

PROJECT ABSTRACT

Name of the project : Securitizadora Security GMAC-RFC
Country : Chile
Total RMBS program : US\$200 million
IDB participation : IDB loan up to US\$35 million
IDB partial credit guarantee (PCG) up to US\$40 million
Department : Private Sector Department
Status : IDB Mandate Letter executed on March 16, 2006

1. Project description

Securitizadora Security GMAC-RFC S.A. (“SSGMAC”) is one of the most active mortgage specialized securitization companies in Chile, whose objective is the purchase of assets that generate future cash flows and correspondingly issue fixed rate short or long term debt instruments. SSGMAC is seeking the Bank’s support to access the local capital markets as a funding source for pooling residential mortgage loans and/or residential leasing contracts (“mortgages”) in the mid-low income segment and credit enhancement for each mortgage securitization.

The proposed transaction consists of: (i) a revolving eight-year mortgage backed credit facility (“Warehouse facility”) to purchase and accumulate mortgages until a sufficient volume is reached to be pooled, issued as Residential Mortgage Backed Security (“RMBS”) and sold to the Chilean capital markets and (ii) one or more partial credit guarantees (the “PCG”) to support the issuance of the RMBS Program during six years. Both the RMBS Program and the Warehouse Facility constitute the Project (“Project”). Bank support in both components is critical to help overcome scale limitations experienced by SSGMAC and access institutional investors.

The Warehouse Facility consists of a revolving asset-backed credit facility to provide SSGMAC with financing for the purchase and accumulation of endorsable mortgage credits (“EMCs”) and housing leasing contracts (“HLCs”) until a volume adequate to be pooled and sold in domestic capital markets under the RMBS Program is reached. The Warehouse Facility will be for up to US\$35 million with a total maturity of eight years and availability (draw period) on a revolving basis of six years.

The RMBS Program will exist for an eight year period to issue up to US200million (equivalent in Chilean U.F.) in multiple sequential RMBS series (“Series”). It is envisioned that SSGMAC will create bankruptcy remote separate equity entities (“SEP” also referred to as “*Patrimonios Separados*”) from the issuance of securities backed by mortgage pools that are expected to consist of HLCs and/or EMCs.

2. Project benefits

The project will support the development of the mortgage market in Chile by increasing the availability of housing finance, in particular the number of housing units for mid-low

income segment financed indirectly by SSGMAC. The warehouse facility will be used to purchase housing financing instruments (including endorsable mortgage credits and housing leasing contracts) from the originators, which will result on a higher turnover of housing loans.

Furthermore, the credit support through the issuance of one or more partial credit guarantees should increase the confidence of institutional investors such as life insurances and pension funds and promote the development of the local capital markets by helping to increase the issuance of the MBS and to expand the participation of securitization in the Chilean economy.

3. Environmental and social aspects¹

Based upon the nature of this Project, there should be limited direct environmental, social, or health and safety impacts or risks, and thus no environmental assessment is required. Potential issues and risks include SSGMAC environmental credit risks (i.e. environmental and social potential negative effects on SSGMAC ability to repay the IDB) and IDB Reputation Risks associated with SSGMAC environmental, social, health and safety, and/or labor practices. GMAC and Grupo Security experience in real state finance is expected to improve the assessment of environmental and social aspects during the securitization review process.

Strategy for the Environmental and Social Due Diligence

The Bank, as part of its due diligence process, will analyze the environmental and social aspects of the Project, including, among others aspects, SSGMAC compliance status with applicable environmental, social, health and safety, and labor regulatory requirements in Chile, the sufficiency of securitization procedures to manage environmental and social risks and an evaluation to assure an appropriate inventory of present environmental and health and safety liabilities in SSGMAC facilities and operations, and if they exist, assess the adequacy of the action plan or prepare an action plan to properly resolve them.

The team will establish environmental, social, health and safety, and labor requirements in the Warehousing Loan Proposal and in the Partial Credit Guaranty.

¹ This Environmental and Social Strategy (ESS) is being made available to the public in accordance with the Bank's policy on information disclosure. The ESS has been prepared based primarily upon information provided by the Project sponsors and does not represent either the Bank's approval of the Project or verification of the ESS completeness or accuracy. The Bank, as part of its due-diligence on the feasibility of the Project, will assess the environmental and social aspects. This assessment will be presented in the Project Environmental and Social Management Report that will be prepared by the Bank, and will be made available to public prior to consideration of the Project by the Bank's Board of Executive Directors.