capital loans totalling \$700,000.

In April, 1966, the Caja Central de Ahorros y Prestamos para la Vivienda was established. Although chartered by the Government of Bolivia (GOB), it is a completely private organization whose functions are to:

1. Charter savings and loan associations;
2. Act as the regulatory agency for the system;
3. Operate a system for adjustment of savings accounts and mortgage values according to the movement of certain economic indices;
4. Contract external debt for the system as a whole;
5. Act as a central bank (including a mortgage clearing house) to maintain liquidity in the system.

The Caja now has a staff of 13 and proposes to increase this to 16 if the Los Pinos project is approved. During the five years of its operation, the Caja has not yet covered all its expenses. However, the amount of the deficit has been steadily decreasing and if past trends are continued it should balance income and expenditure this year or next.

AID has assisted in the capitalization of the system through seed capital loans of \$1,000,000 in 1967 and \$500,000 in 1969 and a guaranty authorization in 1969 of \$3.6 million (511-BG-003), of which \$2,150,000 has been disbursed as of the date of this report.

The guaranty loan is being re-loaned by the Caja to the Savings and Loan Associations to provide long-term financing for housing units costing less than \$6500 (or less than \$8500 when 25% of the mortgage financing is from Bolivian sources). To date, a total of 540 housing units have been financed by this project.

Meanwhile, the system has grown to include nine associations in all parts of the country. Savings have grown from \$300,000 in 1966 to \$2,500,000 at the end of 1971. The La Paz and La Primera Associations together hold nearly \$1,500,000 of this amount.

The Savings and Loan Associations pay 8% interest on savings with the exception of La Primera, which pays 9%. The 003 guaranty loan costs the Caja 8 7/8%, including the A.I.D. fee. This is reloaned to the associations at 11%. Mortgage loans are made at 12% interest plus 1/2% FIA insurance. Mortgages are for periods averaging 15 years and are generally for 100% of the value of the property. A savings deposit of 20% of the value of the property is required until 80% of the loan is repaid.

An evaluation of the Caja and the Associations was made in September, 1971 by a Fiscal Inspector from the National League of Insured Savings Associations (NLISA) under a contract with AID Office of Housing. This report concludes that the Bolivian savings and loan system is organizationally and administratively sound. It is however, having some difficulty in achieving financial independence, principally because of inadequate initial capitalization. These problems are aggravated somewhat by the narrow interest spread available to it under the existing housing guaranty loan 511-HG-003 and losses in currency exchange due to restrictive Central Bank policy. The report recommends action to remedy this situation, including approval of the \$6.0 million loan requested by this paper, negotiations with the Central Bank about the exchange rate, and a new \$2 million A.I.D. direct loan at the lowest available interest rate as additional seed capital if such loan funds are available.

In January, a group of the U. S. savings and loan executives, representing the investors in the initial HG project, visited La Paz, Oruro, Cochabamba and Santa Cruz. Their observations confirmed the NLISA report; they were highly impressed with the management of the Bolivian savings & loan system. They also felt that improvements should be made in the methods used to accumulate savings by some of the associations.

In addition to its support of the savings and loan system, AID has approved the use of \$1.8 million of P.L. 480 funds (Cooley loan) to finance the construction of some 400 housing units in La Paz, costing an average of \$5400 each. The savings and loan system derives some limited income from this project, since it is administered by La Primera S & L. No further P.L. 480 funds are available at this time for housing, however.

In the area of low cost housing, CONAVI (Consejo Nacional de la Vivienda) was created in 1963. It is financed with social security withholdings on workers' wages, contributions from profits of social security funds, sales taxes and Government appropriations. The Inter-American Development Bank (IDB) has made two loans to CONAVI totalling \$9.5 million for the construction of 6,900 homes priced between \$1,600 and \$3,700.

These units are financed on terms of 15 to 25 years at 6% interest.

The GOB has not yet developed a National Housing Policy. In its absence, USAID/La Paz has utilized an interim conceptual framework to guide its program of assistance to the Bolivian housing sector;

- 1.) Low income housing programs will be administered by CONAVI, with continuing financial assistance from IDB. These will include houses in the \$2,000 to \$3,500 range and possibly some self-help or site-and-service projects below the \$2,000 level.
- 2.) The Savings and Loan system will continue to provide financing for houses selling from \$3,000 to \$10,000, utilizing AID direct loan and guaranty financing (with a maximum limit of \$8500 at the present time) and increasing volumes of domestic savings.
- 3.) Commercial banks and other institutions such as the Banco Hipotecario Nacional will finance housing costing in excess of \$10,000 without any AID or IDB assistance.

There is no estimate of the potential effective demand in each of these broad categories, nor do the statistical data exist from which such an estimate could be deduced. We are told by the World Bank that only 20% of the population of Bolivia earns over \$500 per year, and obviously, all three categories of housing are directed at this 20%. We are unable, however, to estimate income distribution within this field.

### C. Institutional Objectives

The AID objective in helping to establish the Bolivian savings and loan system was to strengthen a viable, functional system through which savings from the private sector, coupled with long-term borrowing, before self-sufficiency is attained, could be channeled into the housing industry in Bolivia. This system is aimed directly at supplying middle and lower-

middle income housing finance needs in Bolivia and as such forms an integral part of the GOB housing sector, to which IDB and AID inputs are being made.

A secondary objective was the stimulation of construction, building trades and related building supply industries with a concurrent increase in employment.

The objectives of the subject guaranty project are essentially the same: to continue to support the Caja Central, which has grown to be a vital element of the Bolivian housing finance system; to meet a part of the large unsatisfied demand for moderate priced housing; and at the same time to provide employment in the building and materials supply industries of the number of houses proposed.

### III. MARKET AND SALES PLAN

Income distribution data, which would permit a precise estimate of effective housing demand, is even less available in Bolivia than in other developing countries. However, the limited data available, when combined with other information, verifies a market well in excess of the number of houses proposed. Since the Los Pinos project was first announced, thousands of people have contacted the Caja and the Associations, expressing their interest in buying a unit. In November USAID/La Paz was furnished with a list of nearly 3000 names of such individuals, who had expressed, in writing, their interest in purchasing a home in Los Pinos project, together with an analysis of the incomes of these "applicants".

The project proposes five apartment types selling at about \$2800, \$3400, \$5550, \$5850 and \$6400.

Table I indicates the monthly payment it is expected will be required to amortize the loan for each apartment type. This is based on an estimated 10% down payment, 12 $\frac{1}{2}$ % interest rate and 20 year mortgage. Table I also indicates the minimum monthly salary which would qualify an individual to purchase one of the units. This is four times the monthly payment, in line with the regulations of the associations and also in consideration of the common Bolivian practice of paying 1 $\frac{1}{4}$  monthly salaries.

Table II indicates the number of each apartment type proposed in Stage I and the number of families, from the 3,000 applications on file with the Caja, that it appears might qualify for a unit.

TABLE I

<u>TYPE</u>	<u>SELLING PRICE</u>	<u>AMOUNT OF LOAN</u>	<u>MONTHLY PAYMENT*</u>	<u>INCOME MINIMUM**</u>
A	\$6400	\$5750	65	260
B	\$5850	\$5265	60	240
C	\$5550	\$4995	57	228
D	\$3400	\$3060	35	140
E	\$2800	\$2520	29	116

\*Computed on basis of  $12\frac{1}{2}\%$  interest, 20 - year period.

\*\*Based on four times monthly payment. Since 14 monthly salaries are generally paid in Bolivia, it was not considered necessary to make allowance for utilities and taxes.

TABLE II

TYPE	NUMBER PROPOSED	MONTHLY INCOME REQUIREMENT	NUMBER OF QUALIFIED APPLICANTS
A	60	260	} 750
B	275	240	
C	275	228	
D	320	140	} 1061
E	170	116	

On the basis of all available information, the Office of Housing is convinced that the market is more than adequate to justify proceeding with the proposed project.

In order to minimize risks, pre-sale of each building or group of buildings prior to start of construction will be required.

#### IV. TECHNICAL REVIEW

##### A. Location and Site Planning for Project

The site is located about five miles from the center of La Paz in the suburb of Calacoto. The area is in the direction of growth of La Paz and is a highly desirable residential area. The site is an area of 31.6 hectares currently used as a golf course. Topography varies from flat to steep and lends itself to imaginative site planning and building design. Utilities and facilities are available at reasonable cost. Access to the center of La Paz is limited to one two-lane road, but the municipal government is now preparing final plans for a parallel road to relieve congestion.

The Caja sponsored a design competition for site planning and architectural design of the project. Of 11 entries submitted, the winning design is an advanced planning concept taking advantage of the varied terrain and minimizing grading and infrastructure costs. 3000 apartment units are proposed in 4-story walkup and 18 story elevator buildings. In addition, the plan proposes shopping facilities, schools, parks, playgrounds and municipal offices.

##### B. Land Purchase

The project site is presently owned by the Los Pinos Golf Club. The Government of Bolivia has instituted condemnation proceedings on the basis that the units to be built will be for middle income and lower middle income families and that the project thereby takes on a public interest. The procedure will be completed, including establishment of a fair price, at the prefectural level. It is expected that the price will be set in the range of \$2.00 - \$2.50 per square meter, or between \$750,000 - \$900,000 for the entire site.

Only one third of the site will be used for the first stage to be financed under the proposed guaranteed loan. The balance of the site, with a cost of about \$500,000, will be financed locally.

C. House Types and Sales Price

The application proposes five apartment types with selling prices between \$2800 and \$6400, assuming a subsidy of the lower priced units by the higher priced units. The estimate, as usual, is based on preliminary plans and, in the nature of such early estimates, may rise as detailed plans are developed. In order to allow leeway for this, the maximum unit price will be set at \$7500. We also are inclined to believe the lowest cost units will probably cost more than the \$2800 estimated, even allowing for the \$800 per unit subsidy.

D. Readjustment

Decreto Ley No. 7585 which established the Caja Central, provides in Titulo X for a readjustment system based on an average of the salary index and cost of living index in Bolivia and the dollar - peso exchange rate. This has not been implemented, since heretofore there have not been reliable internal indices for Bolivia. Permission has been obtained from the Ministry of Hacienda to base the readjustment system solely on the dollar peso exchange rate. Since there has been no devaluation of the peso since the establishment of the savings and loan system, we do not know what its impact would be. Past experience in Bolivia suggests, however, that devaluations are infrequent, but of major proportions when they occur. It would seem prudent, therefore, to utilize internal indices and accustom the home owners to a gradual increase in their payments rather than to impose a sudden drastic increase, when salary increases over the years may have been committed to other budget items.

The Ministry of Housing and Urban Development is now engaged in the development of salary and cost of living indices and will have completed them within the next several months. We will require that the Caja implement a readjustment system satisfactory in form and substance to the HGRC as a condition of the execution of Los Pinos contract of guaranty. It will be notified of this requirement immediately upon approval so that work on the indices may be expedited, and completion of the indices approval of the proposed system by the HGRC and its application to all of the Caja's operations will be made a pre-requisite to execution of the loan and guaranty contracts.

To the extent the application of internal readjustment indices produces more pesos than are required for conversion to dollars to meet current payments, these will be put into a sinking fund to cushion the shock of possible future devaluations.

## V. IMPLEMENTATION

### A. Construction Financing

Due to the scarcity and high cost of short term capital in La Paz, construction financing from other sources are not available. The Caja has requested an advance to meet front-money costs and to finance construction. Valid first mortgages held by the Caja will be offered as collateral. Advances for institutional borrowers is a procedure normally followed under the housing guaranty program. However, use of this advance to complete the purchase of land and design costs is not typical. It is evident that a project could not otherwise be developed in Bolivia at this time.

It is anticipated that the first drawdown, shortly after contract execution, will include \$250,000 for the land, \$40,000 for final plans and specifications and \$250,000 for advance deposits on large volume construction material orders. Subsequent drawdowns will be predicated on construction progress certificates.

### B. Technical Assistance

The report of the NLISA Fiscal Inspector concludes that the Caja and the two S & L associations are experienced and well organized, and are handling in a very satisfactory manner their present programs. Furthermore, the Feasibility Study indicates that these organizations have technical departments staffed by competent architects and engineers. However, the role anticipated for the Caja and the S & L associations in the "Los Pinos" project is substantially different in order of magnitude from that which they have undertaken under the previous guaranty project; it will involve development as well as financial responsibilities. "Los Pinos" will be considerably larger than anything undertaken heretofore by the Bolivian S & L system. For these reasons, it will be required that a technical advisor responsible to AID and funded from the loan be attached to the Caja to monitor the implementation of the project.

## VI. ECONOMIC AND DEBT SERVICE IMPLICATIONS

In 1970 and during much of 1971 the rate of growth of real gross domestic product dropped considerably. One of the leading reasons for this was a contraction in construction activity reflecting a decline in investor confidence. The constant price contribution of the construction industry fell by 4% from \$480 million in 1969 to \$461 million in 1970 and

by another 4% to an estimated \$443 million in 1971. The resulting unemployment and excess capacity in the construction sector, especially in La Paz suggest that the proposed project can make a needed economic contribution to employment and secondary demand for materials with limited inflationary pressures. The "Los Pinos" project is thus an important integral part of the Bolivian government's emergency economic retrenchment policy.

Despite considerable pressure recently on GOB reserves, the Bolivian international reserves position was at a satisfactory level, as of February 28, 1972, of \$36.72 million. Despite a drop-off in petroleum exports due to the Gulf expropriation, 1970 reserve levels remained high because of high mineral prices. Pressures in 1971 developed from a drop in net foreign capital movements to public and private sector, increased net short-term capital outflow, and increased payments on non-factor services. The actual decline resulting from these factors was more than compensated for by special U. S. economic assistance, IMF Financing of Bolivia's contribution to the Fourth International Tin Agreement, IMF SDR's, and a windfall for the GOB from the sales of surplus tin from the tin buffer stockpile.

The 1972 outlook suggests a loss in reserves. The magnitude of that loss will depend primarily on the GOB's ability to stimulate additional external assistance and private capital inflows; and the success of the GOB's efforts to reduce their Fiscal deficit.

Bolivia had public and publicly guaranteed external debt at the end of 1970 of \$542 million or 53% of GDP with an estimated \$49 million increase for 1971. Over 65% of the debt originates with multinational organizations and foreign governments, which largely accounts for the favorable maturity structure. Total debt service was as low as 10½% of export earnings in 1968 and 1969 but rose to an estimated 20½% in 1971 largely due to the falling due of several short-term suppliers' credits and the expiration of several grace periods.

The proposed long-term housing loan to Bolivia can be expected to improve both its short-term and long-term reserve positions. That part of the loan not used to cover import costs (about 90%) will be available to improve the short-term reserve position and in effect to refinance a portion of the immediate short-term debt. It will therefore support other U.S.G. efforts to assist the Bolivian economy.

Because of the long-term nature of the loan, the additional debt service required upon complete disbursement will amount to only about \$556,000 per year, significantly less than ½ of one percent of current export earnings. In view of the benefits outlined, this should not constitute a disproportionate additional debt service requirement.

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

AID-DIC/P-1008  
ANNEX I  
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DRAFT  
GUARANTY AUTHORIZATION

Provided From: Housing Investment Guaranty Authorization  
Section 222, Foreign Assistance  
Act of 1961, as Amended

Bolivia: Caja Central de Ahorros y Prestamos para la Vivienda

Pursuant to the authority vested in the Deputy U. S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended ("FAA") and the delegations of authority issued thereunder, I hereby authorize the issuance of a guaranty pursuant to Part I, Chapter 2, Title III, Section 222 of the FAA of not to exceed six million, United States dollars (\$6,000,000) assuring against losses of not to exceed one hundred per centum (100%) of loan investment and interest by an eligible United States investor or investors acceptable to A.I.D. for the long-term financing of home ownership through the sponsorship of the Caja Central de Ahorros y Prestamos para la Vivienda.

The guaranty shall be subject to the following terms and conditions:

1. Term of Guaranty: The loan shall extend for a period of up to twenty five (25) years from the date of disbursement of the last installment of the loan and the guaranty shall extend until the loan is paid.
2. Interest Rate: The rate of interest payable to the U. S. Investors pursuant to the Loan shall not exceed the allowable rate of interest prescribed by the Administrator pursuant to Section 223 (f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans.
3. Government of Bolivia Guaranty: The Government of Bolivia shall provide a full faith and credit guaranty to A.I.D. assuring against any and all losses resulting to A.I.D. by virtue of its guaranty to the U. S. Investor or Investors. This guaranty of the Government of Bolivia shall be payable to A.I.D. in U. S. dollars.
4. Fee: The fee of the United States shall be payable in dollars and shall be one half of percent ( $\frac{1}{2}\%$ ) per annum on the outstanding guaranteed amount of the loan.

15

5. Other Terms and Conditions: The Guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

\_\_\_\_\_  
Deputy U. S. Coordinator

\_\_\_\_\_  
Date

STATUTORY CHECK LIST

Bolivia - Caja Central de Ahorros y Prestamos para la Vivienda

Section 223 (a):

The A.I.D. guaranty fee will be in an amount consistent with fees previously charged for housing guaranties authorized by the Administrator in accordance with the powers delegated by the President.

Section 223 (f):

The rate of interest allowable to the eligible United States investor to be prescribed by the Administrator will not be less than one-half of one per centum above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development and it will not be more than one per centum above such rate.

Section 223 (a) and (c):

The "investment" and the "eligible United States investors" shall be such that they are wholly within the included definitions.

Section 222 (a) and (b):

The proposed project qualified as a private housing project as described in Section 222 (b) (1) FAA of 1961 as amended thru 1969. It also qualifies as a credit institution housing project as described in Section 222 (b) (2) of the FAA of 1961 as amended in 1969.

Section 222 (c):

The total face amount of housing guaranties issued will not exceed \$550,000,000 including this project.

Section 223 (h):

No payment will be made under the guaranty for any loss arising out of fraud or misrepresentation for which the investor is responsible.