



Associates Inc.

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Sri Lanka HG-004

**Report on Workshops:
Loan Collections,
Servicing, and
Reporting**

October 1993

prepared by
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prepared for
U.S. Agency for International Development
Mission to Sri Lanka

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Acronyms And Currency

CBSL	Central Bank of Sri Lanka
GSL	Government of Sri Lanka
HDFC	Housing Development Finance Corporation
HG	Housing Guaranty
NHDA	National Housing Development Authority
RRDB	Regional Rural Development Bank
Rs.	Sri Lankan Rupees
SMIB	State Mortgage and Investment Bank
USAID	U.S. Agency for International Development Mission to Sri Lanka

In October 1993, US\$1.00 equals approximately 48 Sri Lankan Rupees.

Executive Summary

This assignment in Loan Servicing, Collections, and Reporting was undertaken to assist the financial institutions participating in Sri Lanka HG-004 in establishing consistent loan servicing techniques for the \$25 million lending program. The field work was conducted in Colombo from 25 September through 9 October 1993. Three half-day workshops were conducted during the second week, and were attended by around 22 participants each day. The workshops were given in the auditorium of the Gramodaya Center in Colombo.

Most of the field work was directed toward the workshops. A secondary effort was made specifically with the Housing Development Finance Corporation (HDFC) with a view to establishing a training center for loan servicing in that institution. Such a training center could eventually serve the other financial institutions that are participating in the loan program. An outline for an Operations Plan for a training center was prepared during the first week of the field assignment, following preliminary discussions with HDFC management. During the second week a final meeting was held in which HDFC decided to defer action on the training center until its new computer system is on line and fully functional, which should be some time in early 1994. At that time HDFC management will review its training needs.

The workshop participants were credit managers, lending officers, and loan administrators from the financial institutions that are participating in the HG-004 loan program, including commercial banks, specialized housing finance institutions, rural credit institutions, thrift institutions, and the Central Bank of Sri Lanka (CBSL). The course material was developed during the week prior to the workshops, and was based on the March 1993 report on Loan Collections and Servicing prepared by Abt Associates. That report recommended follow-up work, including these workshops, as a way of improving the lending program.

The three workshop sessions were directed toward a specific topic each day, although there were common elements connecting each topic. The first day was an orientation to the overall program with emphasis on the initial setting up of the loan accounts, and covering the present status of the lending program at each institution. The second day focused on loan collections and affordability, both for the individual borrowers and the institutions. The third day included a recapitulation of the items covered in the previous sessions, with a special emphasis on loan reporting requirements. During each session the workshop participants were encouraged to present their own situations as examples for discussion by the entire group.

Handouts were given to the workshop participants to illustrate the various lending modes. The level payment loan from the Central Bank of Sri Lanka (CBSL) was shown first and was the basis for comparison with the two types of loans made by the participating financial institutions. Most loans are level payment amortizing loans in which the borrower pays the same total payment each month of principal and interest. Some commercial banks make term loans in which the monthly payment is calculated by dividing the principal amount by the number of months to give the amount of principal repayment required each month. The total monthly

payment is always the same amount of principal plus the interest on the balance for the month. This lending mode results in a higher initial total payment, and the total payment decreases with each month as the remaining principal balance requires less interest.

Included in the handouts were a series of graphs that show the principal repayments, loan balances, and total payment amounts over the life of a typical loan of Rs. 50,000, including the three types of loans. With that example in hand, lending results were considered on the board by lowering the loan amount to Rs. 8,000, which is about the average size of the 18,288 loans made so far. It was demonstrated that small loans cannot generate enough net interest income to cover the costs of loan administration.

The need to cover all costs was kept in mind during the discussion on affordability, in which the monthly payments of various sizes of loans were compared with a range of monthly incomes of the target clientele. The concept of affordability includes considering the ability of the financial institution to cover its costs, as well as the ability of the target clientele to make the monthly payments.

The workshops ended with a discussion of the reporting requirements of lending programs in general and the HG-004 program in particular. The difficulties encountered by the participants were discussed, and examples were given by the participants themselves to highlight ways in which the HG-004 program could be improved. The main point made by the participants was that the CBSL should reduce its requirement that complete loan documentation be submitted for each individual loan made by the participating financial institutions. This requirement has completely overwhelmed the CBSL's capacity to review the requests for disbursements.

Chapter 1 Background

Sri Lanka HG-004 is a \$25 million housing loan program in two tranches. The first tranche of \$10 million is approved but the U.S. investor's funds have not yet been provided. In the meantime, the CBSL is using its own funds, with the Sri Lankan Rupee equivalent of about \$3 million disbursed as of early October 1993. Annex C presents a summary of the loans made up to now. The Bank of Ceylon has made the most loans so far, providing 93.5% of all loans, and requiring 76.7% of the funds. In this case, the Bank of Ceylon is lending to the National Housing Development Authority (NHDA), which is lending to the individual borrowers. The other major lenders are People's Bank, with 2.9% of the funding and 8.4% of the loans, and the State Mortgage and Investment Bank (SMIB) with 1.2% and 6.8%, respectively.

It is important to note the differences in the average loan amount at the participating financial institutions. The average loan at the NHDA is Rs. 6,844, while the average loan amount for all of the others is Rs. 29,841. This difference in average loan amounts was an important topic at the workshops.

The participating financial institutions make loans at 20.5% annual interest with terms of about 8 to 15 years. The CBSL lends to participating financial institutions at 12.5% annual interest with level semi-annual payments with the same term as the loan the participating institution made to the individual borrower. Thus, for each borrower there are two sets of loan documents: one for the borrower's loan from the financial institution and one for the institution's loan from the CBSL. The two loans are for the same number of months, but the repayment conditions and resultant cash flows are different.

In February and March 1993, Abt Associates conducted a field mission at the request of USAID/Sri Lanka to analyze the Loan Collections and Servicing situation and give recommendations. The final report from that assignment, entitled Sri Lanka: HG-004 Loan Collections and Servicing, served as the starting point for the present assignment. The major recommendations of that report were to propose making longer-term global loans (with a significant grace period) from the CBSL to the participating financial institutions, and to conduct the present workshops in loan collections, servicing, and reporting. As of now, the CBSL allows a grace period of one year on a global loan calculated by taking the sum of individual loans with exactly the same term that are presented as a package to support a disbursement request.

A major finding in the March 1993 report was that some financial institutions make level payment loans while others make term loans. In both cases the interest apportioned within each payment is based on the number of days that have elapsed since the previous payment by the borrower. The appropriate method to calculate the interest is to assume that payments made within a few days of the contracted payment date are on time, and to allocate interest based on 12 equal payments per year, so each normal payment would require 1/12th of a year's interest

on the previous balance. For payments made after the grace period there should be a late charge at least equal to the institution's cost to notify the borrower. Most institutions charge a fee of 2% or 3% of the amount of the past-due payment. As of now the financial institutions have not changed their loan payment and interest calculation practices.

Another area that should be adjusted is to stop accruing interest on loans that are significantly past due, and to write off loans that are more than a year in arrears. Continuing to accrue such interest overstates the income earned, while any subsequent recoveries associated with written-off loans will count as income in the year in which the recovery occurs. A polling of the workshop participants revealed that non-performing loans are not put on non-accrual and are not written off. Instead, a provision for non-payment is taken, usually in the range of 1% to 2% of the entire loan portfolio. This tiny provision in no way offsets the lack of payment of interest at 20.5%, especially when most institutions are experiencing an on-time repayment rate of less than 90%, and closer to 60% in the case of the NHDA.

Chapter 2 Workshop Summaries

The agenda of the three workshops is presented as Annex A: Workshop Agenda, with the daily topics following the logic of the preparation and execution of a lending program. The first day's workshop included an orientation to the overall HG-004 program, and setting up for servicing large numbers of loans. The second day focused on loan collections, and the third day recapitulated the previous work and closed up with loan reporting requirements. The workshops were conducted in the main auditorium of the Gramodaya Center in Colombo, on Galle Road next to the British High Commission.

In the following sections are discussions of each days' activities, observations on the ability of the participants to absorb the materials, comments on the degree of active participation, and other general comments. Notes on each day's workshop are presented in Annex B: Workshop Notes. These notes were taken from the course outline that had been prepared for each day's session, then expanded to include specific items that generated interest on the part of the participants.

During the workshops several illustrations of lending situations were described. Some were drawn on the board and some were prepared as handouts for distribution to each participant. These are discussed in the Workshop Summary for each day.

A list of the participants attending each day's workshop is presented as Annex G: List of Participants.

2.1 Day 1: Loan Servicing

The first day was a review of the HG-004 program and included an introduction in which each of the participants was asked to tell a bit about their institution and their position. The presentation and discussion outline for the first day is shown on page 1 of Annex B: Workshop Notes.

The target clientele of the program was identified as families with monthly incomes that do not exceed Rs. 4,600. The discussion suggested that such families cannot be expected to take on large debt, and Annex C: HG-004 Loan Approval Summary also shows that the average loan size so far is only Rs. 6,844. The average loan sizes were compared for each institution, and the discussion was concentrated in the identification by each institution of a specific target clientele. For the NHDA the target clientele has clearly been at the low end of the income groups, and the participants from NHDA stressed their institution's social mandate to serve the lower income groups.

A handout (Annex D: Rs. 50,000 Loan Amortization Schedule, with related graphs) was distributed to each participant showing the first page of a loan amortization table of a typical Rs.

50,000 loan, with the loan repayment schedule to the CBSL given in the left columns, the repayment schedule for a term loan in the center columns, and the level payment loan in the right columns. The related graphs included the Gross Cash Flow of each loan, the Loan Balances at the end of each year, and Principal Repayment Comparisons of the loans. This handout is based on a similar group of tables and graphs that was first presented in the March 1993 report. For the present assignment the previous information was updated to reflect the current 1-year grace period with the CBSL, and expanded to include the term loans made by the commercial banks.

The participants immediately recognized the loan amortization schedules. The explanation and discussion was centered on the three graphs, which dramatically show the relationship assets and income of the financial institution (the orange and green lines) and the liabilities and expenses represented by the blue lines as payments to the CBSL. The main point was that the level payment loans are fairly well matched, while the term loan is mismatched to the level payment loan with the CBSL.

A few observations on the graphs were:

- The Gross Cash Flow is positive (for the institutions) throughout the life of the level payment loans, but turns negative in Year 10 for the term loan.
- The Loan Balances are favorable to the institution for the term loans, but are unfavorable for the level payment loans.
- The Principal Repayment comparisons are favorable for the first 10 years for the term loan, but are unfavorable for the years 2-9 for the level payment loan.
- In the event of non-payment or late payment by the borrowers, the loans to the CBSL must still be paid.

After a discussion that linked each institution with its target clientele and with its loan type, the issue of affordability was discussed at length, with the emphasis on the ability of the individual borrower to make the required payments.

A discussion on the lending practices of each institution resulted in the creation on the board of a table showing the type of lending done by each one. Only the NHDA was interested in making loans in the range of Rs. 8,000. All of the others are aiming at higher amounts.

The principle of matching assets with specific liabilities was introduced, based on the review of the graphs shown in Annex D. Asset/Liability Management involves analyzing the terms and conditions of specific assets and liabilities and attempting to match, as closely as possible, every major item so they are favorable to the institution. For the financial institutions,

the interest rate spread should be enough to cover all of their costs and risks. The terms should be matched so that the asset will convert to cash in time to pay off the underlying liability.

In the case of the term loan assets compared to the level payment loan liabilities, there is a fundamental mismatch in the repayment of the principal. The excess principal repaid under the term loan in its early years must be reinvested into similar assets in order to assure adequate principal availability (as cash) in the later years, when the level payment loan from the CBSL will require more principal reduction. These examples of asset/liability management should be applied to any lending operation.

2.2 Day 2: Loan Collections

The second workshop began with a brief review of the previous day's activities, and included a continuation of the discussion on affordability and target clientele identification. The presentation and discussion outline for the second day is shown on page 2 of Annex B: Workshop Notes.

The affordability discussion continued with a handout comparing the many loan possibilities with a range of family incomes of the target clientele. This handout is shown as a table in Annex F: Affordability Analysis.

The table presents small, medium, and large loan amounts for level payment loans and term loans, payable over 5, 10, and 15 years. The required monthly payment in each case is compared with monthly family incomes ranging from Rs. 500 up to Rs. 6,000. The result of dividing the payment by the income is shown as a percentage of the family income that would be required by the given monthly loan payment. For purposes of clarity, payments that exceed 36% of income are automatically eliminated from the table.

Included in the affordability analysis are the same loans that were shown in the previous day's handout for a Rs. 50,000 term loan (the green line) and level payment loan (orange) at 20.5% interest over 15 years. This familiar lending example shows that the higher initial payment associated with the term loan would require 28% of a family's income of Rs. 4,000, while the level payment loan would only require 22% of their income. Most Sri Lankan financial institutions limit their loan payments to no more than 25% of family income, so in this case the family would not qualify for the term loan, but would qualify for the level payment loan.

A review of the affordability analysis reveals that a family earning Rs. 4,500 a month would pay 25% of their income for the Rs. 50,000 term loan. Anyone with a slightly higher income would not qualify for that loan because their income would exceed the Rs. 4,600 income limit, and a family earning less would not qualify because they would have to pay more than 25% of their income. They would have to get a smaller loan.

This initial discussion of affordability was oriented to the point of view of the borrower. The next phase of the presentation was to broaden the scope of affordability to consider it from the point of view of the financial institution. For this purpose another example was shown, this time of a loan of Rs. 8,000, which is about the average amount of the loans made so far. The complete example is shown as Annex E: Rs. 8,000 Loan Amortization Schedule.

The example was illustrated on the board by taking interest received in a given year, and subtracting the interest to be paid to the CBSL. The result is the amount of cash income that will be available to cover loan administration costs, including paper receipts, teller salaries, postage, recording the payment transaction, and every other expense item directly and indirectly involved with loan collections. The years under consideration were Year 1 and Year 10:

	Year 1	Year 10
Interest received	Rs. 1,632	Rs. 1,027
Less interest paid	<u>-1,000</u>	<u>-598</u>
Amount available	Rs. 623	Rs. 429

The net amount available to the institution, after paying the CBSL, is about Rs. 51 per month in the first year, and this declines to Rs. 36 per month by Year 10. This low initial benefit might be cut in half by the cost to process the loan payments, although no specific budget was prepared. All of the participants agreed that Rs. 51 not cover many loan processing expenses. By the 10th year, the even lower amount will be further eroded by the effects of inflation on the costs incurred by the institution to administer the payments. 10 years of inflation at the current level of about 15% per year would make the future payment processing costs at least 4 times what they are today, while there is no possibility to increase the income. All this, and the amount of rupees that will be received in Year 10 is much smaller than in Year 1.

The problem with the small loan is that the minimum cost to administer any loan payments may exceed the absolute income that can be received, even under the best of conditions. The example on the board was multiplied by 10, to suggest the effect of having made a loan of Rs. 80,000 instead of Rs. 8,000. In this case the absolute income might be enough to continue to cover the increasing costs associated with loan collections.

The recapitulation of the affordability calculation made it clear to the participants that the smaller loans being made by the NHDA, in particular, will likely involve more costs than can be recovered in the interest income. For the NHDA the problem is made worse by its relatively low collection rate, said to be in the 60% range overall, but maybe in the 70% range for its newer loans.

A comparison of Annex F: Affordability Table with Annex C: HG-004 Loan Approval Summary suggests some effort should be made to change the mix of loan sizes and participation by the various financial institutions. The loans by the NHDA through the Bank of Ceylon may

result in an unsustainable lending program at NHDA. Consideration should be made to limit the amount of HG funds that should go to NHDA, perhaps assigning those loans to the limited grant category, which has probably not yet been exceeded by NHDA's disbursements. Future lending should be concentrated with the SMIB, HDFC, and other institutions that are able to find a market niche with loans in the range of Rs. 25,000 to Rs. 80,000.

Following the discussion on affordability, the workshop turned to the problem of collecting problem loans.

Each of the participants was asked to give a brief review of their institution's collection procedure for late payments and non-payment. In almost all cases the general feeling was that, while mortgage loans give the institution the legal ability to easily foreclose on the property of defaulters, in practice they have not often had to carry through with the threat of foreclosure and actually take over the property through the use of the Parate Execution.

As part of the discussion of problem loans, the participants were asked if their institutions have any policies regarding placing late paying loans on non-accrual after so many missed payments, or of writing off loans after a year or more of non payment. The consensus was that loans are always kept on accrual status and that loans are not written off. Instead, most institutions set a provision amount, of perhaps 2% or 3% of their loan portfolio, as a reserve against loan loss and non-payment. It was agreed that such a small provision is not much compared with the continuing accrual of loans at 20.5% interest per year. There was also agreement that taxes must be paid on accrued interest income.

2.3 Day 3: Loan Reporting

The third workshop began with a brief review of the previous two days' activities, along with a continued discussion of target clientele identification. The presentation and discussion outline for the third day is shown on page 3 of Annex B: Workshop Notes.

The presentation this day was centered on the loan booklet prepared by the CBSL for the HG-004 program, in which details of the special reports required for requesting and approving are contained. The participants were generally familiar with the requirements.

Aside from the rather dry discussion of the various reports and why they are needed, the discussion took a lively turn when the topic of documentation came up. The CBSL now requires a complete set of loan documents for every loan made by the participating financial institutions to each individual borrower. This requirement has resulted in delays in processing the loan requests because the CBSL does not have a large enough staff to possibly review the loan requests to such a level of detail. It was suggested that now would be a good time to promote a change in the rules and allow the financial institutions to submit just the lists of loans made, with enough information to verify that no duplicate loans are there, without the need to include copies of the loan applications themselves.

The job of reviewing the loan applications is complicated because the borrower at the time of the application has not yet been approved and may ask for more than is finally approved. The important thing is to keep track, of the approved amounts, not the requested amounts.

Toward the end of the workshop some participants asked about the interest requirements at each lending level, and whether the interest for the CBSL could be reduced, thereby giving a higher spread to the institutions. It was pointed out that the CBSL is bearing the exchange rate risk, and that during the present year the exchange rate has changed from around Rs. 46 per dollar at the beginning of the year to around Rs. 48 per dollar now. These two rupees represent about a 4% decline in the value of the rupee, and would require more rupees to repay the loan at the international level. Of course, so far there has been no lending at the international level for this HG program, and it is difficult to predict the future exchange rate fluctuations. The general feeling was that the CBSL was probably all right at the 12.5% interest rate.

Chapter 3

Training Center Operations Plan

It has been proposed that the HDFC act as a loan servicing training center for the HG program. Their present system is appropriate for any of the Sub-Apex Lenders and can serve as a model that can be applied at all participating financial institutions. Standardizing the collections and servicing functions for all participating financial institution would have the side benefit of making it easier in the future to introduce a secondary mortgage market in which the financial institutions could sell their interest in specific loans, thereby freeing up their long-term assets to make more loans for housing.

It is apparent that the financial institutions and the CBSL will require additional technical assistance in the form of specialized training in which they learn to improve the administrative systems used to service the loans made under the HG-004 program. The commercial banks are accustomed to making regular term loans and their servicing is based on lending conditions that are different for longer-term lending typically found in housing programs.

There is a high degree of technical competence in loan servicing in the participating financial institutions. The problem is that the stated terms and conditions are not adequately reflected in their loan servicing practices. The specific training they require should be based on the approved lending terms and conditions. In addition, specialized training in Asset/Liability Management and Fund Management will be needed in some of the financial institutions to improve their capacity to maintain specialized accounts of both the assets (loans and principal reflows) and their liabilities (the loans from the CBSL).

During the present assignment an outline of an operations plan for a training center for servicing housing loans was discussed with and presented to HDFC management. This document is presented as Annex H: Training Center Operations Plan Outline.

The Outline was prepared to enable the HDFC management to focus its attention on the need to train its personnel to handle a loan portfolio several times the size of its present 3,000 loans. Management is already increasing the productivity of the existing staff by introducing a new mini-computer system that incorporates a unified database with all account information for all loans. At the present time management is paying great attention on this activity and does not have time and resources to prepare for training any more than its own staff.

A related problem is that the HDFC's existing office space is totally occupied. There is not even a free office or conference room in which to place a trainer or other person who would develop a training program.

Included in the Outline is a section in which possible sources of technical assistance are to be identified. If the HDFC wishes to create the capability to train more than its own personnel it should pursue all possible outside sources of financing for such activities. However,

there is no indication at the present time that HDFC will indeed take on any training activities beyond those that may be required by its own staff during the transition into the new computer system. Even there, the HDFC seems to plan no formal training, instead going with on-the-job and learning-by-doing training under the supervision of their computer manager.

There does not appear to be in place any plan to develop a management information system specifically designed for housing finance issues. Instead, HDFC management seems to be relying on the new computer to be able to give them whatever information they may ask for. It is unclear if their new system will be able to identify the same mismatches of assets and liabilities mentioned in this report and in the March 1993 report.

At the end of this assignment a meeting was held with HDFC's management to discuss their interest and willingness to prepare a plan to create a training center within the institution. They now intend to study the Outline and respond back to the USAID Housing Advisors.

Annexes

- A. Workshop Agenda
- B. Workshop Notes
- C. HG-004 Loan Approval Summary
- D. Rs. 50,000 Loan Amortization Schedule
 - Graph: Gross Cash Flow
 - Graph: Loan Balances
 - Graph: Principal Repayment Comparisons
- E. Rs. 8,000 Loan Amortization Schedule
- F. Affordability Table
- G. List of Participants
- H. Training Center Operations Plan Outline

Annex A

Workshop Agenda

**Workshops for Loan Servicing, Collecting, and Reporting
Loan Programme HG-004**

Gramodaya Center
152, Galle Road, Colombo 3, Sri Lanka

5, 6, & 7 October 1993
9:00 a.m. - 12:00 noon each day

Sponsored by USAID

Presented by Phillip D. Jones
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AGENDA

Day 1: Tuesday, 5 October 1993

Topic: Loan Servicing

9:00 - 10:15	Orientation and Discussion
10:15 - 10:30	Break
10:30 - 12:00	Examples

Day 2: Wednesday, 6 October 1993

Topic: Loan Collections

9:00 - 10:15	Orientation and Discussion
10:15 - 10:30	Break
10:30 - 12:00	Examples

Day 3: Thursday, 7 October 1993

Topic: Reporting

9:00 - 10:15	Orientation and Discussion
10:15 - 10:30	Break
10:30 - 11:30	Examples
11:30 - 12:00	Conclusion

Annex B

Workshop Notes

Workshop Notes

Day 1: Tuesday, 5 October 1993, 9 a.m. to 12 noon

Topic: Loan Servicing

Introduction

Target Clientele

Loan Types

Level Payment Loans

Term Loans

Terms and Conditions

Affordability

Scope of HG-004

24,000 loans @ Rs 50,000 per loan

or 150,000 loans @ Rs 8,000 per loan

Handouts: Rs 50,000 Loan Amortization Table for 3 loan types

Graph: Gross Cash Flow

Graph: Loan Balances

Graph: Principal Repayment Comparisons

Discussion: Lending practices of each institution

Table created on board:

<u>Institution</u>	<u>Type</u>	<u>Term</u>	<u>Amount</u>
Seylan Bank	Level Pmnt	10 yrs.	avg. Rs 50,000
SMIB	Level Pmnt	5-15	up to Rs 85,000
Hatton Bank	Term	5-12	avg. Rs 20,000
RRDB	Level Pmnt	10	Rs 50,000
TCCS	Level Pmnt	5-15	Rs 15,000 - 50,000
NHDA	Level Pmnt	5, 10, 15	Avg. Rs 8,000
Bank of Ceylon	Level Pmnt	Lends to NHDA	
HDFC	Level Pmnt	15	up to Rs 50,000
Commercial Bank	Term	7	Rs 15,000 - 50,000

Asset/Liability management

Comparison of Lending Terms & Conditions

Tracking Principal Repayments, reinvesting proceeds

Interest Calculation should be per Amortization Table, not number of days since last payment received

Deposits same as outside loans, giving long-term funding source

Role of the Lending Officers

Understanding the entire lending context and process

Day 2: Wednesday, 6 October 1993, 9 a.m. to 12 noon

Topic: Loan Collections

Introduction

Recapitulation

Continuation of Affordability Discussion

Handout: Affordability Comparisons

Clientele of each institution

Affordability: Both for Clients and Institution

On the board:

Example of Rs. 8,000 Loan over 15 years at 20.5%

Comparing Year 1 and Year 10 Cash Flows, including payments to CBSL

Result: Insufficient income to cover Loan Admin. costs after paying CBSL

Loan Collections

Tracking late payments

Notifying defaulters: send letter after 30 days past due

Charging Late Fees

Setting the charge; minimum needed to cover expenses

Suggest Rs 25 or 2% (3% at HDFC)

Expenses:	Registered letter	Rs 8
	Paper & envelope	Rs 1
	Typing	<u>Rs 10</u>
	Total	Rs 19

Example: HDFC Rs 50,000 loan, $Rs\ 897 \times .03 = Rs\ 27$

Turn loan over to Legal Department from normal recovery group

Discussion on ability to foreclose

Parate Execution: summary order to give up property to lender

Use of Guarantors

- Not generally required for mortgage loans
- Used for smaller, non-mortgage loans

Placing non-performing loans on non-accrual status

- Institution should have policy as to when, based number of months past due
- Reduces stated income for the period
- Forces management to recognize problem loans
- Should be set according to FASB rules and tax rules of country
- Overstating income increases tax liability

Writing off bad loans

- Probably not required when mortgage is available, but should be done when loan is more than 12 months past due, then count as income when/if property is taken back and sold

Day 3: Thursday, 7 October 1993, 9 a.m. to 12 noon

Topic: Loan Reporting

Introduction

Recapitulation

Reporting Levels

- Internal to the Institution
- To Board of Directors
- Institution to CBSL
- USAID requirements

Financial Reports

- Base on loan control cards or automated system
- Daily or weekly summary of all account activity
- Monthly aging of Accounts Receivable
- Periodic trial balances
- Audited Annual Financial Statements

Periodic reports to CBSL to support new borrowing requests

- Application for Approval of Refinance
- Annex to the Application for Refinance

Project Inspection Report
Application Form for a Housing Loan
Application for Disbursement of Refinance
 Annex I: Schedule of Loans Disbursed in Full
 Annex II: Schedule of Loans Disbursed in Instalments
 Annex III: Schedule of Loans Disbursed in Instalments
Sub-Apex Lender's Promissory Note
Sub-Apex Lender's Delivery Letter
Sub-Apex Lender's Assignment
Project Completion Report

Quarterly reports to CBSL
 Housing Loans Granted report
 Starts and Completions Classification report
 Loan Classification report
 Processing Time report
 Income Group Classifications of Eligible Households

Periodic reports to support payments to CBSL

Audited Financial Statements of each Institution's activities in the HGLISP
(Housing Guarantee Low Income Shelter Programme)

Records
 Accessibility by USAID auditors

Discussion of each Institution's loan recording and reporting procedures

Discussion of ways to speed up the lending process, including reducing the Central Bank's requirement for full loan documentation of each individual loan, accepting certification from participating institution

Annex C

HG-004 Loan Approval Summary

Sri Lanka
 HG-004 Loan Approval Summary
 Approvals by CESL

As of early October 1993

Sub Apex Lender	No. of Loans	Value Min. Rs.	Avg. Loan Amount Rs.	% of all loans	% of Funding
Bank of Ceylon (NHDA)	17,096	117.00	6,844	93.5%	76.7%
Hatton National Bank	242	4.40	18,182	1.3%	2.9%
SMIB	227	10.30	45,374	1.2%	6.8%
People's Bank	537	12.80	23,836	2.9%	8.4%
Seylan Bank	12	1.10	91,667	0.1%	0.7%
Commercial Bank	1	0.05	50,000	0.0%	0.0%
RRDBE	68	1.90	27,941	0.4%	1.2%
HDFC (requested)	105	5.02	47,771	0.6%	3.3%
	-----	-----	-----	-----	-----
Total	18,288	152.57	8,342	100.0%	100.0%

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Annex D

Rs. 50,000 Loan Amortization Schedule (first page)

Graph: Gross Cash Flow

Graph: Loan Balances

Graph: Principal Repayment Comparisons

HG-004 Sri Lanka
T/A in Collections & Servicing

Amount: 50,000 Sri Lanka Rupees

Rate: 20.50% to participating banks from customers
12.50% to Central Bank from participating banks

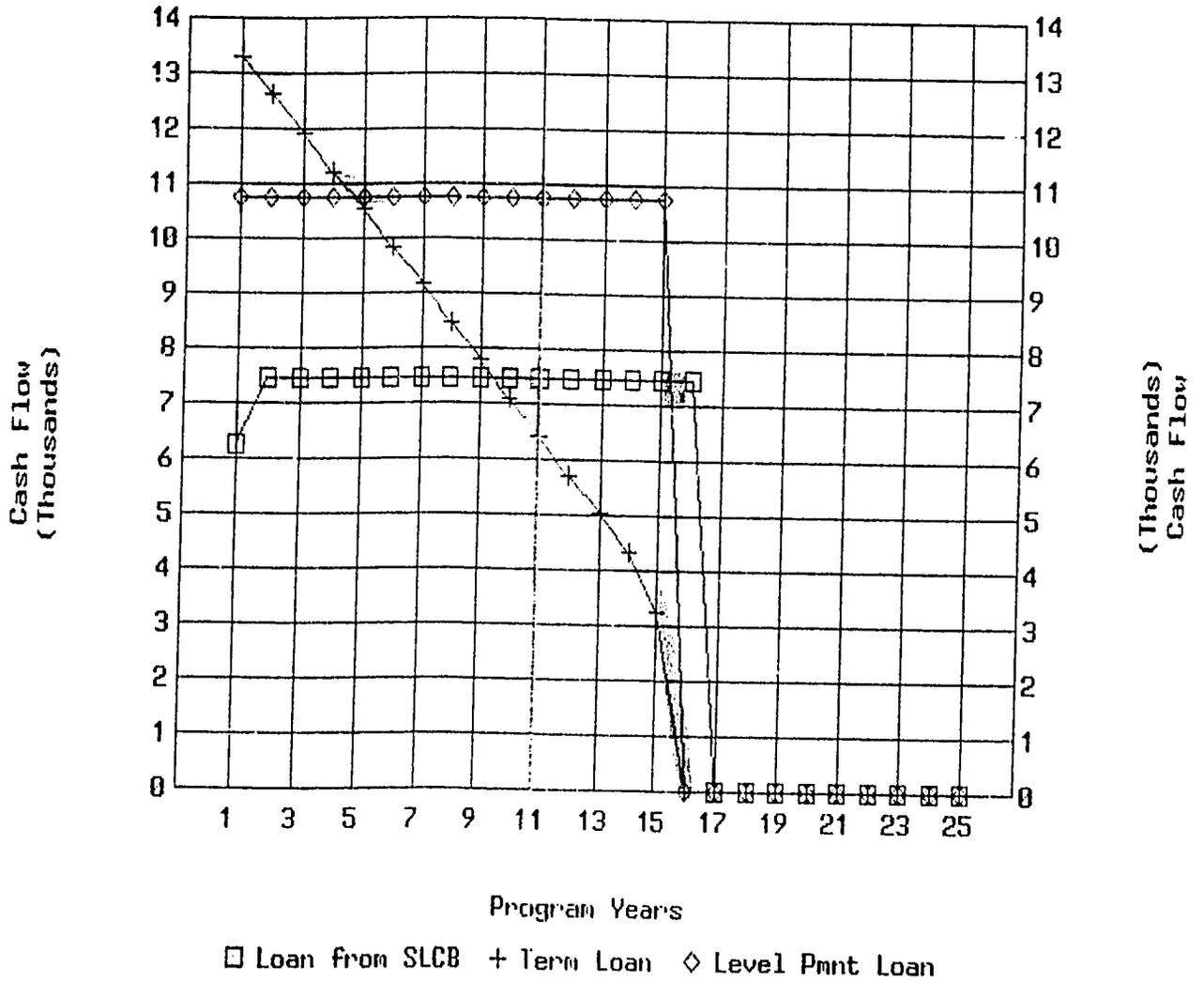
Term: 180 months retail
180 months (+1 year grace) wholesale

Payment: 3,730 every 6 months 280 monthly plus interest 897 monthly incl. interest
Level Semi-annual Payments Term payments (level principal) Level monthly payments

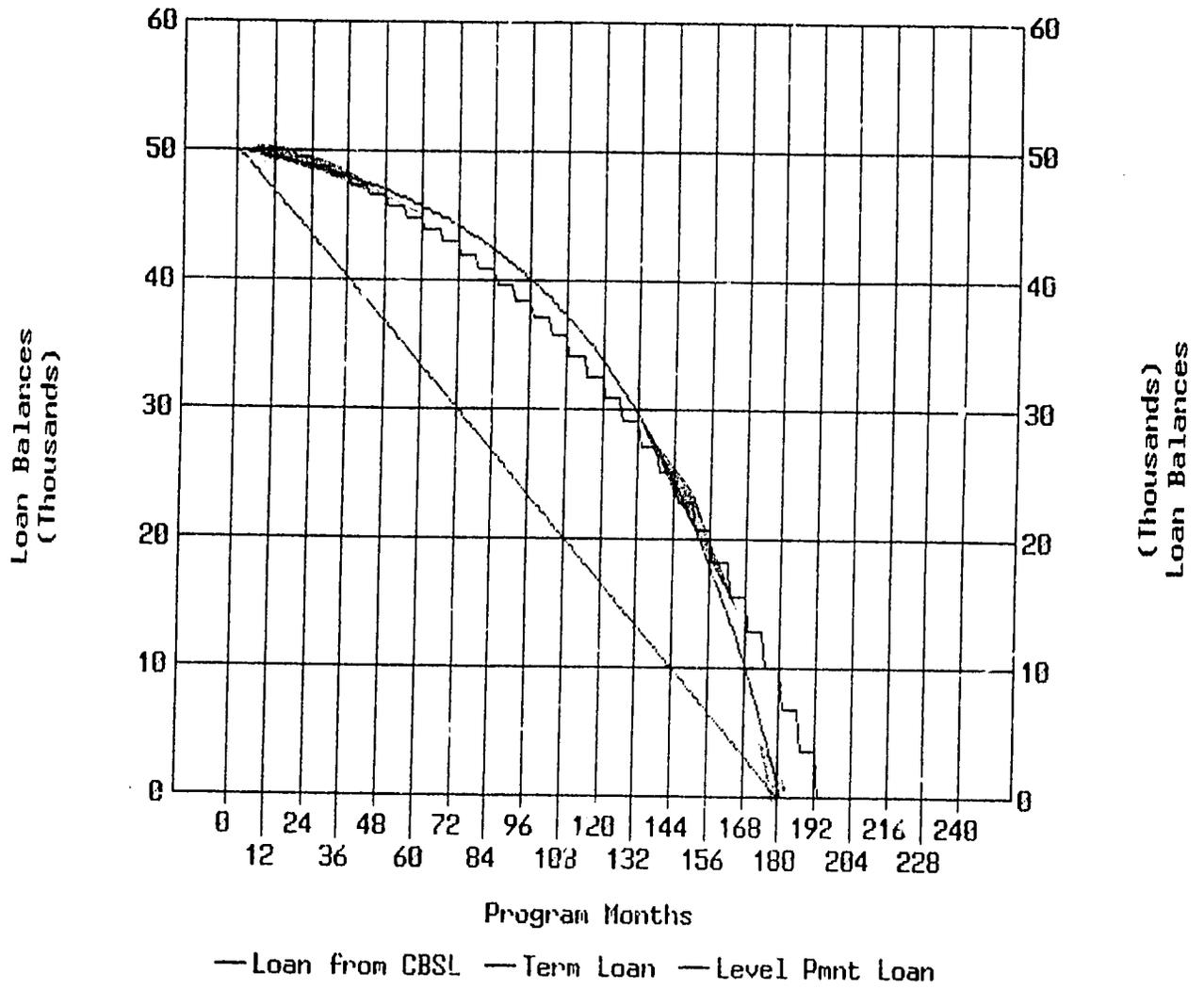
0	Level Semi-annual Payments					Term payments (level principal)					897 monthly incl. interest Level monthly payments				
Program Month	Begin Balance	Prncpl Paid	Int. Paid	Total Paid	Ending Balance	Begin Balance	Prncpl Paid	Int. Paid	Total Paid	Ending Balance	Begin Balance	Prncpl Paid	Int. Paid	Total Paid	Ending Balance
0	50,000					50,000					50,000				
1	50,000	0	0	0	50,000	50,000	280	854	1,134	49,720	50,000	43	854	897	49,957
2	50,000	0	0	0	50,000	49,720	280	849	1,129	49,440	49,957	43	853	897	49,914
3	50,000	0	0	0	50,000	49,440	280	845	1,125	49,160	49,914	44	853	897	49,870
4	50,000	0	0	0	50,000	49,160	280	840	1,120	48,880	49,870	45	852	897	49,826
5	50,000	0	0	0	50,000	48,880	280	835	1,115	48,600	49,826	45	851	897	49,780
6	50,000	0	3,125	3,125	50,000	48,600	280	830	1,110	48,320	49,780	46	850	897	49,734
7	50,000	0	0	0	50,000	48,320	280	825	1,105	48,040	49,734	47	850	897	49,687
8	50,000	0	0	0	50,000	48,040	280	821	1,101	47,760	49,687	48	849	897	49,639
9	50,000	0	0	0	50,000	47,760	280	816	1,096	47,480	49,639	49	848	897	49,590
10	50,000	0	0	0	50,000	47,480	280	811	1,091	47,200	49,590	50	847	897	49,541
11	50,000	0	0	0	50,000	47,200	280	806	1,086	46,920	49,541	50	846	897	49,490
12	50,000	0	3,125	3,125	50,000	46,920	280	802	1,082	46,640	49,490	51	845	897	49,439
13	50,000	0	0	0	50,000	46,640	280	797	1,077	46,360	49,439	52	845	897	49,387
14	50,000	0	0	0	50,000	46,360	280	792	1,072	46,080	49,387	53	844	897	49,334
15	50,000	0	0	0	50,000	46,080	280	787	1,067	45,800	49,334	54	843	897	49,280
16	50,000	0	0	0	50,000	45,800	280	782	1,062	45,520	49,280	55	842	897	49,225
17	50,000	0	0	0	50,000	45,520	280	778	1,058	45,240	49,225	56	841	897	49,170
18	50,000	605	3,125	3,730	49,395	45,240	280	773	1,053	44,960	49,170	57	840	897	49,113
19	49,395	0	0	0	49,395	44,960	280	768	1,048	44,680	49,113	58	839	897	49,055
20	49,395	0	0	0	49,395	44,680	280	763	1,043	44,400	49,055	59	838	897	48,997
21	49,395	0	0	0	49,395	44,400	280	759	1,039	44,120	48,997	60	837	897	48,937
22	49,395	0	0	0	49,395	44,120	280	754	1,034	43,840	48,937	61	836	897	48,876
23	49,395	0	0	0	49,395	43,840	280	749	1,029	43,560	48,876	62	835	897	48,814
24	49,395	643	3,087	3,730	48,752	43,560	280	744	1,024	43,280	48,814	63	834	897	48,752
25	48,752	0	0	0	48,752	43,280	280	739	1,019	43,000	48,752	64	833	897	48,688
26	48,752	0	0	0	48,752	43,000	280	735	1,015	42,720	48,688	65	832	897	48,623
27	48,752	0	0	0	48,752	42,720	280	730	1,010	42,440	48,623	66	831	897	48,557
28	48,752	0	0	0	48,752	42,440	280	725	1,005	42,160	48,557	67	829	897	48,490
29	48,752	0	0	0	48,752	42,160	280	720	1,000	41,880	48,490	68	828	897	48,421
30	48,752	683	3,047	3,730	48,069	41,880	280	715	995	41,600	48,421	69	827	897	48,352
31	48,069	0	0	0	48,069	41,600	280	711	991	41,320	48,352	71	826	897	48,281
32	48,069	0	0	0	48,069	41,320	280	706	986	41,040	48,281	72	825	897	48,209
33	48,069	0	0	0	48,069	41,040	280	701	981	40,760	48,209	73	824	897	48,136
34	48,069	0	0	0	48,069	40,760	280	696	976	40,480	48,136	74	822	897	48,062
35	48,069	0	0	0	48,069	40,480	280	692	972	40,200	48,062	76	821	897	47,986
36	48,069	726	3,004	3,730	47,343	40,200	280	687	967	39,920	47,986	77	820	897	47,909
37	47,343	0	0	0	47,343	39,920	280	682	962	39,640	47,909	78	818	897	47,831
38	47,343	0	0	0	47,343	39,640	280	677	957	39,360	47,831	80	817	897	47,752
39	47,343	0	0	0	47,343	39,360	280	672	952	39,080	47,752	61	816	897	47,671
40	47,343	0	0	0	47,343	39,080	280	668	948	38,800	47,671	82	814	897	47,588
41	47,343	0	0	0	47,343	38,800	280	663	943	38,520	47,588	84	813	897	47,505
42	47,343	771	2,959	3,730	46,572	38,520	280	658	938	38,240	47,505	85	812	897	47,420
43	46,572	0	0	0	46,572	38,240	280	653	933	37,960	47,420	87	810	897	47,333
44	46,572	0	0	0	46,572	37,960	280	648	928	37,680	47,333	86	809	897	47,245
45	46,572	0	0	0	46,572	37,680	280	644	924	37,400	47,245	90	807	897	47,155
46	46,572	0	0	0	46,572	37,400	280	639	919	37,120	47,155	91	806	897	47,064
47	46,572	0	0	0	46,572	37,120	280	634	914	36,840	47,064	93	804	897	46,971
48	46,572	819	2,911	3,730	45,752	36,840	280	629	909	36,560	46,971	94	802	897	46,877

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Gross Cash Flow (1 year grace)
HG-004 Sri Lanka

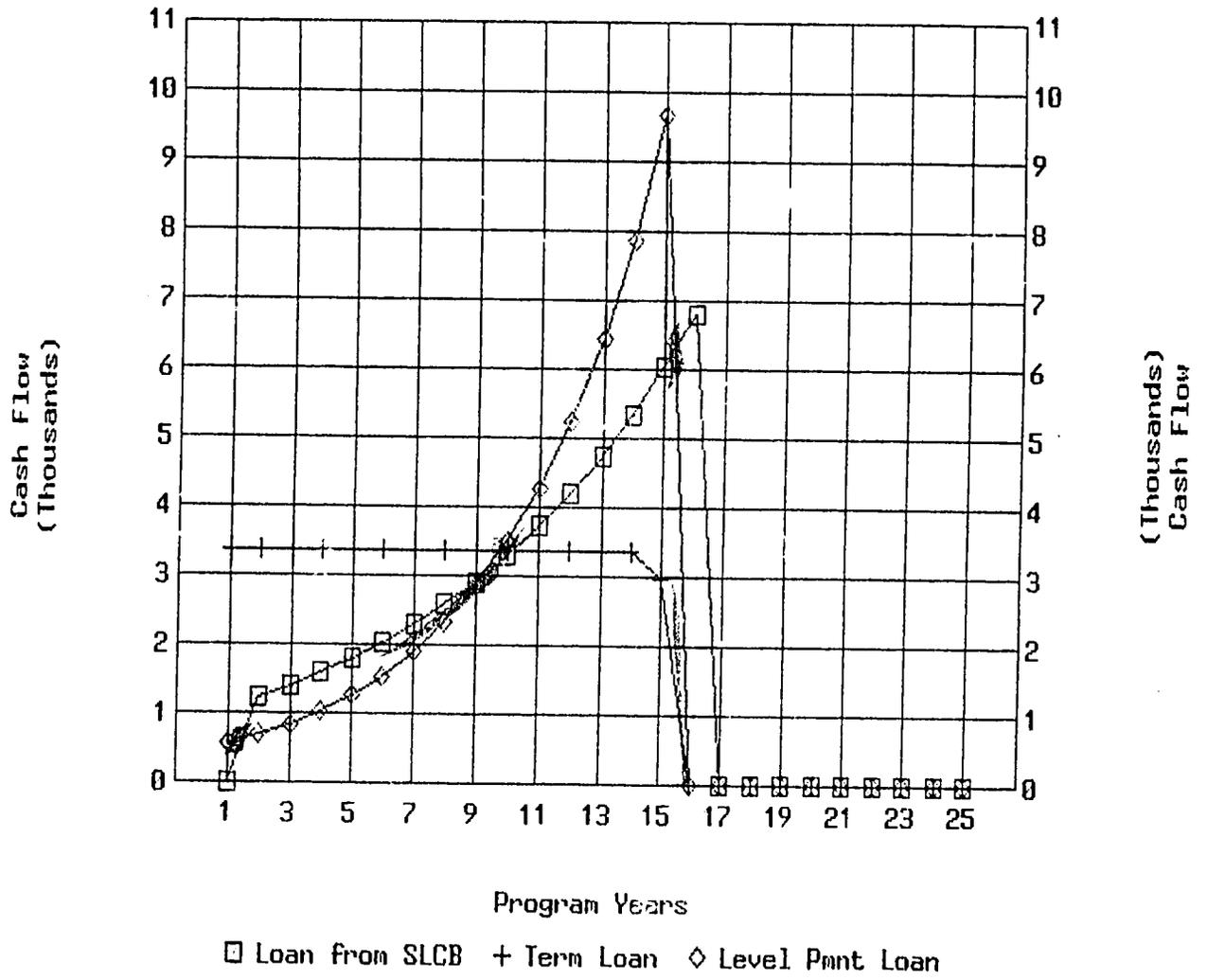


Loan Balances (1 year grace)
HG-004 Sri Lanka



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Principal Repayment Comparisons
 HG-004 Sri Lanka (1 year grace)



Annex E

Rs. 8,000 Loan Amortization Schedule
(3 pages)

HG-004 Sri Lanka
T/A in Collections & Servicing

Amount: 8,000 Sri Lanka Rupees
Rate: 20.50% to participating banks from customers
12.50% to Central Bank from participating banks
Term: 180 months retail!
180 months (+1 year grace) wholesale
Payment: 597 every 6 months

Program Month	Level semi-annual Payments					44 monthly plus interest Term payments (level principal)					143 monthly incl. interest Level monthly payments				
	Begin Balance	Prncpl Paid	Int. Paid	Total Paid	Ending Balance	Begin Balance	Prncpl Paid	Int. Paid	Total Paid	Ending Balance	Begin Balance	Prncpl Paid	Int. Paid	Total Paid	Ending Balance
0	8,000					8,000					8,000				
1	8,000	0	0	0	8,000	8,000	44	137	181	7,956	8,000	7	137	143	7,993
2	8,000	0	0	0	8,000	7,956	44	136	180	7,912	7,993	7	137	143	7,986
3	8,000	0	0	0	8,000	7,912	44	135	179	7,868	7,986	7	136	143	7,979
4	8,000	0	0	0	8,000	7,868	44	134	178	7,824	7,979	7	136	143	7,972
5	8,000	0	0	0	8,000	7,824	44	134	178	7,780	7,972	7	136	143	7,965
6	8,000	0	500	500	8,000	7,780	44	133	177	7,736	7,965	7	136	143	7,957
7	8,000	0	0	0	8,000	7,736	44	132	176	7,692	7,957	8	136	143	7,950
8	8,000	0	0	0	8,000	7,692	44	131	175	7,648	7,950	8	136	143	7,942
9	8,000	0	0	0	8,000	7,648	44	131	175	7,604	7,942	8	136	143	7,934
10	8,000	0	0	0	8,000	7,604	44	130	174	7,560	7,934	8	136	143	7,926
11	8,000	0	0	0	8,000	7,560	44	129	173	7,516	7,926	8	135	143	7,918
12	8,000	0	500	500	8,000	7,516	44	128	172	7,472	7,918	8	135	143	7,910
13	8,000	0	0	0	8,000	7,472	44	128	172	7,428	7,910	8	135	143	7,902
14	8,000	0	0	0	8,000	7,428	44	127	171	7,384	7,902	8	135	143	7,893
15	8,000	0	0	0	8,000	7,384	44	126	170	7,340	7,893	9	135	143	7,885
16	8,000	0	0	0	8,000	7,340	44	125	169	7,296	7,885	9	135	143	7,876
17	8,000	0	0	0	8,000	7,296	44	125	169	7,252	7,876	9	135	143	7,867
18	8,000	97	500	597	7,903	7,252	44	124	168	7,208	7,867	9	134	143	7,858
19	7,903	0	0	0	7,903	7,208	44	124	167	7,164	7,858	9	134	143	7,849
20	7,903	0	0	0	7,903	7,164	44	122	165	7,120	7,849	9	134	143	7,839
21	7,903	0	0	0	7,903	7,120	44	122	165	7,076	7,839	10	134	143	7,830
22	7,903	0	0	0	7,903	7,076	44	121	165	7,032	7,830	10	134	143	7,820
23	7,903	0	0	0	7,903	7,032	44	120	164	6,988	7,820	10	134	143	7,810
24	7,903	103	494	597	7,800	6,988	44	119	163	6,944	7,810	10	133	143	7,800
25	7,800	0	0	0	7,800	6,944	44	119	163	6,900	7,800	10	133	143	7,790
26	7,800	0	0	0	7,800	6,900	44	118	162	6,856	7,790	10	133	143	7,779
27	7,800	0	0	0	7,800	6,856	44	117	161	6,812	7,779	11	133	143	7,769
28	7,800	0	0	0	7,800	6,812	44	116	160	6,768	7,769	11	133	143	7,758
29	7,800	0	0	0	7,800	6,768	44	116	160	6,724	7,758	11	133	143	7,747
30	7,800	109	488	597	7,691	6,724	44	115	159	6,680	7,747	11	132	143	7,736
31	7,691	0	0	0	7,691	6,680	44	114	158	6,636	7,736	11	132	143	7,725
32	7,691	0	0	0	7,691	6,636	44	113	157	6,592	7,725	12	132	143	7,713
33	7,691	0	0	0	7,691	6,592	44	113	157	6,548	7,713	12	132	143	7,701
34	7,691	0	0	0	7,691	6,548	44	112	156	6,504	7,701	12	132	143	7,689
35	7,691	0	0	0	7,691	6,504	44	111	155	6,460	7,689	12	131	143	7,677
36	7,691	116	481	597	7,575	6,460	44	110	154	6,416	7,677	12	131	143	7,665
37	7,575	0	0	0	7,575	6,416	44	110	154	6,372	7,665	13	131	143	7,652
38	7,575	0	0	0	7,575	6,372	44	109	153	6,328	7,652	13	131	143	7,640
39	7,575	0	0	0	7,575	6,328	44	108	152	6,284	7,640	13	131	143	7,627
40	7,575	0	0	0	7,575	6,284	44	107	151	6,240	7,627	13	130	143	7,613
41	7,575	0	0	0	7,575	6,240	44	107	151	6,196	7,613	13	130	143	7,600
42	7,575	123	473	597	7,451	6,196	44	106	150	6,152	7,600	14	130	143	7,586
43	7,451	0	0	0	7,451	6,152	44	105	149	6,108	7,586	14	130	143	7,573
44	7,451	0	0	0	7,451	6,108	44	104	148	6,064	7,573	14	129	143	7,558
45	7,451	0	0	0	7,451	6,064	44	104	148	6,020	7,558	14	129	143	7,544
46	7,451	0	0	0	7,451	6,020	44	103	147	5,976	7,544	15	129	143	7,529
47	7,451	0	0	0	7,451	5,976	44	102	146	5,932	7,529	15	129	143	7,515
48	7,451	131	466	597	7,320	5,932	44	102	146	5,888	7,515	15	128	143	7,500
49	7,320	0	0	0	7,320	5,888	44	101	145	5,844	7,500	15	128	143	7,484
50	7,320	0	0	0	7,320	5,844	44	100	144	5,800	7,484	16	128	143	7,469
51	7,320	0	0	0	7,320	5,800	44	99	143	5,756	7,469	16	128	143	7,453
52	7,320	0	0	0	7,320	5,756	44	98	142	5,712	7,453	16	127	143	7,436
53	7,320	0	0	0	7,320	5,712	44	98	142	5,668	7,436	16	127	143	7,420
54	7,320	139	458	597	7,181	5,668	44	97	141	5,624	7,420	17	127	143	7,403
55	7,181	0	0	0	7,181	5,624	44	96	140	5,580	7,403	17	126	143	7,386
56	7,181	0	0	0	7,181	5,580	44	95	139	5,536	7,386	17	126	143	7,369
57	7,181	0	0	0	7,181	5,536	44	95	139	5,492	7,369	18	126	143	7,351
58	7,181	0	0	0	7,181	5,492	44	94	138	5,448	7,351	18	126	143	7,334
59	7,181	0	0	0	7,181	5,448	44	93	137	5,404	7,334	18	125	143	7,315
60	7,181	148	449	597	7,033	5,404	44	92	136	5,360	7,315	19	125	143	7,297
61	7,033	0	0	0	7,033	5,360	44	92	136	5,316	7,297	19	125	143	7,278
62	7,033	0	0	0	7,033	5,316	44	91	135	5,272	7,278	19	124	143	7,259
63	7,033	0	0	0	7,033	5,272	44	90	134	5,228	7,259	19	124	143	7,239
64	7,033	0	0	0	7,033	5,228	44	89	133	5,184	7,239	20	124	143	7,220
65	7,033	0	0	0	7,033	5,184	44	89	133	5,140	7,220	20	123	143	7,199
66	7,033	157	440	597	6,876	5,140	44	88	132	5,096	7,199	20	122	143	7,179

MG-004 Sri Lanka
T/A in Collections & Servicing

Amount: 8,000 Sri Lanka Rupees
Rate: 20.50% to participating banks from customers
12.50% to Central Bank from participating banks
Term: 180 months retail
180 months (+1 year grace) wholesale
Payment: 597 every 6 months

0 Program Month	Level Semi-annual Payments					44 monthly plus interest Term payments (level principal)					143 monthly incl. interest Level monthly payments				
	Begin Balance	Prncpl Paid	Int. Paid	Total Paid	Ending Balance	Begin Balance	Prncpl Paid	Int. Paid	Total Paid	Ending Balance	Begin Balance	Prncpl Paid	Int. Paid	Total Paid	Ending Balance
67	6,876	0	0	0	6,876	5,096	44	87	131	5,052	7,179	21	123	143	7,158
68	6,876	0	0	0	6,876	5,052	44	86	130	5,008	7,158	21	122	143	7,137
69	6,876	0	0	0	6,876	5,008	44	86	130	4,964	7,137	22	122	143	7,115
70	6,876	0	0	0	6,876	4,964	44	85	129	4,920	7,115	22	122	143	7,093
71	6,876	0	0	0	6,876	4,920	44	84	129	4,876	7,093	22	121	143	7,071
72	6,876	167	430	597	6,709	4,876	44	83	127	4,832	7,071	23	121	143	7,048
73	6,709	0	0	0	6,709	4,832	44	83	127	4,788	7,048	23	120	143	7,025
74	6,709	0	0	0	6,709	4,788	44	82	126	4,744	7,025	23	120	143	7,002
75	6,709	0	0	0	6,709	4,744	44	81	125	4,700	7,002	24	120	143	6,978
76	6,709	0	0	0	6,709	4,700	44	80	124	4,656	6,978	24	119	143	6,954
77	6,709	0	0	0	6,709	4,656	44	80	124	4,612	6,954	25	119	143	6,929
78	6,709	178	419	597	6,531	4,612	44	79	123	4,568	6,929	25	118	143	6,904
79	6,531	0	0	0	6,531	4,568	44	78	122	4,524	6,904	26	118	143	6,878
80	6,531	0	0	0	6,531	4,524	44	77	121	4,480	6,878	26	118	143	6,852
81	6,531	0	0	0	6,531	4,480	44	77	121	4,436	6,852	26	117	143	6,826
82	6,531	0	0	0	6,531	4,436	44	76	120	4,392	6,826	27	117	143	6,799
83	6,531	0	0	0	6,531	4,392	44	75	119	4,348	6,799	27	116	143	6,772
84	6,531	189	408	597	6,343	4,348	44	74	118	4,304	6,772	28	116	143	6,744
85	6,343	0	0	0	6,343	4,304	44	74	118	4,260	6,744	28	115	143	6,716
86	6,343	0	0	0	6,343	4,260	44	73	117	4,216	6,716	29	115	143	6,687
87	6,343	0	0	0	6,343	4,216	44	72	116	4,172	6,687	29	114	143	6,658
88	6,343	0	0	0	6,343	4,172	44	71	115	4,128	6,658	30	114	143	6,628
89	6,343	0	0	0	6,343	4,128	44	71	115	4,084	6,628	30	113	143	6,598
90	6,343	200	396	597	6,142	4,084	44	70	114	4,040	6,598	31	113	143	6,567
91	6,142	0	0	0	6,142	4,040	44	69	113	3,996	6,567	31	112	143	6,536
92	6,142	0	0	0	6,142	3,996	44	68	112	3,952	6,536	32	112	143	6,504
93	6,142	0	0	0	6,142	3,952	44	68	112	3,908	6,504	32	111	143	6,471
94	6,142	0	0	0	6,142	3,908	44	67	111	3,864	6,471	33	111	143	6,439
95	6,142	0	0	0	6,142	3,864	44	66	110	3,820	6,439	33	110	143	6,405
96	6,142	213	384	597	5,929	3,820	44	65	109	3,776	6,405	34	109	143	6,371
97	5,929	0	0	0	5,929	3,776	44	65	109	3,732	6,371	35	109	143	6,336
98	5,929	0	0	0	5,929	3,732	44	64	108	3,688	6,336	35	108	143	6,301
99	5,929	0	0	0	5,929	3,688	44	63	107	3,644	6,301	36	108	143	6,265
100	5,929	0	0	0	5,929	3,644	44	62	106	3,600	6,265	36	107	143	6,229
101	5,929	0	0	0	5,929	3,600	44	62	106	3,556	6,229	37	106	143	6,192
102	5,929	226	371	597	5,703	3,556	44	61	105	3,512	6,192	38	106	143	6,154
103	5,703	0	0	0	5,703	3,512	44	60	104	3,468	6,154	38	105	143	6,116
104	5,703	0	0	0	5,703	3,468	44	59	103	3,424	6,116	39	104	143	6,077
105	5,703	0	0	0	5,703	3,424	44	58	102	3,380	6,077	40	104	143	6,037
106	5,703	0	0	0	5,703	3,380	44	58	102	3,336	6,037	40	103	143	5,997
107	5,703	0	0	0	5,703	3,336	44	57	101	3,292	5,997	41	102	143	5,956
108	5,703	240	356	597	5,463	3,292	44	56	100	3,248	5,956	42	102	143	5,914
109	5,463	0	0	0	5,463	3,248	44	55	99	3,204	5,914	42	101	143	5,871
110	5,463	0	0	0	5,463	3,204	44	55	99	3,160	5,871	43	100	143	5,828
111	5,463	0	0	0	5,463	3,160	44	54	98	3,116	5,828	44	100	143	5,784
112	5,463	0	0	0	5,463	3,116	44	53	97	3,072	5,784	45	99	143	5,740
113	5,463	0	0	0	5,463	3,072	44	52	96	3,028	5,740	45	98	143	5,694
114	5,463	255	341	597	5,207	3,028	44	52	96	2,984	5,694	46	97	143	5,648
115	5,207	0	0	0	5,207	2,984	44	51	95	2,940	5,648	47	96	143	5,601
116	5,207	0	0	0	5,207	2,940	44	50	94	2,896	5,601	48	96	143	5,553
117	5,207	0	0	0	5,207	2,896	44	49	93	2,852	5,553	49	95	143	5,505
118	5,207	0	0	0	5,207	2,852	44	49	93	2,808	5,505	49	94	143	5,455
119	5,207	0	0	0	5,207	2,808	44	48	92	2,764	5,455	50	93	143	5,405
120	5,207	271	325	597	4,936	2,764	44	47	91	2,720	5,405	51	92	143	5,354
121	4,936	0	0	0	4,936	2,720	44	46	90	2,676	5,354	52	91	143	5,302
122	4,936	0	0	0	4,936	2,676	44	46	90	2,632	5,302	53	91	143	5,249
123	4,936	0	0	0	4,936	2,632	44	45	89	2,588	5,249	54	90	143	5,195
124	4,936	0	0	0	4,936	2,588	44	44	88	2,544	5,195	55	89	143	5,140
125	4,936	0	0	0	4,936	2,544	44	43	87	2,500	5,140	56	88	143	5,085
126	4,936	288	308	597	4,648	2,500	44	43	87	2,456	5,085	57	87	143	5,028
127	4,648	0	0	0	4,648	2,456	44	42	86	2,412	5,028	58	86	143	4,970
128	4,648	0	0	0	4,648	2,412	44	41	85	2,368	4,970	59	85	143	4,912
129	4,648	0	0	0	4,648	2,368	44	40	84	2,324	4,912	60	84	143	4,852
130	4,648	0	0	0	4,648	2,324	44	40	84	2,280	4,852	61	83	143	4,792
131	4,648	0	0	0	4,648	2,280	44	39	83	2,236	4,792	62	82	143	4,730
132	4,648	306	290	597	4,341	2,236	44	38	82	2,192	4,730	63	81	143	4,667
133	4,341	0	0	0	4,341	2,192	44	37	81	2,148	4,667	64	80	143	4,604

Annex F

Affordability Analysis

Sri Lanka HG-004 - October 1993

T.A. in Loan Servicing, Collections, & Training

Affordability of 20.5% annual interest rate.

Using various combinations of loan amounts and terms.

Max.Loan Payment 36% of monthly family income. Amounts in Sri Lankan Rupees. US\$ 1 = 48 Rs.

TYPE OF LOAN	LOAN		Initial Monthly Payment	Monthly Payment as Percent of these Monthly Family Incomes:											
	AMOUNT Rs.	LOAN TERM in months		500	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000	5,500	6,000
Level Payment Loan															
Small	8,000	60	214 :	--	21%	14%	11%	9%	7%	6%	5%	5%	4%	4%	4%
Small	8,000	120	157 :	31%	16%	10%	8%	6%	5%	4%	4%	3%	3%	3%	3%
Small	8,000	180	143 :	29%	14%	10%	7%	6%	5%	4%	4%	3%	3%	3%	2%
Medium	25,000	60	669 :	--	--	--	33%	27%	22%	19%	17%	15%	13%	12%	11%
Medium	25,000	120	491 :	--	--	33%	25%	20%	16%	14%	12%	11%	10%	9%	8%
Medium	25,000	180	448 :	--	--	30%	22%	18%	15%	13%	11%	10%	9%	8%	7%
Large	50,000	60	1,339 :	--	--	--	--	--	--	33%	30%	27%	24%	22%	
Large	50,000	120	983 :	--	--	--	--	--	33%	28%	25%	22%	20%	18%	16%
Large	50,000	180	897 :	--	--	--	--	36%	30%	26%	22%	20%	18%	16%	15%
Term Loan															
Small	8,000	60	267 :	--	27%	18%	13%	11%	9%	8%	7%	6%	5%	5%	4%
Small	8,000	120	207 :	--	21%	14%	10%	8%	7%	6%	5%	5%	4%	4%	3%
Small	8,000	180	177 :	35%	18%	12%	9%	7%	6%	5%	4%	4%	4%	3%	3%
Medium	25,000	60	847 :	--	--	--	--	34%	28%	24%	21%	19%	17%	15%	14%
Medium	25,000	120	637 :	--	--	--	32%	25%	21%	18%	16%	14%	13%	12%	11%
Medium	25,000	180	567 :	--	--	--	26%	23%	19%	16%	14%	13%	11%	10%	9%
Large	50,000	60	1,684 :	--	--	--	--	--	--	--	--	--	34%	31%	28%
Large	50,000	120	1,274 :	--	--	--	--	--	--	32%	28%	25%	23%	21%	21%
Large	50,000	180	1,134 :	--	--	--	--	--	--	32%	28%	25%	23%	21%	19%
Family Incomes:				500	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000	5,500	6,000

Annex G

List of Participants

List of Participants - 7 October 1993

Mr. R.P U. Pathirana	- Credit Officer, SMIB	696437
Mr. G.H.K. Wickramatilleke	- Manager Recoveries, SMIB	573469
Mr. Palitha Priyalal	- Senior Accountant/NHDA	329435
Mr. Ivan Kevitiyagala	- Accountant/HDFC	447354
Ms. Thushara Rajapakse	- Recoveries Officer/ HDFC	447354
Mr. Nanda Wijesekera	- Chairman, RRDB/Kandy	08-33010
Mr. M.K.W.P. Dias	- Credit Manager/ RRDB Galle	09-51046
Mr. W.M.D.S. Wickramasinghe	- Development RRDB/Badulla	Manager, 055-2849
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Mr. N.K.B.Ananda Marasinghe	- Loan Officer, RRDB/ Kurunegala	037 41378
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Mr. W.R.W.M. Cyril Bandara	- Credit Officer, Bank of Ceylon	445812
Mr. S. G. Talagala	- Asst. Project Analyst, Commercial Bank	438614
Mr. D. Kariyawasam	- Field Officer, Commercial Bank	430420
Mr. P.M.C.S. Fernando	- Staff Officer Commercial Bank	430420
Ms. Vidyani Vidyasagara	- Sub Officer/ Seylan Bank	437901-7

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List of Participants - 6 October 1993 cont.

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Mr. D. Kariyawasam	- Field Officer, Commercial Bank	430420
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Ms. Vidyani Vidyasagara	- Sub Officer/ Seylan Bank	437901-7
Ms. Samita Atukorale	- Executive/ Seylan Bank	437901-7

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Mr. Palitha Priyalal	- Senior Accountant/NHDA	329435
Mr. Ivan Kevitiyagala	- Accountant/HDFC	447354
Ms. Thushara Rajapakse	- Recoveries Officer/ HDFC	447354
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Mr. R. J. Perera	- Chairman, RRDB/Kegalle	035-2784
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Mr. G.M.H.K.S. Marasinghe	- Field Officer, RRDB/ Kurunegala	037 41378
Mr. N.K.B.Ananda Marasinghe	- Loan Officer, RRDB/ Kurunegala	037 41378
Mr. L. P. Jayawardena	- Coordinating Officer SANASA	01 853005
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Mr. W.R.W.M. Cyril Bandara	- Credit Officer, Bank of Ceylon	445812

List of Participants - 5 October 1993

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Ms. Kamalini Fernando	- USAID	574333
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Mr. Palitha Priyalal	- Senior Accountant/NHDA	329435
Mr. Ivan Kevitiyagala	- Accountant/HDFC	447354
Ms. Thushara Rajapakse	- Recoveries Officer/ HDFC	447354
Mr. R. M. Gunatileke	- D/General Manager/ HDFC	
Mr. Nanda Wijesekera	- Chairman, RRDB/Kandy	08-33010
Mr. M.K.W.P. Dias	- Credit Manager/ RRDB Galle	09-51046
Mr. R. J. Perera	- Chairman, RRDB/Kegalle	035-2784
Mr. W.M.D. S.Wickramasinghe	- Asst. Development Manager, RRDB/Badulla	055-2879
Mr. G.M.H.K.S. Marasinghe	- Field Officer, RRDB/ Kurunegala	037 41378
Mr. N.K.B.Ananda Narasinghe	- Loan Officer, RRDB/ Kurunegala	037 41378
Mr. L. P. Jayawardena	- Coordinating Officer SANASA	01 833005

List of Participants - 5 October 1993 cont.

Mr. C.A.N. Rodrigo	- Credit Officer, Bank of Ceylon	446790 Ext. 3468
Mr. W.R.W.M. Cyril Bandara	- Credit Officer, Bank of Ceylon	445812
Mr. S. G. Talagala	- Asst. Project Analyst, Commercial Bank	438614
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Mr. A. Jebanesan	- Staff Asst.HO/ Hatton National Bank	421885
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Ms. Vidyani Vidyasagara	- Sub Officer/ Seylan Bank	437901
Ms. Samita Atukorale	- Executive/ Seylan Bank	437901-7

Annex H

Training Center Operations Plan Outline
(3 pages)

Sri Lanka HG-004
HDFC Housing Finance Training Center

Operations Plan Outline
28 September 1993

Section 1: Description of Proposed Operations

A. Overview

1. Purpose

This should be a brief statement about the proposed activities, including the reason for preparing the Operations Plan. Also indicate the time frame for the Plan. The expanded lending activities under HG-004 should be discussed here, as a demonstration of the need for expanded training.

2. Ownership structure and current status (new, expansion).

The terms of the ownership of the HDFC should be stated here. The proposed new training activities will be to support new and expanding operations.

3. Define what is requested. State scale or scope of the Plan.

This is where you identify the recipients of the Plan and why they want to see it. If management is asking for board approval of the Operations Plan, say so. If the Plan is for information to be given to potential lenders or donors, it would be appropriate to indicate whether or not it has or will receive board approval, or if it is only the representation of management.

4. Target clientele needs and wants.

It is always a good idea to remind the reader, early on, of exactly where this Plan fits in the overall business operations of the owning entity, in this case the HDFC.

The Plan should serve as the HDFC's operating plan for this part of its business for the coming year, at least. Therefore, the scope of the Plan should be related to all of the business operations, and how these proposed activities will address the needs of the various clientele categories.

The initial clientele will likely be HDFC's employees, to be expanded to include outside institutions in the very near future.

5. Financial proposal and budget.

This is where you indicate how much money you need to do what you want to do in the time period covered by the Plan. This should be a narrative of the training activities, plus a description of the lending process. The purpose is to show the timing differences of the various activities to be developed, and how the cash spent on a given process will be recovered and reinvested into other activities. The budget discussed here should cover individual training activities.

Administration and overhead should be included in this section, and particular attention should be given to demonstrating how administrative costs can be recovered, perhaps as part of the training fee structure.

6. Proposed sources and applications of funds and other resources.

This is where you identify the specific financial, physical, and human resources needed, and how the resources will be spent, invested, and used. It would be appropriate to highlight the major operating budget headings and the sources of financing for each. These might include internally generated funds from other related operations, cash income from fees charged participating institutions, cash from the HDFC's current budget, and any grants from outside lenders or donors. Remember that Section 1 is a narrative, with full support, spreadsheets, and financial statements presented in Section 2.

7. Qualifications of management.

The proposed training activities will be given to managers who often have received little formal training, but they do have good practical experience in managing operations. The training operations Plan should be prepared with them in mind. If qualified trainers are not presently on staff, where will they come from and how will they be trained? Will the present operations staff be expected to provide training to outside participants? At what point will the training activities require a permanent training staff?

8. Outside assistance available (consultants, accountants, legal, and technical).

In the early stages of the training operations, the HDFC may be somewhat dependent on outside assistance in planning their training activities, although they will be totally responsible for doing the day-to-day work themselves. What support can be provided by USAID? What are other possible sources of technical assistance or cash contributions for the training activities? It is likely that these other sources of outside assistance will be more interested in contributing when the activities address more than just the needs of the HDFC.

B. Why proposal or effort will be successful

1. Evaluation of "competitive" environment

The effort will have specific competition that will be identified by HDFC management. Institutions providing general training may be asked to assist in this specialized housing finance training. HDFC has already identified training as something that is needed for its own staff. Other institutions provide some form of training for their staffs, as well, but the proposed training activities will have a focus on the HG-004 loan.

2. Strategy, marketing program, research

When considering the expansion of the housing finance training beyond the immediate needs of the HDFC, the strategy, marketing program, and research activities should be oriented to providing services that the non-HDFC clientele can afford and will want to pay for. It is not enough to simply offer something that people need. They must also want it, and be able and willing to pay for it.

C. Expected Achievements

1. Business/Project narrative

Indicate here what you expect to achieve by the end of the Plan period. Things like the number of training sessions and number of managers trained. These should be related to the activities proposed during the period.

2. Relationship to the financial plan

The physical or training achievements should be compared to the financial achievements for the period.

3. Cost recovery, loan repayment, or capital recovery schedule

This section should state the relationship between the physical assets used to fund the activities, and the liabilities and capital that support those assets. The timing for the conversion to cash of the long-term assets should at least match the requirement for cash payments on the liabilities during the period. This section can only be prepared in conjunction with the financial projections. In general, the training activities contemplated here should not be capital intensive, so this section will likely be smaller than for a program requiring massive capital investments.

Section 2: Financial Data

These should include financial statements for previous periods and budget projections for several years into the future. The projections should reflect the activities and expected achievements stated in the above sections. If possible, the cost of training in previous years might be calculated or estimated in order to compare them with the cost of the proposed activities. The proposed budget for all costs and possible income should be described here. The full budget should include capital items as well as the estimated costs to provide the desired training to the proposed clientele.

Section 3: Annexes

Include any explanatory documents necessary to support the earlier sections. These might include a list of training equipment and materials that will be required, personal computers, overhead projectors, etc. An organization chart showing the proposed training unit and its relationship with the rest of the HDFC may be included here. Again, all of these items should relate to the same time frame as the rest of the Plan.