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NATIONAL LEAGUE OF INSURED SAVINGS ASSOCIATIONS



1200 17th STREET, N.W.

WASHINGTON, D.C. 20036

DS/H Ref
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DOMINICAN REPUBLIC SAVINGS AND LOAN SYSTEM
FEASIBILITY STUDY AND FINANCIAL EVALUATION
REPORT

DECEMBER 23, 1971

TO: Peter M. Kimm, Deputy Director
Office of Housing
Agency for International Development
Washington, D. C.

THROUGH: James D. Klink, Project Director
National League of Insured Savings Associations
Washington, D. C.

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HOUSING GUARANTY PROGRAM

Contract No. AID/csd-3317

EXPLANATION

The following terminology and symbol will be used in the present report:

- Project Project 517-HG-006.
- Loan Agreement Loan Agreement related to the Project dated April 30, 1969.
- Implementation Agreement Implementation Agreement related to the Project dated April 30, 1969.
- Investor The Boverly Savings Bank, a New York corporation.
- BNV Banco Nacional de la Vivienda, an agency of the Dominican Republic.
- Association A Dominican Republic savings and loan association.
- Government Dominican Republic Government or Dominican Republic State.
- AID Fiscal Agent American Security and Trust Co.
- BNV's Corporation Charter Law No 5894 dated May 12, 1962.
- BNV's By-Law By-Law dated May 12, 1962, for the implementation of the BNV's Corporate Charter.
- Associations' Corporate Charter - Law No. 5897 dated May 14, 1962.
- Associations' By-Laws By-Law dated November 27, 1962, for the implementation of the associations' Corporate Charter.
- DR\$ Dominican Republic Peso. Exchange rate: DR\$ 1 to \$ 1.

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PART I

A. SUMMARY OF MAJOR FINDINGS

1. A total amount of \$1,712,000 has already been disbursed for the Project . (See A. 1)
2. The Project's net income can be estimated to be 11% of the BNV's total net income. (See A. 4)
3. All Project houses have been well received by the public. (See B. 2)
4. The BNV is current in its interest payments to the AID Fiscal Agent. (See F. 1)
5. The BNV has failed to remit to the AID Fiscal Agent the 1 1/2% initial reserve fund fee paid by homeowners. (See F. 2)
6. There have only been three claims against the FHA Insurance. (See I. 4)
7. All individual savings accounts are insured up to DR\$15,000, and all institutional savings accounts are insured up to DR\$50,000. (See Q. 1)

8. A new association called "Nacional" will be opened in Santo Domingo about July 1972. (See Z. 1)

B. CONCLUSIONS

1. The Dominican Republic Savings and Loan System is stable, well organized, and has a fairly sophisticated method of operation. The administrative structure and the staff organization of the BNV and the associations are adequate to handle their current volume of operations. Generally speaking, the officers and employees of the BNV and the five associations and two branches visited by NLISA consultants were found to be well-trained, conscientious, and disciplined. In particular, it can be stated that their key men are capable, dedicated, and progressive businessmen.

2. The BNV's ratio of 25% of net worth to total assets as of June 30, 1971, is an unquestionable evidence of its financial strength. To further support this conclusion is the fact that apparently the book value of the BNV's land is substantially understated. (See III, T. 3)

3. The BNV's percentage of net income to total income for the year ended June 30, 1971, is strong evidence of its profit-making ability. The comparison of this percentage to the BNV's lifetime average of 8% is a significant proof of the BNV's trend of increasing net income. (See III, T. 4)

4. The liquidity ratios of the Dominican Savings and Loan System from 1963 through August 31, 1971, indicate that the associations have had enough funds available to meet any extraordinary withdrawals by savors, within the limits normally expected by the savings and loan industry. Conversely, the rather high liquidity ratios are an indication that the associations have had an excess of idle cash on hand. (See III, T. 5)

5. The increasing trend in the associations' ability to attract new savings substantiates their stability and acceptance in the eyes of the public. (See III, P. 4)

6. The net income earned from the Project was 11% of the BNV's total net income for the year ending June 30, 1971, and this may be regarded as a significant contribution to the BNV's capitalization, especially considering that (a) as of June 30, 1971, the Investor had only disbursed DR\$ 1.3 million, and (b) of this amount, DR\$ 300,000 was disbursed on June 21, 1971. A reasonable projection seems to be that the above mentioned percentage will probably increase to 20% or 25% once the full amount of the loan (DR\$ 6 million) is disbursed to the BNV. (See III, A. 4)

7. The BNV's financial structure displays a favorable increasing trend throughout its lifetime. (See III, T. 1)

8. Another important fact supporting the BNV's financial strength is that there has not been any currency devaluation and none is anticipated at this time. (See III, H. 1)

9. The associations' percentage of delinquencies shows an encouraging decreasing trend from 1968 through August 31, 1971. (See III, M. 1)

10. The BNV has been able to sell a substantial amount of participation contracts in the secondary mortgage market. (See III, N. 2)

11. The FHA Reserve Fund appears to be inadequate. Inasmuch as the FHA contingency continually increases as the mortgages insured increases, the importance of this reserve cannot be underestimated, even though the BNV management feels confident that the existing reserve is sufficient in light of the detailed and in-depth credit review performed by the FHA department. The BNV management supports its position by pointing out the fact that so far the associations have only filed three claims against the FHA insurance, and also that no claim has been filed by any other approved entities. Nevertheless, the contribution of DR\$ 3 million from the Dominican Government to the FHA Reserve Fund required by the BNV Corporate Charter, is evidence of the recognized necessity for maintaining a substantial reserve for this purpose. The fact that DR\$ 2,850,000 has not yet been dis-

bursed by the Government to the BNV in compliance with the above mentioned legal requirement, is obviously a major reason contributing to the inadequacy of the reserve, and also supporting this conclusion. Furthermore, the lack of significant periodical increases in the reserve evidently precludes it from reaching a reasonable balance. (See III, J. 7)

12. The amount in the BNV's Legal Reserve Fund complies with its Corporate Charter requirements. (See III, V. 1)

13. The associations are complying with their Corporate Charter's requirements with regard to their Legal Reserve Fund. (See III, V. 2)

14. The recently established Savings Insurance Reserve is completely inadequate and unless substantially augmented it will be totally ineffective. (See III, R. 1)

15. The BNV has complied in an acceptable manner with the Loan and Implementation Agreements and its Corporate Charter and By-Laws, with the exceptions noted in the present report.

16. The BNV does not have any legal grounds for not remitting the initial reserve fund fee to the AID Fiscal Agent, as specified in the Implementation Agreement. (See III, F. 2)

17. The FHA has performed in a satisfactory manner and has shown its capability and dependability. However, one of the three foreclosed houses has been held by FHA for too long a period of time (over two years) without resale. (See III, I. 5)

18. Based on the two different exchange rates that the BNV has to pay to commercial banks and the Central Bank, it can be predicted that the BNV will suffer the following loss on the disbursements made by the Investor and the principal payments to the AID Fiscal Agent: (See G. 1, 2)

1/4 of 1% of \$ 6 million	DR\$ 15,000
1/2 of 1% of \$ 6 million	30,000
	<hr/>
	DR\$ 45,000
	<hr/> <hr/>

19. The BNV's internal audit department has been reorganized but still lacks an adequate program and operating procedures. (See III, X. 1)

20. It is obvious that a conflict of interest exists with regard to the insurance company offering life and disability insurance to homeowners. (See III, K. 2)

21. The management relationship at the "La Vega" association poses a conflict of interest problem. (See III, C. 4)

22. The Dominican Republic Savings and Loan System's Corporate Charter and By-Laws are disorganized and confusing. (See III, Y. 1)

23. The establishment of a new association in Santo Domingo should be healthy for the industry in that it would create sound competition by enabling the system to be more responsive to the needs of the public. (See III, Z. 1)

24. The plan of the BNV to offer life and disability insurance to all mortgagors seems to be a sound idea, especially in light of the existing conflict interest. (See III, AA. 1. a)

25. However, the plan to enter into the life insurance business for the general public and to grant chattel mortgages are not part of the function of the savings and loan system in the Dominican Republic. (See III, AA. 1. b, c)

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C
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26. Generally speaking, the recommendations in the McKeever/Bermudez report were well received and responded to by the BNV management. (See III, BB. 1)

27. On the basis of the findings of the feasibility study and financial evaluation contained within this report, it can be concluded that (a) the BNV is organizationally and financially capable of administering the \$4 million extension request, and (b) the potential housing market seems to justify the request of additional funds to meet the needs of the public. (See III, CC. 1)

C. ACTION TAKEN

1. The BNV management was requested by NLISA consultants to comply with the following instructions and directions:

a) The initial reserve fund fee must be remitted *hasit been* at once to the AID Fiscal Agent. (See III, F. 2)

b) The BNV management should consider the necessity of applying part of the FHA fees collected to increase the FHA Reserve Fund. (According to the FHA Manager, this allotment can be made through a resolution from the BNV's Board of Directors.) (See III, J. 4, 7)

c) An adequate method of increasing the Savings Insurance Reserve and maintaining it with a reasonable balance, must be worked out. (See III, R. 1)

d) The BNV's internal auditors must carry out an audit of the "Popular" association and a report must be issued. (See III, X. Z)

e) The BNV's internal audit department has to have an adequate program and operating procedures. (See III, X. 1)

f) The BNV should try to use competitive bidding to select sponsors in order to give the same opportunity to all qualified sponsors and to avoid adverse criticism against the system. (See III, C. 1) (Although the BNV Financial Manager

agreed on this point, he emphasized the high cost and the amount of time required as a justification against the competitive bidding method.)

g) All reasonable efforts should be made in order to resell the third of the three foreclosed houses. (See III, I, 5)

h) The BNV must require the associations to keep separate accounting records for the Project's operations, and to also use a uniform reporting system. (See III, W. 1)

i) Reports on the Project's operations have to be sent to AID as instructed by NLISA consultants. (See III, W. 2)

j) An effort should be made in order to reorganize and simplify the Corporate Charters and By-Laws governing the Dominican Savings and Loan System. (See III, Y. 1)

2. NLISA consultants provided technical assistance to the BNV management and staff, and the associations and branches.

D. FUTURE ACTION

1. The National League will follow up on the implementation of its instructions and directions to the BNV mentioned above.

E. RECOMMENDATIONS TO A/H

1. In addition to the action taken by NLISA consultants (see I, C. 1), A/H should address an official letter to the BNV management requesting that the initial reserve fund from closing costs amounting to DR\$ 62,991 as of November 30, 1971, and improperly

retained by the BNV, be remitted immediately to the AID Fiscal Agent in compliance with the Implementation Agreement. Also, a formal explanation of the reason for not having made such a remittance as required should be requested. (See III, F. 2)

2. Cause, to be performed an evaluation study of the sufficiency of the FHA Reserve Fund maintained by the BNV.

(See I, B. 11)

3. An effort should be made by AID to have the Government contribute the balance of DR\$ 2,850,000 to the FHA Reserve Fund, as required by the law. (See III, J. 1)

4. Explore the possibility of having the system exempted from paying the costly exchange rates to commercial banks and the Central Bank. (See III, G. 1, 2)

PART II

INTRODUCTION

A. SCOPE OF WORK

On October 20, 1971, Mr. Stanley Ott, Housing Officer, AID Office of Housing, requested the National League of Insured Savings Associations' appraisal of the BNV's progress, in general, concerning the present \$6 million loan for the Project.

B. WORK PERFORMED

In order to comply with the above mentioned request, a field visit was made during the period October 26 through November 12, 1971.

Information contained in this report was gathered from official records of the BNV and the associations, and in-depth discussions with key officers of these organizations.

Care has been taken in presenting a report that (a) describes existing conditions, (b) draws rational conclusions, and (c) makes detailed recommendations.

C. OFFICERS CONTACTED

In carrying out this assignment NLISA consultants contacted the following officers:

USAID Mission to Dominican Republic

Mr. Robin L. Gomez, Acting Chief
Capital Development Officer

Dr. Benito Henriquez, Capital Development
Officer

BNV

Dr. J. Manuel Pittaluga, Director-Manager

Mr. Ruben Polanco, Financial Manager

Mr. Miguel Paiewonsky, FHA Deputy Manager

Dr. F. Archibaldo Vasquez T., Director-Chief of
Promotion Department

"Cibao" Association

Mr. Raul Martinez Goris, Acting Manager and Auditor

Mr. Juan Jose Cestero, Assistant Manager

"Mocana" Association

Mr. Alenjandro Raposo Perez, Director-Manager

"Duarte" Association

Dr. Vicente A. Gonzalez, General Manager

"Bonaio" Association

Mr. Jose M. Espaillet, Manager

"Popular" Association

Mr. Hazor Hazoury, Director-Manager

Mr. Hector D. Creales, Accountant

PART III

FINDINGS

A. PROJECT 517-HG-006

1. The following is a breakdown of the disbursements made by the Investor through October 22, 1971:

<u>Date</u>	<u>Closing Number</u>	<u>Amount</u>
1/19/70	1	\$ 300,000
2/16/71	2	300,000
5/7/71	3	400,000
6/21/71	4	300,000
10/22/71	5	<u>412,000</u>
		<u>\$1,712,000</u>

As for the next closing (No. 6) probably in the amount of \$500,000, the BNV already has enough eligible first mortgages per its management.

2. Exhibit 1 shows a projection of the sources and applications of funds for the Project from April 30, 1969 through July 31, 1972 prepared by the BNV.

3. According to the projection mentioned above, the BNV management feels confident that the system will be able to generate enough eligible mortgages for the utilization of the total amount of \$6 million of the guaranteed Project loan referred to above. (NLISA consultants made several attempts to substantiate this opinion, but were unable to obtain any supporting documentation from the BNV management.)

4. Exhibit 2 shows the economic impact of the Project on the BNV operation. As per this exhibit, the Project's net income represents 65% of the BNV's total net income for the year ended June 30, 1971. It should be mentioned, however, that the Project's expenses do not include overhead. According to the BNV Financial Manager, 10% to 12% of the BNV's overhead could be allocated against the Project. Should 10% (DR\$59,561) of the BNV's overhead be applied to the Project's expenses, it would leave DR\$20,126 as the Project's net income, representing 11% of the BNV's total net income.

B. SUB-PROJECTS

1. Sub-project selection depends mostly on geographical location, as this is regarded by BNV as an essential factor. Also, sub-projects are carefully analyzed by the BNV technical division (FHA) before being approved. In general, the associations are designated as administrators of the sub-projects according to their geographical location with respect to the sub-project.

2. As stated by the BNV Financial Manager and FHA Deputy Manager, all projects have been well received by the public and there have been no material complaints from the homeowners about the construction of their homes.

3. The "Los Prados" sub-project was visited by NLLISA consultants who toured the site and interviewed four homeowners. These homeowners took great pride in their homes and were very excited in showing the substantial improvements and additions that they had made to their dwellings. In general, it appeared that most of the other homeowners had also made improvements and had taken good care of their houses. However, the insufficient water supply and the deterioration of the roads are presenting some problems.

C. SPONSORS

1. BNV policy is not in favor of soliciting competitive bids. They rather prefer to use a negotiated bid method choosing a sponsor of their selection. This selection method pertains only to sponsors who have performed satisfactorily for the system in the past. According to the BNV Director-Manager, all sponsors have been involved with the system for several years. As a general rule, all sponsors are at the same time the builders for the sub-projects.

2. The only case where the BNV used competitive bidding to select a sponsor was on phase 2 of "Los Prados" sub-project. In

order to publicize the bidding on this sub-project to the maximum, the BNV placed a two-page ad on March 16, 1970, in one of the most widely circulated newspapers in the country. A selection committee was composed of the BNV Director-Manager, the FHA Manager, the BNV Financial Manager, two independent architects, and one independent engineer.

3. Although generally, sponsors have been cooperative, the BNV and the associations have encountered some problems in dealing with the sponsors. None of these problems, however, have been of a serious nature, but have been rather due to lack of proper procedures which are being established as these problems are encountered.

4. According to information obtained from the BNV Director-Manager, the son of the "La Vega" association's Director-Manager, Mr. Francisco Abreu, is a partner in the building company Abreu y Gamundy, which is practically the only construction company in the area, and is doing building for the association.

D. BNV'S AND ASSOCIATIONS' LENDING POLICIES

1. The BNV Board of Directors approves yearly lines of credit which are revised every three months. This approval is based upon annual projections prepared by the associations and subjected to the BNV availability of funds.

2. The BNV recommended that the associations transfer excess funds among themselves. This recommendation is now being practiced by the associations.

3. Mortgages purchased by the BNV remain with the associations for their administration. A participation certificate in the mortgages purchased ("Contrato de Participacion en Hipoteca Asegurada") is signed to evidence each individual purchase by the BNV. The mortgages so purchased are used by the BNV as security for its borrowings from the Investor. The association is entitled to a collection fee of up to 1% annually on the amount of the mortgage. Also, the association is entitled to be reimbursed for any legal fees or other foreclosure expenses.

4. The initial screening of applicants is performed by the associations with FHA having the final approval. FHA is in the process of implementing a more in-depth credit review with special emphasis on problem areas such as the source of the downpayment money.

5. All eligible mortgages carry an interest rate of 9 and 3/4% per annum determined as follows:

Interest rate 8 3/4%

FHA insurance fee 1/2%

AID guarantee fee 1/2%

9 3/4%

E. PROJECT'S RESERVE FUND

1. As required by the Implementation Agreement, the BNV has retained the 1 1/2% initial reserve fee paid by homeowners as closing costs, in the amount of DR\$62,991 as of November 3, 1971. (See III, F. 2) The BNV has also retained 1 1/2 % of the unpaid principal balance of the mortgages, in a special reserve account, in the amount of DR\$2,022.19 as of November 3, 1971.

F. PAYMENTS TO AID FISCAL AGENT

1. Exhibit 3 shows the interest and the AID guarantee fee made by the BNV to the AID Fiscal Agent through September 23, 1971. Furthermore, in a telephone conversation with the BNV Financial Manager it was learned that the October and the November payments to the AID Fiscal Agent were made in December 1971, and that the BNV was now current in its payments.

2. However, the BNV has failed to remit to the AID Fiscal Agent the 1 1/2% initial reserve fund fee paid by homeowners as closing costs, required by the Implementation Agreement, as stated under E. 1 above. The reason, as explained by the BNV Financial Manager, is that the BNV management is deeply concerned with the final disposition of this reserve fund. This officer referred to the last sentence of the original Section 5.06 of the Implementation Agreement, which provides that this reserve will be added to the general funds of the BNV. This provision was deleted from the First Amendment to

this Agreement. The BNV management has requested their counselor to carefully study this situation before making any decision concerning the reserve fund retained from closing costs.

G. EXCHANGE RATES

1. The BNV has to pay $1/4$ of 1% to commercial banks as a special exchange rate (the regular exchange rate being $1/2$ of 1%) for the conversion of disbursements from the Investor.

2. Also, the BNV has to pay $1/2$ of 1% to the Central Bank as the exchange rate for the purchase of dollars to pay the AID Fiscal Agent.

H. CURRENCY DEVALUATION

1. According to the BNV Financial Manager, there has never been a currency devaluation in the country, and he cannot foresee any reasonable possibility for a currency devaluation. The government firmly opposes any measure of this nature, he concluded.

I. FHA INSURANCE

1. The FHA Insurance is only compulsory with regard to mortgages under AID guarantee. Other mortgages are covered by FHA Insurance only if so requested by the mortgagee.

2. According to a statement made by the BNV Financial Manager, the aggregate amount underwritten by the BNV under FHA Insurance was approximately DR\$30 million as of November 30, 1971.

(See N. 3)

3. Besides savings and loan associations, there are about eight approved entities (mostly commercial banks) eligible for FHA Insurance under the law. Total insured mortgages from these approved entities amounted to DR\$ 1,521,000 as of November 30, 1971.

4. There have only been three claims by the associations against the FHA Insurance. In every case FHA paid the association the total amount owed on the mortgages of the foreclosed homes. No claims have been filed by any other approved entities.

5. The FHA was able to resell two of the foreclosed houses without any loss thereon. Presently, attempts are being made to sell the other house. No loss is contemplated upon the sale of this house. In most cases, especially when the value of the property has been increased, the associations choose to resell the houses directly rather than to file a claim against the FHA.

J. FHA RESERVE FUND

1. The BNV Corporate Charter provides that the Government contributes the sum of DR\$ 3 million which shall be kept separately from other BNV funds. This FHA Reserve Fund shall always be pledged to the BNV obligations related to the FHA Insurance. The Government shall make its contribution to the FHA Reserve Fund within a five-year term beginning with the issuing date of the

above mentioned law (May 14, 1962), in cash, real estate, or government bonds. However, the Government has only contributed DR\$150,000 to the FHA Reserve Fund and that was in 1962. This leaves a balance of DR\$2,850,000 still to be contributed by the Government.

2. The BNV is required by law to maintain the FHA Reserve Fund in a manner completely independent from other BNV operations. It is also required that the operations of the FHA Reserve Fund be shown separately on the BNV financial statements.

3. In order to develop mortgage markets, the BNV is empowered to purchase mortgages or participation in insured mortgages out of the FHA Reserve Fund.

4. Per statements made by the BNV management, the FHA Reserve Fund was established several years ago, and is increased by the profits generated from the investments of this fund. No portion of the FHA Insurance fee, however, has ever been applied to increase this reserve. Also, it has not been considered necessary to use part of the FHA fee for this purpose, since the annual increase from the above mentioned profit is deemed sufficient to maintain the reserve at an appropriate rate of growth.

5. According to the audit report issued by Price Waterhouse and Co. on September 9, 1971, pertaining to their examination of the BNV financial statements as of June 30, 1971, the FHA Reserve Fund was made up as follows:

Fixed time deposits in several banks at 180-day term	DR\$ 15,274
Other accounts receivable--amortization and interest	8,577
Mortgage participation contracts	226,021
Real estate--mortgages foreclosed by associations	5,899
	<hr/>
	DR\$ 255,771
	<hr/> <hr/>

6. During the current year the fund increased by DR\$19,363 due to interest earned on time deposits and investments in participation contracts, per the same audit report.

7. The BNV's ratio of FHA Reserve Fund to mortgages receivable as of June 30, 1971, was as follows:

FHA Reserve Fund (Exhibit 4)	<u>DR\$ 256,000</u>	= 2.5%
Mortgage receivable	DR\$ 10,313,000	

K. LIFE AND DISABILITY INSURANCE

1. Life and disability insurance is required on each mortgagor. The premiums are collected through the monthly payments on the mortgage and is maintained in a separate escrow account.

2. The BNV Director-Manager stated that the President of the Board of Directors of the "Popular" association, Mr. Maximo Peyerano, is also the president of the "Compañia Nacional de Seguros,

Sale to Chase Manhattan (? of true secondary market)
" " private

no recourse with respect to bond,
2 types

Try to get copy of law.

∴ forced secondary market
part of money - with recourse.

Mexico - required Banks to invest
certain amt in housing.

C x A, the insurance company that presently writes about 95% of the insurance for the entire savings and loan system. The BNV's Director-Manager also stated that there have been many complaints from other insurance companies regarding this situation.

L. HOMEOWNERS' INSURANCE

1. Fire insurance is required on each house and the premiums are collected and maintained in the same manner as for life and disability insurance.

M. DELINQUENCIES

1. Exhibit 5 shows the associations' mortgagors two and more months delinquent as of August 31, 1971.

2. There is no significant delinquency situation by the associations with regard to the BNV.

N. SECONDARY MORTGAGE MARKET

1. Other liabilities shown in Exhibit 4 include DR\$1,791,000 in BNV's 5% bonds payable ("cedulas hipotecarias") held as of June 30, 1971, by insurance companies, as required by law. *5899*
1962 Act probably as amended of M. B. report

2. The BNV has sold DR\$4,269,000 in 6% participation contracts in the secondary mortgage market as of June 30, 1971, as authorized by law.

3. Both the bonds payable and the participation contracts are guaranteed by FHA insurance. In addition, the bonds payable are fully guaranteed by the Government.

3.788 of 1954 basic law for insurance co. to invest in DR.

O. PROMOTION

1. The BNV subsidizes associations in their local promotion campaigns to attract new savings.

P. SAVINGS ACCOUNTS

1. The associations are authorized by the Monetary Council to pay 1% interest on savings above the percentage authorized for the commercial banks.

2. The current interest rate paid by all associations on savings is .5%, payable semiannually.

3. Savings deposits up to DR\$3,000 and the related dividends are tax free.

4. Exhibit 6 shows a comparison of the growth in savings deposits between associations and commercial banks from 1963 through 1971. As depicted by this exhibit, the savings and loan industry has been continuously capturing a larger percentage share of the savings market.

Q. SAVINGS INSURANCE

1. All savings are insured from date of deposit up to DR\$15,000 on an individual's account and to DR\$50,000 on an institution's account.

R. SAVINGS INSURANCE RESERVE

1. The ratio of savings insurance reserve to the associations consolidated savings accounts as of June 30, 1971, was as follows:

Savings insurance reserve (Exhibit 4)	DR\$ 18,000	= 0.08%
Associations consolidated savings accounts (Exhibit 7)	DR\$22,496,000	

S. BNV'S CAPITALIZATION

1. The BNV has obtained the following two seed capital loans from AID:

No. 517-L-002 for \$ 2.1 million of which the BNV received DR\$2,096,797

No. 517-L-008 for \$ 5 million of which the BNV received DR\$4,965,399.

T. BNV'S FINANCIAL POSITION

1. Exhibit 4 shows the BNV's condensed balance sheet as of June 30, 1963, through 1971 and December 31, 1963. According to this exhibit, the BNV has been able to show a continual increase in its net worth from DR\$1,249,000 on December 31, 1963 to DR\$3,455,000 on June 30, 1971. Retained earnings were DR\$499,000 as of June 30, 1971.

2. The Price Waterhouse and Co. audit report dated September 9, 1971, states that the land owned by the BNV, substantially at the Government's assessed valuation, totaled DR\$1,547,438 as of June 30, 1971. However, the BNV Financial Manager is of the opinion that the value of this asset is substantially higher in the open land market.

3. As a means of measuring the financial strength of the BNV, the ratio of net worth to total assets as of June 30, 1971 can be determined from Exhibit 4 as follows:

Net worth	DR\$ 3,455,000	= 25%
Total assets	<u>DR\$:14,059,000</u>	

4. Exhibit 8 reflects the BNV's net income from its beginning on May 12, 1962 to December 31, 1963 and through the year ended June 30, 1971. This exhibit also shows that the yearly net income has increased from DR\$3,000 in 1966 to DR\$179,000 in 1971. According to the same exhibit, the BNV's total net income from its inception in 1962 through June 30, 1971 adds up to DR\$387,000. This amount represents 8% of the total income for the same period. Furthermore, the BNV's net income (DR\$179,00) for the year ended June 30, 1971 represents 17% of the total income (DR\$1,076,000) for the same period.

5. Exhibit 9 shows the associations' consolidated liquidity ratio from December 31, 1963 through 1970 and August 31, 1971. As depicted by this exhibit, in no case since 1963 through 1971 has this ratio been lower than 10%.

U. LEGAL RESERVE FUND

1. The BNV Legal Reserve Fund amounted to DR\$63,546 as of September 30, 1971.

2. The associations' Corporate Charter provides that they establish and maintain a Legal Reserve Fund equal to 1/5 of the total savings of each association. The Reserve Fund may be reduced to less than the one fifth of the total savings only to cover losses in excess of undivided profits.

3. The associations' By-Law provides that the Reserve Fund cannot be reduced to cover any loss resulting from unusual operations of the associations or for the payment of dividends.

4. Exhibit 7 shows a comparative analysis of the associations' consolidated reserves as of December 31, 1963 through 1970 and August 31, 1971. As depicted by this exhibit, the consolidated reserves of the associations totaled DR\$1,088,000 as of August 31, 1971.

V. TAXES

1. There is no tax on undeveloped land. However, a 2% city tax is levied on the sales price of any improved land and is paid by the builder who in turn adds this tax to the sales price of the house.

W. REPORTS AND RECORDS

1. A new IBM computer system (System 3) is being installed and it will enable the BNV to produce better and more timely financial information, especially concerning the Project and any future loan extensions. The Project's accounting

is kept separately by the BNV but not by the associations.

2. The BNV has not sent any reports to AID in reference to the Project's operations.

X. AUDIT

1. Within the last few months, the BNV's internal audit department was transferred organizationally from the Promotion Department to the Director-Manager's Staff.

2. The BNV and the associations are audited at least once a year by the BNV's internal auditors. However, an exception to this is that "Popular", the largest association, has only been audited once in five years, according to the BNV's Financial Manager, although there is no audit report available to support this fact.

3. The BNV and the associations are also reviewed by independent auditors and the Superintendency of Banks.

Y. LEGISLATION

1. The introduction of modifications into the basic Laws and By-Laws of the BNV and the associations, and the outline method, create confusion and make referencing difficult.

Z. NEW ASSOCIATION

1. The BNV'S Board of Directors approved the charter for a new association called "Nacional" which will be opened about July, 1972 in Santo Domingo. The Board of Directors based

its decision on a feasibility study which showed that there was a sufficient market in Santo Domingo to warrant a new association.

AA. FUTURE PLANS

1. The BNV is considering the following changes in its operation:

(a) Offering life and disability insurance to all mortgagors. (The conflict of interest regarding the "Popular" association referred to under K. 2., apparently is the main reason that has prompted the BNV to consider providing this kind of insurance, as stated by the BNV Director-Manager.)

(b) Entering into ordinary life and disability insurance business for the general public.

(c) Expanding the associations' lending authority by creating a rural banking system for the purpose of granting chattel mortgages.

BB. IMPLEMENTATION OF MCKEEVER-BERMUDEZ RECOMMENDATIONS

1. All major recommendations in the McKeever-Bermudez report dated April 10, 1970, have been either implemented or are in the process of being implemented with the following exceptions: (1)

(1) The page number in parenthesis at the end of each sub-paragraph refers to the related page in the McKeever-Bermudez Report.

a) The BNV management believes that it is impossible to restrict the purchase of mortgages to those associations, carrying the top interest rate, because it would discriminate against the outlying associations. (Page 13)

*Where
Opinion
of substance
of review*

b) The BNV management is not in favor of increasing its interest rate for FHA mortgages in the secondary mortgage market because it feels that the present rate is competitive with conventional mortgages. (Page 23)

c) The credit analyst has not received the special training that was recommended, although the BNV is still considering the possibility of sending the credit analyst to the U.S. for special training. (Page 25)

d) As previously stated in section G. 4, the BNV is not in favor of applying part of the FHA fee to increase the FHA Reserve Fund. (Page 28)

e) The BNV is in agreement with the recommendation of institutional campaign for savings. However, budget limitations have prevented them from implementing the projected programs. (Page 31)

f) The BNV agrees with the idea of performing its internal audits in conjunction with the auditors of the Superintendentcy of Banks. However, the Superintendentcy of Banks is not in favor of a combined audit approach because they prefer to be completely independent. (Page 36)

g) The BNV management is not in agreement with the recommendation of increasing its interest rate on mortgages to 11%, because it fears the political implications of such a change. Furthermore, it feels that the Monetary Council would probably not approve such an increase. (Page 62)

h) The BNV disagrees with the suggestion of obtaining a legal opinion to determine if the BNV falls under Article 10 of the Monetary Law, since the BNV management is concerned about the political implications of such a request. (NLISA consultants could not obtain either a copy or a satisfactory explanation as to the contents of this article.) (Page 62)

Let's get it.

CC. \$4 MILLION EXTENSION REQUEST

1. A special study carried out by the BNV contains the following highlights and conclusions:

a) The population of Santo Domingo has been as follows:

	<u>Population</u>	<u>Increase</u>	<u>Percent</u>
1965	400,000		
1970	663,206	263,206	66 %

b) The potential housing market for new dwellings in conjunction with the parallel increase in population is shown below:

	<u>Dwellings</u>
1971	10,453
1972	11,278
1973	12,179
1974	13,154
1975	14,206
1976	<u>15,343</u>
	76,613

c) According to the official monthly family income, it can be established that 28% of the families in Santo Domingo would qualify for a loan from the system since their monthly family income is DR\$300 or more. This 28% represents an effective demand of 21,579 potential home buyers.

d) Dominican Savings and Loan System financed 36% of the new houses built in the country during the period of 1969-1970.

e) Based on the 36% mentioned above, it is contemplated that the system will finance an additional 7,876 houses in Santo Domingo from 1971 through 1976, an average of 1,312 houses per year.

* * * * *

Any additional information or clarification of the present report will gladly be submitted upon request.

BEST AVAILABLE

OS GARANTIZADOS POR A.I.D. 517-HG-006
L 1969 AL 31 JULIO 1972

34

El Portal	Antillas II	Los Arrecifes	El Retiro	Ampliación La Agustina	Atala III	Ampliación Los Arrecifes	Total
93	42	27	122	70	80	18	1,200
5,300.27	6,204.82	(2)	6,997.37	6,355.55	6,809.91	(3)	
3,199.53	2,215.08	(2)	1,501.61	2,144.35	1,689.52	(3)	
8,499.80	8,499.90	(2)	8,498.98	8,499.90	8,499.43	(3)	
790,481.40	356,995.80	227,231.44	1,036,875.56	594,993.00	679,954.40	151,198.88	10,428,523.17
508.11	561.96	620.93	630.64	660.77	971.52	630.55	
84,454.23	23,602.32	16,765.07	76,938.08	46,253.90	77,721.60	11,349.97	839,902.55
899.80	899.90	(2)	898.98	899.90	899.43	(3)	
7,600.00	7,600.00	7,400.00	7,600.00	7,600.00	7,600.00	(3)	
706,800.00	319,200.00	199,800.00	927,200.00	532,000.00	603,000.00	132,800.00	9,308,000.00
10.58	10.58	(2)	10.58	10.58	10.58	(3)	

83,681.40	37,795.80	27,431.44	109,675.56	62,993.00	71,954.40	18,298.88	1,120,423.17
84,454.23	23,602.32	16,765.07	76,938.08	46,253.90	77,721.60	11,349.97	839,902.55
455,610.00	205,760.00	128,792.00	597,680.00	342,930.00	391,918.00	85,694.00	6,000,000.00
64.46	64.46	64.46	64.46	64.46	64.46	64.46	64.46
162,840.00	73,540.00	46,033.00	329,520.00	122,570.00	140,082.00	30,695.00	2,260,500.00
23.04	23.04	23.04	35.54	23.04	23.04	23.04	23.04
88,350.00	39,900.00	24,975.00	-0-	66,500.00	76,000.00	16,600.00	1,047,600.00
12.5	12.5	12.5	-0-	12.5	12.5	12.5	11.20
874,935.63	380,598.12	243,996.51	1,113,813.64	641,246.90	757,676.00	162,548.85	11,268,430.72

800,331.03	356,995.80	227,231.44	1,036,875.56	594,993.00	679,954.40	151,198.88	9,748,365.01
56,334.75	15,361.50	11,505.51	52,721.08	31,802.40	61,089.60	7,835.89	585,621.21
-0-	-0-	-0-	-0-	-0-	-0-	-0-	690,012.73
18,269.85	8,240.82	5,259.56	24,217.00	14,451.50	16,632.00	3,514.08	244,431.71
874,935.63	380,598.12	243,996.51	1,113,813.64	641,246.90	757,676.00	162,548.85	11,268,430.72

162,840.00	73,540.00	46,033.00	329,520.00	122,570.00	140,082.00	30,695.00	2,260,500.00
56,334.75	15,361.50	11,505.51	52,721.08	31,802.40	61,089.60	7,835.89	585,621.21
-0-	-0-	-0-	-0-	-0-	-0-	-0-	690,012.73
106,505.25	58,178.50	34,527.49	276,798.92	90,767.60	78,992.40	22,860.11	984,605.00

88,350.00	39,900.00	24,975.00	-0-	66,500.00	76,000.00	16,600.00	1,047,600.00
18,269.85	8,240.82	5,259.56	24,217.00	14,451.50	16,632.00	3,514.08	244,431.63
70,080.15	31,659.18	19,715.44	(24,217.00)	52,048.50	59,368.00	13,085.92	803,160.37

Valor Hipoteca	Pago Inicial		Valores			
	Monto	%	Casa	Solar	Casa y Solar	Gastos Cierre
13,600.00	1,621.46	10.65	11,721.46	3,500.00	15,221.46	1,318.34
14,000.00	1,850.66	11.68	12,350.66	3,500.00	15,850.66	1,345.13
13,600.00	1,651.31	10.80	11,761.31	3,500.00	15,261.31	1,318.47
13,900.00	1,752.90	11.20	12,152.90	3,500.00	15,652.90	1,339.08
7,400.00	994.24	11.84	6,973.43	1,420.81	8,394.24	621.23
7,400.00	1,047.60	12.40	6,742.38	1,705.22	8,447.60	620.49
7,400.00	1,100.00	11.00	8,500.00	1,475.98	9,975.98	631.39
7,400.00	1,100.00	11.40	8,500.00	1,149.71	9,649.71	632.44
7,400.00	1,016.22	10.36	8,416.22	1,392.20	9,808.42	631.39
7,300.00	823.60	8.93	8,123.60	1,099.59	9,223.18	624.97
7,200.00	898.31	9.79	8,098.31	1,074.29	9,172.60	618.56
7,400.00	919.44	9.56	8,319.44	1,295.42	9,614.86	631.39
7,400.00	883.70	9.25	8,283.70	1,259.68	9,543.38	631.39
7,300.00	900.96	9.61	8,200.96	1,176.94	9,377.90	624.97
7,400.00	931.36	9.66	8,331.36	1,307.34	9,638.70	631.39

BEST AVAILABLE

ORIGEN Y APLICACION DE FONDOS PROYECTO PERIODO DEL 30 DE ABR

FROS GARA L 1969

El Porto

	San Gerónimo	Popular	Los Prados	La Encarnación	Antillas	
Número de Viviendas	355	116	118	68	91	5
Valor de la Casa	5,358.91	5,905.77	(1)	6,547.65	6,703.45	5.2
Valor del Solar	1,796.48	1,535.46	(1)	1,952.00	1,733.20	3.15
Valor Casa y Solar	7,155.39	7,442.23	(1)	8,499.65	8,436.65	8.4
Valor Total del Proyecto (Casa y Solar)	2,540,163.45	2,863,259.68	1,835,980.62	577,976.88	773,370.05	750.4
Gastos de Cierre por Casa	524.28	502.27	1,333.41	732.81	563.31	84.4
Gastos de Cierre Total del Proyecto	185,119.40	58,263.32	157,342.37	49,831.03	51,261.21	8
Pago Inicial por Casa	755.39	792.23	(1)	899.65	823.65	7.6
Hipotecas por Casa	6,400.00	6,650.00	(1)	7,600.00	7,600.00	705.0
Monto Total de Hipotecas	2,272,000.00	771,400.00	1,630,400.00	516,800.00	691,600.00	
% Pago Inicial Sobre Valor del Proyecto	10.56	10.64	(1)	10.53	10.5	

ORIGEN DE LOS FONDOS:

Pagos Iniciales	268,163.45	91,898.68	205,580.62	61,176.83	81,770.05	83.6
Gastos de Cierre	186,119.40	58,263.32	157,342.37	49,831.03	51,261.21	84.4
Financiamiento Borsary	1,464,545.00	497,250.00	1,050,958.00	333,132.00	445,810.00	455.6
% Financiamiento Sobre Hipotecas	64.46	64.46	64.46	64.46	64.46	162.0
Financiamiento del B.N.V.	523,454.00	177,725.00	375,632.00	119,068.00	159,340.00	
% Financiamiento Sobre Hipoteca	23.04	23.04	23.04	23.04	23.04	88.3
Financiamiento de la Asociación	284,000.00	96,425.00	203,800.00	64,600.00	86,450.00	
% Financiamiento Sobre Hipoteca	12.5	12.5	12.5	12.5	12.5	874.0
Total Origen de Fondo	2,726,282.85	921,562.00	1,993,322.99	627,807.95	824,639.27	

DISTRIBUCION DE FONDOS:

Al Constructor (Incluye gastos de Cierre El Portal \$9,849.63)	2,311,117.45	863,298.68	1,422,980.62	530,010.09	773,370.05	800.7
Al B.N.V. - Gastos de Cierre	124,455.90	37,123.48	117,676.85	35,431.00	33,283.25	56.2
Al B.N.V. - Costo Solares	229,046.00	-	413,000.00	47,966.79	-	10.1
A la Asociación - Gastos de Cierre	61,663.50	21,139.84	39,665.52	13,400.03	17,977.95	
Total Distribución de Fondos	2,726,282.85	921,562.00	1,993,322.99	627,807.95	824,639.27	874.0

INVERSION NETA REQUERIDA AL B.N.V.

Proporción Financiamiento Corresp. B.N.V.	523,454.00	177,725.00	375,632.00	119,068.00	159,340.00	162.0
Menos: Gastos de Cierre	124,455.90	37,123.48	117,676.85	35,431.00	33,283.25	56.2
Costo Solares	229,046.00	-	413,000.00	47,966.79	-	10.1
Inversión Neta Requerida al B.N.V.	169,952.10	140,601.52	(155,044.85)	34,670.21	126,056.75	106.0

INVERSION NETA REQUERIDA A LA ASOCIACION

Proporción Financiamiento Corresp. Asoc.	284,000.00	96,425.00	203,800.00	64,600.00	86,450.00	88.0
Menos: Gastos de Cierre	61,663.50	21,139.84	39,665.52	13,400.03	17,977.95	18.0
Inversión Neta Requerida a la Asociación	222,336.50	75,285.16	164,134.48	51,200.00	68,472.05	70.0

	Tipo Casa	No. Casas
(1)	Gilda	19
	Cecilia	37
	Leika	25
	Tania	35
		110
(2)	T-8-A-1-2	16
	T-7-A-1-2	11
		27
(3)	T.6	6
	T.6.7	4
	T.6	1
	2	
	18	

BANCO NACIONAL DE LA VIVIENDA
 (AN AGENCY OF THE GOVERNMENT OF THE DOMINICAN REPUBLIC)
ECONOMIC IMPACT OF PROJECT NO. 517-HG-006 ON THE BNV
 (In Thousands of Dominican Pesos)

BEST
AVAILABLE

	Y E A R E N D E D J U N E 30												January 1, 1964 to June 30, 1965		May 12, 1962 to December 31, 1963	
	1971		1970		1969		1968		1967		1966		Amount	%	Amount	%
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%				
TOTAL INCOME:	1076	100	908	100	758	100	731	100	516	100	333	100	279	100	16	100
BNV's	940	87	908	100	758	100	731	100	516	100	333	100	279	100	16	100
Projects'	136	13														
TOTAL EXPENSES:	897	100	773	100	687	100	552	100	450	100	330	100	393	100	148	100
BNV's	877	98	773	100	687	100	552	100	450	100	330	100	393	100	148	100
Projects'	20	2														
NET INCOME:	179	100	135	100	71	100	179	100	66	100	3	100	(114)	100	(132)	100
BNV's	63	35	135	100	71	100	179	100	66	100	3	100	(114)	100	(132)	100
Projects'	116	65														

Source: Financial statements prepared by the BNV.

BANCO NACIONAL DE LA VIVIENDA

(AN AGENCY OF THE GOVERNMENT OF THE DOMINICAN REPUBLIC)

SCHEDULE OF PAYMENTS MADE BY THE BNV TO THE AID FISCAL AGENT

JANUARY 23, 1970 THROUGH SEPTEMBER 23, 1971

<u>Date</u>	<u>CHECK No.</u>	<u>BOWERY'S 7 1/4% INTEREST</u>	<u>AID GUARANTEE FEE</u>
1/23/70	5		125.01
1/23/70	6		
2/26/70	7	966.67	125.01
2/26/70	8	1,812.50	
3/30/70	9		125.01
4/9/70	10	1,812.50	
4/27/70	12	1,812.50	
4/27/70	13		125.01
5/27/70	14	1,812.50	
5/27/70	15		125.01
6/26/70	16	1,812.50	
6/26/70	17		125.01
7/24/70	18	1,812.50	
7/24/70	19		125.01
8/26/70	21		125.01
8/26/70	22	1,812.50	
9/30/70	23	1,812.50	
9/30/70	24		125.01
10/31/70	25	1,812.50	
10/31/70	26		125.01
11/27/70	27		125.01
11/27/70	28	1,812.50	
12/24/70	29	1,812.50	
12/24/70	30		125.01
1/31/71	31	1,812.50	
1/31/71	32		125.01
2/26/71	34		250.02
2/26/71	35	3,564.58	
3/26/71	38	3,625.00	
3/26/71	39		250.02
4/27/71	8172	3,685.00	
4/27/71	8173		250.02
5/26/71	8420	5,611.30	
5/26/71	8481		386.99
6/28/71	8710		479.17
6/28/71	8711	6,947.92	
7/29/71	3505	8,329.85	
7/29/71	3507		612.13
8/19/71	9231		541.71
8/19/71	9235	7,854.17	
9/23/71	9489		541.71
9/23/71	9491	7,854.17	
		<u>\$70,128.66</u>	<u>\$4,936.90</u>

TOTAL

\$75,065.56

Source: Special schedule prepared by the BNV.

BANCO NACIONAL DE LA VIVIENDA
(AN AGENCY OF THE GOVERNMENT OF THE DOMINICAN REPUBLIC)

EXHIBIT 4

CONDENSED BALANCE SHEET

JUNE 30, 1965 THROUGH 1971 AND DECEMBER 31, 1963

(In Thousands of Dominican Pesos)

	J U N E			30				December
	1971	1970	1969	1968	1967	1966	1965	31, 1963
ASSETS:								
Cash	91	86	719	236	616	--	210	413
Restricted cash	4,140	2,370	1,310	945	800	257	250	250
Advances to commercial banks	767	--	--	--	--	--	--	--
Mortgages receivable, less participation contracts outstanding	6,044	8,139	7,384	6,695	5,920	3,852	3,113	951
Land, substantially at the government's assessed valuation	1,547	1,366	1,427	1,416	1,430	1,494	1,226	125
Furniture, fixtures and equipment, at cost, less accumulated depreciation	58	52	60	--	--	--	--	--
Construction in progress - bank building, including land at cost of DR\$ 25,574	190	51	--	--	--	--	--	--
Others	1,222	795	588	890	700	318	236	18
TOTAL ASSETS	14,059	12,859	11,488	10,182	9,466	5,921	5,035	1,757
LIABILITIES AND NET WORTH:								
LIABILITIES:								
Loans from AID	6,755	6,857	6,183	5,366	5,361	2,070	1,209	10
Loans from The Boverly Savings Bank	1,300	300	--	--	--	--	--	--
Special deposits of savings and loan associations	547	411	--	--	--	--	--	--
Others	2,003	2,054	2,091	1,737	1,208	1,018	999	448
	10,605	9,622	8,274	7,103	6,569	3,088	2,208	458
NET WORTH:								
Shares of DR\$ 1,000 par value each - 10,000 shares authorized; issued and outstanding-2,057 as of 6/30/71	2,057	2,041	2,041	2,040	2,038	2,038	2,037	1,155
Donated surplus	622	622	746	746	746	746	746	125
Capital in excess of par value	3	--	--	--	--	--	--	--
Reserve for FHA insurance	256	236	173	150	150	150	150	--
Reserve for savings accounts insurance	18	--	--	--	--	--	--	--
Retained earnings	499	338	253	142	(36)	(102)	(105)	(31)
	3,455	3,237	3,213	3,078	2,898	2,832	2,828	1,249
TOTAL NET WORTH AND LIABILITIES	14,059	12,859	11,488	10,182	9,466	5,921	5,035	1,757

Source: Price Waterhouse and Co. audit reports

DOMINICAN REPUBLIC SAVINGS AND LOAN SYSTEM

ASSOCIATIONS' MORTGAGORS TWO-AND-MORE-MONTHS DELINQUENT

AUGUST 31, 1971 AND DECEMBER 31, 1968 THROUGH 1970

Association	AUGUST 31, 1971			DECEMBER 31, 1970			DECEMBER 31, 1969			DECEMBER 31, 1968		
	Total loans	Total 2 and m/m del. Number	%	Total loans	Total 2 and m/m del. Number	%	Total loans	Total 2 and m/m del. Number	%	Total loans	Total 2 and m/m del. Number	%
Popular	3384	206	6 %	2807	350	12 %	2339	233	10 %	1874	257	14 %
Cibao	1742	173	10	1605	177	11	1249	169	14	1006	153	15
La Vega	361	19	5	341	26	8	214	32	15	173	24	14
Higuamo	193	56	29	177	46	26	157	46	29	135	41	30
Norteaña	164	49	30	170	29	17	156	25	16	147	25	17
Peravia	149	41	28	132	30	23	112	23	21	95	17	18
Romana	114	29	25	93	24	26	81	24	30	57	16	28
Duarte	140	20	14	136	29	21	114	14	12	72	16	22
Barahona	92	--	--	65	--	--	49	--	--	28	--	--
Maguana	93	7	8	73	4	5	55	2	4	21	1	5
Mocano	49	2	4	33	2	6	8	3	38	--	--	--
Bonao	18	--	--	--	--	--	--	--	--	--	--	--
TOTAL	6499	602	9 %	5632	717	13 %	4534	571	13 %	3608	550	15 %

Source: Monthly reports prepared by the associations

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SAVINGS DEPOSITS IN ASSOCIATIONS AND COMMERCIAL BANKS1963 THROUGH 1971

(In Millions of Dominican Pesos)

<u>YEAR</u>	<u>AMOUNT</u>			<u>PERCENT</u>		
	<u>COMM. BANKS</u>	<u>ASSOC.</u>	<u>TOTAL SAVINGS</u>	<u>COMM. BANKS</u>	<u>ASSOC.</u>	<u>TOTAL SAVINGS</u>
1963	24.7	1.2	25.9	95 %	5 %	100 %
1964	26.1	2.3	28.4	92	8	100
1965	30.1	3.0	33.1	91	9	100
1966	36.6	4.1	40.7	90	10	100
1967	42.5	4.3	46.8	91	9	100
1968	51.1	6.5	57.6	89	11	100
1969	60.9	10.2	71.1	86	14	100
1970	75.2	14.4	89.6	84	16	100
1971	79.0	21.8	100.8	78	22	100

Source: Special report prepared by the BNV

DOMINICAN REPUBLIC SAVINGS AND LOAN SYSTEM

EXHIBIT 7

ASSOCIATIONS' CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1962 THROUGH AUGUST 31, 1971

(In Thousands of Dominican Pesos)

	August 31, 1971	D 1970	E 1969	C 1968	E 1967	R 1966	31 1965	1964	1963	1962
ASSETS:										
Cash	5551	4859	3089	1690	1072	834	672	728	354	534
Accrued interest receivable	383	321	194	147	91	77	52	14	9	-
Accounts receivable	1355	1111	464	154	36	31	104	4	2	-
Mortgages	39296	32766	20209	15853	11990	11990	7831	5584	1680	364
Fixed assets	315	290	228	183	129	113	41	19	15	6
Investments	695	106	51	87	9	9	9	8	5	3
Fidelity bond insurance	4	7	23	3	-	-	-	-	-	-
Deferred charges	188	73	40	29	31	31	18	10	14	10
Other	1359	62	4	146	97	129	13	30	19	1
	49146	39595	30148	22648	17318	13214	8740	6397	2098	918
LIABILITIES AND NET WORTH										
LIABILITIES:										
Savings accounts	22496	18569	12138	8027	5154	4158	3253	2901	1741	812
Loans in process	2154	1388	1483	453	424	842	376	312	252	107
Mortgage insurance deposit	121	92	43	32	-	-	-	-	-	-
Mortgages sold to the BNV	10348	10398	10375	9327	7866	5595	4031	2975	35	-
Mortgages sold to others	10600	7178	4713	3771	3025	1931	767	-	-	-
Insurance mortgage fund	281	132	117	81	-	-	-	-	-	-
Credit information and appraisal fund	14	8	5	19	-	-	-	-	-	-
Accounts payable	1701	987	711	570	582	489	160	98	31	4
	47715	38752	29585	22280	17051	13015	8587	6286	2059	923
NET WORTH:										
Reserves	1088	643	456	331	187	140	153	49	-	-
Undivided profits	343	200	107	37	80	59	-	62	39	(5)
	49146	39595	30148	22648	17318	13214	8740	6397	2098	918

Source: Consolidated balance sheets of associations prepared by the BNV.

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BANCO NACIONAL DE LA VIVIENDA
(AN AGENCY OF THE GOVERNMENT OF THE DOMINICAN REPUBLIC)

EXHIBIT 8

CONDENSED STATEMENT OF INCOME AND EXPENSES

MAY 12, 1962 TO JUNE 30, 1971

(In Thousands of Dominican Pesos)

	May 12, 1962 to June 30, 1971		YEAR ENDED				JUNE 30		Jan. 1, 1964 to June 30, 1965	May 12, 1962 to Dec. 31, 1963
	Amount	%	1971	1970	1969	1968	1967	1966		
INCOME:										
Interest earned on mortgages	2799	61	501	546	500	437	324	242	236	13
Interest on advances and loans to assos.	115	2	33	20	15	20	17	8	2	
Interest earned on fixed time deposits	302	6	142	86	37	35	--	--	--	2
Insurance premium on savings accounts	56	1	18	11	7	5	5	5	4	1
FHA insurance premium and fees	855	19	240	184	135	112	94	60	30	
Gain on sales of land and other income	490	11	142	61	64	122	76	18	7	
TOTAL INCOME	4617	100	1076	908	758	731	516	333	279	16
EXPENSES:										
<u>Operating costs:</u>										
Compensation of officers and employees	1489	32	307	255	239	189	144	136	150	69
Directors' fees	36	1	10	6	4	4	2	1	2	7
Advertising and promotion	169	4	44	33	28	24	16	3	8	13
Interest on savings/loan assos. deposits	48	1	27	21	--	--	--	--	--	--
Other	1250	27	254	228	217	152	137	72	131	59
TOTAL OPERATING COSTS	2992	65	642	543	488	369	299	212	291	148
<u>Financial costs:</u>										
Interest on bonds	504	11	96	97	89	66	51	47	58	--
Interest on AID loans	687	15	122	123	110	117	100	71	44	--
Interest on The Boverly Savings Bank loan	47	1	37	10	--	--	--	--	--	--
TOTAL FINANCIAL COSTS	1238	27	255	230	199	183	151	118	102	--
TOTAL EXPENSES	4230	92	897	773	687	552	450	330	393	148
Total income	4617		1076	908	758	731	516	333	279	16
Less - Total expenses	4230		897	773	687	552	450	330	393	148
NET INCOME	387	8	179	135	71	179	66	3	(114)	(132)

Source: Price Waterhouse and Co. audit reports

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DOMINICAN REPUBLIC SAVINGS AND LOAN SYSTEM

EXHIBIT 9

ASSOCIATIONS' CONSOLIDATED LIQUIDITY RATIO

DECEMBER 31, 1963 THROUGH 1970 AND AUGUST 31, 1971

(In Thousands of Dominican Pesos)

	August 31 1971	1970	1969	1968	1967	1966	1965	1964	1963
1. Cash	5551	4859	3089	1690	1072	834	672	728	354
2. Savings accounts	22495	18569	12138	8027	5154	4158	3253	2901	1741
3. Liquidity reserve	2249	1857	1214	803	515	416	325	290	174
4. Funds available (1-3)	3302	3002	1875	887	557	418	347	438	180
CONSOLIDATED LIQUIDITY RATIO (4÷2)	15 %	16 %	15 %	11 %	11 %	10 %	11 %	15 %	10 %
MEMORANDUM:									
5. Funds available	3302	3002	1875	887	557	418	347	438	180
6. Less - Loans in process	2155	1388	1483	453	424	842	376	312	252
7. Uncommitted funds available (5-6)	1147	1614	392	434	133	(424)	(29)	126	(72)
CONSOLIDATED LIQUIDITY RATIO (7÷2)	5 %	9 %	3 %	5 %	3 %	--	--	4 %	--

Source: Consolidated balance sheets of the associations.

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DOMINICAN REPUBLIC SAVINGS AND LOAN SYSTEM

ASSOCIATIONS' CONSOLIDATED CONDENSED STATEMENT OF INCOME

EXHIBIT 10

YEARS ENDED DECEMBER 31, 1963 THROUGH 1970; AND 8 MONTHS ENDED AUGUST 31, 1971

(In Thousands of Dominican Pesos)

	Total	Jan. 1 to Aug. 31 1971	1970	1969	1968	1967	1966	1965	1964	1963
INCOME:										
Mortgage loans interest	5205	914	1341	938	700	532	436	66	203	75
Penalty interest	206	42	56	43	33	22	8	1	1	-
Other income	2320	543	569	406	271	184	171	11	93	72
TOTAL INCOME	7731	1499	1966	1387	1004	738	615	78	297	147
EXPENSES:										
<u>Cost of operation:</u>										
Salaries	1161	184	235	195	169	142	121	22	58	35
Publications-Advertising	213	44	65	36	28	21	14	--	5	--
Directors' fees	22	7	5	2	2	2	2	--	2	--
FHA insurance premium	115	33	33	18	12	14	5	--	--	--
Other expenses	1326	825	1267	622	545	458	341	56	142	70
	5837	1093	1605	873	756	637	483	78	207	105
<u>Financial costs:</u>										
Emergency loans interest	8	--	--	3	--	4	1	--	--	--
Int. on adv. for sale-mortgages	491	--	--	292	139	1	59	--	--	--
SUB-TOTAL FINANCIAL COSTS	499	--	--	295	139	5	60	--	--	--
TOTAL EXPENSES	6336	--	--	1168	895	642	543	78	207	105
Total income	7731	1499	1966	1387	1004	738	615	78	297	147
Less - Total expenses	6336	1093	1605	1168	895	642	543	78	207	105
NET INCOME	1395	406	361	219	109	96	72	--	90	42

Source: Statements of income prepared by associations.

DOMINICAN REPUBLIC SAVINGS AND LOAN SYSTEM
LOAN APPLICATIONS OUTSTANDING AND EFFECTIVE
DECEMBER 31, 1962, THROUGH 1970, AND AUGUST 31, 1971

	<u>INCREASE OVER PREVIOUS YEAR</u>		
	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
1962			
1963	DR\$ 2,782,367		
1964	12,380,162	DR\$ 9,597,795	344.95 %
1965	5,014,433	(7,365,729)	(59.50)
1966	5,442,035	427,602	8.53
1967	4,452,178	(989,857)	(18.20)
1968	3,840,867	(611,311)	(13.73)
1969	1,964,576	(1,876,291)	(48.85)
1970	1,869,506	(95,070)	(4.84)
August 31, 1971	4,232,470	2,362,964	126.40

Source: Monthly reports prepared by the BNV.

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DOMINICAN REPUBLIC SAVINGS AND LOAN SYSTEM

ASSOCIATIONS'S SAVINGS ACCOUNTS

DECEMBER 31, 1963 THROUGH 1970, AND AUGUST 31, 1971

ASSOCIATION	(Number)	(In DR\$1,000)		(IN THOUSANDS)		
		August 31 1971	August 31 1971	D E C E M B E R		
	(8 months)	1970	1969	1968		
Popular	28266	DR\$11396	9334	5959	4163	
Cibao	9309	5166	4108	2797	2032	
Nortefia	779	373	346	226	164	
Higuamo	1637	575	434	225	158	
Peravia	1016	606	429	365	187	
Romana	608	674	622	484	331	
La Vega Real	1909	677	825	467	360	
Duarte	1380	928	831	528	258	
Barahona	1962	838	688	478	210	
Maguana	1292	645	577	419	163	
Mocana	539	467	375	190	=	
Bonao	904	151	=	=	=	
	49601	22496	18569	12138	8026	
<u>INCREASE OVER PREVIOUS YEAR</u>		<u>Amount</u> %	<u>Amount</u> %	<u>Amount</u> %	<u>Amount</u> %	
Popular		2062 22.1	3375 56.6	1796 43.1	1404 50.9	
Cibao		1058 25.8	1311 46.9	765 37.7	727 55.7	
Nortefia		27 7.8	120 53.1	62 37.8	38 30.2	
Higuamo		141 32.5	209 92.2	67 42.4	43 37.4	
Peravia		177 41.3	64 17.5	178 95.2	90 92.8	
Romana		52 8.4	138 28.5	153 46.2	200 152.7	
La Vega Real		(148) (17.9)	358 76.7	107 29.7	3 0.8	
Duarte		97 11.7	303 57.4	270 104.7	102 65.4	
Barahona		150 21.8	210 43.9	268 127.6	102 94.4	
Maguana		68 11.8	158 37.7	256 157.1	163 -	
Mocana		92 24.5	185 97.4	190 -	-	
Bonao		151 -	-	-	-	
		3927 21.1	6431 53.0	4112 51.2	2872 55.7	

Source: Monthly reports prepared by the BNV.

OF DOMINICAN (PESOS.)

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1967	1966	1965	1964	1963
2759	2195	1562	1494	1031
1305	1166	988	836	483
126	139	134	116	71
115	83	65	77	38
97	86	73	58	31
131	93	63	86	37
357	327	305	234	50
156	69	63	--	--
108	--	--	--	--
--	--	--	--	--
--	--	--	--	--
5154	4158	3253	2901	1741

Amount	%	Amount	%	Amount	%	Amount	%
564	25.7	633	40.5	68	4.6	463	44.9
139	11.9	178	18.0	152	18.2	353	73.1
(13)	(9.4)	5	3.7	18	15.5	45	63.4
32	38.6	18	27.7	(12)	(15.6)	39	102.6
11	12.8	13	17.8	15	25.9	27	87.1
38	40.9	30	47.6	(23)	(26.7)	49	132.4
30	9.2	22	7.2	71	30.3	184	368.0
87	126.1	6	9.5	63	--	--	--
108	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
996	24.0	905	27.8	352	12.1	1160	66.6

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DEPARTMENT OF STATE
DIVISION OF LANGUAGE SERVICES

(TRANSLATION)

LS NO. 25890
T-125/R-XXXII
Spanish

October 19, 1971

01743

Mr. Atilio Guzmán Fernández
President of the Chamber of Deputies
City

Sir:

On September 2, 1971, by message No. 27593, the Honorable Joaquín Balaguer, President of the Republic, submitted to this Chamber of which you are the President, for consideration by the National Congress, a bill the main content of which is that the provisions of Article 4 (a) of Law No. 171 on [construction mortgage banks], Bancos Hipotecarios de la Construcción dated June 7, 1971, shall also apply to bonds and certificates issued by the Banco Nacional de la Vivienda [National Housing Bank], the Banco Agrícola de la República Dominicana, [Agricultural Bank of the Dominican Republic], and to financial institutions organized in conformity with Law No. 292, dated June 30, 1966.

Under the proposed law, the securities issued by those institutions, as well as the interest paid thereon, shall be exempt from payment of income tax or similar taxes levied in the future. The bill further provides that those securities shall not be subject to freezing and may therefore be involved in any type of transaction without the need for a permit or authorization by government officials.

ORIGEN Y APLICACION DE FONDOS PROYECTO
PERIODO DEL 30 DE ABRIL

FONDOS GARANTIZADOS POR A.I.D. 517-HE-006
DEL 1969 AL 31 JULIO 1972

	San Gerónimo	Popular	Los Prados	La Encarnación	Antillas	El Portal	Antillas II	Los Arrecifes	El Retiro	Ampliación La Agustina	Atala III	Ampliación Los Arrecifes	Total
Número de Viviendas	355	116	118	68	91	93	42	27	122	70	80	18	1,200
Valor de la Casa	5,358.91	5,986.77	(1)	6,547.66	6,703.46	5,300.27	6,284.82	(2)	6,997.37	6,355.55	6,809.91	(3)	
Valor del Solar	1,796.48	1,535.46	(1)	1,952.00	1,798.20	3,199.53	2,215.08	(2)	1,501.01	2,144.35	1,689.52	(3)	
Valor Casa y Solar	7,155.39	7,442.23	(1)	8,499.66	8,498.66	8,499.80	8,499.90	(2)	8,498.38	8,499.90	8,499.43	(3)	
Valor Total del Proyecto (Casa y Solar)	2,540,163.46	4,869,298.68	1,835,980.62	577,976.88	779,378.06	790,481.40	356,995.80	227,231.44	1,036,875.56	594,993.00	679,954.40	151,198.88	10,428,528.17
Gastos de Cierre por Casa	524.28	58,263.32	1,333.41	732.81	563.91	908.11	261.96	630.93	630.64	660.77	971.52	360.55	
Gastos de Cierre Total del Proyecto	186,119.40	58,263.32	157,342.37	40,831.08	51,261.21	84,454.23	23,602.32	16,765.07	76,938.08	46,253.90	77,721.60	11,349.97	839,902.55
Pago Inicial por Casa	755.39	792.23	(1)	899.66	899.66	899.80	899.90	(2)	899.90	899.90	899.43	(3)	
Hipotecas por Casa	6,409.00	6,650.00	(1)	7,600.00	7,600.00	7,600.00	7,600.00	7,400.00	7,600.00	7,600.00	7,600.00	(3)	
Monto Total de Hipotecas	2,272,000.00	774,400.00	1,630,400.00	516,800.00	691,600.00	706,800.00	319,200.00	199,800.00	927,200.00	532,000.00	600,000.00	132,800.00	9,308,000.00
% Pago Inicial Sobre Valor del Proyecto	10.56	10.64	(1)	10.58	10.5	10.58	10.58	(2)	10.58	10.58	10.58	(3)	

ORIGEN DE LOS FONDOS:

	San Gerónimo	Popular	Los Prados	La Encarnación	Antillas	El Portal	Antillas II	Los Arrecifes	El Retiro	Ampliación La Agustina	Atala III	Ampliación Los Arrecifes	Total
Pagos Iniciales	268,163.45	91,898.68	205,580.62	61,176.88	81,778.06	83,681.40	37,795.80	27,431.44	109,675.56	62,993.00	71,954.40	18,298.88	1,120,428.17
Gastos de Cierre	186,119.40	58,263.32	157,342.37	40,831.08	51,261.21	84,454.23	23,602.32	16,765.07	76,938.08	46,253.90	77,721.60	11,349.97	839,902.55
Financiamiento Bowers	1,464,546.00	497,250.00	1,050,980.00	333,132.00	445,810.00	455,610.00	205,750.00	128,792.00	597,680.00	342,930.00	391,918.00	85,604.00	6,000,000.00
% Financiamiento Sobre Hipotecas	6	64.46	64.46	64.46	64.46	64.46	64.46	64.46	64.46	64.46	64.46	64.46	64.46
Financiamiento del B.N.V.	523,454.00	177,725.00	375,632.00	119,068.00	159,340.00	162,840.00	73,540.00	46,033.00	329,520.00	122,570.00	140,082.00	30,696.00	2,260,500.00
% Financiamiento Sobre Hipoteca	23.04	23.04	23.04	23.04	23.04	23.04	23.04	23.04	35.54	23.04	23.04	23.04	23.04
Financiamiento de la Asociación	284,000.00	96,425.00	203,800.00	64,600.00	86,450.00	88,350.00	39,980.00	24,975.00	-	66,500.00	76,000.00	16,600.00	1,047,600.00
% Financiamiento Sobre Hipoteca	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	-	12.5	12.5	12.5	12.5
Total Origen de Fondo	2,726,282.85	921,562.00	1,993,322.99	627,807.96	824,639.27	874,935.63	380,598.12	243,996.51	1,113,813.64	641,246.90	757,676.00	162,548.85	11,260,430.72

DISTRIBUCION DE FONDOS:

	San Gerónimo	Popular	Los Prados	La Encarnación	Antillas	El Portal	Antillas II	Los Arrecifes	El Retiro	Ampliación La Agustina	Atala III	Ampliación Los Arrecifes	Total
Al Constructor (Incluye gastos de Cierre El Portal \$9,849.63)	2,311,117.45	863,298.68	1,422,980.62	530,010.09	773,378.06	800,331.03	356,995.80	227,231.44	1,036,875.56	594,993.00	679,954.40	151,198.88	9,748,365.01
Al B.N.V. - Gastos de Cierre	124,455.90	37,123.48	117,676.85	36,431.00	33,283.25	56,334.75	15,361.50	11,505.51	52,721.08	31,802.40	61,089.60	7,835.89	585,621.21
Al B.N.V. - Costo Solares	229,046.00	-	413,000.00	47,966.79	-	19,269.85	8,240.82	5,259.56	24,217.00	14,451.50	16,632.00	3,514.08	690,012.79
A la Asociación - Gastos de Cierre	61,663.50	21,139.84	39,665.52	13,400.00	17,977.96	18,269.85	8,240.82	5,259.56	24,217.00	14,451.50	16,632.00	3,514.08	244,431.71
Total Distribución de Fondos	2,726,282.85	921,562.00	1,993,322.99	627,807.96	824,639.27	874,935.63	380,598.12	243,996.51	1,113,813.64	641,246.90	757,676.00	162,548.85	11,260,430.72

INVERSION NETA REQUERIDA AL B.N.V.:

	San Gerónimo	Popular	Los Prados	La Encarnación	Antillas	El Portal	Antillas II	Los Arrecifes	El Retiro	Ampliación La Agustina	Atala III	Ampliación Los Arrecifes	Total
Proporción Financiamiento Corresp. B.N.V.	523,454.00	177,725.00	375,632.00	119,068.00	159,340.00	162,840.00	73,540.00	46,033.00	329,520.00	122,570.00	140,082.00	30,696.00	2,260,500.00
Menos: Gastos de Cierre	124,455.90	37,123.48	117,676.85	36,431.00	33,283.25	56,334.75	15,361.50	11,505.51	52,721.08	31,802.40	61,089.60	7,835.89	585,621.21
Costo Solares	229,046.00	-	413,000.00	47,966.79	-	19,269.85	8,240.82	5,259.56	24,217.00	14,451.50	16,632.00	3,514.08	690,012.79
Inversión Neta Requerida al B.N.V.	169,952.10	140,601.52	(155,044.85)	34,670.21	126,056.75	106,505.25	50,178.50	34,527.49	276,798.92	90,767.60	78,992.40	22,860.11	984,866.00

INVERSION NETA REQUERIDA A LA ASOCIACION:

	San Gerónimo	Popular	Los Prados	La Encarnación	Antillas	El Portal	Antillas II	Los Arrecifes	El Retiro	Ampliación La Agustina	Atala III	Ampliación Los Arrecifes	Total
Proporción Financiamiento Corresp. Asoc.	284,000.00	96,425.00	203,800.00	64,600.00	86,450.00	88,350.00	39,980.00	24,975.00	-	66,500.00	76,000.00	16,600.00	1,047,600.00
Menos: Gastos de Cierre	61,663.50	21,139.84	39,665.52	13,400.00	17,977.96	18,269.85	8,240.82	5,259.56	24,217.00	14,451.50	16,632.00	3,514.08	244,431.69
Inversión Neta Requerida a la Asociación	222,336.50	75,285.16	164,134.48	51,200.00	68,472.04	70,080.15	31,659.18	19,715.44	(24,217.00)	52,048.50	59,368.00	13,085.92	803,168.37

	Tipo Casa	No. Casas	Pago Inicial		Valores			Gastos Cierre	
			Valor Hipoteca	Monto %	Casa	Solar	Casa y Solar		
(1)	Gilda	19	13,600.00	1,621.46	10.65	11,721.46	3,500.00	15,221.46	1,318.34
	Cecilia	37	14,600.00	1,850.66	11.68	12,350.66	3,500.00	15,850.66	1,346.13
	Leika	26	13,600.00	1,661.31	10.89	11,761.31	3,500.00	15,261.31	1,318.67
	Tania	36	13,900.00	1,752.90	11.20	12,152.90	3,500.00	15,652.90	1,339.08
			118						
(2)	T-8-A-1-2	16	7,400.00	924.24	11.84	6,973.43	1,420.81	8,394.24	621.23
	T-7-A-1-2	11	7,400.00	1,047.60	12.40	6,744.38	1,705.22	8,447.60	620.49
(3)	T-6	6	7,400.00	1,100.00	11.00	8,500.00	1,475.98	9,975.98	631.39
	T-6.7	4	7,400.00	1,100.00	11.40	8,500.00	1,153.71	9,649.71	632.44
	T-6	1	7,400.00	1,016.22	10.36	8,416.22	1,352.20	9,768.42	631.39
	T-6	1	7,300.00	823.60	8.93	8,123.60	1,099.58	9,223.18	624.97
	T-6	1	7,200.00	898.31	9.79	8,098.31	1,074.29	9,172.60	618.56
	T-6	1	7,400.00	919.44	9.56	8,319.44	1,295.42	9,614.86	631.39
	T-6	1	7,400.00	893.70	9.25	8,283.70	1,259.68	9,543.38	631.39
	T-6	1	7,300.00	900.96	9.61	8,200.96	1,176.94	9,377.90	624.97
	T-6	1	7,400.00	931.36	9.66	8,331.36	1,307.34	9,638.70	631.39
			18						