PN-ABY-294
98708

Abt Associates Inc.

55 Wheeler Street
Cambridge, Massachusetts
02138-1168

617 492-7100 *telephone*
617 492-5219 *facsimile*

Hampden Square, Suite 500
4800 Montgomery Lane
Bethesda, Maryland
20814-5341

301 913-0500 *telephone*
301 652-3618 *facsimile*

101 North Wacker Drive
Suite 400
Chicago, Illinois
60606-7301

312 332-3300 *telephone*
312 621-3840 *facsimile*

Sri Lanka

Housing Mortgage Operations:

The Development of Conforming Documentation and Standards

October 1995

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

Delivery Order Number 13
IQC PCE 1008-I-00-2064-00

prepared for Abt Associates Inc. by Fannie Mae:
Pamela Lamoreaux
Matt Wade

PREFACE

USAID began implementation of its $25 million low-income housing program in Sri Lanka in October 1992. To date $10 million in eligible expenditures have been made under the program covered by the Program Delivery Plan (PDP) dated October 1991. The Government of Sri Lanka (GSL) wishes to proceed with the remaining $15 million, but first it must approve a new PDP which was written in March 1995. In anticipation of GSL approval, and in support of the new PDP, USAID provided for the technical assistance described in this report.

The AID Mission in Sri Lanka contracted Abt Associates to work with the primary market to create standardized credit and property evaluation documents, and to produce lender standards in support of developing mortgage operations.

The field work was carried out by a two-person team from Fannie Mae, the largest provider of housing finance in the United States. The team of Ms. Pamela Lamoreaux, Director of International Housing Finance Services, and Mr. Matt Wade, Director of Loan Acquisition, Southeastern Regional Office, applied their vast knowledge and US and worldwide experience in the development of efficient housing finance systems.

The team's work benefited greatly from the support and guidance provided by Mr. Howard Kane, USAID's Technical Advisor in the Private Sector Development and Housing Office. The team wishes to thank the management and staff of the Housing Development Finance Corporation, State Mortgage & Investment Bank, VANIK, and Seylan Bank for their willingness to give of their time and share information.

I am confident the work reflected in this report will serve to strengthen the quality of the housing loans being originated and serviced, and to further develop the infrastructure necessary for the eventual emergence of a secondary market in Sri Lanka.

John Miller
Senior Associate
Abt Associates Inc.

EXECUTIVE SUMMARY

The redesign of the implementation of the remaining $15 million in HG-004 is currently being reviewed by the Government of Sri Lanka (GSL). In anticipation of their approval, USAID has provided for technical assistance to support the development of an efficient housing finance system and expand the involvement of the primary lenders.

Based on the demand for affordable housing in Sri Lanka, it is imperative that existing government resources be channeled to the most deserving families, and the private sector play an even greater role in housing finance. To this end, the revised Program Delivery Plan (PDP) calls for the creation of a viable secondary market institution, to provide liquidity to the primary market and form the basis of a sustainable system of housing finance that allows access to below-median income families.

However, the success of a secondary market is directly attributable to a functioning primary market. The goal of the team was to strengthen the primary market by standardizing the underwriting guidelines and documentation, and establishing sound criteria for becoming an approved lender to do business with the secondary market. Adherence to these guidelines will help to produce investment quality collateral and low delinquencies, which is critical in successfully linking housing finance to the capital markets.

Specifically, the team accomplished and includes the following with this report:

1. Developed a manual outlining the credit and property evaluation criteria to support the origination of investment-quality housing loans appropriate for portfolio lending or sale to the secondary market.

2. Reviewed Loan Application Forms currently being used by primary lenders, modified form to incorporate concerns of primary and secondary market institutions.

3. Developed Uniform Valuation Report (Appraisal Form).

4. Developed Standard Housing Loan Transmittal Summary For the Conduit. This form would be completed by the primary lender and submitted to the secondary institution for purchase of the loan. It is anticipated the information would be keyed into the Conduit's database and used to stratify the various loans being submitted by various lenders to create mortgage-backed securities.

5. Developed lender standards and procedures to become an approved lender to participate in the secondary mortgage market. These guidelines will help a lender to determine their readiness, and explain how to maintain their eligibility.

y6. Developed an Application For Conduit Approval.

7. Developed instructions for completing the Application For Conduit Approval.

8. Developed Loan Servicing Guidelines.

This work represents only a small section of the workplan proposed in the PDP, but can be used as a solid foundation in support of a viable secondary market. Moreover, the field work done to complete this project allowed the team to provide USAID input into proposed technical assistance and training that would serve to ensure sound lending practices and prudent fiscal management.

TABLE OF CONTENTS

STANDARD HOUSING LOAN EVALUATION GUIDELINES FOR THE SECONDARY MARKET IN SRI LANKA

OVERVIEW

The secondary mortgage market, or conduit, channels funds between primary market lenders who originate residential housing loans, and investors. The establishment of a successful secondary mortgage market relies upon a primary market which is able to produce a consistently high quality product to meet its demands. A conduit forming mortgage-backed pools must be able to do so with the knowledge that each housing loan in the pool meets the same high credit-quality standards and that the loans meet certain basic eligibility requirements. The key to meeting this need, is a set of widely accepted standard housing loan evaluation guidelines which are followed by all primary lenders originating loans for the secondary market. While each primary market lender may have special loan products and evaluation standards they use for portfolio programs, they must conform to the secondary market evaluation guidelines when originating loans with the intent of placing them in securities.

PART ONE
BASIC LOAN ELIGIBILITY REQUIREMENTS

1.0

There are certain basic eligibility parameters which must be met by all loans sold into the secondary market. The various requirements are outlined in this section.

1.1 <u>Legal Compliance</u>
By the act of selling a loan into the secondary market, the primary market lender warrants to the conduit that the loan was originated, evaluated, closed and sold in strict compliance with all applicable national and local laws.

1.2 <u>Title to the Property</u>
The lender must complete a full review of the title report provided by the applicant to ensure that he has clear and fully marketable title to the property. Title insurance may be obtained, if necessary, but is not required as long as the title is clear. Generally, the title insurance companies will require 30 years of clear title before they will issue a policy; however, there may be a special self-funded scheme in place for lower income applicants which will issue title insurance after clearing title back for only 10 years. Loans with uninsured title problems are not acceptable for delivery to the secondary market.

1.3 <u>Security for the Housing Loan</u>
The security for a housing loan should be either an immovable residential property or vacant land being purchased for the purpose of constructing an immovable residential structure on it at some future date. While the primary use of the property should be for residential purposes, limited agricultural or commercial use of a portion of the property is acceptable as long as it does not violate zoning or land use laws. In some cases, lenders may accept assets from the applicant other than real property as security for the loan. This practice is neither encouraged or discouraged by the secondary market, as long as the Mortgage Bond is executed and as long as only the value of the immovable, real property is used for computing the loan to value.

1.4 <u>Insurance on the property</u>
The applicant must obtain, or already have in place, adequate insurance coverage jointly in the names of the mortgagor and the bank (and/or its assigns) as mortgagee. The policy must protect all parties from loss, damage or destruction due to fire, lightning, riots, malicious damage and any other risks or contingencies that a prudent lender may see fit to require. The amount of coverage should include the full insurable value of all improvements on the land. For construction loans, final coverage must be adequate to cover the value of the newly constructed improvements.

1.5 Purpose of the Loan

Loan proceeds may be used for the following purposes:

*Purchase of land with an existing house on it
*Construction of a house
*Purchase of a building lot
*Extensions, renovations or improvements

1.6 Age of Applicants

Individuals are able to continue working until they reach the age of 60 in Sri Lanka. If the repayment period on the housing loan will extend beyond the applicant's sixtieth birthday, special care should be given to evaluating the continuity of the applicant's income at a level that would allow him to continue to pay back the housing loan. Advanced age should not, in and of itself, be a deterrent to making a housing loan, as long as the facts of the case support the likelihood that the applicant will be financially able to meet the obligations of the debt. All applicants must have reached the age at which the mortgage bond can be legally enforced in the jurisdiction where the property is located.

1.7 Liability of Joint Loan Applicants

Joint applicants for a housing loan are acceptable under two circumstances:

*Married couples
*Individual parent with an unmarried child.

All applicants are jointly and severally liable for the full repayment of the entire debt secured by the Mortgage Bond.

1.8 Mortgage Term and Product Types

Only fully amortizing, fixed rate loans with an original term exceeding five years will be purchased by the conduit. The mortgage term may not extend beyond twenty years from the date of the first equal monthly installment (EMI).

Housing loans originated under any program may be eligible for sale into the secondary market, *as long as they meet the requirements of this loan evaluation manual.* This includes loans originated under a lender's own schemes, special schemes targeted for specific groups (i.e., government employees) or programs targeted at lower income applicants.

1.9 Minimum Loan Amount

The minimum loan amount for loans sold into the secondary market is Rs 50,000.

1.10 Maximum Loan Amount

The maximum loan amount for loans sold into the secondary market is Rs. 1,000,000; however, some programs targeting low income buyers may have lower maximum loan amount restrictions.

1.11 Loan to Value Ratio (LTV)

The loan to value ratio (LTV) is the loan amount expressed as a percentage of the value of the security. The loan amount is always expressed using the Forced Sale Value of the property provided in the Valuation Report. On construction loans, the LTV may be based on the Forced Sale Value plus the total amount listed on the Bill of Quantities (BOQ), as long as the Valuation Officer states that this amount does not exceed his final estimate of value for the completed property. The maximum allowable loan to value, based on these two computation methods, is 80 percent for properties located in urban or municipal council areas and 60 percent for properties located in areas with limited market activity, regardless of the purpose of the loan.

1.12 Loan Payment as a Percentage of Income (Qualifying Ratio)

The monthly repayment installment on the housing loan should not exceed 32 percent of the applicant's gross monthly income. Some circumstances may justify your exceeding this ratio. Applicants with strong savings histories, excess disposable income or other compensating factors may be approved for payments that represent a higher percentage of their income. The judgment of the credit officer is essential in deciding an acceptable maximum percentage in such cases, and all compensating factors must be fully documented.

1.13 Interest Rate Changes and Capitalization

In some cases, the loan documents may allow for a lender to change the interest rate on a fixed rate loan or to capitalize expenses. This will not be allowed for loans sold into the secondary market. Lenders must either delete such references from the legal documents they use to close loans intended for the secondary market, or warrant to the conduit that they will not exercise such rights after the loan is delivered into a security.

1.14 Construction Loans

Special consideration must be given to originating construction loans for delivery to the secondary market. The valuation analysis on construction loans must include a detailed review of the building plans and the Bill of Quantities (BOQ) by a competent technical officer at the lending institution. The reviewer should examine the BOQ for both reasonableness and accuracy and verify that the building plans have received any necessary government approvals. The lender must have a program in place to inspect construction progress on an ongoing basis and to disperse funds proportionally as the work is completed. The lender must also have safeguards in place to see that all construction work is completed within the allotted legal time frame. Construction loans may not be delivered into the secondary market until all disbursements have been made and the lender has confirmed that the construction work has been satisfactorily completed, per the plans. The lender must also ascertain that the borrower obtained the required Certificate of Conformity after construction was completed.

PART TWO
CREDIT EVALUATION

2.0 Risk Analysis

It is the responsibility of the loan evaluator to review three areas of risk:

- ☞ The applicant's willingness to pay,
- ☞ The applicant's capacity to pay,
- ☞ And the adequacy of the property as security for the loan.

This section of the housing loan evaluation manual shall explore the applicant's willingness and capacity to pay, the final section will address the evaluation of the adequacy of the property as security for the loan.

2.1 Willingness to Pay

The applicant's willingness to pay is determined primarily by the amount of equity he or she has in the property. Typically, a primary market lender will loan an applicant only up to 80 percent of the Forced Sale Value of the property. In market areas with limited real estate activity, a more conservative loan to value may be indicated.

The applicant is required to bridge the difference between the purchase or construction price and the loan amount using his own funds. These funds may come directly from the applicant or be in the form of a gift from a relative. Special care should be used by the loan evaluator if the funds to bridge the difference are borrowed. In such instances, they should carefully consider the impact such a loan may have on the applicant's ability to repay the housing loan. It may be necessary, after evaluating the situation, to reduce the amount of the housing loan if the applicant's debt ratio is raised too high by the additional loan.

The loan evaluator should review and analyze the entire past credit history of the borrower. In most cases, only limited information about the applicant's previous credit experience will be available to the loan evaluator. However, if the loan evaluator is aware that the borrower has had problems in the past in meeting the terms of one or more credit obligations, care should be taken to determine if it is an indication that the borrower may lack the willingness to repay debts in a responsible manner. If the past problem is clearly explained by circumstances or difficulties beyond the applicant's control, and especially if the applicant showed the willingness to resolve the situation as soon as he was able, the loan evaluator should feel comfortable in proceeding with the new housing loan. On the other hand, if the previous credit problem seems to indicate the applicant's disregard, or lack of concern for repaying his debts, then it may be appropriate to decline his new loan request.

2.2 Capacity to Repay

The applicant's capacity to repay the housing loan is determined by verifying his source of income (salary or self-employment), establishing any other debts currently owed by him and then computing a debt ratio based on this information.

There are no minimum requirements for the length of time an applicant must be on a job in order to use the salary as qualifying income; however, the loan evaluator should review the applicant's overall employment information to reach a comfort level that the stated income is reasonable, stable and is likely to continue in the future. The applicant's statement of income on the loan application should be supported by a certificate or letter of income from his employer. This information should be checked against any employment verification letter, verification form or copies of employer pay records which the lender obtains to further verify income. The income information from these various sources should be consistent. Any inconsistencies in this information must be clearly and fully explained, to the satisfaction of the loan evaluator.

Self-employed applicants pose a greater challenge to the loan evaluator, as the information available to determine income may be very limited if the applicant does not earn enough to require the filing of tax returns. In all cases, the lender should verify the existence of the business by obtaining a Business Registration Certificate from the appropriate government office. This at least establishes that the applicant operates a legitimate business. Audited financial statements for the last three years should be obtained, if available. If tax returns are available, the loan evaluator should review returns for the previous three years. If the applicant's income is below taxable limits and he does not file tax returns, the borrower should provide a certificate of income from the Assistant Government Agent/Grama Seva Niladhari. This source of information is generally not as reliable as tax returns, but it may be all that is available for very small businesses. In some instances, the borrower may be able to provide ledger records or records from an accountant to further substantiate the income information.

Applicants who are in a trade or profession should provide a Certificate of Assessable Income issued by the Department of Inland Revenue or a Registered Auditor. In evaluating the self-employed applicant, care should be given to determine not only the amount of income which will be used, but also to assess the stability of the business as well. The available records should give the loan evaluator an indication that the business is financially sound and is likely to continue as a source of income for the applicant. If there are concerns with the stability of the business, or if there is a negative trend in the income the borrower receives from the business, the loan evaluator must make a decision to either reduce the income allowed for the applicant or negate it entirely, if warranted by the facts of the review.

The applicant's housing instalment to income ratio is determined by computing a maximum percentage of his verified income which can be devoted to a housing loan payment. This ratio is set at a percentage that ensures a high likelihood that the applicant will be able to make the loan payment each month and still have adequate funds available to meet all routine monthly expenses, such as food, clothing, utilities and transportation costs. The ratio is computed using gross income for the salaried applicant and net income after deducting business expenses (inventory, et cetera) for the self-employed borrower. Generally speaking, this ratio should not exceed 32 percent of the applicant's income. Applicants with greater disposable income, a high rate of savings or other strong compensating factors may be considered with a ratio of up to 35 percent of their income, or even higher if the facts of the case justify it. The payments on any other debts owed by the applicant will be deducted from the maximum housing loan payment for which the applicant qualifies, if their repayment terms exceed 36 months. Debts with less than 36 months remaining term may be ignored by the loan evaluator.

EXAMPLE:

Applicant's monthly wages	Rs. 4,500
Qualifying Ratio	32 percent
Maximum EMI	Rs. 1,485
Monthly payment on loan with employer (term of 48 months)	Rs. (200)
Adjusted Maximum EMI	Rs. 1,285

PART THREE
PROPERTY VALUATION

3.0 Property Valuation

Investment quality loans have been defined as mortgages that meet two basic criteria: the borrower must be able and willing to repay the mortgage debt and the property must constitute adequate security for the loan. In order to make a reliable determination as to whether a property's value constitutes adequate security for a mortgage, you need to analyze substantial data. If the loan to value is based on a sound valuation of the property, there is a greater likelihood that the lender, or any subsequent owners of the mortgage, will not suffer a loss in the event of foreclosure.

3.1 Valuation Report

The foundation of the property valuation process is the Valuation Report prepared by a well-trained and competent Valuation Officer. While the specific Valuation Officer may be selected by the applicant, each lender should retain a list of approved valuers from which the applicant must choose. The lender should, over time, reach a level of comfort with the education, training, knowledge and ability of all of the valuers on its approved list. In addition, the lender's review of the valuer's collected body of work over time, should support his or her practical ability to transfer training and abstract knowledge into accurate property values. The completed Property Valuation Report will cover all of the following areas:

General information: The section includes such information as the name of the applicant, the date of the property inspection, purpose of the report and the purchase price or construction cost.

Property Location and Identification: The valuer should state the address of the property which is security for the loan, confirming its identity per the survey. The valuer should describe the situation of the security within town, district and province. The valuer must provide directions to access the property and also state the extent and boundaries of the land.

Locality (Neighborhood Description): The valuer should give a description of the locality surrounding the property. This includes the location of the neighborhood, value trends, supply and demand, the price range for similar housing in the area, a breakdown of current land use in the area, any changes in land use and an analysis of various factors affecting the livability of the neighborhood. The valuer should conclude this section with a brief narrative description of the neighborhood (locality).

Description of Security: The valuer must provide a detailed description of the land and any improvements on the land. The description of the land includes such items as access to, and frontage on, public roads or rights of way, the topography of the terrain (flat, rolling, steep), soil compaction (firm, well-settled, filled land, suitability for building), drainage/likelihood of inundation or flooding in adverse weather, and any other factors that might affect the use or value of the land. The valuer must list all utilities available to the site and state any zoning or land use restrictions placed on the land. Any improvements on the land must be fully described in the report by the valuer. This includes the general characteristic of the residence, details on the interior and exterior finish, the number and types of rooms, the total square footage of the residence, a description of additional features (such as kitchen appliances, air conditioning, outbuildings, et cetera), any physical, functional or external inadequacies and any repairs or modernization needed.

Details of Work to be Completed: (For construction loans only)This is a description of improvements to be made to the property, including the total square footage to be built or added and the estimated cost of the proposed improvements. The valuer should comment on the reasonableness of costs and estimates.

Evidence of Sales: The valuer reviews relevant real estate transactions in the market area and relates them to the subject property, commenting both on similarities and differences.

Valuation: The valuer offers his opinion of the land, plus the value of any improvements on the land, based on information provided in the previous two sections. If other approaches to value apply, for example Valuation on Investment Principle, the valuer will so note in this section and offer the relevant analysis. The valuer will generally state three values in this section; current market value, forced sale value(including comments on the likelihood of finding ready buyers) and the insurance value of the building(s) (including the quantum of fire insurance recommended).

Valuer's Certification: The valuer certifies that the property he has inspected and valued is the same as the one contained in the survey. He further certifies that the land has unrestricted access to a public roadway.

Date and signature: The valuer dates and signs the report.

Revisions: Any changes affecting the security after the date of the initial report must be disclosed and evaluated by the valuer. He reconfirms the other contents of the report and states whether or not a change is made in the Valuation of the security.

While the Valuation Report is prepared by a trained professional, the lender should always use a checking officer or technical officer to complete its own review of the report to ensure that the valuer's conclusions appear to be reasonable and accurate. In the event that the lender's opinion of value differs from the valuer's opinion, especially if it is lower, procedures should be in place to appropriately resolve the difference. Ultimately, it is the lender that bears the risk if the security is not valued correctly.

CONCLUSION

The adherence by the primary market to standard loan evaluation guidelines on all housing loans originated for sale into the secondary market ensures potential investors in mortgage-backed securities of the underlying quality of the ultimate security of their investment. In addition, a thorough evaluation of the credit package and the security for the loan offers a great likelihood that the loan will repay. Such guidelines, while meeting this stated purpose, do not in any way limit the ability or right of any primary market lender to use its own internal loan review and approval guidelines for portfolio originations.

To help you to obtain and analyze the information on which to base your evaluation decisions, the conduit has developed credit documentation and evaluation forms that should become the industry standard. These forms include the Uniform Residential Loan Application and the Uniform Valuation Report. The standardized loan application requires sufficient information on the borrower's financial position to enable you to make a prudent credit decision. The valuation report form provides a complete, yet concise format that valuators can use to provide you with their description of the property to determine the property's adequacy as security for the housing loan.

UNIFORM RESIDENTIAL LOAN APPLICATION

ආකෘති පත්‍ර අංක
விண்ணப்பப் படிவ இல.
Application Form No. } 01

File/Loan No. ______________________________

Loan Amount Requested ____________________

Repayment Period ___________

Loan Purpose ____________________

No loan shall be granted to purchase properties from spouse or repurchase of properties.

Loan Type: ☐ **Fixed Rate** ☐ **Adjustable Rate Mortgage**

1. අයදුම්කරු පිළිබඳ පෞද්ගලික තොරතුරු
விண்ணப்பகாரர் பற்றிய தகவல்
Personal Information of Applicant

1.1. සම්පූර්ණ නම/முழுப் பெயர்/Full Name

திரு/திருமதி/செல்வி/Mr./Mrs./Miss..............................

....

....මයා/මිය/මෙනෙවිය

1.2. පදිංචි ස්ථානයේ ලිපිනය
வதிவிட முகவரி
Residential Address

....

....

....

1.3. දුරකථන අංකය
தொலைபேசி இல.
Phone No.

නිවස
வீடு
Residence } ....

කාර්යාලය
அலுவலகம்
Office } ....

1.4. උපන් දිනය
பிறந்த திகதி
Date of Birth } ....

1.5. වයස අවුරුදු
வயது வருடங்கள்
Age Yrs. } ....

1.6. ජාතික හැඳුනුම්පත් අංකය
அடையாள அட்டை இல.
Identity Card Number } ....

1.7. Nationality ____________

2. හවුල් අයදුම්කරු පිළිබඳ (සිටිනම්) පෞද්ගලික තොරතුරු
சக விண்ணப்பகாரர் (இருப்பின்) பற்றிய தகவல்
Personal Information of Co-Applicant (If any)

2.1. සම්පූර්ණ නම/முழுப் பெயர்/Full Name

திரு/திருமதி/செல்வி/Mr./Mrs./Miss..............................

....

....මයා/මිය/මෙනෙවිය

2.2. පදිංචි ස්ථානයේ ලිපිනය
வதிவிட முகவரி
Residential Address

....

....

....

2.3. දුරකථන අංකය
தொலைபேசி இல.
Phone No.

නිවස
வீடு
Residence } ....

කාර්යාලය
அலுவலகம்
Office } ....

2.4. උපන් දිනය
பிறந்த திகதி
Date of Birth } ....

2.5 වයස අවුරුදු
வயது வருடங்கள்
Age Yrs. } ....

2.6. ජාතික හැඳුනුම්පත් අංකය
அடையாள அட்டை இல.
Identity Card Number } ....

2.7. මුල් අයදුම්කරුට ඇති සම්බන්ධය
விண்ணப்பகாரருக்குள்ள உறவு
Relationship to Applicant

....

වැදගත් : දේපළ මිලයට ගන්නා අවස්ථාවන්හිදී හවුල් අයදුම්කරුවන් ලෙස ගත හැකිවනුයේ ස්වාමිපුරුෂයා සහ භාර්යාව හෝ පියා, මව සහ ඔවුන් සමඟ ජීවත්වන අවිවාහක දරුවන් හෝ පමණි. අන් අවස්ථාවන්හිදී ඇප දේපළ හිමිකරුවෝ පමණක් හවුල් අයදුම්කරුවන් ලෙස සැලකේ.

முக்கிய குறிப்பு : ஆதனக் கொள்வனைக்காயின் கணவன், மனைவியிடமிருந்தோ குடும்பமாக வாழும் தாய், தந்தை, பிள்ளைகளிடமிருந்தோ கூட்டு விண்ணப்பங்கள் ஏற்றுக்கொள்ளப்படும். ஏனைய சந்தர்ப்பங்களில் பிணைப்பொறுப்புச் சொந்தக்காரர்கள் கூட்டு விண்ணப்பகாரர்களாகக் கருதப்படுவர்.

IMPORTANT : In case of applications for the purchase of properties, joint applications will be entertained from husband & wife or father, mother and unmarried children living as a family. In other instances, owners of the security are considered as the joint applicants.

1.8. විවාහක/අවිවාහක බව
குடியியல் அந்தஸ்து
Civil Status

1. විවාහක / திருமணமானவர்: / Married ☐
2. අවිවාහක / திருமணமாகாதவர் / Unmarried ☐
3. වෙනත් / வேறு / Other ☐

1.9. ඔබ ශ්‍රී ලංකාවේ පුරවැසියෙක් ද?
நீவிர் இலங்கைப் பிரசையா?
Are you a citizen of Sri Lanka ....

1.10. වෘත්තිය/රැකියාව
தொழில்/பதவிப் பெயர்
Profession/Designation ....

1.11. ඔබට ඇති අධ්‍යාපන/වෘත්තීය සුදුසුකම්
உயர்கல்வி/தொழில் தகுதி
Academic/Professional Qualifications ....

1.12. සේවා යෝජකයාගේ නම සහ ලිපිනය
உமது தொழில்தருநர் பெயரும் முகவரியும்
Name & Address of your employer

☐ SELF EMPLOYED
....

1.13 YEARS ON THIS JOB ____________

1.14. මාසික වැටුප/ආදායම (දළ)
மாதாந்தச் சம்பளம்/வருமானம்
Monthly Salary/Income (Gross)

රු./ரூ./Rs. ....

PENSIONABLE ☐ NO ☐ YES

1.15. කලින් රැකියාව සහ දැරූ තනතුර
முன்னைய தொழில், பதவி
Previous Employment & Designation held :

....

....

1.16 Date of Retirement ____________

2.8. විවාහක/අවිවාහක බව
குடியியல் அந்தஸ்து
Civil Status

1. විවාහක / திருமணமானவர்: / Married ☐
2. අවිවාහක / திருமணமாகாதவர் / Unmarried ☐
3. වෙනත් / வேறு / Other ☐

2.9. ඔබ ශ්‍රී ලංකාවේ පුරවැසියෙක් ද?
நீவிர் இலங்கைப் பிரசையா?
Are you a citizen of Sri Lanka? ....

2.10. වෘත්තිය/රැකියාව
தொழில்/பதவிப் பெயர்
Profession/Designation 10672 ....

2.11. ඔබට ඇති අධ්‍යාපන/වෘත්තීය සුදුසුකම්
உயர்கல்வி/தொழில் தகுதி
Academic/Professional Qualifications ....

2.12. සේවා යෝජකයාගේ නම සහ ලිපිනය
உமது தொழில்தருநர் பெயரும் முகவரியும்
Name & Address of your employer

☐ SELF EMPLOYED
....

2.13 YEARS ON THIS JOB ____________

2.14. මාසික වැටුප/ආදායම (දළ)
மாதாந்தச் சம்பளம்/வருமானம்
Monthly Salary/Income (Gross)

රු./ரூ./Rs. ....

PENSIONABLE ☐ NO ☐ YES

2.15. කලින් රැකියාව සහ දැරූ තනතුර
முன்னைய தொழில், பதவி
Previous Employment & Designation held :

....

....

2.16 Date of Retirement ____________

3. අයදුම්කරුගේ භාර්යාව/ස්වාමි පුරුෂයා පිළිබඳ තොරතුරු
விண்ணப்பதாரரின் கணவன்/மனைவி பற்றிய தகவல்
Particulars of spouse of applicant

3.1. නම / பெயர் / Name ....

3.2. උපන් දිනය / பிறந்த திகதி / Date of Birth ....

3.3. වෘත්තිය/රැකියාව / தொழில்/பதவி / Profession/Designation ....

3.4. මාසික වැටුප/ආදායම (දළ)
மாதாந்தச் சம்பளம்/வருமானம்
Monthly Salary/Income (Gross)

රු./ரூ./Rs. ....

3.5. දරුවන් හා වෙනත් යැපෙන්නන් පිළිබඳ විස්තර
பிள்ளைகள் மற்றும் ஆதரவில் வாழ்பவர் பற்றிய விபரம்
Particulars of children and other Dependants

නම / பெயர் / Name	වයස / வயது / Age	රැකියාව (ඇත්නම්) / தொழில் (இருப்பின்) / Employment (if any)

4. හවුල් අයදුම්කරුගේ භාර්යාව/ස්වාමි පුරුෂයා පිළිබඳ තොරතුරු
சக விண்ணப்பதாரரின் கணவன்/மனைவி பற்றிய தகவல்
Particulars of spouse of Co - applicant

4.1. නම / பெயர் / Name ....

4..2. උපන් දිනය / பிறந்த திகதி / Date of Birth ....

4.3. වෘත්තිය/රැකියාව / தொழில்/பதவி / Profession/Designation ....

4.4. මාසික වැටුප/ආදායම (දළ)
மாதாந்தச் சம்பளம்/வருமானம்
Monthly Salary/Income (Gross)

රු./ரூ./Rs. ....

4.5. දරුවන් හා වෙනත් යැපෙන්නන් පිළිබඳ විස්තර
பிள்ளைகள் மற்றும் ஆதரவில் வாழ்பவர் பற்றிய விபரம்
Particulars of children and other Dependants

නම / பெயர் / Name	වයස / வயது / Age	රැකියාව (ඇත්නම්) / தொழில் (இருப்பின்) / Employment (if any)

5

~~1.~~ ණය මුදල පිළිබඳ විස්තර:-

LOAN DETAILS

5.1 ~~7.1.~~ ණය ලබාගන්නේ කුමක් සඳහාද:-

Purpose of Loan:

නිවසක් මිළදී ගැනීමට / ඉඩමක් මිළදී ගැනීමට / නිවසෙහි කොටසක්ඉදි කිරීමට සම්පූර්ණ නිවසක් ඉදි කිරීමට / නොනිම් නිවසක් නිමකිරීමට / කොටසක් එකතු කිරීමට / ණය නිදහස් කිරීමට (නම් කරනු ලබන විශේෂ ව්‍යාපෘති සඳහා පමණි)

Purchase of a dwelling house / Purchase of land / Construction of a portion of a house / Construction of a full house / Completion of the house / Extension / Redemption (for special schemes only)

5.2 ~~7.2~~ අවශ්‍ය මුදල් පිළිබඳ ඇස්තමේන්තුව:-
Estimated Requirement of Funds

ගැණුම් මිළ Total Purchase Price	රු. Rs...............................
මුළු ඉදි කිරීමේ වියදම Total Construction Cost	රු. Rs...............................
ණය නිදහස් වීම සඳහා අවශ්‍ය ණය මුදල Total Redemption	රු. Rs...............................
හදිසි වියදම්:- Incidental Cost	රු. Rs...............................
එකතුව:- Total	රු. Rs...............................

ලබා ගත හැකි මුදල් පිළිබඳ ඇස්තමේන්තුව:-
Estimated Availability of Funds

නි.සං.මූ. සංස්ථාවෙන් ඉල්ලා ඇති ණය මුදල:- Loan Requestfrom ~~from HDFC~~	Rs...............................
බැංකුවේ ඉතුරුම්- Savings From Bank	රු. Rs...............................
වෙනත් ආයෝජන කල මුදල්:- Disposal of Investments	රු. Rs ....
දැනටමත් වැයකොට ඇති මුදල:- Amount Already Spent /Advanced	රු. Rs...............................
වෙනත් මාර්ගයන්ගෙන් ලැබෙන මුදල් Other (Specify)	රු. Rs...............................
එකතුව:- Total	රු. Rs...............................

5.3 ~~7.3~~ නිවාස සංවර්ධන මූල්‍ය සංස්ථාවෙන් ඉල්ලා ඇති ණය මුදලින් කිසියම් කොටසක් හෝ නිකුත් කිරීමට පෙරාතුව මම/අප විසින් ඉල්ලා ඇති ණය මුදල හෝ මුලු විකුණුම් මිල/මුලු ඉදි කිරීම් වියදම/ණයෙන් නිදහස් වීමේ මුළු මුදල අතර පරතරය වන රු.......................................පියවා දමන්නෙමි/දමන්නෙමු.

The difference of Rs............................between the loan amount requested and the total purchase price/total cost of construction/total redemption amount will be financed by me/us before ~~HDFC~~ release any part of the loan.

5.4 මිළදී ගනු ලබන/ඉදිකරනු ලබන නිවසෙහි වර්ග ප්‍රමාණය ව.අඩි/ව.මී.
கொள்வனவு செய்யப்படவுள்ள/கட்டப்படவுள்ள வீட்டின் தள இடப்பரப்பு சதுர அடி ச.மீ
Floor area of house to be purchased/constructed sq.ft./sq.m. } ....

6. අයැදුම්කරුගේ, හවුල් අයැදුම්කරුගේ හා ස්වාමිපුරුෂයා/භාර්යාවගේ මාසික ආදායම් සහ වියදම
விண்ணப்பகாரர், சக விண்ணப்பகாரர், வாழ்க்கைத்துணை ஆகியோரின் மாதாந்த வரவு செலவு
Monthly Income & Expenditure of Applicant, Co-applicant & spouse

6.1. ආදායම්/வரவு/Income

මාර්ග மூலங்கள் Sources	අයැදුම්කරු விண்ணப்பகாரர் Applicant රු ரூ./Rs.	හවුල් අයැදුම්කරු சக விண்ணப்பகாரர் Co-Applicant රු ரூ./Rs.
වෘත්තිය தொழில் Profession		
රැකියාව உத்தியோகம் Employment		
ව්‍යාපාරය வியாபாரம் Business		
කර්මාන්තය கைத்தொழில் Industry		
කෘෂිකර්මය விவசாயம் Agriculture		
පොළී வட்டி Interest		
ලාභාංශ பங்கிலாபம் Dividends		
කුලී வாடகை Rent		
වෙනත් ஏனையவை Other		
එකතුව மொத்தம் Total		

6.2. වියදම්/செலவு/Expenditure

විස්තරය விபரங்கள் Details	අයැදුම්කරු விண்ணப்பகாரர் Applicant රු ரூ./Rs.	හවුල් අයැදුම්කරු சக விண்ணப்பகாரர் Co-Applicant රු ரூ./Rs.
ගෙවල් කුලී வீட்டு வாடகை House Rent		
ගෘහස්ථ වියදම් வீட்டுச் செலவு Household Expenses		
ඇඳුම් පැළඳුම් உடுப்பு Clothing		
පෞද්ගලික சொந்தச் செலவு Personal		
ගමන් වියදම් பயணம் Travelling		
වෛද්‍ය වියදම් மருத்துவச் செலவு Medical		
ණය ආපසු ගෙවීම් கடன் கொடுப்பனவு Loan Repayment		
වරිපනම්, බදු, විදුලි සහ ඉන්ධන வீதவரிகள், வரிகள் மின்சாரம், எரிபொருள் Rates, Taxes, Lights & Fuel		
වෙනත් ஏனையவை Other		
එකතුව மொத்தம் Total		

6.3. බලාපොරොත්තු විය හැකි ආදායමක් වේ නම්
எதிர்பார்க்கப்பட்ட வருமானம், ஏதேனும் இருப்பின் ரூ.
Anticipated income (If any) Rs. ....

6.4. එම ආදායම ලැබීමට නියමිත මාර්ගය
அத்தகைய எதிர்பார்க்கப்பட்ட வருமானத்தின் மூலம்
Source of such anticipated income

....
....
....

7. ආදායම් බදු පිළිබඳ විස්තරය/வருமானவரி பற்றிய விபரம்/Particulars of Income Tax

ආදායම් බදු සඳහා පසුගිය වසර තුනට අයදුම්කරු හා ස්වාමිපුරුෂයා/භාර්යාව විසින් ප්‍රකාශ කරන ලද ආදායම விண்ணப்பதாரரும் வாழ்க்கைத் துணைவரும் கடந்த 3 ஆண்டுகள் தொடர்பில் வருமானவரிக்கென வெளிப்படுத்தப்பட்ட வருமானம் INCOME DECLARED FOR INCOME TAX FOR THE LAST 3 YEARS BY APPLICANT & SPOUSE			
තක්සේරු වර්ෂය வரி மதிப்பீட்டு ஆண்டு Year of Assessment			
ව්‍යවස්ථිත ආදායම நியதிச் சட்ட வருமானம் Statutory Income			
තක්සේරු කළ හැකි ආදායම மதிப்பிடத்தகு வருமானம் Assessable Income			
බදු අය කළ හැකි ආදායම வரிவிடத்தகு வருமானம் Taxable Income			
ගෙවූ බද්ද செலுத்திய வரி Tax Paid			

ආදායම් බදු සඳහා පසුගිය වසර තුනට සම අයදුම්කරු හා ස්වාමිපුරුෂයා/භාර්යාව විසින් ප්‍රකාශ කරන ලද ආදායම சக விண்ணப்பதாரரும் வாழ்க்கைத் துணைவரும் கடந்த 3 ஆண்டுகள் தொடர்பில் வருமானவரிக்கென வெளிப்படுத்தப்பட்ட வருமானம் INCOME DECLARED FOR INCOME TAX FOR THE LAST 3 YEARS BY CO- APPLICANT & SPOUSE			
තක්සේරු වර්ෂය வரி மதிப்பீட்டு ஆண்டு Year of Assessment			
ව්‍යවස්ථිත ආදායම நியதிச் சட்ட வருமானம் Statutory Income			
තක්සේරු කළ හැකි ආදායම மதிப்பிடத்தகு வருமானம் Assessable Income			
බදු අය කළ හැකි ආදායම வரிவிடத்தகு வருமானம் Taxable Income			
ගෙවූ බද්ද செலுத்திய வரி Tax Paid			

සැ. යු. දේශීය ආදායම් දෙපාර්තමේන්තුව විසින් නිකුත් කරන තක්සේරු ආදායම් සහතිකය, විගණනය කරන ලද ලාභාලාභ ගිණුම් හා ශේෂ පත්‍ර ඉදිරිපත් කළ යුතු වේ.

மு.கு: மதிப்பீட்டு வருமானம், கணக்காய்வு செய்யப்பட்ட லாப நட்டக் கணக்கு, ஐந்தொகை ஆகியவை குறிப்பிடப்பட்டு, உள்நாட்டு இறைவரித் திணைக்களத்தால் வழங்கப்பட்ட சான்றிதழ்.

N. B. Certificate issued by the Dept. of Inland Revenue indicating assessable income, audited Profit & Loss Accounts & Balance Sheets should be submitted.

8. අයදුම්කරුවන්ගේ සහ භාර්යාවගේ/ස්වාමි පුරුෂයාගේ වත්කම්/விண்ணப்பகாரர்களினதும் வாழ்க்கைத் துணைகளினதும் சொத்துக்கள்/
Assets of Applicants and Spouses.

අයදුම්කරු/භාර්යාව හෝ ස්වාමිපුරුෂයා සතු ඉඩම්, ගොඩනැගිලි, වාහන, ව්‍යාපාරවල කොටස්, තැන්පතු ආයෝජන, බැංකු ශේෂ (ඉතිරි කිරීම්/ජංගම ගිණුම්) ආදිය පිළිබඳ සම්පූර්ණ තොරතුරු සඳහන් කරන්න.

விண்ணப்பக்காரரின்/வாழ்க்கைத் துணைவரின் காணிகள், கட்டிடங்கள், வாகனங்கள், பங்குகள், வைப்புகள், வங்கியில் மீச இருப்புப் பணம் (சேமிப்பு/நடைமுறைக் கணக்கு) முதலீடுகள் முதலியன.

Give full particulars of Lands, Buildings, Vehicles, Shares, Deposits,Bank Balances (Savings/Current Account) Investments, etc. owned by applicant/spouse.
Insert: Insurance policy, Employers Provident Fund,

විස්තරය விவரணம் Description	අයිති අය யாருக்குச் சொந்தம் Owned by	වත්මන් වටිනාකම (රුපියල්) தற்போதைய பெறுமதி (ரூ.) Present Value (Rs.)

....
....
....
....
....
....
....
....
....
....
....
....
....
....

9. ණය අයැදුම්කරුවන් (ස්වාමිපුරුෂයා/භාර්යාව/ඇතුළුව) මෙම බැංකුවෙන් හෝ රජයේ උකස් බැංකුවෙන් හෝ ලංකාවේ කෘෂිකර්ම හා කර්මාන්ත ණය සංස්ථාවෙන් හා වෙනත් ණය දෙන ආයතනවලින් අයදුම් කර ඇති හෝ ලබාගෙන ඇති ණය පිළිබඳ විස්තර.
இந்த வங்கியிலிருந்தும் அரச அடகு வங்கியிலிருந்தும் கமத்தொழில், கைத்தொழில் கடன் கூட்டுத் தாபனத்திலிருந்தும் வேறு கடன் வழங்கும் ஸ்தாபனங்களிலிருந்தும் விண்ணப்பகாரர்களும் அவர்களது வாழ்க்கைத் துணைகளும் விண்ணப்பித்த அல்லது பெற்ற சகல கடன்களும் பற்றிய விவரங்கள்.

their employer,

Particulars of all loans applied for or obtained by applicants and their spouses from this Bank, ~~State Mortgage Bank and Agricultural & Industrial Credit Corporation~~ and other lending institutions.

ණය හිමියාගේ නම கடன் தருநர் பெயர் Name of Creditor	යොමු අංකය தொடர்பெண் Reference No.	ඇපය හා ආපසු ගෙවීමේ කොන්දේසි பிணைப் பொறுப்பும் திருப்பிச் செலுத்தும் நியதிகளும் Security & Repayment Terms	ගත් ණය මුදල கடன் எடுத்த தொகை Amount Borrowed	දැනට ශේෂය இப்பொழுது செலுத்த வேண்டிய மீதி Balance now due	ගෙවීම් සම්පූර්ණ කිරීමට ඉතිරි කාලය கொடுப்பனவு செய்து முடிக்கவுள்ள மீதிக் காலம் Balance Period to complete payment	ණය ලබා ගත් අය கடன் எடுத்தவர் Borrowed by	කාර්යය நோக்கம் Purpose

Net Worth (ASSETS minus LIABILITIES) ____________

10. අයැදුම්කරුවන් විසින් පවත්වාගෙන යනු ලබන බැංකු ගිණුම් - ඉදිකිරීම්, අලුත්වැඩියා හා නවීකරණ සඳහා ණය මුදල් නිදහස් කිරීමේදී චෙක්පත් ලිවීම සඳහා
வீடு கட்டுவதற்கு, பழுது பார்ப்பதற்கு, புதுப்பிப்பதற்கு வெளியிடும் காசோலைகளை வைப்பு செய்வதற்கு விண்ணப்பகாரர்களுக்குள்ள வங்கிக் கணக்குகள்
Bank Accounts maintained by Applicants in order to draw cheques in payment of loan releases for construction, repairs and renovations.

අයැදුම්කරු விண்ணப்பகாரர் Applicant		සහ අයැදුම්කරු சக விண்ணப்பகாரர் Co-Applicant	
බැංකුවේ නම හා ශාඛාව வங்கியின் பெயரும் கிளையும் Name of Bank & Branch	....	බැංකුවේ නම හා ශාඛාව வங்கியின் பெயரும் கிளையும் Name of Bank & Branch	....
ගිණුම් අංකය : ඉතිරි කිරීම්/ජංගම கணக்கு இல. : சேமிப்பு/நடைமுறை Account No : Savings/Current	....	ගිණුම් අංකය : ඉතිරි කිරීම්/ජංගම கணக்கு இல: சேமிப்பு/நடைமுறை Account No. : Savings/Current	....

11. ණය මුදල සඳහා ඇප වශයෙන් ඉදිරිපත් කරනු ලබන දේපළ පිළිබඳ විස්තර
கடனுக்கான பிணைப்பொறுப்பாக முன்வைக்கப்படும் ஆதனத்தின் விபரங்கள் :
Particulars of property offered as security :

11.1. දේපලේ නම ஆதனத்தின் பெயர் Name of Property	....	11.2. වරිපනම් අංකය மதிப்பீட்டு இல. Assessment No.	....
11.3. වීදිය/පාර தெரு/வீதி Street/Road	....	11.4. ගමෙහි නම கிராமத்தின் பெயர் Name of Village	....
11.5. පළාත් පාලන ආයතනය உள்ளூர் அதிகார சபை Local Authority	....	11.6. දිස්ත්‍රික්කය மாவட்டம் District	....
11.7 ලොට් අංකය துண்டு இல. Lot No.	....	11.8. පිඹුරු අංකය வரைபட இல. Plan No.	....
11.9. පිඹුරේ දිනය அளப்பனவுத் திகதி Date of Survey Plan	....	11.10. මිනින්දෝරු තැනගේ නම அளப்பனவுகாரர் பெயர் Name of Surveyor	....
11.11. ප්‍රමාණය விஸ்தீரணம் Extent	....	11.12. ගැනුම් මිළ රු. கொள்விலை ரூ. Purchase Price Rs.	....
11.13. දිනය திகதி Date	....	11.14. වගාව பயிர்ச் செய்கை Cultivation	....

11.15. වත්මන් වටිනාකම රු.
தற்போதைய பெறுமதி ரூ.
Present Value Rs. ....

11.16. එහි ගොඩනැගිලි තිබේ නම් ඒවා ඉදිකළ දිනය
கட்டிடங்கள் இருப்பின் அவை கட்டப்பட்ட திகதி
Date of Construction of Buildings (If any) ....

11.17. වත්මන් අයිතිකරු/අයිතිකරුවන්ගේ නම/නම්
தற்போதைய உரிமையாளர்கள் பெயர்
Name (s) of present owner(s) ....

11.18. ප්‍රාණ භුක්තිය හිමි අය (සිටිත් නම්) නම
சீவிய உரித்து உடையவரின் பெயர் (இருப்பின்)
Name of Life Interest Holders. (If any) ....

11.19. ණය මුදල දේපළ මිළදී ගැනීමක් සඳහා නම් විකුණුම්කරු හා ඔබ අතර ඇති සබඳතාවය
ஆதனத்தைக் கொள்வனவு செய்வதற்காக கோரப்பட்ட கடனாகவிருந்தால் விற்பனை செய்பவருக்கும் உமக்கும் உள்ள உறவு முறை
If the loan is for purchase of property, State your relationship with the vendor ....

11.20. ණය මුදල ලබාගන්නේ ඇප වශයෙන් ඉදිරිපත් කරනු ලබන නිවාස දේපළක් මිළදී ගැනීමට නම් එහි පදිංචිකරුගේ නම සඳහන් කරන්න.
பிணைப் பொறுப்பு ஆதனத்தைக் கொள்வனவு செய்வதற்காக கோரப்பட்ட கடனாகவிருந்தால், பிணைப்பொறுப்பு ஆதனத்தில் வசிப்பவரின் பெயரைத் தருக :-
If the loan is for purchase of house property offered as security state name of occupant.

සැ. යු. ආසන්නතම නගරයේ සිට දේපළට යන මාර්ගය දැක්වෙන කටු සටහනක් අමුණා එවිය යුතුය.
மு.கு. கிட்டிய பட்டணத்திலிருந்து ஆதனத்தைச் சென்று அடையும் வழிப்படம் இணைக்கப்பட வேண்டும்.
N. B. A sketch of the route to the property from the nearest town should be attached.

12. ණය අයදුම් කරන්නේ ඉදිරිපත් කරනු ලබන ඇප දේපළ මත ඉදිකිරීමක්/එහි සංවර්ධනය කිරීමක්/එය මිළ දී ගැනීම සඳහා ද?
பிணைப்பொறுப்பு ஆதனத்தைக் கட்டுவதற்கான அபிவிருத்தி செய்வதற்கான கொள்வனவு செய்வதற்காக கடன் கோரப்படுகிறது?
Is the loan applied for construction/development on/or purchase of the security offered?

පිළිතුර 'නැ' යනු වේ නම්, එම අන්‍ය වූ දේපළ පිළිබඳව ද අංක 11 දරන කොටුවේ දක්වා ඇති ආකාරයට වෙනම කඩදාසියක සියලු විස්තර දක්වන්න.
விடை 'இல்லை' என்றால் அத்தகைய வேறு ஆதனம் பற்றிய விபரங்களை மேற்காட்டியதுபோன்ற தனியான தாளில் தருக.
Where the answer is 'No' give all particulars of such other property as in the above cage on a separate sheet of paper.

13. Acknowledgementand Agreement

The undersigned specificallyacknowledge(s)and agree(s) that: (1) the loan requested by this application will be secured by a Mortgage Bond on the property described herein; (2) the property will not be used for any illegal or prohibited purpose or use; (3) all statements made in this application are made for the purpose of obtaining the loan indicated herein; (4) verification or reverification of any information contained in this application is authorized by me/us, and the original copy of this application will be retained by the Lender, even if the loan is not approved; (5) the Lender, its agents, successor and assigns will rely on the information contained in the application and I/we have a continuing obligation to amend and/or supplement the information provided in this application if any of the material facts which I/we have represented herein should change prior to disbursement of the loan; (6) ownership of the loan may be transferred to successor or assign of the Lender without notice to me; (7) the Lender, its agents, successors and assigns make no representations or warranties, express or implied, to the Borrower(s) regarding the property, the condition of the property, or the value of the property.
CERTIFICATION: I/we certify that the information provided in this application is true and correct as of the date set forth opposite my/our signature(s) on this application and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this application may result in civil liability and/or criminal penalties.

1. ....

2. ....

අයදුම්කරු/අයදුම්කරුවන්ගේ අත්සන
விண்ணப்பக்காரரின்/களின் ஒப்பம்
Signature of Applicant(s)

දිනය/திகதி/Date..

UNIFORM VALUATION REPORT

CLIENT: | **DATE OF INSPECTION:**

PURPOSE OF VALUATION:

Purchase Price: ____________ **or Construction Cost Estimate:** ____________

Property Address/Situation:

Access:

Extent and Boundaries: (*include comments on survey and name of surveyor)

(*include Legal description as attachment)

Locality (Neighborhood Description)

Location	Property Value Trends
____ Urban	____ Increasing
____ Municipal	____ Stable
____ Rural (PS)	____ Declining

Housing Supply/ Demand	Single Family Housing Price Range
____ Shortage	Low End Rs ____
____ In Balance	High End Rs ____
____ Oversupply	Predominant Value Rs ____

Present Land Use %	Land Use Change
Residential ____	Not Likely ____
Commercial ____	Likely ____
Industrial ____	In Process ____
Agricultural ____	To: ____
Other	

Neighborhood Analysis	Good	Average	Fair	Poor
Convenience to Employment				
Convenience to Shopping				
Convenience to Schools				
Adequacy of Public Transit				
Adequacy of Utilities				
Property Compatibility				
Police and Fire Protection				
Convenience to Public Facilities				
Protection from detrimental conditions				
Appeal to Market				

General Comments on Locality:

Security (Site):

Topography	____
Size	____
Shape	____
Drainage	____
Soil Type	____
View	____
Landscaping	____

Zoning Classification , if any: ____________

Zoning Compliance: Yes ____ No ____ N/A ____

Utilities	
Electricity	____
Water Supply	____
Sanitary Sewer	____
Storm Sewer	____
Telephone	____

Site Improvements:	Public	Private
Street		
Curb/Gutter		
Sidewalk		
Street Lights		
Alley		

Comments on the Site: (include any adverse easements, encroachments, zoning issues, utilities issues, etc...

Security (Improvements):

General Description		Interior Finish		Exterior Finish	
Units	____	Floors	____	Foundation	____
Stories	____	Walls	____	Walls	____
Detached	____	Ceilings	____	Roof Covering	____
Attached	____	Trim	____	Gutters/downspouts	____
Existing	____	Fixtures	____	Windows/Doors	____
Age	____	Kitchen	____	Screens	____
Proposed	____	Bath (s)	____	Other	____
Under Construction		Overall Quality		Overall Quality	

Rooms	Foyer	Living	Dining	Kitchen	Den	Family Rm	Bedrooms	Baths	Laundry	Other	
Level 1											
Level 2											

Total # of Rooms: ____ **Bedrooms #:** ____ **Bathrooms #** ____ **Total Square Feet:** ____

Additional Features: (Comment on kitchen appliances, storage, closets, fireplaces, patios, courtyards, air conditioning, outbuildings, etc....)

Depreciation: (Physical functional and external inadequacies, repairs needed, modernization needed, etc...)

Details of Work To Be Done (Construction or Extension/Renovation Loans Only)				
Complete new construction		Full plans have been reviewed by the valuer?	Yes	No
Extension of existing structure		If no, why not?		
Repairs/Renovatiton of existing structure				

Brief description of work to be done (per applicants/and or plans):

Evidence of sales: (Include discussion of recent sales in the market area (locality) stating specific similarities or dissimilarities with the subject property)

Valuation:

Fire Insurance Valuation of Improvements:	Land	Perches at Rs.		= Rs.
	Structure (s)	Square Feet		= Rs.
	Value of Premises			Rs.
Rs.	Market Value as of		(DATE)	Rs.
	Forced Sale Value as of		(DATE)	Rs.

Comments and Reconciliation:

Valuer's Certification:

Signature

STANDARD HOUSING LOAN TRANSMITTAL SUMMARY FOR THE CONDUIT			
1. BORROWER NAME:			
2. CO-BORROWER NAME:			
3. PROPERTY ADDRESS:			
4. VALUATION OFFICER:			
5. MARKET VALUE R'S		6. FORCED SALE VALUE:	
7. LOAN TO VALUE RATIO:		8. LOAN AMOUNT R'S:	
9. LOAN TYPE:	________ FIXED RATE	________ ADJUSTABLE RATE	
10. INTEREST RATE:		11. TERM	
12. EMI R'S:		13. LOAN PURPOSE:	
14. INCOME:	**BORROWER**	**CO-BORROWER**	**TOTAL**
SALARY			
SELF EMPLOYED			
OTHER INCOME			
TOTAL INCOME			
15. QUALIFYING RATIO: %			
16. CREDIT EVALUATOR'S COMMENTS:			

17. LENDER'S NAME:	18. LENDER'S ADDRESS:
19. LENDER CONTACT:	20. TELEPHONE NUMBER:

FOR SECONDARY MARKET PURPOSES:

21. DOCUMENTS ATTACHED:		
	MORTGAGE BOND	________
	LOAN AGREEMENT	________
	________	________
	________	________
	________	________
	________	________
	________	________
22. LOAN APPROVED FOR PURCHASE:	________ YES	________ NO
23. REASON FOR DENIAL:		

REVIEWED BY: ______________________________

DATE: ______________________________

Instructions for Preparing the Standard Housing Loan Transmittal Summary for the Conduit

This 2-part form is completed by the lender for each loan submitted to the Conduit for purchase. Upon receipt of this form, the Conduit will verify the information, certify the receipt of the appropriate loan documentation, and designate its approval or denial for purchase. The copy will be sent to the lender for its records.

The following information should be provided by the lender:

1. Borrower Name - as stated in legal documents

2. Co-Borrower Name - as stated in legal documents, if appropriate

3. Property Address - as stated on Uniform Valuation Report

4. Valuation Officer - Name of person that prepared the Uniform Valuation Report

5. Market Value R's - total value of land and structure, expressed in rupees

6. Forced Market Value R's - value of property based on calculation determined by the Conduit to sell the property in the most expeditious time frame, will be lower than full market value, expressed in rupees

7. Loan to Value Ratio - the loan amount expressed as a percentage of the forced sale value as provided in the Uniform Valuation Report

8. Loan Amount - as stated in legal documents

9. Loan Type - designate whether fixed-rate of interest, or variable rate, as stated in legal documents

10. Interest rate - rate of interest used to calculate borrower's EMI, as stated in legal documents

11. Term - period of time used to amortize the loan, expressed in number of months

12. EMI - amount of equal monthly installment borrower will pay each month, or until payment change for an adjustable rate loan, as stated in legal documents, expressed in rupees.

13. Loan Purpose - state purpose of loan proceeds

14. Income - list all sources of income for borrower and co-borrower used to qualify borrower, and establish creditworthiness

15. Qualifying ratio - the monthly repayment installment (EMI) expressed as a percentage of the applicant's **gross** monthly income

16. Credit Evaluator's Comments - any compensating factors, or other data used to qualify the borrower that may not conform to credit evaluation guidelines as established by the Conduit, or any other data the lender feels is pertinent to the Conduit's decision to purchase the loan

17. Lender Name - name of lender submitting the loan for purchase

18. Lender Address - address of the lender submitting the loan for purchase

19. Lender Contact - name of person at lender's office that should be contacted with questions or if additional information is needed

20. Telephone Number - telephone number of contact person in the lender's office

The following information will be completed by the Conduit:

21. Documents Attached - the Conduit will identify all documents that are received that will be kept in custody

22. Approval - the Conduit will designate whether the loan is accepted or denied for purchase

23. Reason for denial - Conduit will specify its reason(s) for denial of loan for purchase

LENDER STANDARDS
SECONDARY MARKET APPROVAL
(as of October 10, 1995)

OVERVIEW

Lenders who wish to do business with the Conduit must obtain an approval. Approval is granted on a national basis, without geographic restriction on the lender's operations. Each applicant's financial condition, organization and staff, origination activity and volume, loan servicing experience, and any other factors considered relevant to determine whether the lender is qualified to do business with the Conduit will be evaluated.

Currently there is one basic type of approval:

- approval to sell and service residential single-family housing mortgages

These guidelines may be amended in the future to add new types of approvals, or approvals to participate in specific activities with the Conduit.

PART ONE
BASIC ELIGIBILITY CRITERIA

1.0 Eligibility Criteria

To sell and service residential single-family housing mortgages (or participation interests in them), a lender must:

- have as one of its principal business purposes the origination and servicing of residential housing mortgages;

- demonstrate a proven ability to originate and service the type of mortgage for which approval is being requested, and employ a staff with adequate experience in those areas;

- be properly licensed, or otherwise authorized, to originate and sell residential housing mortgages in each of the jurisdictions in which it does business;

- have an acceptable net worth (assets minus liabilities) of at least Rs 25,000,000. In addition, as per Basel Accord Guidelines, the lender must maintain:

  -Core Capital: Weighted Risk at a minimum of 4%
  -Total Capital: Weighted Risk at a minimum of 8%

  These guidelines may be amended from time to time, and the lender must also be otherwise financially acceptable to the Conduit;

- maintain quality control and management systems to evaluate and monitor the overall quality of its loan origination and servicing activities;

- maintain a cumulative recovery rate of 90% or higher for a period of at least three years. Also, the percentage of delinquent loans (number of housing mortgages more than 90 days delinquent divided by the total number of housing loans) must not be greater than 10%; and

- have in effect adequate insurance coverage and agree to modify it as necessary to meet the Conduit's requirements.

1.1 Determining Eligibility

To assist the lender in determining whether they meet the eligibility criteria, here is additional information on several of the criteria:

Financial Statements - will need to be prepared in accordance with generally accepted accounting principles and include the opinion of an independent public accountant. They must also be comparative with the previous year's reports. If a lender's financial statements are consolidated with those of a parent or holding company, they should contain sufficient detail to enable the Conduit to review the financial data separately from that of other companies.

A complete set of financial statements includes

- a balance sheet,
- an income statement,
- a statement of retained earnings;
- a statement of additional paid-in capital,
- a statement of changes in financial position, and
- all related notes.

Insurance Coverage - must be adequate to protect the lender's company and the Conduit's from unforeseen losses due to negligence or fraudulent acts.

The type and amount of coverage is (***to be added based on available insurance types, i.e., errors and omissions, fidelity bond, direct surety bond***)

Quality Control Operation - must be an effective system to ensure the quality of the lender's loan origination operation and the loans being disbursed through routine, pre- or post-closing reviews of the documents. All staff members with any involvement in the quality control system must be well trained and have access to manuals detailing the lender's specific policies and procedures. They should be familiar with credit and property evaluation guidelines.

The lender should determine the specific procedures that best meet their business needs, individual organizational structure and available resources, but the following areas should be addressed:

- selecting a random sample of loans (at least 10%) that reflects the scope of its business;

- verifying the existence and accuracy of all origination and legal documents associated with the housing loans in your sample;

- examining the quality of the Uniform Valuation Reports associated with these loans;

- reviewing the credit evaluation decisions associated with these loans; and

- following up on, and documenting, any discrepancies found.

Effectiveness of Servicing Operation - to ensure the lender is capable of handling all of the servicing functions performed on behalf of the borrowers as well as the additional servicing functions associated with the sale of the housing loans to the Conduit. The term "servicing", refers to the ongoing management of housing mortgages from the time the loan is disbursed until the time they are liquidated (i.e. paid-in-full or foreclosed). The following guidelines will help a lender to assess the adequacy of its servicing operation:

Servicing Staff -

Whether a lender's servicing staff consists of a few or a large number of employees, they need to be sufficient in number to handle all of the servicing functions performed on behalf of borrowers and the Conduit. They also must be well trained and experienced in servicing housing mortgages.

Servicing Procedures - it is important to have specific procedures in place for handling the following servicing functions:

1. Payment Administration - this refers to the handling of borrower's monthly housing mortgage payments. Specifically, it involves receiving these payments from the borrowers (at designated places), depositing them into designated bank accounts, and applying them to each individual borrower's loan records.

2. Default Servicing - involves managing mortgage loans that are in various stages of default (delinquent, seriously delinquent, in foreclosure). To be effective, your default servicing procedures should provide for consistent contact and follow-up with borrowers and include guidelines for preventing and resolving borrower's delinquent payments, working with borrowers who need assistance to avoid foreclosure, initiating foreclosure, and maintaining and disposing of acquired properties.

3. Cash Control - refers to the safeguarding of funds collected from borrowers, including procedures for maintaining accurate internal accounting records, reconciling them regularly to the designated bank account records, and accounting for any differences.

4. Customer Relations - involves responding to borrower's inquiries about the terms of their housing loans, their payment record, or any other information they may require. This may include providing copies of any housing loan documentation.

Record-keeping System -

The lender must be able to maintain the records and produce reports the servicing staff will need to manage housing mortgages on behalf of borrowers and the Conduit. Whether a lender uses a computer software program provided by another company, or has developed its own in-house system (be it fully automated, semi-automated, or even manual), it should provide for the following:

- daily activity reports for cash receipts (payments received), payments applied, and exceptions (payments that could not be processed);
- a method of controlling checks or cash received;
- ongoing records for each mortgage loan, including scheduled payment amount, loan balance, and loan activity, capable of generating loan histories;
- customary delinquency and foreclosure reports; and
- a monthly trial balance report for its entire housing mortgage portfolio.

PART TWO
APPLICATION PROCEDURES

2.0 Process

Lenders interested in obtaining approval from the Conduit to sell and service residential housing mortgages should contact the head office at:

Conduit Name
Conduit Address
Contact Person Name:
Contact Person Telephone Number:

The Conduit will send by mail or provide in person an Application for Conduit Approval (Form ____) and a checklist with the eligibility requirements. Once the lender has provided the necessary documentation to process the application, the Conduit will notify the lender by telephone **and** mail of its decision for approval, any additional conditions, or the reasons for denying its request within **60 days.**

2.1 Application Form

The lender must complete the application form in detail and have an authorized senior officer sign the application. The lender must include the additional information requested on the application, and any other information required by the Conduit, during the approval process.

2.2 Application Submission Package and Fees

Lender should submit the completed and signed application, documentation, and application fee of *** to the Conduit at the following address:

Conduit Address:
Contact Person Name:
Contact Person Telephone Number:

Within 60 days of submission of all required documentation, the Conduit will analyze the lender's ability to sell and service housing mortgages and inform the lender of its decision by telephone and mail. The review may include a visit to the lender's office. If approval is granted, the Conduit will forward two original Mortgage Selling and Servicing Contracts (***To Be Developed***) to the lender for execution.

PART THREE
MAINTAINING ELIGIBILITY

3.0 Overview

As an approved lender, the Conduit will provide the primary market with the tools and support needed to be successful in the secondary market. The Conduit will rely upon the lender to ensure the quality of the housing loans sold and serviced on its behalf by continuing to meet certain eligibility criteria. These criteria, for the most part, are based on the same criteria used to approve new lenders.

After becoming an approved customer of the Conduit, the lender agrees to take on the responsibility of ensuring their staff's compliance with the terms of the Mortgage Selling and Servicing Contract (***To Be Developed***), any manuals distributed by the Conduit, and any additional agreements entered into with the Conduit. To maintain eligibility, the lender will need to continue to meet the same criteria used to approve lenders, with the following additions:

3.1 Annual Submission of Financial Statements

Each year, the lender will need to submit audited financial statements to the Conduit within 90 days after its fiscal year-end.

3.2 Notification of Significant Change in Lender's Operation

Each year, along with the audited financial statement, the lender must submit a statement identifying any significant changes in the principal officers or management staff of the organization, if there is a change in the company's owners with 5 percent or more interest, or partners. The lender must also disclose any mergers, consolidations, or reorganizations, or any change in corporate name or address.

3.3 Allowance of Audit/Review by Conduit

Periodically, but at least annually, the Conduit will notify the lender by telephone and mail of its intention to send staff to the lender's office to review its records and files pertaining to the housing loans sold to the Conduit. The Conduit staff will review the files, documents, and management reports that pertain to the origination and servicing of its housing loans. The lender will be notified at least two weeks prior to the audit, and will be provided a list of records to be reviewed. The Conduit will also verify that the lender continues to meet all eligibility requirements of being an approved lender in the secondary market. The Conduit will provide a written report of its finding to the senior management of the lender within 30 days of completing the audit, and will work with the lender to resolve any significant findings in a reasonable time frame.

APPLICATION FOR CONDUIT APPROVAL

I. GENERAL INFORMATION

1. Applicant Institution Name: (supply all other names under which you do business)

2. Identification Number:

3. Applicant Home Office Address:

4. Applicant Mailing Address:

5. Applicant Institution: (check one)

☐ Commercial Bank ☐ Finance Company ☐ Investment Bank
☐ Housing Finance Agency ☐ Insurance Company

6. Approval Category: (check all that apply)

☐ Single-Family ☐ Other Schemes ____________________

7. Active Affiliates: (include parent companies and subsidiaries)

COMPANY NAME AND MAILING ADDRESS	CONDUIT APPROVED?
____________________	☐ NO ☐ YES
____________________	☐ NO ☐ YES

8. Are you a woman-owned applicant? ☐ NO ☐ YES

9. List the principal officers, their titles, and their primary area of responsibility. Include a CV for each principal officer.

☐ Attached

---

10. List the principal owners with more than a 5 percent ownership interest in the company, indicate ownership interest. If a partnership, indicate ownership share of each partner. Identify the managing partner and general partner and include a CV for each.

☐ Attached

---

11. Provide a brief narrative describing the history and general scope of your operations.

☐ Attached

---

12. Provide a complete copy of your (INSERT TYPES OF INSURANCE) Insurance policy(ies).

☐ Attached

---

13. Provide a copy of your audited, consolidating financial statements for the last two years. If the audited statements are more than six months old, please provide copies of interim statements. Do not submit consolidated statements with other entities unless consolidating information is also provided.

☐ Attached

---

14. Is your institution the subject of any litigation, assessments, or contingent liabilities not disclosed in your financial statements (attach additional sheets if necessary)?

☐ NO ☐ YES Describe:____________________________________

---

15. Have any of your principal officers, directors, partners, or owners of a 5% or more interest ever been (attach additional sheets if necessary):

Convicted of a serious crime or named in a pending criminal proceeding?

☐ NO ☐ YES Describe:____________________________________

Subject to any order, judgement or decree enjoining the engagement of any activities in connection with any type of business transaction (including the purchase or sale of a security) or acting as (or as an associated or affiliated person of) an investment advisor, underwriter, broker, dealer, financial institution, or any other business?

☐ NO ☐ YES Describe:____

____

____

Made insolvent, made a general assignment for the benefit of creditors, suffered or permitted the appointment of a receiver for its business or assets, liquidated or denied insurance coverage?

☐ NO ☐ YES Describe:____

____

____

16. Are there any actions, claims, inquiries, investigations, suits or proceedings pending at law or in equity or before or by any government agency, or, to the knowledge of your company, threatened against or affecting your company or any of its principal officers, directors, partners or owners of 5% or more interest which reasonably may be expected to result in any material adverse change in the business operations, assets, or condition of your company?

☐ NO ☐ YES Describe:____

____

____

II. VOLUME INFORMATION

1. **Origination** by product type for the last three years. Include total number of loans closed and unpaid principal balance (UPB):

Total Housing Loans Closed:

Product	**Fiscal year 19__**		**Fiscal year 19__**		**Fiscal year 19__**	
	# Loans	**UPB**	**# Loans**	**UPB**	**# Loans**	**UPB**
Fixed Rate	______	r________	______	r________	______	r________
Adjustable Rate	______	r________	______	r________	______	r________
Other________	______	r________	______	r________	______	r________

2. **Servicing** by product type at the end of the last three fiscal years. Include delinquency and foreclosure information.

Total Housing Loans Serviced:

Product	**Ending __/__/__ # Loans**	**UPB**	**Ending __/__/__ # Loans**	**UPB**	**Ending __/__/__ # Loans**	**UPB**
Fixed Rate	______	r__________	______	r__________	______	r__________
Adjustable Rate	______	r__________	______	r__________	______	r__________
Other__________	______	r__________	______	r__________	______	r__________

Delinquent Portfolio
Fixed Rate

	Ending __/__/__ # Loans	**UPB**	**Ending __/__/__ # Loans**	**UPB**	**Ending __/__/__ # Loans**	**UPB**
30 Days	______	r__________	______	r__________	______	r__________
60 Days	______	r__________	______	r__________	______	r__________
90 Days	______	r__________	______	r__________	______	r__________
> than 90 Days	______	r__________	______	r__________	______	r__________
In Foreclosure	______	r__________	______	r__________	______	r__________

Delinquent Portfolio
Adjustable Rate

	Ending __/__/__ # Loans	**UPB**	**Ending __/__/__ # Loans**	**UPB**	**Ending __/__/__ # Loans**	**UPB**
30 Days	______	r__________	______	r__________	______	r__________
60 Days	______	r__________	______	r__________	______	r__________
90 Days	______	r__________	______	r__________	______	r__________
> than 90 Days	______	r__________	______	r__________	______	r__________
In Foreclosure	______	r__________	______	r__________	______	r__________

Delinquent Portfolio
Other Schemes

	Ending __/__/__		**Ending __/__/__**		**Ending __/__/__**	
	# Loans	**UPB**	**# Loans**	**UPB**	**# Loans**	**UPB**
30 Days	_____	r_________	_____	r_________	_____	r_________
60 Days	_____	r_________	_____	r_________	_____	r_________
90 Days	_____	r_________	_____	r_________	_____	r_________
> than 90 Days	_____	r_________	_____	r_________	_____	r_________
In Foreclosure	_____	r_________	_____	r_________	_____	r_________

3. Funding sources (attach additional sheets if necessary)

Donor/Lender Name/Contact Person	**Amount of Loan/Line**	**Amount Outstanding**
______________________________	r_________	r_____________
______________________________	r_________	r_____________
______________________________	r_________	r_____________
______________________________	r_________	r_____________

III. SINGLE-FAMILY ORIGINATION AND CREDIT EVALUATION

1. List names and titles of individuals in charge of single-family housing loan areas listed below and the number of employees working in those areas.

Area	**Name/Title of Individual(s) in Charge**	**# Employees**
Origination	______________________________	__________
Credit Evaluation	______________________________	__________
Property Valuation	______________________________	__________
Secondary Marketing	______________________________	__________
Delivery to Conduit	______________________________	__________

2. Attach copies of CV's for individuals in charge of areas listed above and for other key functional staff. Include current positions and duties.

- ☐ Attached

---

3. How are originators and housing loan agents compensated? Check all that apply.

- ☐ Commission Only
- ☐ Salary Only
- ☐ Combination
- ☐ Other (specify)______________________________

---

4. Who has the final authority to approve housing loans? Check all that apply.

	Authorization Limits
☐ Credit Manager	________________
☐ Loan Committee	________________
☐ Board of Directors	________________
☐ Other (specify)__________	________________
☐ Other (specify)__________	________________

---

5. Is borrower's salary re-verified?

☐ no ☐ yes On what percentage of loans? ________

IV. SINGLE-FAMILY SERVICING

1. List names and titles of individuals in charge of housing loan servicing areas listed below and the number of employees working in those areas.

Area	**Name/Title of Individual(s) in Charge**	**# Employees**
Loan Servicing	________________________	__________
Reporting to Conduit	________________________	__________
Default Servicing	________________________	__________

---

2. Attach copies of CV's for individuals in charge of areas listed above and other key functional staff. Include current positions and duties.

- ☐ Attached

---

3. Do you use a commercially available software package or an in-house computer system for servicing?

- ☐ software package (specify name)______________________________
- ☐ in-house system

---

4. What housing loan reports are provided by your recordkeeping system? Check all that apply.

- ☐ Monthly trial balance for loans serviced for conduit
- ☐ Monthly trial balance of loans serviced for total company
- ☐ Daily cash receipts journal
- ☐ Daily transactions journal
- ☐ Customary delinquency and foreclosure reports
- ☐ Running loan activity (loan history) report for individual loans

---

5. Do you have written procedures for:

- ☐ Monthly installment collection
- ☐ Delinquency control
- ☐ Foreclosure and foreclosed properties
- ☐ Cash controls
- ☐ Adjustable rate loan procedures

---

6. Describe the controls used in processing monthly installment collections and disbursements (including reconciliations performed).

- ☐ Attached

---

7. Describe the controls used to monitor delinquency and monthly installment collections.

- ☐ Attached

V. CERTIFICATION

The undersigned specifically acknowledge(s) and agree(s) that: (1) all statements made in this application are made for the purpose of becoming an approved lender for the Conduit; (2) they are authorized to represent the lender in this action; (3) verification or reverification of any information contained in this application is authorized by me/us, and the original copy will be retained by the Conduit, even if the applicant is denied approval; (4) the Conduit, its agents, successor and assigns will rely on the information contained in the application, and I/we have a continuing obligation to amend and/or supplement the information provided in the application, if requested; and (5) the Conduit, its agents, successor and assigns make no representation or warranties, express or implied, to the lender regarding the outcome of this request for approval.

CERTIFICATION: I/we certify that the information provided in this application is true and correct as of the date set forth opposite my/our signature(s) on this application and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this application may result in civil liability and/or criminal penalties.

NAME OF INSTITUTION:

____
Name and Title of Authorized Person

______________________________ ____________________
Signature Date

____
Name and Title of Authorized Person

______________________________ ____________________
Signature Date

____
Name and Title of Authorized Person

______________________________ ____________________
Signature Date

Instructions for preparing the Application For Conduit Approval

I. General Information

The General Information section is one of five required sections of the Application for Conduit Approval. Note the following fields when completing this section:

1. Applicant Institution Name
If your company is using any other names for business purposes (also known as "doing business as" or "DBA"), be sure to include them here and identify them as DBA's.

7. Active Affiliates
By "active affiliates" we mean any parent company, subsidiary, or affiliate of your company that does business in the financial services industry.

8. Are you a woman-owned applicant
Your company is considered a woman-owned institution if at least 51 percent is owned and controlled by women. If your company is publicly owned, at least 51 percent of its voting stock must be owned and controlled by women. Additionally, the management and daily business operations must be controlled by one or more women.

11. Provide a brief narrative...
Specifically, what we're looking for here is a history of your company's key events (e.g., when it was incorporated, when it began doing business in housing loans and for how long, and any significant location changes) and its general scope (e.g., what type of loans are you currently doing, what type you foresee doing, and any changes you foresee in your market.)

13. Provide a copy of your audited, consolidated...
If your financial information is consolidated with that of any affiliates or subsidiaries, you must also submit consolidating statements that will allow us to evaluate your company's financial condition separate and apart from all other companies.

14. Is your institution the subject of any litigation...
"Contingent liabilities" refers to any obligation (financial or service-related) for which you are contractually responsible.

II. Volume Information

The Volume Information section is one of five required sections of the Application For Conduit Approval. When completing this section, pay particular attention to the following:

1. Originations

- o For "Fiscal year 19__", include the months covered if other than January through December.

- o "UPB" represents the dollar amount of the unpaid principal balance of each housing loan.

- o For total housing loans closed, enter the number and UPB of the loans that have been completely disbursed to the borrower. Please do not include loans that are still in the origination process.

2. Servicing

- o For total housing loans serviced, enter the number and UPB of loans that you are collecting EMI payments for.

3. Funding Sources

Funding sources are external providers (including related entities) that lend or provide a temporary source of funds (e.g., ADB, USAID). If you are not using an external source for this purpose, leave blank.

III. Single-Family Origination and Credit Evaluation

The Single-Family Origination and Credit Evaluation section is a required section of the Application For Conduit Approval. When completing this section, note the following fields:

1. List names and titles of individuals in charge...

- o "Origination" refers to the housing loan documentation file, including taking the borrower's loan application form.

- o "Credit Evaluation" refers to the analysis of risk, the determination of the appropriate loan amount, and the setting of the terms and conditions, based on a judgement of both the borrower's creditworthiness and the forced sale value of the real property that will secure the loan.

- "Property Evaluation" refers to the engineers or staff responsible for preparing or reviewing the Uniform Valuation Form.

- "Secondary Marketing" refers to the sale of housing loans to the Conduit.

- "Delivery to Conduit" refers to the packaging and delivery of housing loan documents and information to the Conduit.

IV. Single-Family Servicing

The Single-Family Servicing section is a required section of the Application for Conduit Approval. Note the following fields when completing this section:

1. List names and titles of individuals...

- "Loan Servicing" refers to the ongoing management (e.g., collecting monthly payments) of housing loans from the time of loan closing (disbursement) until the time the loan is liquidated.

- "Reporting to Conduit" refers to the recordkeeping and reporting duties associated with servicing mortgages that have been sold to the Conduit.

- "Default Servicing" refers to the management of housing loans that are in various stages of default (delinquent, seriously delinquent, in foreclosure).

V. Certification

The certification must be signed by authorized person(s) of your institution before the Application For Conduit Approval can be evaluated and processed.

LOAN SERVICING GUIDELINES

Overview

During our visit to Sri Lanka we concentrated our efforts on establishing standardized underwriting guidelines and documentation. However, based on discussions with HDFC, SMIB, and Seylan Bank, there seems to be a lack of prudent loan servicing procedures. Very little effort is made to follow-up on delinquent accounts (particularly the low-income borrowers), and foreclosures rarely occur. There are cultural reasons for this phenomena, as well as practical reasons, such as the lack of efficient mail and telephone systems. Unlike many other countries, they seem to have the legal infrastructure in place (including the Parate Execution), that provides the lenders (and hopefully, the secondary market investor) with the ability to adequately protect their assets.

Current Procedures

Servicing in Sri Lanka basically entails collecting the monthly payment, which in many cases is automatically deducted from the borrower's salary. Payments are due by the last business day of the month, after that a late charge can be accrued. They do not pay hazard insurance or any other escrow disbursements. We discussed the need to consider this in the future, if a secondary market develops, it will be important to mitigate risks such as fire loss, or liens for back taxes.

In the case of HDFC and SMIB, they have worked to develop effective automated computer systems to help manage this important aspect of the primary market. Their systems have the ability to track each individual loan and the cash transactions. It will be important to work with them to develop appropriate management information systems and reports that will help them manage their portfolios in a prudent manner, whether for themselves, or an investor. It appears these systems allow them to post the borrower's payments in a timely manner, which will be essential in the development a good default management system.

The following information is provided to assist the primary market lenders improve their current housing loan servicing policies, and provide areas of consideration in the development of a secondary market in Sri Lanka. It may also help to identify specific areas of training needed by the primary market lenders.

Organization of Manual

The attached manual is divided into two parts: (1) Roles and responsibilities of primary lenders in loan servicing; and (2) Roles and responsibilities of a secondary market institution as they pertain to loan servicing.

Each section suggests possible guidelines in the major areas of loan servicing as well as some key decisions that may need to be made.

ROLES AND RESPONSIBILITIES OF PRIMARY LENDERS
LOAN SERVICING

Purpose

The main rationality for establishing and maintaining prudent loan servicing guidelines is to protect a valuable asset; mortgage loans. Whether that asset is sold to a secondary market institution or held in a lender's own portfolio, compliance with these procedures will help to ensure an expected rate of return on that asset. An efficient servicing operation can also be a significant source of fee income and can greatly enhance a company's earnings. It also provides the lender the ability to establish on-going relationships and a sense of loyalty that may allow them to take advantage of cross-selling opportunities.

This manual will address the following key areas of prudent loan servicing:

1. Maintaining Mortgage Records
2. Collection of Monthly Payments
3. Reporting and Remitting to Secondary Market
4. Maintaining Insurance Coverages and any other Escrowed Items
5. Delinquency Management

MAINTAINING MORTGAGE RECORDS

Ownership of Mortgage Files and Records

All mortgage papers and documents, tax receipts, insurance policies, insurance premium notices, ledger sheets, payment records, insurance claim files and correspondence, foreclosure files and correspondence, current and historical computerized data files, and all other papers and records of whatever kind or description (whether developed or originated by the servicer or others) that are reasonably required to service a mortgage properly will be, and will remain at all times, the property of the Conduit. Any of these records in the possession of the servicer are retained in a custodial capacity only.

Custody of Mortgage Documents

The Conduit may take actual possession of certain legal mortgage documents, in other instances, the Conduit may require the servicer to place the documents with a qualified document custodian.

Types of Records

Accounting records related to mortgages serviced for the Conduit must be maintained in accordance with sound and generally accepted accounting principles and in such a manner as will permit its representatives to examine and audit such records at any time.

Individual Mortgage Files

The servicer must maintain an individual file for each mortgage it services for the Conduit. The file must include any papers or records that are required to service the mortgage properly and any documents that attest to the validity of the mortgage.

Mortgage Payment Records

The servicer must also maintain permanent mortgage records for each mortgage. The servicer can develop its own system to maintain these records as long as it can produce an account transcript within a reasonable time after it is requested.

Key Decision Points:

1. Will the Conduit keep the Mortgage Bond and Loan Agreement or allow servicers to keep them? Are there any other legal documents the Conduit may want to keep?
2. What kind of storage facilities will be required for the Conduit and/or servicers?
3. If, or when, the Conduit begins issuing mortgage-backed securities, consideration will have to be given as to whether document custodians will be used.
4. Audit guidelines and procedures will have to be established.
5. Does the Conduit want to create specific loan numbers created to use as an identifier instead of the servicer's loan number?
6. The Conduit may need to establish record retention guidelines that address microfilm vs. original copy, length of time servicer needs to keep certain types of records, and the retention of files for liquidated mortgages.

COLLECTION OF MONTHLY PAYMENTS

One of the primary services provided by mortgage servicers is the ongoing collection of mortgage payments from borrowers, which may include both scheduled and unscheduled payments.

Processing Scheduled Payments

A scheduled payment includes funds that are due to be applied toward principal, interest, and any required escrow deposits. Whenever a scheduled payment is received, the servicer should apply the funds in accordance with the terms of the mortgage bond and/or loan agreement.

When more than one payment is received, each month's payment should be applied separately.

Processing Partial Payments

For a variety of reasons, borrowers occasionally make less than a full mortgage payment. In the case of a partial payment, the servicer has the option of returning the payment to the borrower or holding it as "unapplied funds" until they receive the additional funds due to make a full payment. We recommend not sending the payment back to the borrower. Instead, consider the amount of the shortage and contact the borrower to determine whether there are special circumstances to consider (such as illness or temporary loss of income). Then the servicer can decide how best to handle the partial payment, making sure to inform the borrower in writing of its actions and the reasons for them.

If a partial payment is received for a delinquent loan, the servicer will need to consider whether accepting the partial payment could jeopardize any more serious collection actions or foreclosure proceedings.

If a payment is received for the full amount of interest, principal, and escrow deposits, but short any late charges due, the servicer should not return the payment. The late charges can be billed, if the borrower does not pay them, they can be collected at the time the loan is paid in full.

Processing Excess Payments

Sometimes borrowers make payments in excess of the scheduled payment amount. The borrower needs to inform the servicer whether they are making more than one monthly payment or if the excess should be applied to reduce the unpaid principal balance of the loan.

If the borrower does not inform the servicer of how the proceeds should be applied, they should hold the monies in "unapplied funds" until they can contact the borrower and determine how they should be applied.

Additional principal payments (also called "principal curtailments") are the most common form of excess payments. These may be applied to the principal as long as the mortgage remains current.

(The Conduit will need to determine if it will allow the servicer to modify the terms of the mortgage documents by changing the term of the loan or payment amount based on curtailments that substantially reduce the unpaid principal balance)

Escrow Accounts

An escrow account is a trust account in which a portion of a borrower's monthly payment is deposited so that the servicer has funds available to pay property taxes, insurance premiums, and other bills that help maintain the security of the property.

(This is an area that the Conduit and/or lenders will need to spend considerable time to develop its policies and guidelines, see Key Decision Points for types of issues to be considered.)

Payments in Full

When a borrower intends to pay off a loan prior to the mortgage term stated in the mortgage documents, the servicer must make sure that the final payment is enough to satisfy all principal, interest, and any advances or outstanding fees.

(Lenders will need to determine the correct calculation of interest at the time of payoff)

Apart from determining the final interest amount due, there may be other funds to consider (such as escrow deposits or unapplied funds) when calculating the payoff balance. The preferred method is to reduce the final payoff balance by the amount the servicer is holding for the borrower.

Key Decision Points:

1. Ensure that the legal mortgage instruments require the scheduled monthly payments be applied in the way desired by the Conduit and in accordance with all Sri Lankan laws.
2. Specify the correct interest calculation pursuant to mortgage documents.
3. Ensure mortgage documents allow for collection of all outstanding charges at time the loan is paid in full.
4. Confirm or establish prepayment penalty and insert in proper portion of manual. Also, confirm that legal documents support the assessment and collection of prepayment penalties.
5. Develop policy for modifying loan terms based on substantial prepayment of principal payments. (Particularly important if MBS are issued).
6. Develop guidelines and policies in regards to escrow accounts. The following questions would need to be answered: 1) what things would be escrowed; taxes, insurance (life or hazard)? 2) do legal documents allow for collection of these funds? 3) are servicers liable if they do not make payments on time and penalties accrue?, who will pay the penalties? 4) will escrows be required on all loans or just under certain conditions? 5) will servicers be required to keep escrow funds in a separate bank account than funds for principal and interest? 6) what happens if there is a shortage in the individual borrowers account to pay the bill, will the lender advance the funds and collect it through an increase in the monthly payment, or will the borrower have to send the additional funds? 7) what happens when there is a surplus in the account, is it returned to the borrower or applied to the principal balance? 8) what kind of year-end analysis will the servicer be required to provide to the borrower to show what items were paid, when they were paid, and how much was paid?
7. Determine the correct calculation of interest that should be collected on a loan at the time of payoff.

REPORTING AND REMITTING TO SECONDARY MARKET

Loan servicers have a responsibility to maintain a sound, mutually profitable relationship with investors. They must report current loan and MBS pool balances (if appropriate) to the secondary market institution each month. They remit cash flows (from the mortgages serviced), and report on any changes in loan status (interest rates, payment, etc.).

This area will require a significant amount of time and financial resources on the part of the Conduit and primary market lenders to develop a system that can grow with their evolution from the primary to the secondary market. As it would be impossible to provide guidance on this aspect of its transformation, we have chosen to provide information on Fannie Mae's current system, which might help in the development process.

LASER is Fannie Mae's core Investor Reporting system for loan-level information from inception through pay-off or foreclosure. The main functions of LASER and the staff in that area include:

- To ensure the integrity of loan information on the LASER database
- To monitor and enforce the timely cash remittance and reporting of loan information on the portfolio loans and MBS pools
- To analyze mortgage documents and ensure that corrections are made by the servicer and LASER as appropriate
- Providing feedback to lenders
- To feed loan information to other critical business functions such as portfolio management, REMIC (capital markets), and general ledger
- To train lenders on when to remit, report and reconcile their mortgage portfolio

Loan level detail for about 9 million loans currently resides on the LASER database. This includes loans in our portfolio as well as MBS pools. This system has been enhanced significantly over the past 10 years, at times with significant pain to both Fannie Mae and our lenders. We have learned many valuable lessons that can be shared in this regard.

There are many considerations that need to be made at the inception of your development, such as:

1. Do you anticipate needing reporting and remitting capabilities for both cash and MBS loans?
2. Will you have different reporting requirements for each?
3. What types of input will you accept from the servicers (i.e., magnetic tapes, CPU-to-CPU, software applications developed by the Conduit, or hard-copy?
4. Will service fees be deducted from remittances to the Conduit or sent back to servicer after processing?
5. How often will servicers remit monthly cash flow (daily, weekly, monthly)?
6. In what form will remittances be sent to the Conduit (check, wire transfer)?

7. What is the appropriate number of staff needed by the Conduit to monitor and process the reports and reconcile cash that is sent by servicers? (FYI- LASER technicians manage about 38 lenders and approximately 150,000 loans each) Will the Conduit send turn-around reports to the servicers to ensure that it's records and that of the servicer are in synch? This will be especially critical if the Conduit begins issuing MBS pools.
8. What will be the computer and communication capability requirements for the Conduit and its servicers? Will this be a criteria to become an approved lender?
9. How much loan level data does the Conduit want to capture at the time a loan is purchased?
10. How will servicers be trained on these requirements and procedures? How will Conduit staff be trained?
11. Will custodial accounts be required to segregate funds collected for the Conduit from other funds the servicers have?

The following is an overview of the policies and guidelines Fannie Mae has established for cash remitting, reporting and reconciliation to minimize financial risk.

Reports LASER facilitates reporting to Fannie Mae by accommodating various types of automated input, including magnetic tape, CPU-to-CPU, and MORNET (our nationwide communications network with various applications). Due to the volume of loans being serviced for Fannie Mae, most of our lenders utilize a service bureau that submits the monthly reports to Fannie Mae based on the information in the lenders database. Some of the larger service bureaus utilized by our lenders are: CPI, Datalink, and Lomas. There are many small PC based systems as well. This helps the lender (particularly the smaller lenders) by not having to have a department that specifically deals with programming and producing the required reports for the secondary market institutions. In most cases, our lenders are servicing for more than one investor.

Servicers must report loan activity to us monthly for each loan they service. All the required reports must be submitted in an automated fashion (this may not be necessary in Sri Lanka). There are some additional reporting requirements for MBS pools.

Reporting Dates

At Fannie Mae we have different reporting cutoff and reporting dates for different types of remittances. The type of remittance is usually dependent on the type of loan they are sending to Fannie Mae. Loans sold to us for cash can be serviced under the Actual/Actual or Scheduled/Actual remittance types, the lender chooses the option at the time they sell the loan to us, there are pricing and servicing implications that determine the lender's choice. MBS loans are sold and serviced under the Scheduled/Scheduled remittance option only. A brief description of each remittance type follows this section.

Actual/ Actual

For Actual/Actual (A/A) loans, the servicer's remittance is based on their actual collections. They send the actual amount of interest (at the pass-through rate) and actual amount of principal collected from the borrowers. We require that lenders send us the remittances at least monthly, but anytime throughout the month if their collections exceed $2,500. For most of our lenders, this means they are remitting under A/A daily. They call in the funds when they need to remit, and Fannie Mae drafts the funds from their account the next day.

Scheduled/ Actual

For Scheduled/Actual (S/A) loans, the servicer's remittance is based on the scheduled interest and actual principal collected. The principal they remit is the amount of all principal collected from borrowers during the month. The amount of interest is based on the ending unpaid principal balance reported to Fannie Mae in the prior month, regardless of the amount of funds collected by the borrowers. If a S/A loan becomes delinquent, the servicer pays the interest due even though they have not collected it. However, if a loan remains delinquent for three consecutive months, in the fourth month Fannie Mae automatically will reimburse the servicer for the three months advanced interest. The fourth month will be reimbursed when the loan is reported with the proper liquidation code. In the case of payments in full, the servicer remits to Fannie Mae 15 days of interest regardless of which day during the month the loan is paid off. Lenders call in the amount to be remitted on the 20th of the month, and Fannie Mae drafts the funds from their custodial account.

Scheduled/ Scheduled For Scheduled/Scheduled (S/S) loans (MBS loans), servicers must send two types of monthly remittances to Fannie Mae--the P&I remittance and the guaranty fee. The remittance of P&I is based on when payments are due rather than when they are collected. The servicer must remit both principal and interest to Fannie Mae for delinquent loans even though they may not collect them from the borrower.

If a borrower prepays an installment, a servicer will hold the entire prepayment amount until the payment is due. However, unscheduled principal collections (payments in full and curtailments) must be remitted in the month following collection. A servicer can use the prepaid funds to offset any delinquencies they may need to advance.

For loans in a MBS pool, the servicer must also remit a guaranty fee. The guaranty fee is compensation due Fannie Mae for guaranteeing the timely payment of scheduled principal and interest to the MBS holders and should be paid with a lender's corporate funds. To calculate the guaranty fee, multiply the beginning scheduled unpaid principal balance by the guaranty fee rate that is stated in the MBS pool purchase contract and divide by 12.

MAINTAINING INSURANCE COVERAGES AND OTHER ESCROWED ITEMS

As it was stated in a previous section, the Conduit will need to determine the types of insurance it may require as well as any other items that may appropriately be escrowed. We have established that it is important to safeguard the interest that investors, lenders, and borrowers have in mortgaged properties. One of the most important safeguards in the US is hazard insurance. The following describes Fannie Mae's requirements for hazard insurance:

Purpose Hazard insurance provides coverage that compensates for physical damage to a property by fire, wind, or other natural disasters. (It generally does not cover flood, earthquake, mudslides, sinkholes, and other types of hazards that typically require special coverage or an endorsement to the homeowner's policy.)

Policies must protect against loss or damage from fire or other hazards included in standard extended coverage endorsements. The coverage should provide for claims to be settled on a replacement cost basis. Although borrowers may select their own insurance carriers, it is up to the servicer to ensure the policy and carrier meet Fannie Mae's requirements.

Eligibility Requirements

Each hazard insurance policy must meet one of the following eligibility criteria:

- a "B' or better general policyholder's rating *Best's Key Rating Guide;*
- a "6" or better financial performance index rating in *Best's Key Rating Guide;*
- an "A" or better rating from Demotech Inc.;
- coverage provided by Lloyd's of London; or
- coverage under a FAIR plan, if it is the only coverage available at a reasonable cost.

We also accept policies from insurers that do not have any of these ratings if they are covered by reinsurance with a company that does meet our requirements.

Amount of Coverage

When determining the amount of coverage, a servicer would choose the *lesser* of the two amounts:

- 100 percent of the insurable value of the improvements as established by the insurer; or
- the unpaid principal balance of the mortgage, as long as it equals at least 80 percent of the insurable value of the improvements.

The maximum deductible clause should be the lesser of $1,000 or one percent of the face value of the policy, unless a higher amount is required by state law.

Mortgage Clause

All policies for properties that secure first mortgages must contain a "standard" or "union" mortgage clause in the form that is customarily used in the area in which the property is located. We do not require that Fannie Mae be named in the mortgage clause, unless the coverage would be impaired otherwise.

If we are named in the mortgage clause, it should read "Federal National Mortgage Association in care of _________" (insert name and address of servicer). If we are not named in the mortgage clause, the servicer's name should be followed by the phrase "its successors and assigns."

Coverage Changes

A change in circumstances may require a change in the hazard insurance coverage on a loan being serviced. For example, should a property become vacant, a homeowner's policy would require an endorsement to change it to a fire and extended coverage policy. It is incumbent on the servicer to keep track of the circumstances and insurance needs of each mortgage being serviced in order to respond to any changes.

Paying of Premiums

It is the responsibility of the servicer to make sure that hazard insurance premiums are paid. This can be done through an escrow account that the servicer maintains. If this is not paid through an escrow account, we require the lender to make sure the borrower has paid the premium themselves. If the borrower has not paid, and once contacted still does not pay, we will ask the servicer to advance the payment and collect it from the borrower.

Handling a Loss

Most losses due to fire or other hazards are covered by insurance, but some--such as losses due to earthquakes, tornadoes, and other natural disasters--are not covered.

Insured Losses- in dealing with damage or loss that is covered by insurance, the servicer has a number of responsibilities.

As soon as a servicer learns of a loss, they contact the borrower in order to get complete details on the damage and discuss plans for repairs. If they cannot contact the borrower, they must assess the damage and the required repairs and obtain a "scope of loss" statement from the insurance carrier on their own.

They also must make sure a proof of loss statement is filed with the insurance company within the required time in order to prevent delays in payment of the insurance claims.

Typically, they would:

- help the borrower obtain bids to repair the property;
- review and approve the final plans for the repairs;
- monitor the repairs to see that they conform with the approved plans;
- obtain the proper lien releases; and

- disburse the insurance proceeds. If the repairs are extensive, they may consider making partial payments as each part of the repairs are completed.

In addition, in certain circumstances they need to submit a Report of Hazard Insurance Loss (Form 176) for approval to the Lender Administration Department of their regional office. This report is filed when:

- the property is in the foreclosure process;
- the property has suffered a near total or total loss;
- the insurance proceeds are greater than the cost of restoring the property to is original form; or
- they believe the insurance proceeds should be applied to the mortgage debt rather than to repair the property.

Uninsured Losses - An investor cannot always protect themselves from an uninsured loss, such as those caused by natural disasters. In such cases, we ask the servicer to work with the borrower to determine the extent of the damage and develop plans for repairing the property. They also need to secure the property if it is abandoned, and report it to Fannie Mae.

A servicer may have to advance funds from its own account to pay for the repairs. They may also request an advance from Fannie Mae. If the damage is extensive, the servicer may agree to a reasonable forbearance plan or modification that the borrower proposes, as long as they are consistent with our requirements.

DELINQUENCY MANAGEMENT

Overview. By establishing and maintaining effective collection procedures, a servicer can increase the chances that borrowers will demonstrate good payment habits. It is our experience, by establishing contact with the borrower early in a delinquency, carefully evaluating the borrower's circumstances, and making available the types of options offered by Fannie Mae, they can resolve many delinquencies before they become incurable.

Based on several publications we provide to our lenders, this section provides the following:

- the components of an effective collection system;
- ideas for decreasing delinquencies from borrowers;
- collection procedures to use during the first 90 days of delinquency; and
- options Fannie Mae makes available to assist deserving borrowers in current delinquencies, and guidance as to when it is appropriate to use them.

Components of an effective collection system. Fannie Mae provides its servicers guidelines for a prudent collection system. However, we recognize that it should be flexible enough to allow lenders to vary their approach based on the needs and circumstances of their individual borrowers.

An effective collection system should provide for prompt intervention. It is important to address a one-payment delinquency immediately to prevent it from becoming more serious. Early contact with the borrower gives the servicer more time to reach an acceptable agreement with the borrower to cure the default. If agreement cannot be reached, we encourage servicers to try to sell the property before foreclosure proceedings are initiated.

A good collection system should include ***all*** of the following:

- an accounting system that *immediately* alerts the appropriate department when a mortgage is delinquent;
- a collection staff that is familiar with the procedures and requirements of the secondary market;
- counseling procedures to advise borrowers on how to avoid or cure delinquencies;
- guidelines for the individual analysis of each delinquency;
- procedures and adequate controls for sending delinquent notices, assessing late charges (if appropriate), returning or crediting partial payments, maintaining collection histories;
- management review procedures to evaluate both the borrower's actions and the collector's efforts before a final decision is made to accept some form of repayment arrangement or to start liquidation proceedings; and
- a method for comparing a servicer's own delinquency and foreclosure ratios with that of other lenders.

Strategies for preventing delinquency

Welcome Letter

Sending each new borrower a welcome letter soon after the mortgage is closed can be an important first step in ensuring prompt monthly payments. In addition to welcoming the borrower, an effective welcome letter should do the following:

- o stress that each payment is due on or before the due date,
- o emphasize the importance of paying on time,
- o describe the method of payment, and
- o discuss the consequences of late payments without sounding threatening.

Automatic Payment by Employer

It seems that a large number of employers pay the EMI directly to the lender. This certainly minimizes the risk of default, as long as the employer is solvent and the borrower continues in their employment. This is a very sound strategy to prevent delinquencies.

Late Charges

(Lenders should insert the late charge policy as stated in its legal documents)

Collection procedures

The aim of a collection system is to bring each delinquent mortgage current as quickly as possible. A servicer's collection system should provide for consistent contact and follow-up with delinquent borrowers, especially in the first 30 days of delinquency.

A servicer's collection system must meet at least Fannie Mae's minimum requirements for contacting delinquent borrowers using late notices, telephone contact, letters, face-to-face interviews, and property inspections during the first 90 days of delinquency. However, we recognize that the servicer is in the best position to determine what is the best method to contact a given borrower during the various stages of delinquency. We also require servicers to document all collection efforts (preferably using a collection card or on-line system, and make them a part of the mortgage loan record.)

Late notices

There are two types of late notices--the payment reminder notice and the late payment notice.

Payment reminder notice - A payment reminder notices alerts borrowers that the servicer has not received the EMI and reminds them that a late charge will be assessed if it is not received prior to the end of the grace period. Sending a prompt reminder notice is particularly useful in promoting good payment habits among new borrowers. We recommend sending this notice when the EMI is 7 to 10 days overdue. Late payment notice - If a payment is not received prior to the end of the grace period, the servicer should send the borrower a late payment notice. This notice should advise the borrower that a late charge is now due in addition to the scheduled payment. If the mail system is not efficient, the lender may consider using branch offices or others to deliver the notice in person.

Telephone contact

Telephone calls can be an inexpensive way of contacting delinquent borrowers and can be highly effective when used properly. If not sooner, the lender should initiate telephone contact with a delinquent borrower between the 17th and 20th day of the delinquency. However, earlier telephone contact--between the 7th and 10th day of delinquency--may be warranted for a borrower with a history of paying late.

During the telephone call the servicer should determine the reason for the delinquency and try to gain the borrower's commitment to bring the mortgage current at once. Be sure to obtain a commitment to pay a specific amount by a specific date. Then, if the payment is not received by the date promised, the lender will have a definite follow-up date to call the borrower back.

If the borrower has a legitimate reason for not having made the payment, the lender should get the borrower's commitment to bring the mortgage current as soon as possible. If appropriate, the lender should discuss the various relief provisions and workout plans.

Letters

An individually prepared letter is usually more effective than a form letter and is the preferred approach after the 20th day of delinquency, especially with borrowers who frequently make their payments late.

Face-to-face interview

Once a mortgage has become 50 to 60 days delinquent, the servicer should arrange a meeting with the borrower. Every effort should be made to meet with the borrower to discuss the delinquency at least once before foreclosure proceedings would be initiated. Throughout the interview, the lender should make sure their attitude in non-threatening and their approach is in line with industry practice and does not violate any laws.

Property inspection

Before the 60th day of delinquency, the servicer should inspect the property to ensure that it is being properly maintained. (They may want to combine a meeting with the borrower with an inspection of the property). The property should be inspected periodically until the mortgage is brought current, or it is referred to foreclosure. (Once in foreclosure we require servicers to inspect the property monthly).

We require the servicer to inspect the property before granting any relief provision.

Emergency repairs - if during the inspection, the lender determines the need for emergency repairs to protect the investor's security, they must advance the funds necessary to pay for these repairs. They would then arrange for the borrower to repay these funds, either in installments or as part of the full amount required to reinstate the loan. We would reimburse the lender for any out-of-pocket expenses.

Vacant property - if the inspection reveals the property is vacant, the lender must take the following actions immediately:

1. Contact the borrower to find out the reason for the vacancy and whether the borrower intends to make further payments.
2. Make the necessary arrangements to secure the property to the extent allowed by local laws.
3. Contact the hazard insurance company to notify them that the property is vacant and to verify that the sufficient coverage is being maintained.
4. If it is apparent the borrower has abandoned the property and has no intention of making further payments, initiate foreclosure action immediately.

Resolving Delinquencies

Evaluating individual circumstances

The servicer should evaluate the individual circumstances of a delinquency as early as possible. That will help to determine the best approach for resolving it and increase the chances that it will be cured and not become a foreclosure. In assessing a delinquency the lender should try and determine the following:

☞ the reason for the default,

☞ whether the delinquency reflects a temporary or permanent condition, and

☞ the borrower's attitude toward the debt.

What is the reason for the delinquency?

- o the borrower is either able to pay but will not, or is willing to pay but cannot

Very often it is difficult to determine which of these two situations apply. It requires the lender to sort out facts from excuses and use effective questioning techniques and listening skills during their contact with the borrowers.

Is the reason for delinquency temporary or permanent?

The answer to this question will determine whether it is better to offer a workout plan, even if it is early in the delinquency, or consider relief provisions.

What is the borrower's attitude toward the debt?

Finally, the lender must determine whether the borrower is acting in good faith. The previous contact with the borrower, as well as the past history with this borrower, should help the lender to make this decision.

Strategies for curing delinquencies

<u>Accepting partial payments</u>

A servicer should accept a partial payment and hold it as unapplied funds if the borrower

- o has a good attitude toward the mortgage obligation,
- o is not habitually delinquent,
- o does not have a history of remitting checks that are returned for "insufficient funds", and
- o can pay the balance of the payment within the next 30 days.

<u>Obtaining assignment of rents</u>

For delinquent mortgages secured by property that is being rented, a lender should determine whether enforcing an assignment of rents provision would be appropriate. Generally, the rental income can be applied toward the delinquency if

- o the mortgage provides for an assignment of rents,

- other arrangements to repay the delinquency cannot be made,

- local laws allow for the collection of rents under these circumstances, and

- this action will not result in new rights for the occupants that might affect the ability to foreclose at a later date.

<u>Reapplying principal curtailments</u>

A delinquent borrower who has previously made additional principal prepayments to reduce the mortgage balance may ask the servicer to reapply these to cure a delinquency. This cannot be done for a loan in a MBS pool.

Principal prepayments may be reapplied if

- the borrower requests this in writing,

- the reapplication of principal does not result in a higher mortgage balance than it would have been if the original amortization schedule had been followed, and

- the borrower agrees to pay any additional funds needed to cure the delinquency. The servicer may choose to combine the reapplication of principal with other relief provisions or consider modifying the loan.

<u>Counseling services</u>

Delinquent borrowers should be informed if any homeownership counseling services are available to assist delinquent borrowers with their debt management problems.

Key Decisions Points:

1. Establishment of late charges in legal documentation, and all consumer material.
2. Development of technology to help lenders establish prudent collection systems.
3. Providing adequate training to lenders on delinquency procedures.
4. Development of delinquency reports to calculate delinquency and foreclosure ratios.
5. Review the provision for assignment of rents in legal documents.

Granting relief provisions

When to offer a relief provision

The granting of a special relief provision is a more formal approach to helping resolve a delinquency. This step may be taken if the strategies suggested previously do not cure the default, or the servicer may determine this step should be taken immediately, based on the circumstances. If a servicer believes a borrower should be granted relief, they should take these steps:

- explain the relief provisions and the borrower's responsibilities under each;
- obtain from the borrower any financial information needed to development a repayment plan; and
- make sure the borrower understands the agreement, including the consequences of not meeting the terms of the proposed repayment plan.

Generally, a servicer should meet with the borrower before executing a formal relief plan.

We will look at four relief provisions: temporary indulgence, liquidating plan, special forbearance, and military indulgence.

TEMPORARY INDULGENCE

A servicer may grant the borrower a 30-day grace period if they believe the borrower can bring the mortgage current in that time frame.

A temporary indulgence may be appropriate in any of the following situations:

- A sale or rental of the property is pending.
- An insurance settlement is being negotiated.
- Assistance from a social services agency or family member has been arranged, but the borrower has not yet received the funds.
- Additional time is needed to formalize a repayment plan under another relief plan.
- One or more payments were lost in transit and need to be traced.
- Time is needed to reapply previous principal prepayments.

LIQUIDATING PLAN

Under a liquidating plan, the borrower agrees to make payments in addition to their regular monthly payment to cure the delinquency. This may be appropriate when the borrower has experienced a temporary hardship that no longer appears to be a problem. If the delinquency involves fewer than three monthly payments, the servicer can reach an oral agreement, and document the mortgage and/or collection records. A formal written agreement should be done if three or more monthly payments are due. The agreement must state the terms of the repayment, including the amount due, payment dates, and the date the delinquency will be cured.

The terms for repayment may include:

- monthly payments that are multiples of the regular installment,
- regular payments one month and multiple payments the next,
- payments to be made more often than monthly, or
- any other variation in the timing or amount of the payment that will cure the delinquency in the shortest possible time.

SPECIAL FORBEARANCE

Special forbearance is a written agreement to reduce or suspend a borrower's monthly payments for a specific period (usually no longer than 18 months from the date of the first reduced or suspended payment). After that, the borrower must resume regular monthly payments as well as pay additional funds toward the delinquency at scheduled intervals.

Special forbearance should be used in situations in which a borrower is experiencing a temporary reduction in income or financial hardship but expects at a later date to be able to resume regular payments and pay additional amounts to cure the delinquency. It may be appropriate when the delinquency is the result of

- a borrower's death or the death of a contributor to the monthly payment,
- illness or natural disaster the borrower is not insured for,
- a substantial reduction in income that the borrower could not prevent, or
- some other unusual circumstance that can be documented and would warrant such a relief provision.

A special forbearance agreement must always be in writing. It should clearly set out the period of reduced or suspended payments, the schedule for making additional payments when the borrower resumes regular monthly payments, and the date on which the forbearance will end.

Special forbearance to facilitate a sale

Delinquent borrowers who have substantial equity in their property may want to sell the property to avoid foreclosure and the resultant loss of their equity. A special forbearance may be granted while the property is being sold. However, the forbearance agreement must include the following:

- the terms and requirements for paying off the mortgage upon sale of the property, and
- a provision that permits the servicer to initiate foreclosure proceedings at the end of the forbearance period if the property has not been sold.

MILITARY INDULGENCE

In the US, military indulgence is available to borrowers in the military service who qualify under terms of the Soldier's and Sailor's Civil Relief Act. This Act also provides protection and relief to civilians who are mobilized into the military. Lenders should investigate whether any similar laws exist in Sri Lanka that may allow servicers to provide relief to members of their armed forces or civilians.

Summary

As daunting as the establishment of, and the on-going maintenance of such extensive loan servicing procedures may seem, we can not recommend too strongly their importance. Our history has borne out the value of each and every one of these guidelines. We have found that a prudent underwriting and quality control system coupled with fiscal servicing procedures will serve to create a valuable asset in mortgages, as well as a viable source of income for mortgage lenders and the secondary market.

A well managed servicing operation has the potential for income in a number of ways, some of these that could be explored include:

Service Fee As it has been stated, it is critical that the secondary market develop a fair and equitable service fee that provides the incentive to service loans in the most efficient manner, and adequately protect the assets of the secondary investor. It will be necessary to determine the actual cost to servicers to provide the services being set by the secondary, and build-up a service fee with that as a component.

Ancillary Fees As the housing finance system in Sri Lanka matures there may be an opportunity for servicers to charge fees for transferring titles of properties (assumptions), payoffs, providing copies of mortgage documents, etc.

Late Charges If the legal mortgage documents allow for it, this can be a substantial source of income for servicers. An efficient collection system will maximize this opportunity. Also, many lenders in the US pay their collection staff a commission based on the amount of delinquent payments they are able to collect, as an added incentive. This also raises the caliber of staff that can be attracted to this critical function of a servicing operation.

Valuable Asset

By managing their mortgage portfolio in the most prudent manner, a lender is creating an asset that others may be interested in purchasing. One of the evolutions of the housing finance system in the US, is the very active market that has been created for buying and selling the servicing rights to mortgages. The loans that are sold to the secondary market carry an even higher premium. This may be a logical outcome of the maturation of the housing finance system in Sri Lanka, as well. This is dependent on having standard servicing practices in place.

Another source of income can be derived from a lender's relationship with their banker. This would be most likely in the case of a mortgage banker, not a commercial bank. In the US, the banks will pay lender's a compensating balance because of the large amounts of funds that are deposited into their institution (the mortgage payments). The deposit of escrow accounts and other funds provides additional sources of deposits for banks and they may be willing to provide a benefit to a mortgage lender to try and attract these funds.

Lastly, a significant source of income can be earned on the "float" opportunity a primary lender has. For the period of time between when the borrowers make their payments to the lender, and when the lender must pass through the remittance to the secondary market, the lender should be earning interest on those funds, or "float". As a lender's portfolio grows, the amount of this income should increase as well. Again, this seems most appropriate for a mortgage banker, but even a commercial bank may consider booking entries internally to provide value to the mortgage operation of the bank.

ROLES AND RESPONSIBILITIES OF SECONDARY MARKET INSTITUTION LENDER ADMINISTRATION

Purpose

The fundamental roles of a secondary market institution in terms of loan servicing pertain to lender administration. It monitors a lenders compliance with its servicing and reporting requirements, performs audit functions, approves lender applications, analyzes and monitors delinquency and foreclosure information, and supervises and helps lenders when there are servicing, reporting, or financial problems.

This manual will address the following key areas of lender administration:

1. Approval of New Lenders

2. Audit functions and Cash Management

3. Monitoring of Delinquency and Foreclosure Trends

APPROVAL OF NEW LENDERS

One of the primary roles of the secondary market is to establish guidelines for participation by the primary market lenders, and the development of procedures to ensure their continued eligibility. This requires a review of a lender's total operation to determine their ability to honor the terms of any Contract you would bring forth.

Lender Standards and an Application for Conduit Approval have been distributed in Sri Lanka.

It will be necessary to develop a Mortgage Selling and Servicing Contract to establish approval and the basic legal relationship between a lender and the Conduit, and provide terms and conditions for selling and servicing housing loans.

AUDIT FUNCTION AND CASH MANAGEMENT

We monitor the performance and on-going eligibility of our lenders in a number of ways. A significant number of our regional and home office staff are dedicated to this aspect of our business. We accomplish this by receiving annual reports and certifications as well as conducting on-site visits and reviews. An integral part of our overall strategy is to provide high-quality training programs to our lenders, particularly in the areas of loan servicing and cash management. By providing class-room and individual training, we hopefully can help lenders to establish policies and procedures that will adhere to our guidelines, in a much less confrontational manner than an audit.

Financial Statements

Within 90 days of its fiscal year-end we require approved lenders to submit annual financial statements to Fannie Mae. This is the primary way we ensure lenders continue to meet our net worth requirements.

Annual Certifications

Each year, an updated *Lender Record Information and Authorization for Verification of Credit and Business References* must be submitted with the annual financial statements. This provides information that ensures lenders continue to meet our eligibility requirements and includes several certifications.

Servicing Reviews

One of the responsibilities of a secondary investor is to routinely audit the performance and records of the firms that manage its assets. We try to audit at least once every 18 months the servicing operations of our lenders. Our lender administration reps in the regional offices are trained to conduct these audits, as well as our internal audit staff in the home office. We conduct the following three types of reviews:

- Full servicing review
- Compliance review
- Desk review

Full Servicing Review- this is a comprehensive, "full blown" audit. We usually send 1-2 people to spend 1-2 weeks in the lender's office to complete this audit. A lender does not usually get selected for this type of audit more than once every two years or so, unless we suspect a problem. This would cover the written procedures, and sample reviews of the lenders records in the following areas:

-Escrow administration
-ARM loan servicing
-Default administration (collections, bankruptcies, loss mitigation, foreclosures, real estate owned administration)
-LASER reporting/remitting requirements
-Custodial accounts administration

A written report of the audit is sent to the CEO of the lender as well as many departments within Fannie Mae. The regional lender administration staff works with the lender to clear any outstanding audit findings, and sends a written confirmation when the audit if completely cleared. If the findings were serious, the lender may be suspended from selling any new loans to us, until the findings were cleared. In the most extreme cases, which is very rare, we would terminate a lender from being an approved lender, and move the servicing portfolio to another approved lender.

Compliance Review - this is a less comprehensive, more focused review. This is usually conducted by one person from our regional lender administration staff, and conducted in the lender's office. It usually takes 1-3 days to complete. The areas that would be reviewed include

- LASER reporting remitting
  - -monthly reports for A/A, S/A, and S/S
- LASER reconciliations
  - -Portfolio reconciliations
  - -Shortage/Surplus reconciliations
  - -Pool-to-Security (MBS Pools)
- Custodial account administration
  - -establishment of custodial accounts
  - -appropriate internal records
  - -reconciliation of internal records with custodial accounts

A written report is submitted to the servicing management of the lender and distributed to many departments within Fannie Mae. The regional lender administration staff works with the lender to clear any outstanding audit findings, and sends a written confirmation when the audit if completely cleared. If the findings were serious, it may generate a more serious audit or the imposition of some type of penalty or sanction.

Desk Review - this review is done by the regional lender administration staff in Fannie Mae's office. By reviewing internal reports and documents requested from the lender, the rep is able to assess the lenders performance in a number of areas. A written report is submitted to the lender. Any serious findings would automatically trigger a more extensive audit or visit.

Disciplinary Action

In the rare instances, it is determined that a lender is not fulfilling its responsibilities, we may choose to enforce some form of disciplinary action. The main types of action we take is:

- o Warning
  -Informal warning - verbal
  -Formal warning - written

- o Suspension (from selling and/or servicing)
  -Short-term-not as serious
  -Formal suspension - more serious

- o Termination
  -Without cause
  -With cause

Imposition of Penalty Fees

We may charge penalty fees for an action a lender took--or failed to take--in a specific situation. At other times the penalty fee relates to the impact the servicers action had on our cashflow. There are a variety of fees we can impose when we feel it will serve to give the lender a financial incentive to improve its performance.

MONITORING OF DELINQUENCY AND FORECLOSURE TRENDS

There are many advantages to the relationship established between the primary and secondary markets in the US housing finance system. By paying a fee to our lenders to perform the lion's share of servicing, we are able to manage a $290 billion portfolio and MBS outstanding in the amount of $550 billion, while earning record-setting profits, all with a staff of about 2,500 people!

The role of the secondary market institution is inextricably linked with that of the primary market in the area of monitoring delinquencies and foreclosures. It is incumbent on the secondary market to establish prudent underwriting guidelines that will hopefully translate into high-quality, performing loans. It is incumbent on the servicer to develop a collection system that incorporates our recommended guidelines. The underpinnings for those underwriting and servicing policies is based on the actual performance of millions of loans over an extended period of time.

There is no responsibility we take more seriously than actively monitoring and managing the performance of the individual loans as well as the performance of our lenders. A myriad of management information reports are generated that feed many other systems at Fannie Mae, and are analyzed for many purposes.

The following list is just a sampling of the various departments that are dependent on this data, as well as some of the corporate decisions that are driven by this data:

1. Data feeds directly into corporate financial statements.

2. Delinquency statistics are calculated and widely distributed throughout the industry.

3. Performance of portfolio is important factor in external analysts determination of strength and profitability of company.

4. Performance of certain types of loans causes Credit Policy to make adjustments and changes to underwriting guidelines.

5. Performance of mortgage loans has a direct effect on our pricing strategies.

6. Performance of loans will impact investors decision to invest in MBS.

7. Performance of certain mortgage products will trigger modifications, or possibly a cessation of that product.

8. A lender's performance can initiate intervention from Fannie Mae into its procedures and records. If their performance is found to be lacking it can cause the imposition of penalties or other disciplinary action.

9. A lender's portfolio that is performing as good, or better than that of its peers, can command a higher premium in the sale of servicing rights.

10. A performing portfolio costs less to service, thereby providing additional income to the servicer.

CONTACT LIST
SRI LANKA

COMPANY	NAME	ADDRESS	94 1 TELEPHONE	941 FAX
Attorney	Nimal Weerasekara Attorney at Law	No. 282/1A Dam Street Colombo 12	341915	N/a
Housing Development Finance Corp. of SL	E.A. Meththananda Managing Dir.	P.O. Box 2C85 Sir Chattampalam A. Gardiner Maw. Colombo 2	445341 447314	446392
	R.M. Gunathilaka Dep. GM Finance		446391 447354	446392
	Ranjith Kumarasiri Data Proc. Manager		446241 446239	446392
	K.Maya Sr. Exec Engineering		446391 447354	446392
	Zahir Ali District Manager		N/a	N/a
Seylan Bank	Rohan Perera GM/Chief Executive	No. 33 Sir Baron Jayatilleke Mawartha Colombo 1	29514 434106 437894	433072
	Emil Anthony Asst. GM/Housing		431284 433014	433072
	Leonie Seneviratne Asst. GM/Commercl		434106 329514	433072
	Chandana Kumarge Sr. Manager/Housing		434106 437901-7	433072
State Mortgage & Investment Bank SMIB	Gunapala Iddigoda Deputy GM	No. 269, Galle Rd. Colombo 3	573346	N/a
	L.C. Goonawardena Dep. GM (Credit)		575359	573567
USAID Sri Lanka	Howard Kane Resident TA	356 Galle Road Colombo 3	574333 (o) 697443 (h)	574264 574500
VANIK	Ajith Fernando Vice President	108 2nd Floor W.A.D. Ramanayake Mawatha Colombo 2	331460 331462	330815