PD-ABG-664

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POLAND HOUSING FINANCE

Project Preparation Reports

by

Fannie Mae Housing Finance Project Team
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Prepared For
The Office of Housing and Urban Programs
The United States Agency for International Development
Contract No. EUR-0034-00-C-2033-00

RFS-32

June 1993

Fannie Mae International Housing Finance Team
Washington, DC, USA

EXECUTIVE SUMMARY

RFS 32 from U.S.AID requested Fannie Mae's services in implementing a housing finance program in Poland through the designated onlender - Bud Bank. Between January and June 1993 Fannie Mae had a team of banking experts in the Bud Bank working with bank staff to meet conditions precedent for AID lending.

The RFS required periodic status reports which were delivered to Ms. Sonia Hammam of the U.S. AID Office of Housing. The attached are all status reports delivered to her during this project.

ABSTRACT

The attached comprises all progress reports for the Poland Housing Finance Project Preparation Program - RFS 32. The RFS required that "With input from the experts, the Task Manager will prepare a brief status report with Bud Bank and HFPO at the end of two weeks in the field, outlining status of preparation, identifying issues, and additional assistance requirements needed. Periodic updates will be delivered to AID."

At the end of the first two weeks in the field, Beth Marcus prepared the first report for Sonia Hammam of the U.S. AID Housing Office. Subsequent reports were given on a weekly basis to Sonia Hammam in Poland. Reports cover all progress during the reporting period by the Credit and Control teams working in the Bud Bank, as well as management issues and concerns, and goals for the next period. The reports cover construction and mortgage origination, accounting, systems, loan service, legal work, training and marketing from January 17 - June 6, 1993.

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FannieMae

TO: Sonia Hammam
USAID Housing Office

FROM: Ruth Sando
Fannie Mae

SUBJECT: Final Status Report for Housing Finance Project, May 31 - June 6

Technical Advisors: Ken Plant finished his contract as Construction Advisor June 6. Walter Bohon and Lee Stevenson will leave Poland June 12 and I will leave June 10.

ACCOMPLISHMENTS:

Credit

The Internal Bud Bank Procedures Manual for Construction was completed and translated. The Internal PB Procedures Manual for Construction was being translated during the week.

Control

Loan Service: Reviewed the draft of the Bud Bank Internal Procedures Manual, Loan Service, making corrections as necessary. Translation of the draft is also underway.

Conducted a short session with PKO and Bydgoszcz Bank team members to review the Transaction Model and how they may use it to document procedural matters and develop data processing specifications.

Conducted a "Graduation Ceremony" for the Participating Banks that completed the detailed training. Awarded "Certificates of Appreciation" to individuals who contributed valuable support to the training. Attended by the Mortgage personnel, Infomatiks personnel, and President Gniewaszewski who awarded several of the certificates.

Systems

Team meeting held May 31 - formalized the role of "Chief Designer".

Created documents for the Loan Service graduation ceremony on June 3; attended the ceremony.

Continued work on logical design: started design work on certain portions of Debt Servicing and Mortgage Servicing modules; continued design and documentation work using the Easy Case software tool; continued meetings with Mortgage Servicing; continued data base modeling work in relation to Donor Reporting requirements.

Meeting at Embassy to discuss the $1 million project cost justification.

Management

Met with Loic Chiquier of Bise Bank. Instead of discussing information about joining the program, he was following up on a letter given to him by President Wasowicz from the EBRD proposing technical assistance to the program.

Met with Mrs. Bulwarska May 31 to review the tasks in RFS 37. She had a copy in Polish which she had read but had no suggested changes. Certain members of her staff had also been given the document for review but did not have their comments in to her yet. I reviewed the proposed schedule for Technical Advisors to be in the country and gave her a copy. She said the staff would be given the schedule to work their vacations around.

Tuesday through Friday Mrs. Bulwarska was out sick.

Met with Irena Stocka and was given a marketing proposal from EBRD for review.

Have contacted Ardrzej Kawecki of the law firm Soltysinski Kawecki and Szajjowski to provide legal services under RFS 37. Will meet with him in the coming week.

Have prepared contract amendment letters for all Technical Advisors who will be continuing with the project and a new contract for Steve Groark who will be the Construction Advisor.

Have arranged for translation services from Chosen Words during July, August and September as needed.

GOALS

Control

Loan Service - Complete the review of the Bud Bank Internal Procedures Manual and

compare the English and Polish versions. Bind final copies and distribute them.

Conduct final meeting with servicing team and outline activities that they should pursue - continue working with Infomatiks to get all information requested programmed, tested and implemented for use with Participating Banks.

Systems - Complete costs justification memo and deliver it to embassy.

Hold team project review meeting - organize and review the tasks the team is to cover during the two weeks of Walter Bohon's absence.

Continue work on logical design specification - continue meetings with the user teams, especially construction; continue data base modeling in relation to Donor Reporting requirements; continue quality assurance review process.

cc: Beth Marcus

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May 31, 1993

TO: Sonia Hammam
USAID Housing Office

FROM: Ruth Sando
Fannie Mae

SUBJECT: Housing Finance Project Report May 9 - May 30, 1993

Technical Advisors: Linda Weinstein finished her assignment and left Poland. Ruth Sando flew to Washington on May 14 and returned May 26. Ken Piant will finish his work June 6 and Lee Stevenson on June 12.

ACCOMPLISHMENTS:

Credit Group

Completed review of construction servicing procedures with PKO and Bydgoszcz Banks.

Met with Systems and Accounting for a detailed walk-through of construction lending as it affects accounting and the Mortgage Fund.

Completed revision of the Participating Bank Internal Manual - Construction section.

Held practice training sessions for Bud Bank construction team.
Reviewed loan accounting forms and procedures.

Control Group

Held a walk-through of the mortgage loan operation (Bud Bank level).

Began work on a Bud Bank Internal Procedures Manual - Loan Servicing section.

Begin compiling all loan service assignments into a training package.

Completed negotiations with BankSoft; they dedicated a resource who began work with Bud Bank May 24. Training of this new person has begun and a plan developed for his ten-weeks

work on the project.

Met with Bruce Johnson concerning HFPO reporting/systems requirements and objectives:

Met with Phil Jones from HFPO; he presented his cashflow model.

Continued logical design activities.

Continued meeting with user groups from mortgage servicing and construction.

Management

Prepared 4 packages (2 English and 2 Polish) for Bud Bank to deliver to the Ministry of Construction as part of the request for disbursement of the HG monies. This package included the updated Construction and Mortgage Lending Guides (first update since February), corrected Polish translations of the marketing plan and Dim marketing piece, new HFPO organization chart, material from PADCO on projected disbursements and a project plan. The Subsidiary Agreement, Legal Opinion and Bud Bank organization chart were missing as none were ready.

Margret Thalwitz and Fredric Lucinet requested available technical advisors to meet at HFPO during their visit. On May 19, Lee, Ken and Walter met with them. Also present were Irena Stocka and Bruce Johnson. The conversation focused on project status and the advisors' impressions of Bud Bank general project environment as well as future needs to keep the momentum going.

I was told that Mr. Debski presented the Bud Bank long-range data processing plan to the Bud Bank board of directors at their May 7th meeting. This plan emphasizes Bud Bank should spend monies on the development of mortgage/construction lending systems and not put more money into further development of their current systems.

Received the amendment to RFS 32 for more technical assistance during the summer and began letters to those who will continue on the team. At present, Walter Bohon (Systems), Cathee Re (Mortgage), Steve Groark (Construction), Josephine Young (Accounting), and Linda Weinstein (Audit) have agreed to work for us. Staffing for summer and who would be avilable was discussed in a meeting with Mrs. Bulwarska on May 13. Met again to go over summer work schedule, in particular team members' arrival and departure dates, on May 31.

I was told that Bydgoszcz Bank did not qualify as a participating bank due to its financial status. I will get more information concerning this.

Delivered updated Lender Guides in English and Polish, together with an application form to Mr. Gregory Curtis at Amerbank.

On May 13 met with Patricia Lerner and Marian Krsko from USAID in Slovakia to describe our program.

Received a call from Derrick Koziara at the Danish Embassy requesting English copies of our Lender Guides. One of our training participants from PKO had given him the Guides in Polish. I expained that the Guides were for internal use only by our participating banks. On May 13, I met with him and his manager, Mr. Steen Steensen, at the Danish Embassy and explained our program. I promised him marketing materials as soon as they are available.

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GOALS:

Credit

Complete translation of PB Internal Procedures Manual - Construction and begin draft of BB Internal Procedures Manual.

Control

Continue the BB Internal Procedures Manual, and translation, for loan service.

Continue logical design activities; meeting with user teams; and continue modeling the data base. Tighten team structure and create "chief designer" role.

ISSUES:

Need marketing materials.

Need participating banks.

Would like to propose a meeting between yourself and Walter Bohan for a discussion of systems development costs and general funding.

Specific impact (if any) of the dissolution of parliament after the vote of no-confidence on May 28.

On May 13 I met with David O'Keefe at the Embassy about training available for bankers. It turned out that the training program he was discussing is general in nature and would not be suitable as a supplement for our program for quite a long while. In the meantime, Mrs. Bulwarska indicated that she is opposed to most general training and wants to continue with our program of detailed training alone.

cc: Beth Marcus

3900 Wisconsin Avenue, NW
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May 9, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report 4/26/93 - 5/8/93

TECHNICAL ADVISORS: Cathee Re finished her work on the project and left Warsaw May 9, 1993. Linda Weinstein will leave on Friday, May 14. I will return to Washington for a week and a half on Friday, May 14.

ACCOMPLISHMENTS

Credit Group

Updated the Construction Lending Guide with changes and updates made since its publication on February 28, 1993.

Prepared material outlining step-by-step process of origination, underwriting and servicing construction for the Internal Manual.

Assigned to BB construction team the tasks of preparing recommendations for systems computerization data from each team member's responsibility area. Held meeting with systems department on computerization.

Assembled a package of program materials for Amerbank and delivered it to Greg Curtis at the bank. Package consisted of the Lender Guides and DIM marketing piece.

Edited the Mortgage Lending Guide for an update publication, working with Mrs. Dabrowska.

Drafted a portion of the QC internal manual section. Developed a QC screen for the systems department to work with.

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Control Group

Systems: Supported the walkthrough of systems functions and definition of issues in preparation for meeting with Mrs. Bulwarska.

Provided cost estimated for the total 2 year project, including first year's expected funding requirements, and description of software/hardware platform possibilities.

Met with the owner/managing partner of Bank Soft concerning our cooperation. Mr. Keska will iron out the details of cooperation and the price.

Met with Bruce Johnson in regard to the BB/HFPO interface for reporting system and donor reporting requirements.

Continued logical design phase activities.

Servicing: Held regularly scheduled training sessions covering: referral to foreclosure; foreclosure management; reporting of operational activity; sample reports to Bud Bank; custodial accounting and reconciliation; cooperation between BB and PB's; mortgage files and record keeping. This concluded the detailed servicing training for PKO and Bydgoscz.

Held several meetings with the Systems Dept. to fine tune the initial specifications for the mortgage system.
partial release of security, mortgage payment processing and monitoring of hazard insurance and taxes. Conducted follow-up session to review participants' work assignments. Monitored regularly scheduled group assignment work session with the assistance of Bud Bank team.

Accounting: Documented the functions and issues of the entire program. Prepared AID reports. Prepared walk-thru loan examples for mortgage loans.

Management

The two Financing Agreements signed April 23 were sent to the World Bank and EBRD for approval. The Ministry of Construction received a fax notifying them of approval by the World Bank on May 7, 1993. The EBRD has a deadline of responding by May 26.

Cathee Re delivered a set of Lender Guides in English, the DIM marketing piece in English and Polish, and an application form to Gregory Curtis at Amerbank.

Met with Mary Huntington at the Embassy for a discussion of the overall project.

Prepared a package of documents related to the conditions precedent for the HG. Began work on Polish version of same package while awaiting comments. Bud Bank will send the Polish and English version to MOSEC which will sign the Request for Disbursement and forward to AID.

Bud Bank does not yet have a board-approved organization chart for the Mortgage Fund, but has promised one next week.

GOALS (5/1 - 5/8/93)

Credit Group

Construction Loan:
* Complete PB training for current PB's..

Control Group

Servicing:
* Instruct PB personnel in the use of "transaction model" which will enable them to construct their own internal operation manual.
* Compile the BB Internal Manual.

Accounting:
* Hold meetings with Construction and Mortgage groups to walk through several loan examples showing cash flow and use of reports.

Systems:
* Continue design activities with Easy Case software.
* Hold second round of meetings with Bruce Johnson concerning HFPO reporting requirements: give him the complete listing of data elements.
* Continue meetings with the user teams.
* Review the Bank Soft proposed agreement.

ISSUES/CONCERNS

Bud Bank has no dedicated a staff member to be responsible for the area of Participating Bank Compliance, Bud Bank Compliance or a Director of Internal Audit & Quality Control.

General funding of the systems project and who is paying for it?

If we are able to get some training specialists to assist Bud Bank, who will pay?

Linda was unable to work for several days due to a back problem, but is recovered and will work to make up the time.

CC: Beth Marcus

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April 25, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report 4/19/93 - 4/25/93

TECHNICAL ADVISORS: Walter Bohan will return from the U.S. on April 26.

ACCOMPLISHMENTS

Credit Group

Completed the borrower education brochure, covering homeownership responsibilties, mortgage qualification criteria and the DIM program. Drafted mortgage approval and denial letters to be used by PB's. Began initial draft of BB/PB internal manuals (mortgage loan origination section).

Continued training sessions with Bud Bank, PKO and Bydgoszcz Builder's Bank. Practiced completing underwriting and servicing forms. Reviewed the underwriting and servicing procedures used on the Lodz loan from the Bud Bank portfolio to make the loan conform to World Bank requirements.

Prepared material for PB internal material.

Control Group

Systems: Continued working on logical design activities.

Servicing: Held three PB training sessions, covering partial release of security, mortgage payment processing and monitoring of hazard insurance and taxes. Conducted follow-up session to review participants' work assignments. Monitored regularly scheduled group assignment work session with the assistance of

Bud Bank team.

Accounting: PB transaction matrix package typed and translated, ready for final review by Mr. Kupish and joint review by Credit/Servicing/Accounting on Wednesday. Began documenting accounting requirements for Mortgage Fund Reimbursements. Drafted the Servicing Department's sub-ledger reports, for use in reconciling to the general ledger.
Financing Agreement: Held training session on interest rate calculations for Construction-Servicing. Prepared Financing Agreement exhibit detailing method for determining the interest rate.

Legal

Final copies of the Construction Financing Agreement in Polish and English, the Mortgage Financing Agreement in Polish and the 2 sub-loan agreements in Polish were delivered the evening of April 22, 1993. The English version of the Mortgage Financing Agreement is promised for April 26, but the 2 sub-loan agreements will not be provided in English.

The 2 Financing Agreements prepared by our attorneys were not the ones used for the first two loans. The Bud Bank and PKO rewrote the agreements completely and used these new agreements.

Management

A Mortgage Financing Agreement and a Construction Financing Agreement were signed on Friday, April 23, 1993 by the President of PKO at the Bud Bank.

The American Polish Home Builders Institute in Gadansk is organizing a seminar for builders on May 31 at the Gadansk Polytechnic Institute. They called on Friday to request that we send someone to give a half-hour presentation.

A representative from Amerbank, Gregory Curtis, is coming to Bud Bank on Thursday, April 29 to learn about the Mortgage Program. Cathee Re, Ewa Pluta and Mrs. Dabrowska will handle the presentation.

GOALS (4/26 - 5/2/93)

Credit Group

Construction Loan:

* Have approval and denial letters developed by team translated into English. These are letters between the Participating Bank and a Developer as well as between Bud Bank and a Participating Bank.

* Write additional material for PB internal manual.
* Meet with Systems regarding data input.

Mortgage Loan:
* Finalize loan approval and loan denial letters. Develop post-funding quality control procedures. Prepare for and give marketing presentation on mortgage loans to Amerbank.

Control Group

Servicing:
* Continue scheduled training and assignment follow-up session.
* Monitor group assignment working session.

Accounting:
* Meet with Credit/Servicing April 28 to discuss/finalize reports and procedures requested by Accounting.
* Begin preparing written documentation for MOSEC-related accounting functions.

Mortgage Fund:
* Review functions, agree on workplan and begin defining transaction matrix. Meet with Bulwarska, Chalka, and Bondarchuk to discuss responsibilities and TA role and resolve this issue.

Systems:
* Continue design activities, with emphasis on meeting with user groups.

Guides:
* Update English and Polish Mortgage Lending Guide.

ISSUES/CONCERNS

Bud Bank has no dedicated a staff member to be responsible for the area of Participating Bank Compliance, Bud Bank Compliance or a Director of Internal Audit & Quality Control.

Credit Advisor was able to meet with Mr. Kupisz only 2 days last week.

Servicing training schedule slightly behind schedule. Additional time was needed to review payment/rate changes. Additional training for interest rate calculations and monthly amortization must be given.

CC: Beth Marcus

Construction Loan Training
April 19 - 23

Anna Socha	PKO
Alicja Grzeczkowska	PKO
Lucyna Piotrowska	PKO
Jerzy Podkomorzy	Bydgoszcz Builder's Bank
Małgorzata Ciechanowicz	Bud Bank
Lidia Szindler	Bud Bank
Artur Bolimowski	Bud Bank

Loan Service Training
April 19 - 23

Lilla Osinska	PKO
Jolanta Rejowska	Bydgoszcz
Ewa Kozlowska	Bud Bank
Dorota Komosinska	PKO
Aniela Kalinska	PKO
Grazyna Bobrarz	PKO

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April 19, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report 4/5/93 - 4/18/93

TECHNICAL ADVISORS: Ruth Sando, Linda Weinstein and Cathee Re were in St. Petersburg April 9 - 12. On April 10 Ken Plant left for the U.S. for 8 days and Walter Bohan left for the U.S. for 16 days.

ACCOMPLISHMENTS

Credit Group

The Mortgage team spent 3 days on an underwriting workshop which concentrated on underwriting the self-employed borrower. A list of attendees from PKO, Bydgoszcz Builder's Bank and Bud Bank is attached. The workshop included training on assembling a mortgage loan file and training on use and content of the new mortgage lending forms as well as underwriting the self-employed borrower.

Continued developing the DIM marketing piece that will be used by the marketing firm. This includes a program description, purpose of the program, answers to some frequently asked questions, graphs and an example. Estimated completion date is April 20th.

Together with Mrs. Bulwarska, Chalka and Dabrowska, drafted an approval letter from Mr. Wasowicz to the PKO president approving the first financing agreements for a mortgage and construction loan.

Continued training sessions with Bud Bank, PKO and Bydgoszcz Builder's Bank, covering underwriting and loan servicing.

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Revised procedures for underwriting and servicing forms. Completed and handed out booklet containing construction loan application, underwriting and servicing forms.

Control Group

Systems: Visited Poznan to evaluate software firms' ability to provide short and long-term resources. Developed evaluation notes and strategy considerations and briefed Mr. Keska on the four companies visited to date (Banksoft, Soft Products, Multibank and fourth firm withdrew). BankSoft was selected to provide short-term resource requirements in database design, aiming towards longer-term project. Held team meeting to clarify April workplan and briefing of team's progress, slowed due to lack of access to operational teams. Completed Polish translation of table of contents outlines for user specifications and database design and reviewed with system team leaders. Continued logical data base design.

Servicing: Conducted final preparation session for next training session and finalized necessary training materials. Conducted three sessions for staff from Bydgoszcz and PKO. Covered: 1. Servicing as a separate function from credit analysis; 2. Hand-off between credit and servicing; 3. Example of organization and staffing for a servicing department; 4. Basic mechanics of the DIM; 5. Interest rate and payment adjustments; 6. Sample manual calculations for interest rate/payment; 7. Timing issues involved in identifying index dates, change dates,effective date of changes, etc. Conducted group work assignment session. Second week conducted detailed training sessions covering: 1. Processing borrower cash flows; 2. Systems support for servicing and reporting; 3. Payment change and interest rate change notices; 4. Payoffs; 5. Assumptions. Conducted second group assignment work session.

Accounting: Had multiple discussions with attorney regarding issue of capitalized interest (current NBP regulations differ from program requirements). Financing Agreement changed, necessitated changing accounting treatment and reports. Revised PB-related accounting transaction matrix documentation which is 80% complete. Held second training session on PB reporting responsibilities, timing requirements and servicing department's role. Prepared list of all changes to mortgage guide since its first publication.

Legal

Several meetings held between our legal advisors, Mr. Wasowicz, and the Bud Bank's legal counsel. Construction Financing Agreement sent to PKO last week.

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Management

I met with Mr. Lejb Folgelman of the law firm Hunton and Williams to discuss our project in the event we need additional legal services.

I met with Hannah Matras several times to discuss progress on the subsidiary agreement.

I met with three members of the American Polish Home Builders Institute from Gadansk to discuss our work on this project. They are interested in meeting again to learn more about the bank's requirements to help them in training developers.

The PKO was unable to provide the construction team with a potential substitute loan from their portfolio which could be used in the event Ekolog pays off before the Construction Financing Agreement is signed. HFPO felt that the one you suggested in Białystok would not work either. Irena Stocka told me that her strategy was to have an umbrella agreement signed (which the World Bank gave approval to about 2 months ago in a memo from Margret Thalwitz). She said she had an attorney working on it.

As of Friday, April 16, Ekolog had not paid off and Bud Bank was told by PKO that the borrowers did not have enough money for the pre-sales agreement on 2 of the units and that it would be at least a week or two before the loan could close. Mrs. Dubczyk spoke to Mrs. Bulwarska on Friday and promised to send some documents which are still needed for Ekolog on Monday, April 19.

Hannah Matras called Mrs. Bulwarska and asked that the agreements be signed on Tuesday but Mrs. Bulwarska said that the PKO has not even seen the Mortgage Financing Agreement yet (they will get it Monday) and so they can't sign until Wednesday (which is the World Bank deadline). The Bud Bank attorney is rewriting the Mortgage Financing Agreement which is why PKO has not seen it. They have the Construction Financing Agreement which Mrs. Dubczyk said she had sent to their president with her comments. Mr. Wasowicz sent the Participating Bank application form to the PKO on Friday with a request that they fill out what they can and deliver the rest of the information later. As Irena said, the World Bank already knows plenty about the PKO due to other projects.

The subsidiary agreement was signed Thursday, April 15, 1993. Irena Stocka said that the rate finally agreed to is the discount rate, currently at 31.5%

Hannah Matras and I briefly discussed finding a professional group of trainers to take over training the Participating Banks

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with the assistance of the specialists at the Bud Bank. We also discussed the possibility of her helping in the area of marketing this program to other banks. Out team will give her an overview of the program.

GOALS (4/19 - 4/23/93)

Credit Group

Construction Loan:

* Review approval and denial letters developed by team.
* Using existing Bud Bank loan (Lodz) as case study, create a loan conforming to the program, using program forms. Team will underwrite and service.
* Have team members begin practice training relating to their functional areas.

Mortgage Loan:

* During early part of week, finalize the Loan Approval/Denial letter used at the PB level and begin to expand on the Quality Control checklist. Later in the week, meet with the systems group to discuss the transaction matrix.

DIM Marketing

* Finish work on DIM marketing material by approximately April 20.

Control Group

Servicing:

* Conduct the first assignment follow-up session, reviewing and discussing completed assignments to date.
* Conduct scheduled training sessions with Bud Bank team, introducing next subjects and monitoring next scheduled group assignment work session.
* Begin creating usable form of case materials for future training sessions and for internal documentation.

Accounting:

* Finalize PB-related section of transaction matrix, providing documentation for credit/servicing departments' review prior to group meeting slated for end of this week.
* Begin preparing written documentation for MOSEC-related accounting functions.

Mortgage Fund:

* Review functions, agree on workplan and begin defining transaction matrix. Contingent on Mrs. Chalka being formally assigned responsibility from Mrs. Bulwarska.

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Systems:

* In absence of Technical Advisor, team to continue design activities, with emphasis on meeting with user groups.
* Mr. Debski to complete software firm evaluation and cost memo.

ISSUES/CONCERNS

The staff in the Infomatics Department at the Bank who are responsible for programming are less familiar with banking functions than we had anticipated. In order to bring them somewhat up to speed and help the others as well, we will schedule a general walk-through in which each group discusses their part in the overall process.

Bud Bank has not dedicated a staff member to be responsible for the area of Participating Bank Compliance, Bud Bank Compliance or a Director of Internal Audit & Quality Control.
PKO commitment as a PB is still not definite.

Resources are scarce for the variety of tasks being carried out. Systems needs greater access to operations teams which has been slowed by the training schedules.

Mrs. Chalka has still not been formally assigned responsibility for Mortgage Fund. Mr. Kupisz of Accounting is frequently not available for scheduled meetings and as he still has responsibility for signing off on every bank debit and credit, discussions are frequently interrupted. Will try to schedule weekend meeting to catch up.

CC: Beth Marcus

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Mortgage Loan Underwriting Training
April 5 - 7

Krystyna Dabrowska	Bud Bank
Ewa KozŁlowska	Bud Bank
Grazyna MusioŁ	Bud Bank
Dorota Komosinska	PKO
Wanda Lasota-Buba	PKO
Lilla Osinska	PKO
Lech Radzimowski	Bydgoszcz Builder's Bank

Construction Loan Training
April 5 - 9

Maciej Czubala	PKO
Anna Socha	PKO
Alicja Grzeczkowska	PKO
Jerzy Podkomorzy	Bydgoszcz Builder's Bank
MaŁgorzata Ciechanowicz	Bud Bank
Lidia Szindler	Bud Bank
Elzbieta Achler	Bud Bank
Krystyna Haleniuk	Bud Bank
Roman Pusiarski	Bud Bank
Artur Bolimowski	Bud Bank

Loan Service Training
April 6 - 8 and 13 - 15

Lilla Osinska	PKO
Jolanta Rejowska	Bydgoszcz
Grazyna MusioŁ	Bud Bank
Ewa Kozlowska	Bud Bank
Ewa Pluta	Bud Bank
Wanda Lasota-Buba	PKO
Dorota Komosinska	PKO
Aniela Kalinska	PKO

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April 5, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report 3/29/93 - 4/4/93

TECHNICAL ADVISORS: Ruth Sando, Linda Weinstein and Cathee Re will be in St. Petersburg April 9 - 12. On Saturday, April 10 Ken Plant will leave for the U.S. for 8 days and Walter Bohan will leave for the U.S. for 16 days.

ACCOMPLISHMENTS

Credit Group

Both the Mortgage and Construction team at Bud Bank completed the formal underwriting of the mortgage and construction loans to be used for partial fulfillment of the terms of effectiveness of the World Bank loan. These loans can be refunded as soon as the legal documents are ready.

Procedures for underwriting the self-employed developer were developed by the Bud Bank Mortgage team.

Material to be used next week during training sessions for the participating banks was developed.

The Construction Loan Team continued working on construction loan servicing procedures.

Control Group

Systems: Received approval to hire two short-term systems resources. Contacted fourth software firm for bid. Briefed team on workplan/tasks during Technical Advisor's absence (4/10-26)

and conducted database design training for team leaders. Developed table of contents outline for user specifications and database design (these documents will eventually be formally reviewed and signed off by operations teams) and began Polish translations. Continued logical design activities. System cost memo returned with the Bud Bank President's request to scale back estimates (total was $385,000 with $155 for this year; asked to bring amount in at $100,000 for current year).

Servicing: Reviewed data base processing screens and reports, both to finalize for systems and in preparation for PB training. Continued preparatory work for detail training sessions (case studies). Held session for Bud Bank team on elements of effective training.

Accounting: Began work on developing transaction matrix. Initial progress behind schedule - in retrospect plan was too aggressive given the newness of the task. Provided sample reports which Mr. Kupisz revised for Bud Bank environment. Received written documentation (procedures, reports, automation requirements) on PB setup and booking/allocation PB monthly payments.

Legal

On Friday, April 2, our advisor, Mr. Radzikowski met with the PKO attorney to review the financing agreements. He told me he had tried for 10 days to get a meeting and had one set up for March 30. Mr. Radzikowski waited for the PKO attorney for one hour that day but he never showed up.

During their April 2 meeting, they were able to finish the construction financing agreement and are scheduled to meet again at the beginning of the coming week to review the mortgage financing agreement. Mr. Radzikowski will give me final versions of the two financing agreements and the two sub-loan agreements by Tuesday.

Management

I met with Mr. Andrzej W. Kawecki of the law firm Soltysinski Kawecki & Szajkowski to discuss our project in the event we need additional legal services.

I discussed the work schedule for Good Friday with Mrs. Bulwarska as well as how vacation schedules are handled by the bank.

Prepared a draft of an amendment to this RFS based on input from team members regarding next steps necessary to keeping the program going and type of technical assistance necessary.

Since the Ekolog loan (to be used as the first construction loan in the program) pays off April 15, the PKO construction training

team members have been asked to bring in another portfolio loan which they think will meet the requirements of the program. This will be discussed by the team which will quickly re-underwrite the loan, identifying any points over which exceptions must be requested from the World Bank. In the event the subsidiary agreement is not ready to be signed or the construction financing agreement is not ready, we will have a back-up to use between April 15 and April 21.

Mr. Wasowicz and Mrs. Bulwarska have added a person to the Mortgage team which makes two members and have relieved one of the two trainees in the Loan Service team of her responsibilities in the Foreign Exchange Department so that she is dedicated to the program full-time. They were also to have told Mrs. Chalka on Friday that she is officially responsible for Mortgage Fund Administration, including PB eligibility and delivery of PB documents. Linda should now be able to work with her.

The Systems team has been trying to schedule time with the Construction, Mortgage, Finance and Loan Service teams to review their detailed functional requirements with little success. All of the team members have been stretched by the time necessary for work on this program plus their ongoing work responsibilities. The new team member in mortgage and the new full-time team member in loan service should ease matters somewhat. A schedule will be created in the coming week for the interviews.

GOALS (4/5 - 4/11/93)

<u>Credit Group</u>

Construction Loan:

* Review back-up construction loan for underwriting acceptable to program and formal Bud Bank approval.
* Meet all week with dedicated personnel from Bydgoszcy and PKO banks for construction loan origination and servicing training.

Mortgage Loan:

* During early part of week meet with dedicated personnel from Bydgoszcy and PKO banks to review the case studies to discuss detailed underwriting procedures, including appraisal, analysis of employment history and the analysis of a self-employed borrower.

DIM Marketing

* Continue work on DIM marketing material. Work closely with Ewa Pluta at Bud Bank.

<u>Control Group</u>

Servicing:

* Conduct 4 PB training sessions.
* Complete training materials and conduct practice training session with BB team to increase their confidence level.

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Accounting:

* Develop transaction matrix (reports and procedures). Previously slated for completion with 2-3 weeks; now 3-4 weeks.
* Review reporting/procedural interfaces with credit and servicing teams (at minimum provide documentation, actual meeting may take place early the following week).

Mortgage Fund:

* Same as last week - review functions, agree on workplan and begin defining transaction matrix (reports and procedures). Contingent upon Mrs. Chalka being formally assigned responsibility by Mrs. Bulwarska.

Systems:

* Meet with Mrs. Bulwarska to discuss cost memo on project funding and progress of systems/user groups.
* Evaluate software firm's ability to provide short- and long-term resources. Two-day visit to Poznan (confirmed) and one-day visit with firm located in Warsaw (unconfirmed). To date, four firms have been contacted and two have responded with pricing information.
* Continue logical design activities. Meet with user groups (goal is have user groups devote 5 hours per week).

ISSUES/CONCERNS

Bud Bank has not dedicated a staff member to be responsible for the area of Participating Bank Compliance, Bud Bank Compliance or a Director of Internal Audit & Quality Control.
PKO commitment as a PB is still not definite. Mrs. Bulwarska told me that Mrs. Dubczyk told her last week that there is too much training and that it should be covered in one week.

Delay in obtaining final draft of Subsidiary agreement (Ken, Linda and I are meeting with Irena Stocka on April 6 to find out what changes were made to the Operations Manual by the World Bank and what the situation is with the Subsidiary Agreement). In addition, the delay of the meeting between our Legal Advisor and the PKO attorney over the financing agreements is of great concern as we still do not have final documents.

The issue of long-term funding for systems is unresolved. Also there is no contact at present between the systems departments at Bud Bank and PKO.

CC: Beth Marcus

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3900 Wisconsin Avenue, NW
Washington, DC 20016-2899
202 752 7000

March 29, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report 3/22/93 - 3/29/93

TECHNICAL ADVISORS: Bill Mawhinney finished his work this week as Construction Technical Advisor.

ACCOMPLISHMENTS

Credit Group

Participating Banks: Conducted daily sessions on the origination and underwriting of construction loans with Bud Bank dedicated staff and teams from PKO and Bydgoszcy Bank. Conducted daily sessions on the details of mortgage origination with separate teams from the same three banks. Prepared materials to be used in next set of participating bank meetings.

Began developing marketing materials for DIM.

Met with Hank Henward over the Construction Application form.

Control Group

Systems: Cross-referenced Polish-English requirements in the guides, compared to transaction matrices and began process to reconcile differences. Continued logical design activities. Prepared systems cost memo for Mrs. Bulwarska/Mr. Keska.

Servicing: Conducted 3 training sessions for PKO and Bydgoszcy Banks and provided PB staff with upcoming detailed training schedule. Continued preparations for detailed training sessions.

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Accounting: Held 3 half-day sessions with Mr. Kupisz. Defined departmental scope, agreed on workplan and reviewed sample reports/matrix documentation developed by T.A., to be used as a training example.

Mortgage Fund: Worked on breaking out Mortgage Fund functions in greater detail in preparation for discussions with Bud Bank staff.

Legal

The Mortgage Financing Agreements were delivered to the Technical Advisors, HFPO and Mr. Wasowicz at Bud Bank on 3/25. The Construction Financing Agreement was delivered on Saturday, 3/27. These will be reviewed by The PKO attorney, on behalf of the PKO, on Tuesday. Also present will be the Legal Advisor, Wlodzimierz Radzikowski, and Mr. Wasowicz.

Management

I met with Irena Stocka over the content of the Construction Application Form (see Issues section)

Created an abstract for a briefing on institution building.

Had dinner with the APT team on program evaluation and met with Sally for discussion on Sunday.

Met with several attorneys from Hogan and Hartson to discuss the program, in the event that we need additional legal services.

Prepared a project plan for the month of April to discuss with Mrs. Bulwarska. This will give her more information on expected progress for the month as well as type of staff PB's should send.

GOALS (3/29 - 4/5/93)

Credit Group

Construction Loan Pre-Approval Process:

* Review first construction loan (Ekolog) for underwriting acceptable to program and formal Bud Bank approval.
* Continue work on forms, procedures and loan checklist for Bud Bank construction loan servicing.

Mortgage Post-funding Review Process

* Translation of 2 files from PKO portfolio to be used as training case studies.
* Review the first mortgage loan for underwriting acceptable to program and formal Bud Bank approval.
* Create detailed training program for April 5, 6, & 7. Will cover appraisal, analysis of employment history and analysis of the self-employed borrower.

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DIM Marketing

* Continue work on DIM marketing material. Work closely with Ewa Pluta at Bud Bank.

Control Group

Servicing:

* Work with Bud Bank servicing team to prepare training materials (case studies and sample calculations) for PB training sessions.

Accounting:

* Develop transaction matrix (reports and procedures). Due for completion within 2-3 weeks

Mortgage Fund:

* Review functions, agree on workplan and begin defining transaction matrix (reports and procedures). Contingent upon Mrs. Chalka being formally assigned responsibility by Mrs. Bulwarska.

Systems:

* Continue logical design activities. Meet with construction to review development of transaction matrix, and continue review/refinement of matrices with mortgage servicing and mortgage credit. Mortgage servicing is farthest along, walkthrus to discuss detail transactions are underway.
* Meet with Mrs. Bulwarska to discuss cost memo on project funding and progress of systems/user groups.

ISSUES/CONCERNS

Received criticism from Irena Stocka that the Construction Application form had too many requirements and that it is not realistic or acceptable. In our discussion, I pointed out that most of what she was referring to was required by the World Bank in the Operations Manual. She said that in that case she would change the Manual.

I made two points with her : 1) It is fruitless to criticize someone for following the program as it is detailed in the documents; and 2) the Technical Advisors are obligated to protect the Bank's position and must develop procedures and train personnel in sound credit underwriting practices. It is the obligation of the borrower to produce evidence of the ability to repay the loan. Not asking for that evidence and not following up on defaults has led to their current portfolio problems.

I suspect that this issue is being raised because of a concern that there will not be enough interest in the program by developers to generate an acceptable pipeline. By loosening the requirements it may hoped by some that there will be more applications. Again, as in the past, all of our documents are living documents (so to speak) and can be changed, if it is

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necessary for the program. However, the success of a liquidity fund requires that money be repaid and we must protect the fund through sound underwriting. If there are points which will not jeopardize the banks and will bring in more applications, we can adjust our guidelines. However, deleting anything in the current Operations Manual requires written authorization from the Donors.

Bud Bank has not dedicated a staff member to be responsible for the area of participating bank compliance. In addition, the person identified for Mortgage Fund administration (Mrs. Chalka) has not been officially notified, and will not meet with T.A. until told that this will be her area. I will discuss this with Mrs. Bulwarska. Other organizational problem areas are PB eligibility/delivery of documents.

Outstanding issue of system resources (2 analysts required ASAP), and long-term funding.

PKO commitment as a PB is still not definite.

CC: Beth Marcus

Attachments

MORTGAGE AND CONSTRUCTION SESSIONS FOR PB'S

3/22 - 3/26

ATTENDEES

Construction

M. Czubala	PKO
L. Piotrokska	PKO
B. Kopec	PKO
E. Achler	Bud Bank
a. Bolimowski	Bud Bank
M. Ciechanowicz	Bud Bank
K. Haleniuk	Bud Bank
M. Koezlage	Buydgoszcy Bank
J. Podkomorzy	Buydgoszcy Bank
L. Szindler	Bud Bank
R. Pusiarski	Bud Bank

Mortgage

L. Osinska	PKO
B. Brodowska	PKO
D. Sliwowska	PKO
W. Lasota-Buba	PKO
J. Ryowska	Bydgoszcy Bank
B. Delowska	Bydgoszcy Bank
E. Pluta	Bud Bank
K. Dabrowska	Bud Bank
G. Musial	Bud Bank
E. Koslowska	Bud Bank

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3900 Wisconsin Avenue, NW
Washington, DC 20016-2899
202 752 7000

March 22, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report 3/14/93 - 3/21/93

TECHNICAL ADVISORS: Ruth Sando was in Washington from 3/3 to 3/17. Beth Marcus was in Warsaw 3/7 to 3/14. Chris Cahn finished her work as technical advisor for Corporate Accounting and returned to Washington 3/14.

ACCOMPLISHMENTS

Credit Group

Procedures: Reviewed construction loan approval process with Bud Bank construction team. Reviewed mortgage loan approval and post-funding review procedures with the Bud Bank mortgage team. Began development of training outlines for the Bud Bank Internal Manual for both construction loans and mortgages.

Participating Banks: Reviewed the Lending Guides with staff sent from PKO and Bydgoszcy Bank.

Met with PADCO to discuss cash flow model, release price formula, and appraisal guidelines.

Control Group

Systems: Completed training systems team on software tools. Met with PADCO and agreed to provide HFPO with World Bank reports. Bulwarska, Keska, Bohan and Debski met and agreed to monthly Project Management Committee meeting. (This addresses an earlier issue of coordination between the Housing Finance Project and the Systems (Infomatics) Department in the Bank.)

Project Management Committee meeting. (This addresses an earlier issue of coordination between the Housing Finance Project and the Systems (Infomatics) Department in the Bank.)

Servicing: Delivered data processing specifications for servicing to the systems group. This included a high-level procedure outline. Participated in a systems/servicing walkthrough. Conducted two-day review of Lending Guides for PKO and Bydgoszcy Banks.

Accounting: Began work on G/L accounting system (mini.sub) for short-term requirements (detail record keeping for first 100 loans). Completed committing timelines and reviewed documentation with Mrs. Chalka. Function will move to servicing (but output sent to Mortgage Fund.) Discussed and agreed upon requirements/procedures for bank account setup and remittances with Mr. Kupish. Also prepared functions/procedures outline for working with Mr. Kupish.

Legal

The attorneys have been working with Bud Bank President on the Financing Agreements (at least five drafts have gone through translation). They spent the weekend having the latest translation verified by an attorney.

The two Financing Agreements will be ready by 3/25 to go to PKO for their review. All Bud Bank comments have been incorporated.

The Technical Advisors reviewed the Financing Agreements twice more and gave many comments to the attorneys.

Management

Beth and Mrs. Bulwarska developed and agreed to a new organization chart for the Housing Finance Project in the Bud Bank (attached).

GOALS (3/22 - 3/29/93)

Credit Group

Internal Manual:

* **Continue to develop outline for training section of Bud Bank internal manual**

PB Training/Program Refinement:

* Detailed mortgage underwriting sessions with Bud Bank, PKO and Bydgoszcy Bank. (One week)
* Detailed construction loan underwriting sessions with same banks. (One week)

Control Group

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Servicing:
* Conduct 3 day servicing training sessions with PB and Bud Bank.
* Continue preparation for detailed training session.

Accounting:
* Develop transaction matrix (accounting and mortgage fund requirements).
* Translate meeting materials and revised PB reports.
* Begin disucssions on internal manual.
* Continue accounting systems changes (programming).

Systems:
* Continue logical design activities.
* Continue making changes to the accounting system.

ISSUES/CONCERNS

The Credit Bank was originally scheduled to attend our first training sessions 3/18 and 3/19. They have decided instead to wait to see how the program goes before becoming involved.

The Systems Department at Bud Bank has asked management for more resources (there are only 2) to devote to the program. They were turned down and told that the Board wants to wait to see how the program goes before devoting any more resources.

Subsidiary agreement was sent in draft form by HFPO to World Bank. It is not yet ready.

The EBRD has agreed to extend its deadline to meet the terms of effectiveness to 4/21/93. Everyone is assuming that World Bank will agree to the same new deadline.

PKO commitment as a PB is still not definite.

FYI: The Finance Ministry wants to fund the Polish/EBRD contribution in installments to keep interest costs down. Stocka argued for the full 11 million so that the World Bank will match the funds (otherwise the Mortgage Funds will have to wait longer for World Bank monies so all but the initial deposit is on a reimbursement basis).

Need to determine if any money is available now for needs in the systems area.

CC: Beth Marcus

Attachments

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MORTGAGE AND CONSTRUCTION INTRODUCTION SESSIONS FOR PB'S

3/18 - 3/19

ATTENDEES

Construction

M. Czubala	PKO
L. Piotrokska	PKO
E. Achler	Bud Bank
M. Ciechanowicz	Bud Bank
K. Haleniuk	Bud Bank
M. Koezlage	Buydgoszcy Bank
J. Lejsylis	Buydgoszcy Bank
L. Szindler	Bud Bank
R. Pusiarski	Bud Bank

Mortgage

L. Osinska	PKO
B. Brodowska	PKO
M. Walczak	Bydgoszcy Bank
E. Pluta	Bud Bank
K. Dabrowska	Bud Bank
M. Grazynia	Bud Bank
E. Kozloyska	Bud Bank
T. Swet	PKO

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3900 Wisconsin Avenue, NW
Washington, DC 20016-2899
202 752 7000

March 1, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report 2/21/ - 2/28/93

ACCOMPLISHMENTS

Credit Group

Guides: Incorporated comments from Bud Bank staff meeting to Guides. Matched the PB Eligibility and Approval sections in the Mortgage and Construction Guides so that they conform. Guides delivered to PKO.

Forms: Completed Mortgage Application package. Draft of Participating Bank application form reviewed by Bud Bank staff. Developed a Single Family Appraisal form with instructions.

First Construction and Mortgage Loans (for World Bank deadline): Obtained additional information on the mortgage loan from PKO and gave it to a translator.

Control Group

Guides: Updated with Bud Bank comments and sent to PKO.

Systems: Completed first draft of logical systems design. Mrs. Bulwarska and the Systems group met and agreed to the formation of a Project Management Committee upon her return.

Servicing: Training Bud Bank on servicing-related functions completed. Began high-level definition of systems and procedures for servicing-related operations.

Accounting: Documented accounting flows. Began training on DIM

mechanics with Servicing/Accounting staff. Began documenting Mortgage Fund flows and requirements.

Legal

The attorneys have arranged a meeting with Bud Bank President on March 2 to discuss the draft Construction Financing Agreement and Construction Sub-Loan Agreement (in English). The translation of the draft of the Construction Financing Agreement was done over the weekend.

The Technical Advisors reviewed the Construction Financing Agreement and gave many comments to the attorneys. The Mortgage Financing Agreement is ready in draft as of the end of this period, but has not been seen yet.

Management

Conducted an all-day walk-through (during the weekend) of the construction and mortgage workflow at the Bud Bank level. All the Technical Advisors participated.

The Construction and Mortgage Lending Guides were delivered to PKO on February 24. Mrs. Dubczyk was in a meeting out of town and appointed two of her deputies to meet with Mr. Bolimowsi (Mrs. Bulwarska's deputy) and myself. They indicated that the meeting Mrs. Dubczyk was in involves creating a complete reorganization plan for the PKO before the government forces one on them. It also involves other issues as well, including staff salaries. They indicated that this "palace revolution" may delay attention to our guides, but promised that we would receive a call from Mrs. Dubczyk on Monday or Tuesday of the next week.

In a conversation with Mr. Bolimowski who is in charge of construction lending at the Bud Bank, I discovered that he is also working for a coop as its president. This coop is developing several large projects (approximately 5) around Warsaw which he and the coop intend to submit for construction loans under this project. He is stepping down as the coop president in April. We reviewed the language on conflict of interest in the Guides and decided to strengthen it. The construction technical advisors are drafting additional conflict of interest language to go into the Guides, the legal documents and into the application forms. The attorneys told me that banking regulations in Poland do not specifically address conflict of interest situations. When Mrs. Bulwarska returns, I will discuss this with her.

GOALS (2/21 - 2/27/93)

Credit Group

Forms:

* **Finalize draft of Participating Bank application form.**
* Finalize draft of Participating Bank approval forms.
* Finalized single family appraisal form.

* Draft construction appraisal form.

Training:
* Begin training of Bud Bank construction team.

Control Group

Legal Documents:
* Review and suggest revisions on the Financing Agreements and Loan Contracts prior to Bud Bank staff review.

Servicing:
* Meet PKO counterparts and begin training.
* Complete servicing overview for Bud staff.
* Continue defining servicing related procedures and system requirements.
* Conduct functional walkthrough.

Accounting:
* Review Mortgage Fund flows, information requirements and operations with Bud Bank staff.
* Meet PKO counterparts and begin training.
* Prepare Dim systems specifications
* Finalize accounting plan
* Define PB approval criteria for review of financials, Q.C. and Servicing.

Systems:
* Finalize and obtain concurrence from international donors on reports.
* Kickoff meeting between systems and operations to develop specifications. Complete preparations, including agenda and questionnnaire.
* Conduct functional walkthrough (origination, servicing, accounting).

Marketing

Waiting for response to marketing plan from Mrs. Bulwarska and Irena Stocka.

ISSUES/CONCERNS

We still do not have access to PKO to operationalize the program.

Irena gave us a copy of the new version of the Operating Manual. Linda has reviewed it and finds that it contains a great deal of material which is obsolete, such as references to escrow accounts and statements that payments to Bud Bank from the PB are based on payments received from the borrower. Irena has told us that the Operating Manual will be given to each PB, so it needs to be revised again.

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Ken and Bill met with Ms. Ewa Sleszynsk-Charewics, Director of Bank Supervision at the National Bank of Poland. She is going to send them a copy of Bank Regulations. She said the NBP will issue a "Declaration of Financial Standing" to Participating Banks for submission to Bud Bank as part of their application process. The discussion in their meeting focused on two issues: loans to one borrower (Bud Bank level) and the limit on borrowing by any PB. A memo summarizing this meeting is attached.

Mrs Bulwarska must identify the responsible bank party for obtaining PKO eligibility documents (financial statement and management materials) to satisfy our proforma eligibility requirements for them. Our team will serve as technical advisors to the process. (from last week's report)

I believe an issue on last week's report regarding coordination between the systems area and the rest of the project has been addressed by the decision to form a committee to coordinate efforts.

CC: Beth Marcus

Attachment

3900 Wisconsin Avenue, NW
Washington, DC 20016-2899
202 752 7000

February 21, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report 2/14/ - 2/20/93

TECHNICAL ADVISORS

Chris Cahn - Corporate Accounting arrived February 14.

ACCOMPLISHMENTS

Credit Group

Guides: Review final changes in Participating Bank Approval section of Guides. Draft of Construction and Mortgage Lending Guides presented to Mrs. Bulwarska for distribution to and review by Bud Bank. Attended half-day meeting with Bud Bank staff to receive and discuss their comments on the Guides.

Forms: Draft of Participating Bank application form completed. Developed an Appraisal form with instructions. Drafted Participating Bank approval procedures.

Control Group

Guides: Completed final review.

Forms: Revised forms to account for tracking two loans.

Systems: Reviewed Systems project work plan (2 year plan) with Bud Bank management in anticipation of meeting with the President. Will request additional staff (2 contract resources)

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Servicing: Began work on training materials (including Quality Control). Continued training Bud Bank staff in servicing requirements.

Accounting: Began defining chart of accounts.

Legal

The attorneys have spoken to the Bud Bank President and will meet with him to discuss the draft Financing Agreements (in English) when they are ready. I have arranged for a translator for the documents.

I provided the latest draft of the Mortgage and Construction Lending Guides and went over changes which affect the legal documents.

They are now estimating that the Construction Financing Agreement may be ready by the end of next week. The Mortgage Financing Agreement is not as far along. The Loan Agreements between the Beneficiary and Participating Bank have been started and the one for construction loans is approximately 2/3 finished.

The attorneys have provided answers for various legal questions which arose during the revision of the guides.

Marketing

Beth's draft Mortgage Fund Marketing Plan was translated into Polish and given to Mrs. Bulwarska and Irena Stocka for their comments.

Management

Gave Mrs. Bulwarska a list (in Polish) of specific tasks and objectives for each functional area, by T.A. and Polish counterpart, for the next several weeks. She is reviewing this.

Discussed the permanent matching of T.A.'s and counterparts and who will be in charge in her place while she is out of town.

In a meeting with Mrs. Bulwarska, I reviewed the organization of the Housing Finance Program recommended last November (which I had translated into Polish). We went over the responsibilities in various areas and she requested a translation of the write-up of the positions which accompanied the chart. She said that the Bud Bank would discuss the organization chart and then, in a month or so, may adopt it depending on the number of participating banks. Since the real gap was in the quality control and audit area we had a detailed discussion of this function. The Bud Bank is just finishing undergoing audit by the National Bank of Poland and KPMG. They do not have anyone on staff with a clear compliance or audit function. Chris Cahn

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offered to develop a quality control plan for them and leave it to be implemented when they have a staff person. This offer was accepted.

GOALS (2/21 - 2/27/93)

Credit Group

Forms:

* **Finalize draft of Participating Bank application form.**
* Finalize draft of Participating Bank approval forms.

Guides:

* Deliver completed Polish and English versions of Mortgage Lending and Construction Lending Guides for formal presentation by Bud Bank to the PKO.

Control Group

Guides:

* Draft updates for Guides (detailed explanation for DIM mechanics and accounting, double tracking, and inclusion of reports and forms.) Continue to refine other sections as issues are resolved.

Servicing:

* Meet PKO counterparts and begin training.
* Complete servicing overview for Bud staff.

Accounting:

* Finalize chart of accounts.
* Review servicing/accounting interface and document process and forms required.

Systems:

* Meet with President to review project workplan and additional resources.
* Continue refining project workplan (design phase) and prepare for following week's needs assessments with Bud operational staff.
* Develop cost estimates for MOSEC (per MOSEC request, addressed to Mr. Debski).
* Confirm donor reporting requirements with AID.

Marketing

Waiting for response to marketing plan from Mrs. Bulwarska and Irena Stocka.

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ISSUES/CONCERNS

HFPO has been preparing a new version of the Operating Manual. Linda requested a copy and was asked by Irena why she needed it. We need all documents relevant to this program and need to find out if this new version has been approved by the World Bank. It was send by HFPO on Friday to our attorneys, so I suspect it has been.

Mrs Bulwarska must identify the responsible bank party for obtaining PKO eligibility documents (financial statement and management materials) to satisfy our proforma eligibility requirements for them. Our team will serve as technical advisors to the process. (from last week's report)

Discussed the issue of dedication of Bud Bank staff to the project in two meetings with Mrs. Bulwarska. In the first meeting, she proposed that they work on the project 9 - 2 everyday. I emphasized that our plan and the length of stay of each Advisor was based on an earlier commitment of their full time involvement. I mentioned that we work six days a week and would be available to make a weekend day a work day at the bank if that would help. After discussions with the staff and the old President, she told me that they can only work 9 - 2 and would volunteer to work Saturdays when necessary (not as a matter of course), although the President wants them to get their rest. This lowers their time devoted the project from 35 hours to 25 or 30 per person, depending on whether they work on the weekend. Clearly, not as much can be achieved.

She has allocated space within each functional area for each T.A. as well as an office and meeting room for group discussions. I have asked the T.A.'s to spent all their time (until we get into the PKO) at the Bud Bank and to report to me if their counterparts are working on other tasks between 9 - 2. Also, the T.A.'s are giving them assignments to work on independently. (Up through this week, revisions of the Guides had to be done at HFPO since the equipment was there).

Mrs. Bulwarska and I discussed the delivery of the Guides to the PKO which will take place next week while she is gone. She is appointing a substitute to deliver them with me and is preparing a speech which discusses the next steps necessary, including the training to be provided to the PKO. In David's final meeting at PKO about the training plan, they indicated that they (the PKO) would start training soon after they received the Guides. We want the Bud Bank to maintain the lead position, and to be in charge of training.

In the same meeting, I mentioned that the systems area, which does not report to her, is not organizationally tied to the program. I tried approaching this issue several ways since I understand they are waiting for the formal invitation or assignment. My point never seemed to hit home. She is impressed that systems work is going so well and Walter has established his

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relationships with that group. I asked if they would consider forming a committee or having someone at a higher level coordinate the two areas, but she saw no need since they are supporting they program right now. I will have to follow up on this issue later to make sure it does not become a problem.

There are several significant program design issues which are discussed on attached memos.

CC: Beth Marcus

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3900 Wisconsin Avenue, NW
Washington, DC 20016-2899
202 752 7000

February 8, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report

TECHNICAL ADVISORS

The following advisors are at work on the project:

Ruth Sando	Task Master
David Obstfeld	Training Expert
Aleksandra Niemirycz	Administrative Assistant
<u>Credit Group</u>	
Ken Plant	Credit Manager
Cathee Re	Mortgage Advisor
Bill Mawhinney	Construction Advisor
<u>Control Group</u>	
Linda Weinstein	Control Manager
Walter Bohan	Systems Expert
Lee Stevenson	Loan Servicing Advisor

As you know, Beth left Thursday of last week and there is only one more person to come (Chris Cahn - Corporate Accounting) who will arrive February 14. Cathee arrived on Wednesday and Bill on Sunday.

The Legal Advisors are at work as well. Howard Friedman and Wlodzimierz Radzikowksi are working on legal documents.

ACCOMPLISHMENTS

<u>Training:</u>

Meetings were held with Bud Bank Construction and Mortgage team members as well as PKO Branches 9, (Mortgage), 15 (Construction)

and 1 (Training) and headquarters. The other Technical Advisors were canvassed for training related issues they have identified.

Different audiences with different training needs have been identified and a 3-stage approach to training drafted. This includes informal training in approximately 6 technical areas; a short kick-off program for the Bud Bank and a longer joint Bud Bank/PKO program; and formal training for future Participating Banks.

Credit Group

The construction application forms are all either completed or in draft. They are in both Polish and English. A cash flow form has also been developed for multi-family construction loans.

Reviewed updated Construction Lending Guide and made corrections.

Met with PKO over first construction loan: As you know, the first construction loan was selected from the PKO portfolio on Monday. We received a copy of a fax from Margret Thalwitz giving preliminary approval to this project (on an exception basis) provided that the financial statement from the cooperative is satisfactory or the 22 presales are reviewed and that the site inspection does not reveal any problems.

A mortgage loan was also selected out of PKO portfolio on Monday and Margret Thalwitz approved all the exceptions to our guidelines which Beth had pointed out, provided that Bud Bank maintains ts 300 point spread, or can demonstrate its ability to service at a lower spread.

Ken met with HFPO to discuss the requirements to develop a construction loan pipeline. PKO has said it will canvas 14 or 15 branches for existing portfolio construction loans and review applications in process for potential refunding.

Control Group

Mortgage Lending Guide: Finished the underwriting section review and have nearly completed the review of the servicing section working jointly with Bud Bank counterparts. A number of issues arose which required the Bud Bank team to defer to a later discussion with Mrs. Bulwarska (who was out Wednesday through

Friday). In addition, several new sections were drafted (committing, disclosure rules, servicing quality control).

Forms: Drafted the Loan Activity Reports (identified as Remittance Report in the Implementation Plan) and Statement of Mortgages.

Systems: Conducted training of Bud Bank team members in a

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structured systems analysis methodology to be used in producing various functional and program specifications for the systems developed over the course of this project. Started on the process of customizing various forms. Carried out working sessions with Bud Bank team members and various technical advisors to gain a preliminary understanding of the Construction and Mortgage Systems' functional requirements as a precursor to size up the project and develop a workplan.

Legal

The attorneys have completed a second draft of the Construction Financing Agreement and a first draft of the Mortgage Financing Agreement. Two worked over the weekend and are nearly finished.

The first two PKO portfolio loans were delivered to them to incorporate into the first Financing Agreement. They were also given the changes to the Construction Lending Guide and the changes to date to the Mortgage Lending Guide.

Marketing

Mrs. Bulwarska is developing an abstract of the program which can be used as a marketing piece for participating banks. Beth has been in contact with an experienced marketing specialist who may be able to help to develop full marketing materials for participating banks if the Bud Bank would be willing to pay for the services. This person has developed materials for the PAM Bank.

GOALS (2/7 - 2/12/93)

Credit Group

Forms:

* **Complete the preparation of forms to be attached to the Construction Lending Guide.**
* Prepare forms to be incorporated into the Mortgage Lending Guide.

Guides:

* Meet with MOSEC official responsible for approval of appraisers to determine standards
* Review the changes to the Mortgage Lending Guide

Complete review of PKO construction loan to finalize eligibility for Mortgage Fund Program.

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Control Group

Forms/Reports:

* Draft Construction Status Report and Monthly Remittance Reports and review with the Bud Bank operations team.
* Review Mortgage Loan Activity Reports and Statement of Mortgages with Bud Bank operations team.
* Draft PB application forms and attachments.

Mortgage Lending Guide:

* Draft new section for Financing Agreements.
* Document recommendations and additional changes not currently in the Polish version.

Systems:

* Review Donor reporting requirements in order to understand their impact and assist in the prioritization of functions to be computerized.
* Confirm our understanding of these reporting requirements with AID.
* Continue training of Bud Bank team members in the structured analysis methodology; and, customizing of forms for developing systems specifications.
* Develop a preliminary project workplan based on the team's understanding of systems' functional requirements and priorities.

Marketing

Beth will do a marketing piece in Washington which should be finished by the end of the week. I will talk to Mrs. Bulwarska about paying someone to develop PB marketing materials, otherwise the abstract she was developing last week may be useful. Cathee Re will draft a marketing piece for the DIM product while PADCO is taking care of developer marketing materials. Who does what must be resolved by the end of the week.

Training

Complete identification of distinct training content areas; identify the Bud Bank, PKO and T.A roles as well as the specific point person in each bank; identify the level of effort needed.

Bud Bank Issue

Mrs Bulwarska must identify the responsible bank party for obtaining PKO eligibility documents (financial statement and management materials) to satisfy our proforms eligibility

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requirements for them. Our team will serve as technical advisors to the process.

PROJECT MANAGEMENT

Beth and I met with new President of Bud Bank for a frank discussion which included encouraging him to delay training until the program is ready in the Spring.

Met the Bud Bank's lawyer who is also the PKO's lawyer (part-time in both cases). I gave his name and phone numbers to our attorneys. Mrs. Bulwarska has told us that the Bud Bank will be getting a full-time attorney, devoted solely to this program

Mrs. Dubczyk and Beth met at PKO on Wednesday leaving Beth with the impression that PKO is in but will not be proactive until the agreements are signed and they see the project materials.

Mrs. Bulwarska has a new training/marketing specialist, although this person is not experienced at all, and unclear on the extent to which her responsibility involves training.

Peter Douty delivered a session on the DIM to HFPO staff on Saturday and a separate session to our team on Sunday.

AGENDA ITEMS/ISSUES:

Lack of participation in the team by resources from the Participating Bank.

Complexity of systems' requirements in relation to the reporting requirements of Donor agencies and current project schedule deadlines.

Exact amount PB will receive from Bud Bank when loan is refunded. This issue involves refunding capitalized interest.

All bank personnel interviewed regarding training expressed concern that they have enough time to review materials, prepare a strong training program and apply the training materials.

[1]

[1]Attachments: List of Bud Bank and PKO Operations Team
Memo from Margret Thalwitz dated 2/1/93
PIP Memo from Beth

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3900 Wisconsin Avenue, NW
Washington, DC 20016-2899
202 752 7000

February 12, 1993

To: Sonia Hamman
USAID Housing Office

From: Ruth Sando

Subject: Housing Finance Project Weekly Report

TECHNICAL ADVISORS

Chris Cahn - Corporate Accounting will arrive February 14. David Obstfeld will leave this weekend after a two-week stay devoted to training needs assessment.

ACCOMPLISHMENTS

Training:

A training proposal based on the comments of the technical advisors was revised.

The training approach was presented to PKO and Bud Bank.

Six content outlines were created to guide training in specific content areas.

The training proposal and content outline was translated into Polish and distributed to Bud Bank and PKO.

Credit Group

The Multi-family and Single-family construction application forms have been revised and finalized.

The final review of the Construction Lending Guide was completed prior to typing.

Reviewed the first construction loan file from PKO. Developed a list of questions and additional items to be supplied by the coop

and PKO.

Revised the "Appraisal" section of the Mortgage Lending Guide.

Revising the application forms for the the Mortgage Lending Guide in cooperation with Bud Bank staff.

Attended Bud Bank kickoff meeting with potential participating banks.

Control Group

Mortgage Lending Guide: Completed revision of the servicing section of the guide, including several new sections, working jointly with the Bud Bank counterparts. All issues deferred to Mrs. Bulwarska have been resolved. Revisions were made in Polish and English.

Forms: Drafted PB reports (including Partial Release Form) and reviewed them with Bud Bank staff. Completed review of Donor reports.

Systems: Completed first cut of Logical Systems Design in progress (major functions, process and database).

Servicing: Reviewed and updated servicing sections of PB Internal Manual. Developed approach for operationalizing servicing functions and reviewed with the Bud Bankstaff. Developed framework for project workplan.

Legal

The attorneys will finish the first financing agreement after the weekend. I have asked them to contact the Bud Bank lawyer and President to discuss it with them.

The attorneys have provided answers for various legal questions which arose during the revision of the guides.

Marketing

Beth has completed an initial Mortgage Fund Marketing Plan framework. This includes the goals, the setting, and stages of the overall plan.

GOALS (2/14 - 2/21/93)

Credit Group

Forms:

* **Complete the preparation of forms to be attached to the Construction Lending Guide.**

* Prepare forms to be incorporated into the Mortgage Lending Guide.

Guides:

* Deliver completed Polish and English versions of Mortgage Lending and Construction Lending Guides for formal presentation to their staff and to the PKO.

Control Group

Forms/Reports:
* Finalize PB reports.
* Draft Donor reports.

Servicing:

* Develop department functions for servicing and draft workplan. Draft new section for Financing Agreements.
* Accounting Technical Advisor to meet with Accounting staff. Identify issues and review chart of accounts.

Systems:

* Draft systems workplan
* Review guides and conduct meeting with Bud Bank staff regarding logical design of system.

Marketing

Determine whether to use outside expert to develop PB marketing piece.

Training

Within the next few weeks, the following actions need to be persued by Bud Bank management and staff:

1. Appointment of training liaisons for content areas, training leader and executive training sponsor. Hold kick-off meeting to explain their responsibilities.

2. Technical Advisors meet with their respective training liaisons and training leader to review content outline and determin preliminary schedule.

3. Create brief plan and contact the PKO to identify their training liaisons for key content areas.

4. Training liaisons meet with PKO counterparts to establish areas of cooperation and timing and objectives for training.

5. Begin development of materials.

6. Begin organization of the documentation from content areas into training manual. Begin design of stage two kick-off training.

ISSUES/CONCERNS

Mrs Bulwarska must identify the responsible bank party for obtaining PKO eligibility documents (financial statement and management materials) to satisfy our proforma eligibility requirements for them. Our team will serve as technical advisors to the process. (from last week's report)

Some of the Bud Bank staff allocated to the project still have significant work responsibilities in their own departments. Need to discuss this issue with Mrs. Bulwarska.

Need to discuss PKO participation with the systems team and staff allocation in this area.

Not clear whether the organization of the Housing Finance Program as recommended last November has been agreed to and implemented. As a result, cannot identify any Quality Control or Audit area and determine who is the responsible person. (PKO seems to be well fixed in this regard)

Significant issues which I hope to have resolved by the end of this day include adoption of our recommendation for the Bud Bank to refund the capitalized interest on PB loans (with the proviso that all loans must be a maximum of 3 months old); and whether there is any problem for the program in implementing loan servicing procedures which are <u>not</u> based on compounding interest.

CC: Beth Marcus

[1]Attachments: Training Proposal in English and Polish
Draft Training Outlines for Housing Guaranty Program in English and Polish
Marketing Plan

3900 Wisconsin Avenue, NW
Washington, DC 20016-2899
202 752 7000

January 27, 1993

To: Sonia Hammam
AID, Warsaw

From: Beth Marcus
Fannie Mae

Subject: Status Report

General Comments

The Poles readiness to start the program and utilize TA is mixed. Although they had in Polish basically all Guides since November, only the construction guide had been distributed very recently. The Operating Manual had not been updated, the mortgage guide has not been verified by translation, and the terms of the subsidiary agreement have not been worked out.

Organizationally they have made some minimal progress. In the Bud Bank, they have selected temporary managers and teams which are sufficiently comparable to ours. They do not have a training person nor a lawyer who can assist. Also, Elzbieta Bulwarska is not fully assigned to the program and the Acting President continues to be an obstacle.

The PKO has made the decision on the two branches in Warsaw to start the program and assigned a lead person in each branch. They have also selected two HQ staff to cover each mortgage and construction as the program expands to the branches.

The requirement for two financing agreements for the WB definitely distracts us from the more important work of setting up a system. We can probably get around the problems of not having systems in place but this requires us to create a unique system for these two loans - time consuming and duplicative. Also, as you know, originating and closing a construction loan and a mortgage loan in effectively one month is unrealistic. So, what we are doing is trying to come up with the least time consuming way to meet WB requirements by trying to find existing deals under the PKO. However, especially with the DIM, loans conforming to the Bud Bank program do not exist; the WB is going

to have be more flexible on eligibility issues. My major point on this for you is that it is outside our terms but I don't know what else we can do other than help them meet this requirement, unless directed otherwise by you.

As I work with Irena on manuals and Guides, and with WB input, there are some items which we encounter that they want to change significantly. For example, they stated that they want all mortgage loans preapproved - which is absolutely contrary to their own manual. This would require major additional staffing at the Bud Bank as well as major revision to the Mortgage Guide which is based upon their manual. I plan instead to beef up our provisions on working with PBs on their first X loans before they are funded to made sure the PBs know what they are doing (we already have this but I will make it more detailed.) If they want a complete program revision, I told them I would have to talk to you because it impacted out terms. However, I think their proposal is so impossible that my solution will have to suffice and I do not anticipate any further problems.

Specific Meetings

Regarding specific activities, during the week that I have been in Poland:

- I have held the necessary meetings with the Bud Bank and the PKO to establish the TA relationship. Both banks appear to agree with our approach of teaming with Bud Bank staff to develop documents and procedures and implement the procedures and together to assist the PKO in its program development and implementation.

- The Management Team began our training of Bud Bank housing finance project (HFP) management by going over the TA effort and providing intensive several day training on the construction guide. The reason for selecting the construction guide first is that the Poles have only just begun their review of the mortgage guide vis-a-vis translation.

- I have agreed to help the Poles with their mortgage guide translation check in order to move the process. (They are very behind on this; as noted above, we left the translation in early November and sent a red-lined English copy later in November. Their lack of readiness creates a serious problem and will harm TA effectiveness, which is why I am extending my stay. Also, to maximize effort and minimize delay, I am taking on the task even though operationally it should be done by our Credit Manager, Ken Plant, to allow Ken to introduce construction this week.)

- I have assisted Irena Stocka, along with Hank Henward and Phil Jones, update the Operating Manual. Although

this is, effectively, a World Bank manual, we recognized that it was essential that it be updated immediately because its contents are applied to all other documents and procedures. Hank, Phil and I completed our work Tuesday night.

- Because the financing agreement terms require pricing, I asked Irena, Peter Doty, and Margret Thalwitz what were the plans for the repayment terms for the Subsidiary Agreement. (I also recognized that this agreement is required by the HG to be approved by AID.) When they told me that terms were to be the same as MOSEC has under the WB loan agreement, I spent at least 1/2 a day explaining how this would bankrupt Bud Bank as soon as the first payment was made (Bud Bank's cash flow in is almost all capitalized but under their approach the cash flow out would be under totally different rate, payment, and other terms. There would be no match funding. I have made this point during the entire period in which I have been involved in this project but have been instructed by WB to "stay out of this". I felt I had to show them the problem with what they were proposing because, otherwise, Bud Bank would truly go under quickly and all programs would be jeopardized.)

  During the discussion, I found out that the subsidiary agreement terms had been discussed during the negotiations. The minutes were read to us and we all found out that certain terms were dictated in the negotiations. While this helped, it still did not resolve the problem. We finally came up with a resolution, which is attached.

  The attached proposal protects the Bud Bank from having to pay out cash it doesn't have - except in the 17th year when the agreement terminates. If any one is the loser, it is MOSEC. This is because MOSEC has its owed interest capitalized when Bud Bank's cash flow is less than what is due yet, except for capitalization repayment, does not receive extra cash flow when available if the cash flow exceeds the required payment. I don't think this is a serious problem since MOSEC is already taking the "hit" on match funding and this issue adds to this only in a small way. However, it could be a psychological problem (why should MOSEC give away something that isn't necessary?) which is why I wanted to apprise you of it.)

  The proposal is not a match funding proposal. I came up with one that would get us close to match funding but it is much more complicated. I have no objection with what we developed because the payment cap prevents the Bud Bank from a negative cash flow situation.

However, because the provisions are somewhat arbitrary, to give you background on each provision, there is an explanation of terms on the attached description.

Terms of Reference Items

We have selected our administrative officer. Our marketing person, Michele McNamara , has had to cancel. Cathy Re will take on the educational piece on the DIM. In regard to the developer brochure, I have discovered that Hank Henward thought PADCO would be more appropriate for this assignment, which I agree, although he said he needs another RFS for this. With your approval, I would like to substitute a PB brochure for the developer brochure in our terms with the expectation that Hank will take on the developer brochure.

It is now possible (I should know before I leave) to include Phil LaChappelle in the team to work on the PB brochure. Although I am comfortable personally with taking on this task in DC, I would use Phil if this would test him for the long term housing finance manager assignment. If this is feasible, would you want this?

Attachment

cc: Ruth Sando