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Recommended Diagnostics for Mortgage Lending in Banks and Appraisal Training SUPPLEMENT REPORT

EGYPT FINANCIAL SERVICES PROJECT
TECHNICAL REPORT #87B

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DATA PAGE

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Task: Task 1: Establish Supporting Framework for Real Estate Finance Industry

KRA: 1.10.1 Capacity Building of Banks to Extend Housing Finance Loans through Mortgages

Activity: Capacity Building of Banks to Extend Housing Finance Loans Through Mortgages

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Acronyms

CBE	Central Bank of Egypt
EFS	Egypt Financial Services Project
EMRC	Egyptian Mortgage Refinance Company
GSF	Guarantee and Subsidy Fund
MFA	Mortgage Finance Authority
MQS	Minimum Quality Standards
P&L	Profit and Loss

Section A – Recommended Diagnostics for Mortgage Lending in Banks

1) Summary

Mortgage lending in Egypt has been slow to develop with the general banking community being slowest to respond. Despite the fact that the Consultant engaged by Egypt Financial Services Project (EFS) has yet to have direct communications with banks to discuss the reasons why, notes from meetings between EFS and selected banks have been provided. The summary of the minutes reveals that some banks are reluctant to enter the market as it is perceived that it is too young and legal processes have not been tested.

The intent of this recommendation is to develop a course of action for EFS staff to pursue when making contact with a bank to determine whether and how EFS can provide an analysis of methods and procedures for originating, processing, underwriting and funding mortgage loans. The following recommendations propose a three (3) tiered approach to making contact with a selected bank, determining the needs of the bank, assessing the procedures in use and providing a series of recommendations for implementation of an efficient mortgage loan process.

2) Tier 1 – General Discussions

This tier covers:

- Introduction to EFS and the support it can offer a bank
- Discussion of the benefits of offering mortgage loans to bank clients
- Identification of resources needed by the bank to offer mortgage loans
- Demonstration/Discussion of the life cycle of a mortgage loan

3) Tier 2 – System Review and Analysis

Conduct an in bank review of the departments as found in 5 below, which needs to support mortgage lending. Questions will be asked here cover:

- Loan Origination
- Loan Processing
- Loan Underwriting/Loan Committees
- Loan Documentation – Legal
- Information Technology
- Loan Servicing

4) Tier 3 - Recommendations

This tier shall be the results of task analysis of each person in the process of making a loan. Processes and policies to be reviewed include:

- Loan officer/sales and marketing
- Loan processor – verification of information and assembly of file for underwriter
- Out side service providers
 - Appraisers
 - Insurance companies
 - Registry agents

- Title and ownership verification
- Loan Underwriter-Loan Committee
- Document preparer
- Loan Closer
- Loan servicing representatives
- IT support

When the analysis is complete, additional interviews should be held with senior and mid level managers to assess the priority for implementation of the recommendations for each work group.

5) Work Groups¹

For a commercial bank to understand the quality and capabilities of its current mortgage lending operation, if any, develop a new mortgage lending program or improve its existing program to meet international standards, the Egypt Financial Services Project, drawing on the recent experience of the lending operations currently supervised by the Mortgage Finance Authority (MFA), has developed a brief checklist of key functions involved in mortgage lending.

The primary purpose of this *checklist* is to help banks and EFS conduct a rapid assessment of the bank's preparedness to enter the mortgage lending market and its ability to comply with existing laws and regulations. This checklist, and the results of the later management interview process to be conducted by EFS, will allow bank management to focus resources on those areas most critical to establishing efficient and professional mortgage lending programs.

Although each bank, depending on its capitalization, market share, staffing capabilities, past experience with consumer and mortgage lending and its particular management goals, will organize its mortgage lending operation differently. Fundamentally, the operating functions to be found in the mortgage unit in any commercial bank should be similar to those present in any other credit department within the institution. The primary difference being the documentary requirements of a real estate loan backed by a registered lien, or mortgage instrument, differences in collateral appraisal, loan asset monitoring over time and the long-term nature of the credits will require additional operations. In the case of Egypt and the current goal to achieve a standardization of loan products and documentation within the market, the mortgage unit of a commercial bank can be structured similarly to those currently established in the non-bank financial institutions.

In the model organization of a mortgage lending department, each of the operational units included in the chart performs important functions or tasks necessary for the efficiency and accurate work flow of the department. As an income generating unit (and cost center) for the bank, the mortgage lending department must be able to process new business, underwrite and approve new credit extension, document and account for each loan, and ensure that all legal and regulatory requirements are met.

The following list provides a brief description of the rationale for and the primary duties to be performed by each of these units:

¹ This information was previously prepared by staff of EFS for delivery to commercial banks when possible. The analysis and effort is greatly appreciated. It has been edited only to the extent of establishing a priority of the work groups and functions as it relates to the loan process.

a) Loan Origination and Underwriting Group

This group is the heart of the lending operation as all new mortgages are originated and approved through this unit. This sub-group will consist of a team of loan officers, underwriters and documentation processing staff that will be responsible for the processing of qualified loan applications and completing the initial documentation requirements for loan approval. Normally, a potential borrower's first point of contact with the bank will be with the staff charged with marketing mortgage products and initiating the origination process, i.e. the loan officer.

In real estate financing, underwriting is the evaluation of the multiple risks involved in extending a long-term mortgage loan. Such an evaluation contains a number of elements, including but not limited to:

- (1) an assessment of the financial strength of the borrower;
- (2) an assessment of the borrower's credit worthiness;
- (3) a review of the strength and value of the subject property as collateral (as provided in the appraiser's report);
- (4) an assessment of the market conditions that affect the risk of default or loss;
- (5) an assessment of long-term market conditions for funding which affect loan pricing and therefore the borrower's repayment capacity ; and
- (6) an evaluation of any circumstances in which the loan would not meet established lending criteria and rationale for any exceptions.

These analyses, executed in a combined paradigm, form the basis for the loan approval recommendation report which clearly indicates the underwriters' judgment of the overall credit risk of a particular mortgage loan transaction. The underwriting group is responsible for presenting all new mortgage loans for approval by the credit committee or designated authority.

b) Property Appraisers

Property Appraisers fulfill a most important role in the operation of a mortgage lending department. As the foundation of this type of lending lies in the value of the asset being financed and the collateral security provided the lender through the mortgage instrument, determining and acceptable appraised value of the financed real estate is essential.

The valuation of the real property upon which the lending agency will provide long-term loans secured by mortgages based upon the valuation found, is the primary use of appraisals by lenders. In general, mortgage-backed loans are made to construct, finance the acquisition of and/or rehabilitate real property—to use the property as collateral for commercial loans. The lender will establish an acceptable loan to value ratio and set loan terms based upon the appraisers report of the quality and monetary value of the property.

The other principle components of the mortgage loan, the terms and conditions of the loan, the interest rate charged and the financial strength of the borrower, are actually generic to most credit extensions. The market value and perceived salability of the property covered by the mortgage instrument is the unique factor in mortgage lending.

The review of appraisals performed both in-house and/or by independent fee-for-service appraisers, is a necessary duty of the mortgage loan department. Such reviews may be *field reviews*, where the appraisal process and analyses are checked for completeness and accuracy and the subject property and comparable sales are observed, or *desk reviews*, where the appraisal process and analyses are checked for completeness and

accuracy but the subject and comparable sales are not observed. This review process is designed to recognize the systematic preparation of appraisals, the reasonableness of the value estimates, as well as, to identify obvious errors.

The appraisal unit of the mortgage lending department can also be responsible for the collection of general market data on property values in the area. Such data lends itself to the identification of economic and demographic trends. It establishes the framework for real estate demand and supply. It pinpoints marketing times (turnover ratios) for different types of property. Early indications of neighborhood change are also developed in the general survey.

In a larger financial institution, with a significant portfolio of mortgage-backed credits, the collection of specific property data provided by appraisers or perhaps in-house engineers, facilitates a thorough understanding of and familiarization with the subject property. Such information as site location, access, size, shape, and topography; structure(s) quality, size, condition, effective age, remaining economic life, replacement cost, curable and incurable depreciation, and structural systems enables the lender to better understand the elements which will go into the value estimate, and therefore, how appropriate and suitable the subject property is for mortgage consideration and enhances the lender's ability analyze market trends.

c) Accounting Department and Loan Servicing Group

The accounting and loan servicing groups are the administrators and overseers of mortgage loans originated and are essential to the efficient accounting and monitoring of all outstanding loans. The integrated nature of loan administration will require the close cooperation of these two groups to ensure a smooth ongoing operational flow. The number of specialized staff positions required to operate these two units will vary depending on the volume of loans generated as well as the capacity and flexibility of the IT system employed.

It is imperative that this unit, within the mortgage lending group, be established with the most appropriate accounting and loan servicing systems available and that the staff be well trained in the technical aspects of their positions. In larger institutions, it is also important that the accounting systems employed within the mortgage lending department are compatible and can be consolidated with the bank's central accounting system.

The various generic activities involving the accounting and servicing functions include:

1. Conduct and maintain accurate accounting records for all aspects of the mortgage loan transaction.
2. Advise management about the development of suitable accounting procedures.
3. Training of staff regarding those procedures that have long-term risk and/or legal implications.
4. Respond, externally and internally, to questions and controversies regarding compliance with accounting procedures.
5. Conduct all operations and administration procedures involving escrow accounts (if any)
6. Notify management of changes that should be made to procedures in response to:
 - a. Changes in payment patterns of customers.
 - b. Changes in related procedures.
 - c. Noted changes in the costs associated with long-term loan servicing such as expenses for delinquency collection and customer counseling efforts

Finally, the accounting function within the mortgage loan department should be able to develop an internal Profit and Loss (P&L) statement for mortgage operations.

Depending on the size of the department, the volume of loan activity generated and the sophistication of the bank's chart of accounts and consolidated accounting system; this important management tool can be as simple as a comparative expense ledger against the budget or a complete income and expense statement with allocation of capital costs and a detailed schedule of the net profitability of each product. In any case, it is an ongoing need of management to receive income and expense data on this operation to assist in their risk management and profitability decisions.

d) Legal Group

In a larger institution, all legal work may fall under a centralized department. Because of the unique nature of mortgage lending, it is highly recommended that specialist attorneys experienced in real estate law be assigned to the mortgage lending department. Attorneys assigned to work on the multiple legal matters pertaining to mortgage loans are important constituents of the department. Their involvement continues through the entire cycle of the loan process and is particularly important to ensure that all of the legal documentation, including the mortgage lien instrument, meets bank underwriting standards and complies with current law and regulation.²

The general responsibilities of the legal group can be seen to encompass, among other issues, the following tasks germane to the well-organized operation of the mortgage lending department:

1. Develop and maintain loan forms that protects lender as well as the borrower,
2. Prepare and review all loan documentation for compliance to current laws and regulations,
3. Assist in the process of Title search and property registration, and
4. Review all loan documentation for compliance.
 - a. Loan instrument—promissory note
 - b. Security instrument—mortgage document
 - c. Closing statement—document detailing payments due at settlement
5. Review and opine on all changes in the enacted laws and regulations
6. Review changes in interpretation of existing law and how it is applied or perceived by the courts, regulators or other authorities.
7. Review other documentation.
 - Borrower's title instrument
 - Property registration
 - Credit enhancement instrument (guarantee from employer or others)
 - Documentation related to Guarantee and Subsidy Fund (GSF) position in loan (down payment subsidy or other guarantees)
 - Documentation related to any subordinate or second level financing

² It is important to note that the resources from the legal department can be automated which will greatly reduce the costs of the loan production. Specifically, loan documents can be written using standard provisions and wherein the loan documents can be prepared by assistants or the underwriting department using merge fields in a word processing format. This will speed up document preparation and will reduce the time necessary for attorneys to draw and review each document.

- Acknowledgement agreement or other evidence of cooperation from building's governing body
- 8. Attend and/or conduct the loan settlement and property transfer proceedings
- 9. Maintain close working relationship with the Loan Servicing Group and Credit Department staff to perform all legal work required for the collection and recovery of delinquent loan accounts and management of any foreclosure proceedings.

e) Risk Management

As an adjunct to the internal organization chart of the mortgage lending department, there must be a clear line of communication and coordination with the risk management process of the institution. A clear operational structure for and the complete understanding of the department's reporting and working relationship with the various risk management and credit committees that should be in place within the institution is basic to the long-term success of the group.

Risk management practices and loan pricing are critical functions of mortgage lending and consequently, once measurable progress has been realized in the fundamental organization of the mortgage lending operation, further management involvement and coordination will be required to determine exactly how the mortgage lending group will implement risk management practices with activities that relate to the following bank committees:

- Asset Liability Management Committee
- Asset Risk Management Committee
- Financial Audit Committee
- Credit Policy and Approval Committee
- Credit Evaluation Committee
- Non-performing Loan Recovery Committee

f) Portfolio Quality

It should be a primary objective of the mortgage loan department of any institution to produce a high quality and profitable mortgage loan portfolio for the bank. Beyond the obvious goal of avoiding unacceptable financial losses for the institution, the functions of the various units of the mortgage lending department should also include procedures which ensure the long-term quality and acceptability of the mortgage loan portfolio in the secondary markets.

In this respect, mortgage loans should be structured at the origination in such a fashion that bank management is able to conduct risk management and funding operations through secondary market institutions, such as the Egyptian Mortgage Refinance Company (EMRC). Consequently, an important feature of the structure of the mortgage portfolio will be its standardization in terms and conditions in order to meet the eligibility requirements for refinancing through the EMRC.

The underwriting procedures and loan documentation functions of the mortgage lending department will need to reflect adherence to the Minimum Quality Standards (MQS) and the documentary standardization levels established by the EMRC. The long-term goal for the mortgage department should be the creation of a performing mortgage loan portfolio which meets the MQS and standardization levels to qualify for access to the secondary market for future liquidity and/or funding requirements.

g) IT Support Group

In today's highly computerized business environment, the importance of a solid IT support group can not be underestimated. Mortgage lending is probably the most intensely documented form of lending in operation. Given the long-term nature of the credits advanced, as well as the high possibility for packaging and refinancing mortgage loans on the secondary market, the accounting and payment monitoring systems employed are extensive. The supporting functions of the IT Group include close liaison with the lender's accounting department with the shared responsibility for managing loan disbursements and collecting regular mortgage payments to entering the funds received to the proper general ledger accounts and maintaining accurate records for use by the loan servicing group. The accounting department, using the lender's IT programs with specific mortgage servicing software, will produce and submit a weekly past due report to the loan servicing group.

The IT systems employed by the lender must be capable of operating within the local documentary and regulatory environment and flexible enough to accommodate expanding loan volumes. The IT department is responsible for generating the MIS reports critical to management for risk management decisions as regards loan underwriting and pricing as well as all required regulatory data. The IT group liaises closely with the loan servicing and accounting staff in the control and input of the multiple accounting entries basic to mortgage lending.

h) Conclusion

As discussed above, ultimately it is management's vision and operating style that are the determinants of each bank's approach to mortgage lending operations. This checklist serves as a preliminary guide for management to develop its own detailed operational and lending procedures. In developing these procedures, it is recommended that the following outline of market concepts and management concerns be taken into consideration:

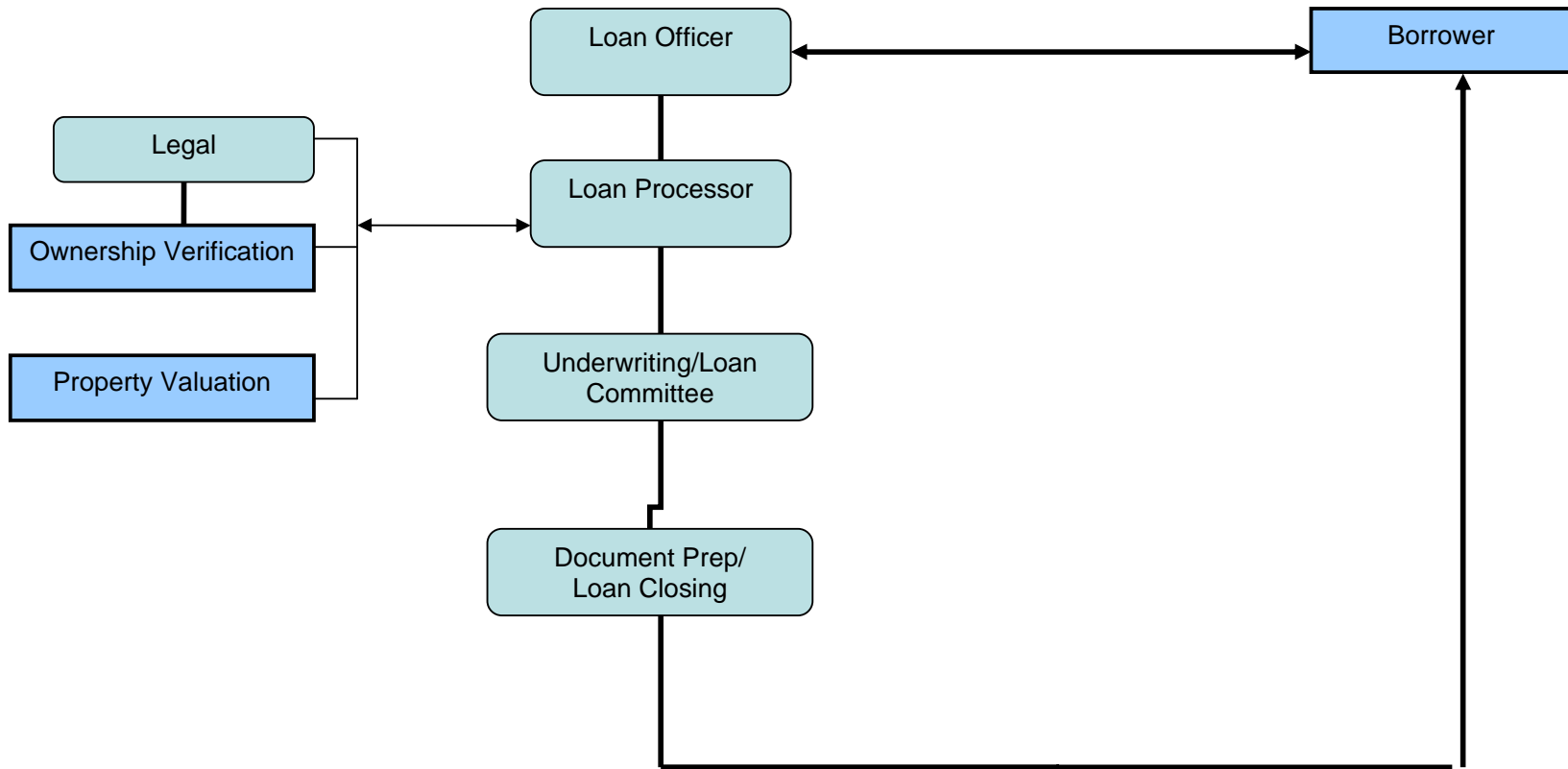
1. Familiarity with best practices in mortgage lending techniques;
2. Comprehension of the current status of the Egyptian housing market;
3. Awareness of current laws and regulations on mortgage lending;
4. Understanding of bank's funding and pricing policies and their implementation in long-term mortgage lending;
5. Awareness of various alternative loan funding programs (GSF and EMRC) available;
6. Understanding of the risk management issues unique to long-term mortgage financing;
7. Grasp of the staffing and management requirements for establishing a mortgage lending operation;
8. Understanding of the multiple operational tasks involved in providing a full service mortgage loan product including the administration of escrow accounts and flexible repayment plans;
9. Insight on developer financing issues and need to develop alternative loan products, and
10. Appreciation of 'full service' real estate financing programs including construction financing with individual mortgage loan take outs.

Bank management is encouraged to take advantage of existing market experience, expert advice and technical assistance in developing their mortgage lending programs. The experienced advisors assigned to the USAID-led EFS project are available to meet

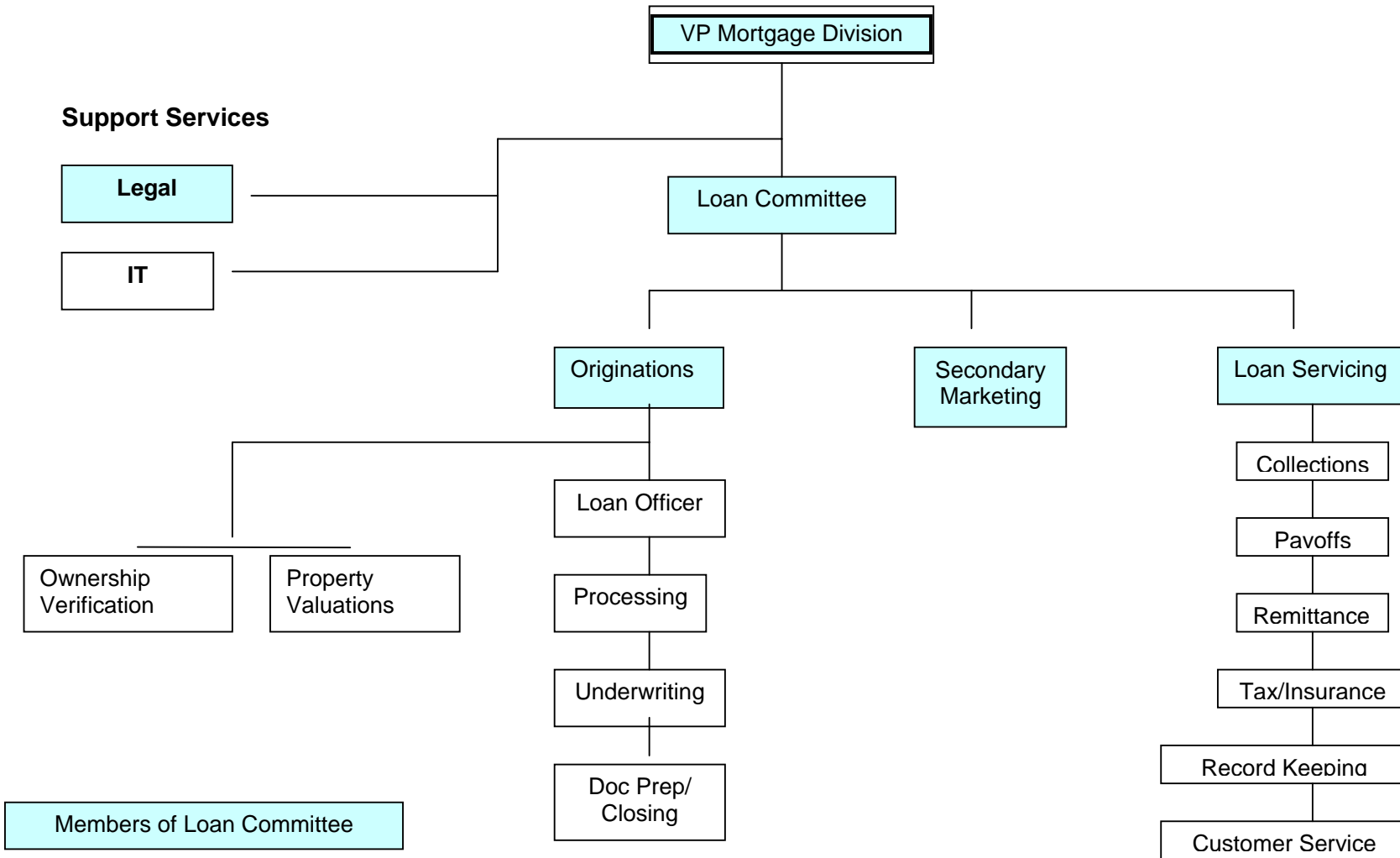
individually with senior bank management and appropriate mortgage lending personnel to further discuss and explain the topics introduced in this introductory checklist document.

Experienced practitioners from EFS can provide customized and comprehensive technical assistance support to individual mortgage lending institutions in the organization, staff training and structuring of their mortgage lending programs. A more detailed toolkit for the development of mortgage lending operations is available for joint implementation through support from EFS personnel as well as mortgage lending experts located at the Central Bank of Egypt (CBE) and Mortgage Finance Authority

Flow of Communications and Documentation



Structure of Loan Division



Section B. Appraisal Course Review

A review was made of the course material and test questions that have been provided to EFS from the International Valuation Standards Committee and the Appraisal Institute.

There are four sectors that comprise the examinations to be given to appraiser candidates:

- Principals
- Procedures
- Market Analysis
- International Standards

It is the consultant's opinion that the course and testing material is of high quality and should be adopted. As with most international course material, some modifications were necessary to consider local conditions or customs.

However, there are some practical matters that present difficulties for valuations. Specifically, how and where an appraiser obtains sufficient information to complete the appraisal assignment since there is a lack of a central database of information.

It was learned that buyers and sellers are required to register their transactions and pay a transfer tax based upon the sales price of the property. However, in an effort to minimize the amount of tax to be paid, buyers and sellers understate the negotiated price.

Until such time as a data base is developed, it is assumed that the appraisers collect data from real estate brokers and lenders. As the number of transactions increases, appraisers may develop their own database; however, that information becomes aged and its validity for specific valuation assignments is diminished.

In other markets, title insurance companies have been known to collect and resell the information or have developed information delivery companies that service the mortgage community. One is First American Residential Information Systems that sells online valuation service known as Win2Data, another is Ultimate Information Systems. Another substantially less reliable source of property valuation data is Zillow.com. However, all of these systems are based on information obtained through public domain.

Section C. Review of Testing Software

A presentation was held in the offices of MFA, by representatives of ITX, a software vendor that has made a proposal to EFS for the development and management of testing systems. The testing systems were for use in examination of mortgage brokers, appraisers and real estate agents (foreclosure agents).

While the presentation was primarily in Arabic, power point slides in English were displayed. The content of the presentation provided more of the technical aspects of the system without completely addressing the end user (student/participant). Time was spent demonstrating scoring and how statistical analysis might be conducted with the product.

The system appeared to be useable; however, for a more qualified opinion, it would be necessary to conduct a simulated examination with two or more participants using 10-20 questions.

List of Annexes

1. Pre departure questions
2. Chart of Interviews

Annex 1 - Pre departure questions

Review of Needs Assessment Report

1. Has the EFS team adopted or employed the recommendations made in the report relative to:
 - a. Assisting with or counseling the MFC's in securing satisfactory MIS systems
 - b. Development of a long term strategy
 - c. Designing and implementation of new training courses for employees
 - d. Improving the loan application and supporting documentation?
2. Have policy and procedure manuals been revised or updated with the recommendations from the report?
3. Have either or both Mortgage Finance Companies developed and delivered a strategic plan for future growth to EFS? If so, please obtain a copy.
4. Have the MFC's implemented management reports as recommended? If so, please obtain a copy.
5. Describe the current status of the housing market as it relates to supply and demand.
6. Have any external events caused a change in the macro economics of the country? Please describe the event and the resulting impact.
7. Have any laws or regulations been introduced that would negatively impact the mortgage loan market? If so, please obtain a copy or summary.
8. Have any laws or regulations been introduced that have positively impacted the mortgage loan market? If so, please obtain a copy or summary
9. Have any laws or regulations been introduced to stimulate or support a secondary market for mortgage loans? If so, please obtain a copy or summary
10. Have the MFC's completed a cost analysis to determine the cost to produce a residential mortgage loan?
11. Have the MFC's explored or developed a mortgage product that provides a lower initial interest rate with provisions for the rate to increase and decrease based upon the cost of money or tied to a specific index, (also know as adjustable rate mortgages)?

Task Review

Task 1 Establish supporting frame work for mortgage finance industry.

1. Does an association of lenders, banks, or mortgage brokers (collectively lenders) exist?
 - a. Are lenders supportive of the association?
 - b. Is senior management of client banks and mortgage companies supportive of the association?
 - c. Are employees encouraged to participate in the association?
 - d. How much does it cost to become a member?
 - e. Are employees' dues paid by employers or must the employee pay his/her own dues?
 - f. How often does each association meet?
 - g. What is the mission of each association?
 - h. Does the associations include in their charter the ability to influence changes in laws or the act of lobbying?
 - i. Is it possible to obtain an organizational chart of the association?
 - j. Does each association have an education committee?
 - k. How often does each association have an educational activity such as a work shop or seminar?
 - l. Can an outline of the topics for the seminars held in the last two years be obtained?
 - m. Are new courses and work shops being developed?
 - n. Is the current level of course and workshop offerings considered elementary, intermediate or advanced?
 - o. Does the association have a method or procedure for certification of those employees that can demonstrate high proficiency, knowledge and ethics?
 - p. Can we arrange for a meeting of one or more officers of the association?
2. Is there an independent organization (private company, school or university) for education of bankers, lenders and mortgage brokers in Cairo?
 - a. If so, is there more than one?
 - b. Can we obtain a copy of their course offerings?
 - c. What is the typical cost to participate in courses?
 - d. Do employers (lenders) support independent education by paying tuition costs?
3. Do the associations conduct an annual conference wherein all employees of the industry may attend workshops and personal development or networking activities?

Task 2 Improve Operation for the registration system for new urban properties

The property registration process appears to have a significant impact on the mortgage loan process. From information provided in the Needs Report, there are several fees, two of which are significant; the lawyer syndicate fee of 0.5% and the registration fee of 3% of the property value.

1. Do properties have unique identification such as a tax-parcel-identification number?

2. Please describe the process for registration and address the time requirement to complete the process, (the report suggested that the process may take up to one year).
3. Is the registration system voluntary?
4. Please briefly discuss why the fees for the process appear to be excessive.
5. The title to the task suggests that registration is only for “new” urban properties.
 - a. Does this mean that existing structures are not required to be registered?
 - b. Are only residential structures required to be registered?
 - c. Does registration of a property require a physical survey or inspection to be accepted?
 - d. Are structures required to be registered upon the sale or when a mortgage is obtained?
 - e. Is the registration conducted by a MFA of the government or an independent agency?
 - f. Does the public have access to the information registered?
 - g. Is this access available on line or in hard copy?
6. Does registration of a property increase the tax an owner must pay?
7. What is the tax rate for real property?
 - a. Is a tax due on the sale of a property?
 - b. Are taxes for real property, if applicable, payable quarterly, semi-annually, annually?
 - c. Are taxes required for properties that remain under construction?
 - d. Is the taxing authority considering modification of tax laws to require payment on properties that are essentially habitable?
8. Is the association of lenders making efforts to change the law and thereby reduce the registration fee?
9. Is EFS making efforts to change the law and support reduction of the registration fee?
10. Is EFS making efforts to encourage a streamlined effort of property registration?

Task 3 Develop the framework and procedures for a secondary mortgage market

Market Development

1. Does current legislation permit the development of a market wherein mortgages may be traded as securities?
 - a. If not, what efforts are being made to influence change in current laws?
 - b. If so, what efforts have been made to launch a secondary market?
2. Have commercial banks and MFCs been pro-active in developing the secondary market?
3. Has EFS conducted a survey to determine whether broker/dealers are supportive of a secondary mortgage market? If so, what were the results?
4. Has EFS conducted a survey to determine whether local pension administrators are supportive of a secondary market? If so, what were the results?
5. Has EFS conducted a survey to determine whether local insurance companies are supportive of a secondary market? If so, what were the results?
6. Have securities and capital markets of Europe expressed interest or support of a secondary market?
7. Has a study been conducted to determine the velocity of loan delivery that would be necessary for an economically viable issue of mortgage securities?
8. Are there any existing pass through or delivery agreements? If so, please provide a copy.

Securities Management

9. Does a securities registration system exist?
 - a. Is the registration process a function of a government MFA or implemented by private enterprise?
 - b. If by private enterprise, is there government oversight?
10. Does a securities risk rating system exist?
11. Briefly describe the rating system.
12. Does a system exist for the custodial protection and management of the securities documents, including the original promissory notes and mortgages that back the securities?

Product/Portfolio Management

13. Describe the efforts being made, if any, by the MFCs to adopt and standardize loan products offered to the public.
14. Are any of the following prohibited in residential mortgage loans:
 - a. Prepayment penalties
 - b. Default interest charges
 - c. Release fees
 - d. Loan Termination fees
 - e. Due on Transfer demands
15. Are any of the following prohibited in commercial mortgage loans:
 - a. Prepayment penalties
 - b. Default interest charges
 - c. Release fees
 - d. Loan Termination fees
 - e. Due on Transfer demands
16. Describe the efforts being made, if any, by the MFCs to adopt and standardize loan underwriting techniques. Are the efforts cooperative?
17. Describe the efforts being made, if any, by the MFCs to adopt a policy for loan portfolio diversification.
18. Describe the efforts being made, if any, by the MFCs to adopt and standardize loan documentation requirements. Are the efforts cooperative?
19. Describe the efforts being made, if any, by the MFCs to adopt and standardize investor remittance procedures.
20. Describe the efforts being made, if any, by the MFCs to adopt and standardize loan collection procedures. Are the efforts cooperative?
21. Have the MFCs written and adopted a loan work out policy?
 - a. Has the policy been implemented?
22. Do contract servicing or sub-servicing opportunities exist?
 - a. What is the probability that several lenders would out source loan servicing?

Default Management and Asset Liquidation

23. Is the loan foreclosure process judicial or non-judicial?
 - a. Does the foreclosure process require administration and execution by an attorney or is the action considered an administrative process wherein the bank or lender may conduct the foreclosure?
 - b. Describe the time line and the steps necessary to foreclose on a:
 - i. Residential property
 - ii. Commercial property
 - c. Is there a public auction of the property?
 - d. Does a sub market of "investors" exist that buys property at foreclosure sales?
 - e. Does the current law permit deficiency judgments if the proceeds of the foreclosure are not sufficient to pay the debt?

24. Describe the Loan Guarantee and Subsidy Fund
 - a. Is the fund managed by the government, MFA or a private enterprise?
 - b. How and what does the fund invest in?
 - c. What is the current balance of the fund?
 - d. Does the fund have a claim history for 2005 and 2006?
 - e. Does the fund project claims for 2007?
 - f. Has the fund rejected claims any time in the past 3 years?
 - g. If the fund pays a claim, what percentage of the loan is "covered risk"?

Task 4 Establish a broad private section credit information system

1. Does any credit information system or repository exist?
 - a. If yes, how is information deposited into the system?
 - i. Describe how each consumer is uniquely identified in the system.
 - ii. Describe the procedure for obtaining access to the information.
 - iii. Is the system available only to lenders or are other "credit grantors" permitted to participate in the system?
 - b. If no, does the current law permit the organization and implementation of such a system?

2. Has a survey been conducted to determine whether lenders and other credit grantors predisposed to sharing information about their existing clients? If so, please obtain a copy.

3. Has a survey been conducted to determine whether lenders and credit grantors are willing to financially support such a system until the system becomes self sustaining? If so, please provide a copy.

4. How is consumer's information safeguarded from unauthorized access?

5. Describe the pro-active measures the repository has for assisting consumers with derogatory information resolution.

Annex 2 - Chart of Interviews

Interviews Conducted

Person	Title	Subject
Ahmed Marashly	Examiner - MFA	Examination of Mortgage Brokers
Gamal Wagdy	Consultant to Chair MFA	Examination of Mortgage Brokers
Hala Bassiouni	Managing Director - EHFC	Quality of Business from Mortgage Brokers
IT works	Vendor	Testing software system
Ibrahim El Hennawy	Branch Manager	Edar Real Estate