

PD-AAH-594

aip.

527-8005/08

5278005001801



Auditor General

AUDIT REPORT
REVIEW OF AID HOUSING GUARANTY PROGRAM
USAID/PERU

Audit Report Number 1-527-81-18
Issue Date May 29, 1981

Area Auditor General Latin America
Agency for International Development

TABLE OF CONTENTS

	<u>Page No.</u>
EXECUTIVE SUMMARY	i
Introduction	i
Scope	i
Finding, Conclusions, and Recommendations	i
BACKGROUND	1
Shelter Sector Strategy	1
Aid Housing Guaranty (HG) Program	1
Funding	2
Prior Audits and Reviews	2
Scope	3
AUDIT FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS	4
Construction Financing Costs	4
Home Loan Delinquencies	5
Home Improvement Loans	6
BVP Loan Project Management	9
Evaluation of Project and/or Sub-Project Activities	10
Registration of Mortgages and Subscription of Utility Services Contracts	10
Project Overview System	10
EXHIBIT A -- PROJECT LOAN COMMITMENTS AND FINAL COSTS	12
EXHIBIT B -- COST OF COMPLETED SUB-PROJECTS	13
EXHIBIT C -- STATUS OF HOME DELINQUENCIES	14
APPENDIX A -- LIST OF AUDIT RECOMMENDATIONS	15
APPENDIX B -- LIST OF REPORT RECIPIENTS	16

AID HOUSING GUARANTY PROGRAM
USAID/PERU

EXECUTIVE SUMMARY

Introduction

The AID Housing Guaranty (HG) program is assisting in the development of the Peruvian housing sector. This program is very important to Peru because by itself the country has not been able to cope fully with shelter and related services problems.

Since November 1971, AID has authorized HG funds totaling \$88.3 million for housing programs in Peru. Of these funds, \$53.3 million was borrowed from private U.S. investors. As of October 31, 1980, about \$46.2 million was spent and \$7.1 million remained invested in escrow accounts. Contracts for the remaining \$35 million had not been negotiated at the time of our review.

Scope

Our audit covered HG loan activities from July 1, 1976, to October 31, 1980, and included housing projects funded by AID Loan Nos. 527-HG-005/008, 527-HG-009, 527-HG-010, and 527-HG-011. The audit purpose was to review: (1) the status of implementation of the various housing projects; (2) the use of construction funds drawn down on each loan; (3) lending policies and repayments; (4) the efficacy of the Housing Bank of Peru in carrying out implementation of various projects; and (5) the monitoring of activities by AID officials.

Finding, Conclusions, and Recommendations

Significant benefits have been provided to the targeted population under HG program in Peru. Thousands of homes have been constructed and thousands of utility connections have been made. Overall the HG program in Peru had generally been satisfactorily managed and monitored. There were some areas, however, that could be improved.

The delinquency rate for HG home loans is 72 percent. Of the 2,643 mortgages financed by loan 527-HG-005/008, 1,899 were in arrears 3 months or more. We consider this to be excessive and feel specific remedial action is needed. We recommended that USAID/Peru request the BVP to establish a plan of action to lower delinquency rates. (See page 5.)

Implementation of the home improvement loans sub-project has been slow. Only one-third of the program funds (about \$480,000 of the \$1.5 million authorized) had been used. Slowness in implementation was attributed to several impeding factors. The central problem was that BVP would not disburse funds before adequate coverage by guarantees was secured from the participating Savings and Loan Association. A second major problem was the need to promote the sub-activity. Management agreed with our views and as recommended will assist the BVP in developing and carrying out an overall plan for the home improvement loan sub-program. (See page 6.)

Loan project management within the BVP needed improvement in order to meet all responsibilities of the HG program. A June 1980 evaluation of HG activities found a lack of coordination and other deficiencies with program implementation. The evaluation team made several constructive recommendations. Since action had not been taken, we recommended that USAID/Peru provide the necessary technical assistance to BVP management. (See page 9.)

The end-of-project report for AID Loan 527-HG-005/008 had not been prepared by the BVP as required by terms of the loan. We recommended that USAID/Peru assist the BVP in doing so. (See page 10.)

BACKGROUND

Shelter Sector Strategy

Starting in the 1950's, the population from Peru's rural areas and small towns started to move into economically active urban centers. Lima and the coastal cities received the brunt of these population flows. The physical and social service infrastructure of these cities was totally overextended by the transplanted rural poor.

By 1980, one out of every two Peruvians (in a population of 19.3 million) lived in urban areas. Of these, the World Bank estimated that 35 percent (about 7 million people) were classified as urban poor. Consequently, shelter and related services were a major concern of the Government of Peru. For instance, it was estimated at the present time that about three-fourths of the population in Lima lived in Pueblos Jovenes (literally, young towns) or squatter towns and Tugurios (crowded urban slum areas), which were substandard housing-settlements. The picture was worse outside of Lima.

Aid Housing Guaranty (HG) Program

To help meet the shelter demand, AID supported GOP efforts through the HG program. The current program is comprised of four loans. Each loan is summarized below:

1. 527-HG-005/008

This loan signed on November 12, 1971, was part of a three loan package to support a five-year GOP program to provide housing (construction of large-scale housing projects in groups of 50 or more units) for low-income families affected by the 1972 earthquake. The \$28.3 million loan financed 5,074 new homes; 2,590 loans for housing improvements; and 2,890 loans for utility service connections. Project activities were completed in March 1978.

When combined with AID Loan 527-L-055 (\$15 million) and the International Development Bank's construction loan (\$29.4 million) about 33,000 new units were built.

2. 527-HG-009

The loan was made in two tranches -- Phase I for \$15 million was signed April 11, 1977, and Phase II for \$10 million was signed September 20, 1979. The purpose of the loan is to finance water and sewer lines, electrification, minimum shelter (lots with service and basic shelter), and home improvement loans.

Most of the construction planned under AID Loan -009(I) was completed by October 31, 1980. Construction included 1,666 shelter units and 20,754 utility service connections.

One-third of the home improvement loan program had been implemented. Activities under -009(II) were started in 1980, but only a few sub-projects have been completed.

3. 527-HG-010

The loan was authorized for \$15.0 million on September 25, 1979. The project purpose is to provide basic shelter infrastructure services to the urban poor and to augment the shelter sector delivery system by involving the savings and loan system in the implementation of the project. It is estimated that the project will finance 11,500 electrical; 9,900 water; and 8,600 sewerage connections in low-income neighborhoods, plus the possibility of financing home improvement loans. As of October 31, 1980, project activities funded by AID Loan 527-HG-010 were not started. United States investors were being sought by the Housing Bank.

4. 527-HG-011

The loan was authorized for \$20.0 million on September 25, 1980. The purpose of the project is similar to the objectives of Loan 527-HG-010, which is to assist the GOP in continuing the financing of a minimum level of basic infrastructure and community facilities in low-income settlements in Lima and other rapidly growing urban centers in Peru. As of October 31, 1980, AID Loan 527-HG-011 loan project activities were not started. U.S. investors to provide required funding will be sought once the GOP has met a series of conditions precedent.

Funding

AID GUARANTY FUNDS
(in million dollars)

	<u>Authorized</u>	<u>Borrowed</u>	<u>Liquidated</u>	<u>Balance</u>
527-HG-005/008	\$28.3	\$28.3	\$28.3	\$-
527-HG-009(I)	15.0	15.0	14.9	0.1
527-HG-009(II)	10.0	10.0	3.0	7.0
527-HG-010	15.0	-	-	-
527-HG-011	20.0	-	-	-
Total	<u>\$ 88.3</u>	<u>\$53.3</u>	<u>\$46.2</u>	<u>\$7.1 *</u>

* Unliquidated balance in escrow.

Prior Audits and Reviews

There were three previous audits of the HG program made by the AID Auditor General. Audit Report No. 1-527-73-120 covered the period from program

inception on December 5, 1962, to January 31, 1973, with primary emphasis on current operations. The audit included project operations of Loan 527- HG-005/008. Audit Report No. 1-527-77-134 examined the HG program in Peru through June 30, 1976.

On February 26, 1979, AAG/Washington issued a memorandum audit report (No. 7-47) concerning an initial review of activities funded by AID Housing Guaranty Loan 527-HG-009. The review covered the period from March 22, 1977, through August 31, 1978.

In May 1977, a financial review was made by the National Savings and Loan League of Washington, D.C. During May and August 1980, the AID/Washington Controller's Office made a financial management review of HG program activities. A review was also made by the Comptroller General of the United States and a report dated November 4, 1977 was issued. The contents of these reports were considered during the course of our current audit.

Scope

During November and December 1980, we made an audit of the HG Program in Peru covering the period from July 1, 1976, to October 31, 1980. The audit included an evaluation of the status of projects funded by AID Loan Nos. 527 -HG-005/008, 527-HG-009, 527-HG-010, and 527-HG-011. The audit was made on a selective basis and included such tests as were considered necessary in the circumstances.

The earlier stages of activities funded by AID Loan 527-HG-005/008 were included in the findings of Audit Report No. 1-527-73-120. Since activities of this loan were completed in March 1978, we concentrated on later developments under that loan. Therefore, the primary emphasis of our effort was directed towards an evaluation of current operations.

The purpose of our audit was to determine: (1) the status and implementation of the various housing projects being financed; (2) the utilization of construction funds drawn down on each loan; (3) the lending policies and repayments being made; (4) the efficacy of the Banco de la Vivienda del Peru (BVP) in carrying out the implementation of various projects; and (5) the monitoring of activities by AID officials.

Field visits were made to eight sub-project sites and discussions were held with BVP and USAID/Peru officials in order to evaluate the construction progress and see whether BVP's construction programs meet the general objectives of the housing program.

AUDIT FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Construction Financing Costs

It was BVP policy to add to each housing sub-project activity a financial surcharge above the direct project costs. The surcharge averaged about 18.5 percent, varying from project to project and ranging from 3.6 to 40.5 percent. This increase in cost raised the selling price for each housing unit or utility services connection.

We were not able to obtain accurate financial data to determine the total earnings of the BVP from these surcharges. However, our review of 16 terminated sub-project activities funded by AID Loan 527-HG-009(I) disclosed that BVP was earning substantial amounts from financing sub-projects during construction (See Exhibit A and B for details). For the overall housing projects in Peru, we estimate that since 1971 the BVP has benefited by approximately \$10.0 million. This amount was computed as follows: Loans for housing programs of \$53.3 million multiplied by an average surcharge of 18.5 percent equals \$9.86 or nearly \$10.0 million.

Since April 1979, the Mission has been concerned about the surcharges. With assistance from AID/Washington, the Mission studied the BVP surcharges within the context of the agreement definition of "eligible costs". The AID/Washington financial management reviewer pointed out that the Implementation Agreement and Implementation Letter for Loan 527-HG-005/008 did not clearly define the concept of "eligible costs".

The reviewer concluded that because of the ambiguity of eligible costs the BVP included some surcharges (legal fees, commissions) that AID did not intend to be eligible costs. But because of the ambiguity the BVP had not contravened the loan agreement.

We agree with the financial reviewer and feel that AID should limit surcharges to the extent possible in order to reduce the selling price of houses and utility connections.

In this respect, the Mission's position was that the BVP had not been doing anything unusual. In the absence of any specific prohibition, the Bank was simply covering somewhat its maintenance-of-value risk associated with local currency loans. The Bank was also helping to cover the exchange risk involved with foreign loans.

USAID/Peru officials stated that the Mission's objective was to make BVP stronger and financially healthier and to finance lower-cost activities for lower-income families. We were also told that the Mission would continue to allow BVP about a 20 percent surcharge for construction financing on implementation of all AID guaranty loan-funded sub-projects.

In the draft audit report given to the Mission and the Office of DS/H for review and comment, we made recommendations for the accountability and study of surcharges. Mission officials agreed that BVP benefits should be limited

as much as possible. As of June 4, 1980, the Bank decided that construction financing of HG sub-projects in Peru would be based on short-term interest rates, but not to exceed long-term market rates. The rates will fluctuate depending on the financial market conditions. Furthermore, construction financing will be limited to less than that amount by virtue of an implementation letter being sent on 527-HG-009(I) and (II) in May which limits all indirect costs, including construction financing, to a maximum of 30 percent.

Home Loan Delinquencies

The delinquency rate (in arrears 3 months or more) for HG home loans was 72 percent. We consider this to be excessive and feel specific remedial action should be taken.

Of the 2,643 mortgages financed by Loan 527-HG-005/008, 1,899 were in arrears 3 months or more. In other words, out of Soles 1.8 billion (\$28.6 million) in mortgages there were Soles 1.3 billion (\$21.4 million) in arrears. Exhibit C shows the status of delinquencies as of September 1980.

The Mission's evaluation of the Bank's system for controlling mortgage repayments stated, "The BVP and associated savings and loan association possesses the necessary procedures and accurate accounting data, for an efficient collection system; however, the effectiveness of these procedures leaves much to be desired". The Mission's statement was still true at the time of our review. For example, when criteria for foreclosure was met, no action to foreclose was taken. So far, threats to foreclose have only been used to induce debtors to pay.

We fear that in the future the high inflation rate (presently averaging about 60 percent per annum), combined with the problem of arrearages, will have a devastating effect on the capitalization of BVP and the associated savings and loan institutions. Therefore, it is incumbent upon AID to press the BVP to establish a plan of action to lower delinquency rates.

In response to our draft report, the Mission agreed the delinquency rate on these projects was excessive and pointed out that the BVP was well aware of the situation. But the problem is related to economic conditions in Peru and not to the lack of know-how. The projects covered by our audit were for poor people. These are the people who have lost jobs or, at the very least, have lost income relatively during the periods of high inflation in Peru. But despite this situation the Housing Office joined us in pressing BVP to maintain a course of action that would assure continuous attention to the delinquency problem.

Recommendation No. 1

USAID/Peru should request the BVP to establish a plan of action to lower delinquency rates and to monitor mortgage repayments until the delinquency problems are resolved. If on active projects USAID is not receiving delinquency reports, in a timely fashion, USAID/Peru should require BVP to submit financial reports on the status of HG-financed mortgages.

Home Improvement Loans

The home improvement loans sub-program under AID Loan 527-HG-009 had not been fully implemented, although the Phase I loan agreement was signed on April 11, 1977. After 3-1/2 years, only one-third of the program had been accomplished.

Phase I of the loan provided \$750,000 for use as home improvement loans to low-income families earning less than the median income in Peru. Phase II added another \$750,000 to the sub-program. As of October 31, 1980, we found that only \$482,351 (in equivalent local currency) of these funds had been used for the intended purposes. There were only 227 loans made under this sub-program, averaging slightly over \$2,000 each.

The slowness in implementing this sub-activity was attributed to a number of impeding factors. The central problem was that participating saving and loans (S&L) were required to provide mortgage guarantees coverage before the BVP would disburse funds. The S&Ls must cede to the BVP (that is, inscribe in the public register in the name of the BVP) mortgages from its portfolio in an amount equivalent to at least 125 percent of the amount of the disbursement requested. This requirement was difficult and time-consuming to meet.

Other impeding factors reported by the Mission were:

1. Lack of Titles in Pueblos Jovenes

In some areas (i.e., Tacna, Junin, Lima) most Pueblo Joven residents do not have title to their land and, consequently, cannot offer the property and/or existing dwellings as a guaranty for a home improvement loan. Instead, they offer employee guarantees or third-party guarantees. Therefore, guarantees from the program itself were not readily available in most cases.

The only case where a mortgage guarantee was commonly offered by the borrower was via a housing cooperative. Here the cooperative offered a global mortgage guarantee (i.e., the land of the entire cooperative) to the S&L for the home improvement loans of its members. However, the BVP would not accept such global guarantees to cover its loan to the S&L. The mortgages must be individualized.

2. Lack of Existing mortgages

In order to produce guarantees for the BVP, the S&L had to have adequate mortgage loans in its existing portfolio and this presented a problem. The S&L very often did not have a large portfolio of loans due to the lack of demand in recent years because of high interest rates - 37.5 percent. The existing mortgages had already been used to cover other loans/lines of credit from the BVP, or the S&L preferred to use the existing mortgages to cover loans from the BVP, which can be re-lent at a higher (e.g., the maximum permitted) interest rate. Loan funds used for home improvement loans were restricted to a maximum rate of 25 percent.

3. Coverage Required

The problem described was merely exacerbated by the requirement to cover 125 percent of the amount to be disbursed by the BVP.

4. Up Front Guarantees

Even if the S&L could obtain adequate mortgage guarantees from the HG program, these guarantees would be of no value because the BVP required the guarantees prior to disbursing HG funds. The S&L cannot make loans until it has the funds in hand, thus the guarantees from mortgages made with HG program funds were not available until after the loans are made. Therefore, none of the HG program funds could be used to support BVP disbursements. The S&L would have to come up with "bridging guarantees" from its existing mortgage portfolio until guarantees from the HG program could be substituted. However, in actual practice, HG program guarantees were usually not substituted due to the additional time and expense involved in public inscription.

5. Inscription in Public Register

The process of approval and inscription of the mortgage guarantee was time consuming and in some cases expensive. First, the S&L must send a list of the mortgages offered to the BVP for its approval (e.g., to ensure that the loans being offered were not delinquent). Once approved, the BVP sends the list back to the S&L so the mortgages can be inscribed in the public register in the name of the BVP. This inscription may take 2 or 3 months depending on the personnel and/or the lack thereof in the Oficina de Registros Públicos. In Tacna, for example, the inscription was delayed due to a strike in the registration office. The inscriptions can cost as much as Soles 1,000 (\$2.50) each. One of the participating S&L's did not have this problem because it was the only participating S&L whose contract with the BVP did not require such inscription. In our opinion, uniform inscription rules should apply to all participating S&L's.

In conclusion, we believe BVP's requirements to protect its portfolio on home improvement loans were excessively cumbersome. A more simplified procedure was needed. We also believe that BVP should allocate HG funds to the S&Ls under a contractual arrangement. The S&Ls would own the home

improvement loan portfolio, but be responsible to BVP to meet principal and interest payments when due.

6. Demand for Home Improvement Loan Funds

In order to test the demand for home improvement loan funds in areas where the program had not started, we asked low-income home owners whether they would borrow funds from saving and loan institutions for home improvements. The responses we received were very encouraging. Most likely the same condition exists in all areas of the country.

During our visits to project sites located in northern Peru (Trujillo area) was funded by loan 527-HG-009, we determined that housing program funds were being used to construct and provide utility services, such as water, sewerage, and electricity. We noted that many of the connections of these services stopped a foot or two short of the dwellings. Activities under Phase I permitted the financing of hook-ups from the main lines (sewer and water) to the lot line. It was then up to the beneficiary to complete the connection to the house, as well as, to install the internal plumbing system. We were told that often these costs create additional financial burdens on the low-income families. Therefore, we feel there was a need for the promotion of the S&L home improvement program in the BVP's basic services projects.

Mission officials informed us that BVP had approved five utility connections loans in other areas of Peru. However, overall the general demand for home improvements had been for other types of loans -- finishing work, roofs, internal utility systems, and additional rooms.

USAID/Peru under OPG AID/otr-G-1583 was alleviating some of the constraints that impeded the implementation of this sub-program by providing home improvement loans to aid underprivileged home owners in obtaining house connections for utilities, such as, water, sewerage, and electricity. We believe that the demand for housing improvement loans was there, if the program was properly promoted and explained. We also believe that future utility services sub-programs should provide for house connections to assist the low-income home owners.

In response to our draft report, management accepted our overall assessment of the home improvement loan program. We pointed out that there was a need for a simplified procedure to protect BVP's portfolio and a need to promote the program. Management agreed that the recommendation was valid but did not fully address all the problems discussed in the audit report and suggested a broader approach.

Recommendation No. 2

USAID/Peru should assist the BVP in developing and carrying out an overall plan for the home improvement loans sub-program.

BVP Loan Project Management

There was a need to improve loan program management within the BVP in order to meet all responsibilities of the program.

Since its creation in 1969, the GOP's Ministry of Housing has played an active role in the implementation of Peru's housing programs, either as a direct sponsor or as an implementing agency for other regional and local offices throughout the country. However, when handling foreign assistance housing programs directed towards low-income beneficiaries, legislative decree had given this task to the Banco de la Vivienda de Peru (BVP). The BVP was responsible for contracting the service organizations in the public and private sectors to carry out such programs.

Specifically, BVP was responsible for the following general aspects of program development: (a) Announcing and promoting the program; (b) Signing and implementing contracts; (c) Coordinating the program with AID and other participating agencies; (d) Selecting sites, towns, and types of programs to be implemented; (e) Approving the projects; (f) Reporting to AID; and (g) Evaluating the program.

However, a joint BVP/USAID/Peru evaluation dated June 13, 1980, of HG program activities, found a lack of coordination and other deficiencies with program implementation. To help the new BVP management, the evaluation team recommended that BVP take immediate action on the following:

- a) Establish within BVP a high-level program coordination committee for AID programs;
- b) Establish of an inter-agency committee for program implementation;
- c) Establish within the BVP a Promotion and Development Department;
- d) Establish a system with which to obtain rapid recuperations and information on delinquencies; and
- e) Expand and strengthen the evaluation capability of BVP.

We believe these recommendations are constructive and should be implemented as soon as possible. Action had not been taken; therefore, we believe that some assistance should be provided to BVP. In commenting on our draft report management agreed with our proposed recommendation.

Recommendation No. 3

USAID/Peru should continue to extend technical assistance to assist BVP management in implementing the recommendations proposed by the June 1980 evaluation.

Evaluation of Project and/or Sub-Project Activities

We asked that BVP provide progress and evaluation reports for AID Loan 527-HG-005/008, and for the first phase of AID Loan 527-HG-009(I). These reports were not available because a system to evaluate project activities had not been established.

The Mission told us that BVP does not have an evaluation unit within its project management organization; consequently lessons learned from the various project activities remain unrecorded. Also, preparation of the end-of-project report for AID Loan 527-HG-005/008 had not been completed. We understand that as a condition precedent to Loans 527-HG-010 and 527-HG-011 the Mission will assist BVP in establishing an evaluation system within its project management organization. USAID/Peru officials stated that soon BVP will commence an end-of-project project report for AID Loan 527-HG-005/008.

Recommendation No. 4

USAID/Peru should assist the BVP in preparing the end-of-project report required under the provisions of AID Loan 527-HG-005/008.

Registration of Mortgages and Subscription of Utility Services Contracts

Our review of project records showed the BVP was slow in registering mortgages and signing service sales contracts. Progress in speeding up mortgage registration was being made, but BVP will need a longer period of time to ensure that customers start repayment for utility service connections.

None of the mortgages on the 446 units constructed at the PREVI-Bocanegra and El Trupal sub-projects had been registered. Mission and BVP officials told us the registration of the mortgages will be completed within 6 months.

Utility service contracts (about 21,000 connections for water, sewerage and electricity) have not been sufficiently subscribed. Subscription (sales) agreements have not moved as rapidly as they should. One of the problems was that BVP had started some sub-projects without obtaining enough subscriptions for such services. This has been corrected. USAID/Peru and BVP have established a new procedure that will require sub-projects to commence only after 75 percent of the beneficiaries have subscribed for these services.

Project Overview System

The overview of the HG program in Peru was a joint effort of the Mission and the AID/Washington Office of Housing. Based on our review of HG program files, visits to sub-project sites, and discussions with USAID/Peru officials, we concluded that the program was receiving sufficient overview.

Management of the HG program was vested in the Office of Housing. Overview was accomplished through technical assistance provided by USAID/Peru and periodic program and financial reviews done by the Office of Housing.

USAID/Peru engineers made frequent field visits to check project progress. This monitoring of construction was independent of the GOP's Ministry of Housing and the construction engineers inspection and monitoring activities.

The Office of Housing made financial reviews of the Peru HG program. The reviews were done by the AID/Washington Controller through arrangement with the Office of Housing and by contract with the National Savings and Loan League headquarters in Washington, D. C.

The established system adequately satisfied the overview requirements of the program.

AID HOUSING GUARANTY PROGRAM IN PERU
AID LOAN 527-HG-009 (I)
 In Thousand soles)

EXHIBIT A

Project Title and/or Location	PROJECT LOAN COMMITMENT AND FINAL COSTS				Total Project Sales	Interim Construction Costs
	Project Loan Commitment	Total	UNITS FINANCED			
			B.V.P.	A.I.D.		
<u>LIMA</u>						
1. Sangara	S/. 139,000	1,760	-0-	1,760	S/. 334,544	S/. -0-
2. El Progreso	48,338	2,732	-0-	2,732	58,578	-0-
3. Virgen de Lourdes	19,324	1,188	-0-	1,188	22,310	-0-
4. 7 de Octubre	5,532	291	-0-	291	6,678	-0-
5. Santa Luzmila	189,130	2,472	-0-	2,472	291,296	-0-
6. Jose Olaya	5,480	384	-0-	384	6,107	-0-
7. Previ - Bocanegra	410,978	720	-0-	720	544,490	-0-
8. A.P.T.L.	310,327	296	-0-	296	344,807	-0-
Reserves	16,447	-0-	-0-	-0-	-0-	16,447
Home Improvement Loan Program	60,240	-0-	-0-	-0-	-0-	60,240
Total Costs - LIMA	S/. <u>1,204,796</u>	<u>9,843</u>	<u>-0-</u>	<u>9,843</u>	S/. <u>1,608,810</u>	S/. <u>76,687</u>
<u>PROVINCES</u>						
9. Santa Julia - Piura	161,296	1,762	-0-	1,762	-0-	161,296
10. Alto de la Alianza/S.M. - Tacna	87,593	1,343	-0-	1,343	113,540	-0-
11. Parachico - A.B. Leguia - Tacna	123,810	646	-0-	646	133,514	-0-
12. Natividad - Jesus Maria - Tacna	40,122	1,049	-0-	1,049	60,107	-0-
13. Pedro P. Diaz - Arequipa	8,597	132	-0-	132	12,516	-0-
14. Zona D. Hunter - Arequipa	2,838	76	-0-	76	4,708	-0-
15. Zona E. Hunter - Arequipa	8,350	138	-0-	138	-0-	8,350
16. Sachaca - Arequipa	14,145	260	-0-	260	-0-	14,145
17. Huaranquillo/P. Camaron - Arequipa	59,858	578	-0-	578	-0-	59,858
18. Daniel A. Carrion - Arequipa	18,500	237	-0-	237	-0-	18,500
19. Vista Alegre - Bs. As. - La Libertad	178,775	1,991	-0-	1,991	-0-	178,775
20. San Martin Baja Tension - Piura	10,720	328	-0-	328	15,664	-0-
21. San Martin Alta Tension - Piura	1,100	-0-	-0-	-0-	-0-	1,100
22. La Tingnina - Ica	607,500	2,820	-0-	2,820	-0-	607,500
23. Tupac Amaru/11 de Abril - Piura	25,024	570	-0-	570	-0-	25,024
24. Parcela C. Talara - Piura	219,322	500	-0-	500	1,012,790	-0-
25. El Trupal - Trujillo	115,000	150	-0-	150	184,270	-0-
Reserves	34,283	-0-	-0-	-0-	-0-	34,283
Home Improvement Loan Program	90,360	-0-	-0-	-0-	-0-	90,360
Total Costs - Provinces	S/. <u>1,807,193</u>	<u>12,580</u>	<u>-0-</u>	<u>12,580</u>	S/. <u>1,537,109</u>	S/. <u>1,199,191</u>
TOTAL PROJECT COSTS	S/. <u><u>3,011,989</u></u>	<u><u>22,423</u></u>	<u><u>-0-</u></u>	<u><u>22,423</u></u>	S/. <u><u>3,145,919</u></u>	S/. <u><u>1,275,878</u></u>

AID HOUSING GUARANTY PROGRAM IN PERU
AID LOAN 527-HG-009 (I)
COSTS OF COMPLETED SUB-PROJECTS
(In Thousand Soles)

EXHIBIT B

<u>Project Title and/or Location</u>	<u>Project Costs</u>	<u>Plus Res. for Cost Increases</u>	<u>Percent Applied</u>	<u>Total Value of Project</u>	<u>Plus Financial Charges</u>	<u>Percent Applied</u>	<u>Overall Project Costs</u>
<u>LIMA</u>							
1. Sangara	S/. 159,537	102,209	64.1	S/. 261,746	S/. 72,798	27.8	S/. 334,544
2. El Progreso	49,701	1,575	3.2	51,276	7,302	14.2	58,578
3. Virgen de Lourdes	19,968	144	0.7	20,112	2,198	10.9	22,310
4. 7 de Octubre	5,970	84	1.4	6,054	624	10.3	6,678
5. Santa Luzmila	164,515	42,751	25.9	207,266	84,030	40.5	291,296
6. Jose Olaya	5,407	98	1.8	5,505	602	10.9	6,107
7. Previ - Bocanegra	321,613	165,920	51.6	487,533	56,957	11.7	544,490
8. A.P.T.L.	183,610	121,995	66.4	305,605	39,202	12.8	344,807
TOTAL	<u>S/. 910,321</u>	<u>434,776</u>	<u>47.8</u>	<u>S/. 1,345,097</u>	<u>S/. 263,713</u>	<u>19.6</u>	<u>S/. 1,608,810</u>
<u>PROVINCES</u>							
9. Alto de Alianza/S.M. - Tacna	S/. 73,831	11,027	14.9	84,858	28,682	33.8	113,540
10. Parachio - A.B. Leguia - Tacna	84,500	18,646	22.1	103,146	30,368	29.4	133,514
11. Natividad - Jesus Maria - Tacna	35,230	9,860	27.9	45,090	15,017	33.3	60,107
12. Pedro P. Diaz - Arequipa	11,799	-0-	-0-	11,799	717	6.1	12,516
13. Zona D. Hunter - Arequipa	4,291	-0-	-0-	4,291	417	9.7	4,708
14. San Martin Baja Tension - Piura	7,816	3,612	46.2	11,428	4,236	37.1	15,664
15. Parcela C. Talara - Piura	497,187	377,717	75.9	874,904	137,886	15.8	1,012,790
16. El Trupal - Trujillo	156,956	20,980	13.4	177,936	6,334	3.6	184,270
TOTAL	<u>S/. 871,610</u>	<u>441,842</u>	<u>50.7</u>	<u>S/. 1,313,452</u>	<u>S/. 223,657</u>	<u>17.0</u>	<u>S/. 1,537,109</u>
Total Completed Project Costs:	<u>S/. 1,781,931</u>	<u>876,618</u>	<u>49.2</u>	<u>S/. 2,658,549</u>	<u>S/. 487,370</u>	<u>18.3</u>	<u>S/. 3,145,919</u>
Peruvian Soles converted to U.S. Dollars at an average of approximately S/.200 to \$1.00							

EXHIBIT C

AID HOUSING GUARANTY PROGRAM IN PERU
AID LOAN 527-HG-005/008
STATUS OF HOME LOAN DELINQUENCIES

Project Title	Total Houses	Mortgages as of Sept. 1980	Total Sales (S/./000)	Mortgages Delinquent as of Sept. 1980				Value of Mort. Delinquent (S/./ 000)
				3 Months	Over 3 Months	Total	Percent of Total	
1. Los Pinos	100	100	S/. 20,520	100	-	100	100.0	S/. 20,520
2. Bella Mar	510	465	140,550	1	464	465	100.0	140,550
3. Los Jardines	183	172	46,248	81	23	104	60.5	27,980
4. San Salvador	116	113	32,026	61	16	77	68.1	21,810
5. Mochica - I Etapa	120	113	33,860	44	21	65	57.5	19,470
6. CAP Cayalti I	100	1 1/2	24,000	-	1	1	100.0	24,000
7. Daniel Hoyle	357	351	95,120	168	73	241	68.7	65,347
8. Bancarios de Lambayeque	72	72	23,830	18	15	33	45.8	10,914
9. Vista Bella	69	67	22,976	34	16	50	74.6	17,140
10. Covirt - I Etapa	237	237	113,700	70	133	203	85.7	97,441
11. CAP Andahuasi	442	1 1/2	291,966	-	1	1	100.0	291,966
12. CAP Laredo	200	1 1/2	167,103	-	1	1	100.0	167,103
13. CAP Paramonga	200	1 1/2	145,099	-	1	1	100.0	145,099
14. Ptmos. Individuales Trujillo	250	235	68,655	107	54	161	68.5	47,029
15. Ptmos. Individuales Chimbote	150	147	32,388	67	49	116	78.9	25,554
16. Ptmos. Individuales Piura	71	69	17,484	-	-	-	-	-
17. Remigio Silva	200	200	116,721	-	200	200	100.0	116,721
18. Farque Ind. de Trujillo	298	298	308,112	71	9	80	26.8	82,574
19. Morro de Huánuco	58	-	63,607	-	-	-	-	-
	<u>3,733</u>	<u>2,643</u>	S/. <u>1,763,965</u> 2/ \$28.6 million	<u>822</u>	<u>1,077</u>	<u>1,899</u>	<u>71.9</u>	S/. <u>1,321,218</u> \$21.4 million

1/ Blanket mortgages issued to Cooperatives as Associations.

2/ U.S. Dollars originally converted to Soles average of S/. 6.6 = \$ 1.00

LIST OF AUDIT RECOMMENDATIONS

Recommendation No. 1

USAID/Peru should request the BVP to establish a plan of action to lower delinquency rates and to monitor mortgage repayments until the delinquency problems are resolved. If on active projects USAID is not receiving delinquency reports, in a timely fashion, USAID/Peru should require BVP to submit financial reports on the status of HG-financed mortgages. Page 6

Recommendation No. 2

USAID/Peru should assist the BVP in developing and carrying out an overall plan for the home improvement loans sub-program. Page 8

Recommendation No. 3

USAID/Peru should continue to extend technical assistance to assist BVP management in implementing the recommendations proposed by the June 1980 evaluation. Page 9

Recommendation No. 4

USAID/Peru should assist the BVP in preparing the end-of-project report required under the provisions of AID Loan 527-HG-005/008. Page 10

LIST OF REPORT RECIPIENTS

	<u>Copies</u>
IDCA, AID/W	1
IDCA's Legislative and Public Affairs Office, AID/W	1
Deputy Administrator, AID/W	1
Assistant Administrator - Bureau for Latin America and the Caribbean (IAC), AID/W	5
Mission Director,- USAID/Peru	5
Assistant Administrator.- Bureau for Development Support, Office of Housing (DS/H), AID/W	5
Accounting Systems Division, Office of Financial Management (FM/ASD), AID/W	1
Assistant Administrator, Office of Legislative Affairs (LEG), AID/W	1
General Counsel, AID/W	1
Country Officer, AID/LAC/SA, AID/W	1
Audit Liaison Office, LAC/DP, AID/W	3
Director, OPA, AID/W	1
DS/DIU/DI, AID/W	4
PPC/E, AID/W	1
Inspector General, AID/W	1
RIG/A/W, AID/W	1
RIG/A/WAFR, AID/W	1
RIG/A/Cairo	1
RIG/A/Manila	1

	<u>Copies</u>
RIG/A/Karachi	1
RIG/A/Nairobi	1
IG/PPP, AID/W	1
IG/EMS/C&R, AID/W	12
AIG/II, AID/W	1
RIG/II/Panama	1
RIG/A/La Paz Residency	1
RIG/A/NE, New Delhi Residency	1
General Accounting Office, Latin America Branch, Panama	1