

**SCHEME MANUAL(GUIDE) FOR THE  
CREDIT GUARANTEE SCHEME FOR ELIGIBLE MORTGAGE  
FACILITIES  
FOR CREDITORS**

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FOR CREDITORS**

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## **SCHEME MANUAL (GUIDE) FOR THE CREDIT GUARANTEE SCHEME FOR MORTGAGE FACILITIES**

### **1 Scope of the Scheme Manual**

This Scheme Manual has been prepared in line with Master Credit Guarantee Agreement (MCGA) relating to Credit Guarantee Trust Scheme for Low-Income Housing. The objective of the Scheme Manual is to provide the eligibility criteria and processes in relation to the MCGA.

### **2 Overview of the Credit Guarantee Scheme (CGS) for Eligible Mortgage Facilities**

- 2.1** Mortgage lending in Pakistan is very limited. Presently, banks provide long-term housing facilities to households in the top income decile and to salaried employees. This excludes a majority of the population, in particular the 70% who are active in the informal sector.
- 2.2** Hence, the Government of Pakistan and the Trustee have entered into a Trust Deed for the establishment of a Trust which shall provide partial credit guarantee for low-income housing (Credit Guarantee Scheme) to qualified financial institutions. The CGS shall partially alleviate the credit risk entailed by providing mortgage facilities to low-income mortgagors, particularly those in the informal sector and will encourage the banks to provide mortgage facilities to this group of mortgagors.
- 2.3** The Government has appointed PMRC as the Trustee to manage, operate and administer the Trust with a seed capital of US\$10 million with the support and sponsorship of the International Development Association and Government of Pakistan (as the **Strategic Sponsors**).
- 2.4** Capitalized terms used in this Scheme Manual but not defined shall have the same meaning assigned to them in the Master Credit Guarantee Agreement (MCGA).

### **3 Criteria for Creditors to avail the CGS**

- 3.1** All Creditors must be qualified financial institutions (QFI).
- 3.2** A QFI shall be a financial institution that meets all of the following criteria:
  - 3.2.1** it is licensed and regulated by SBP and/or SECP and are engaged or contemplating to engage in the business of mortgage finance;
  - 3.2.2** it has a long-term credit rating of at least “A” issued by one or more recognized credit rating agencies licensed by SECP, provided that credit rating of up to “BBB” may be acceptable in the case of Non-Banking Finance Companies and a minimum credit rating of “BB” may be acceptable in the case of newly incorporated Housing Finance Company; and
  - 3.2.3** it has unqualified audited financial statements for the last two (2) financial years, provided that, in the case of newly incorporated entities, unqualified audited financial statements for the most recent financial year will be acceptable.

### **4 Role and Responsibilities of Creditor**

- 4.1** Creditors shall apply for the Guarantee cover as described in Section 10 of this Scheme Manual.
- 4.2** Creditors shall comply with all the terms and conditions of the CGS as contained in the Guarantee Documents (including all covenants and undertakings as set out in the MCGA).

## **5 Mortgage Facilities Eligibility Standards for CGS**

### **5.1 Criteria relating to Mortgage Facility for Guarantee Coverage**

- 5.1.1** It is a Mortgage Facility that is disbursed to or for the account of the Principal Debtor by the Creditor

and/or

A Mortgage Facility extended during residential property construction with the land plot for such construction in prior ownership of the Debtor is eligible for CGS coverage. All relevant clauses in 5.3 shall apply. The maximum allowable Mortgage Facility amount as per the Mortgage Facility Agreement and/or the Mortgage Security Agreement shall comply with the limits as per 5.1.3 but for the duration of the construction process the Guarantee Coverage only applies to the portions of such Mortgage Facility actually disbursed to the Debtor. Also for avoidance of doubt, prior ownership of land in the context of this clause shall mean that the land plot on which the residential construction is being financed by the Mortgage Facility has been in the ownership by the Debtor prior to submitting application for such Facility and that such ownership complies with conditions as per 5.4.

- 5.1.2** Mortgage Facility has a mark-up resetting period of at least five (5) years.
- 5.1.3** The Mortgage Facility to conform with SBP circular for Low-cost housing/Govt. Mark-up Subsidy Scheme (G-MSS) as updated from time to time.
- 5.1.4** Total monthly amortization payment, including under the Mortgage Facility, and the repayment obligations of the Principal Debtor against all other financing do not exceed fifty per cent (50%) of the net disposable income of the Principal Debtor.
- 5.1.5** The Mortgage Facility has not been satisfied, cancelled, subordinated or rescinded in whole or in part and the Mortgage Property has not been released from the first ranking mortgage created by the Mortgage Security Document, in whole or in part, nor has any instrument been executed that would affect any such satisfaction, cancellation, subordination, rescission or release.
- 5.1.6** The Mortgage Facility is in compliance with Applicable Laws and Regulations.
- 5.1.7** Mortgage Facilities originated by the Creditor where such Mortgage Facilities are not in the List of Excluded Activities as set forth in **Appendix 1** to this Scheme Manual.

### **5.2 Criteria relating to Principal Debtor**

- 5.2.1** Eligibility and parameters given in markup subsidy for housing finance circular IH&SMEFD No.03 dated March 25, 2021 must be complied and any subsequent amendment from time to time by SBP.
- 5.2.2** It is the duty of the Creditor to carefully assess the ability to repay by the Principal Debtor including the assessment of his/her incomes and to the extent needed, of his/her living expenses.
- 5.2.3** The Principal Debtor is a natural person either
- a) having an income source that is estimated by the Creditor using generally acceptable market methodology; or
  - b) having a verifiable source of income (duly assessed and verified by the Creditor).

- 5.2.4** To the best knowledge of the Creditor, the Principal Debtor is not an undischarged bankrupt nor have any bankruptcy proceedings been commenced against the Principal Debtor
- 5.2.5** The financing profile of the Principal Debtor shall be supplemented with credit report from the Consumer Credit Information Bureau of SBP/other credit bureaus/any verification companies or by the Creditor. The Creditor should also obtain a written declaration from the Principal Debtor divulging details of all financing facilities already obtained from other financial institutions.

### **5.3 Criteria relating to Mortgage Facility Documents**

- 5.3.1** The Mortgage Facility Agreement and/or the Mortgage Security Agreement contain customary and enforceable provisions for enforcement of the Creditor's rights and remedies against the Mortgage Property, including the right of the Creditor to:
- a) take possession of the Mortgage Property;
  - b) sell/assign the Mortgage Property;
  - c) commence foreclosure proceedings; and
  - d) exercise any other enforcement procedure, right or remedy available under applicable laws.
- 5.3.2** The Mortgage Security Document creates a valid, existing and enforceable exclusive and first mortgage (legal or equitable) on the Mortgage Property, including all improvements on the Mortgage Property, in favour of the Creditor and such mortgage is duly perfected, in the case of a legal mortgage, through registration with the land registrar/sub-registrar, and in the case of an equitable mortgage, through actual possession of the title deeds.
- 5.3.3** A substantially clean legal opinion has been obtained in respect of the Principal Debtor's title to, and security interests (if any) on, the Mortgage Property and creation and perfection of valid mortgage.
- 5.3.4** There is no provision in the Mortgage Facility Agreement and/or Mortgage Security Agreement that restricts the Creditor from assigning or transferring all its rights, interests and benefits thereunder to any person with or without the Principal Debtor's consent.

### **5.4 Criteria relating to Mortgage Property**

- 5.4.1** The Mortgage Property is not subject to any bankruptcy or foreclosure proceeding or any other enforcement action and the Principal Debtor has not filed for protection under Applicable Laws (including bankruptcy laws).
- 5.4.2** The Mortgage Property is in the lawful possession of the Principal Debtor, and all inspections, licenses and certificates required to be made or issued with respect to the Mortgage Property and, with respect to the use and occupancy of the same, if any, have been made or obtained from the concerned authorities.
- 5.4.3** The Mortgage Property is insured against loss by fire, hazards of extended coverage and such other hazards as are customary in the area where the Mortgage Property is located. All such insurance policies shall contain a standard mortgagee clause naming the Creditor, its successors and assigns as first loss payee and all premiums thereon have been paid. The

Mortgage Security Agreement obligates the Principal Debtor thereunder to maintain all such insurance at the Principal Debtor's cost and expense, and on the Principal Debtor's failure to do so, authorizes the Creditor to maintain such insurance at the Principal Debtor's cost and expense and to seek reimbursement therefor from the Principal Debtor.

and/or

In case the Mortgage Facility is extended during residential property construction, clauses in the Mortgage Facility Agreement and/or the Mortgage Security Agreement should stipulate that insurance policy according to the above conditions be obtained by the Debtor immediately upon completion of construction and receipt by the Debtor of all necessary permits.

- 5.4.4** Mortgage Property valued at more than Rs 3 million should be subject to assessment of the property value by at least one Valuator listed on PBA's approved Panel of Valuators. However, for Mortgage Property whose market value is Rs 3 million or less, the Creditor's officers can assess the value of the property. The officers assessing the market value of the Mortgage Property should be independent from the business unit. In case of a low-cost housing project/scheme single valuation of similar type of units is acceptable as allowed by the regulator.

and/or

In case the Mortgage Facility is extended during residential property construction, clauses in the Mortgage Facility Agreement and/or the Mortgage Security Agreement should stipulate that a valuation of the finished property be undertaken by at least one Valuator listed on PBA's approved Panel of Valuators immediately upon completion of construction and receipt by the Debtor of all necessary permits.

- 5.4.5** The Mortgage Property shall be owner-occupied.

- 5.4.6** To the best of the knowledge of the Creditor, the Principal Debtor and the Mortgage Property is in material compliance with all Applicable Environmental and Social Requirements.

## **6 Assessment of Income of Principal Debtors in Informal Sector**

- 6.1** Since the sub-prime crisis in the US, the rule of making facilities safe for mortgagors by ensuring their ability to repay is the **key element** of responsible mortgage lending everywhere. In US, the 2010 Dodd-Frank Act put this rule at the forefront of prudent mortgage lending practice. The key rules include the verification of income, checking of other debt obligations and assessment of the residual income after making the mortgage instalments and all other payments on outstanding facilities. The assessment of income can involve in particular the inference of income level from current bank account statements, savings behavior and estimation of "living expenses" after all the deductions including mandatory deductions.
- 6.2** The Creditor should establish sound underwriting practices to assess the income of Principal Debtors in the informal sector and hence ensuring their ability to meet the Mortgage Facility repayments.
- 6.3** In addition to the techniques used by the Creditor to assess the income of Principal Debtors in the informal sector, the Creditor may use the following techniques:
- a) Use the services of companies specialized in income evaluation of the informal sector.

- b) Interview the Principal Debtor to determine the sources of income and stability of his income.
  - c) Conduct field investigation to verify all the information on the loan applications and analyse the living habits including for instance the number of dependents, on-going obligations etc.
  - d) Analyze the Principal Debtor's bank statements for the last one year (if available).
  - e) Prior savings record by the Principal Debtor for at least one year (if available).
- 6.4** A combination of the above techniques, in addition to the ones used by the Creditor could be used to assess the Principal Debtor's ability to service the facilities.
- 6.5** The Creditor shall have adequate documentary evidence that the Principal Debtor's assessed income is sufficient to meet the monthly repayments.

## **7 Representations and Warranties to be given by Creditors**

The Creditors shall provide representations and warranties as set forth in the MCGA.

## **8 Execution of the Master Credit Guarantee Agreement (MCGA)**

- 8.1** Prior to availing the CGS, the Creditor shall indicate its interest to the Trustee to participate in the CGS and request the Trustee to send copy of the MCGA for its execution. The MCGA contains the general terms and conditions of the CGS.
- 8.2** Creditor will provide the required documents and information for assessment of Creditor as per QFI criteria in Section 3 of this Scheme Manual.
- 8.3** The Trustee shall send the MCGA for the Creditor's execution.
- 8.4** On execution of the MCGA by the Creditor's authorized signatories, the Creditor shall return the MCGA for the Trustee's execution.
- 8.5** The Trustee shall execute the MCGA and send a certified true copy to the Creditor. The original copy shall be retained by the Trustee.

## **9 Conditions Precedent to Application for Guarantee under CGS**

The Creditor shall execute the MCGA.

## **10 Application for Guarantee under CGS**

- 10.1** The Creditor shall apply for a Guarantee under the CGS on a quarterly basis.
- 10.2** As part of the application, the Creditor shall submit via email to the Trustee:
- a) details of the portfolio of Eligible Mortgage Facilities to be covered under a Guarantee in the form set out in **Appendix 2 (Eligible Mortgage Facilities Data)** of this Scheme Manual; and
  - b) a form to represent that the Eligible Mortgage Facilities to be covered under a Guarantee are in compliance with Applicable Environmental and Social Requirements based on an environmental and social screening process conducted by the Creditor pursuant to its Environmental and Social Management System, in the form and substance set out in **Appendix 7 ("Environmental and Social Representation Form")** of this Scheme Manual.

For the purposes of this section, “environmental and social management system” shall mean, in relation to the Creditor, a systematic process for identifying, assessing and managing environmental and social risks and impacts associated with Mortgage Facilities and managing the Creditor’s exposure to such risks and impacts in a manner that enables Mortgage Facilities to meet Applicable Environmental and Social Requirements. The ESMS includes adequate policies, procedures, and capacity for identifying, managing, monitoring, and reporting on risks and impacts and shall be developed and implemented in accordance with the specific provisions of the Environmental and Social Risk Management Policy of the Trust.

c) alternatively, Creditor may obtain any of the following to comply with E&S requirements;

- Undertaking from the borrower to confirm E&S compliance for individual houses (Appendix 8)

- 10.3** The Creditor shall be responsible for ensuring the accuracy of the data and any other information provided to the Trustee.
- 10.4** The Trustee shall conduct an offsite portfolio review of the Mortgage Facilities Data submitted by the Creditors. In conducting an offsite portfolio review, the Trustee shall ensure that the Mortgage Facilities Eligibility Standards as given in Section 5 of this Scheme Manual are satisfied.
- 10.5** The Trustee, either by itself or by appointing agents, may also conduct an onsite portfolio review of the Mortgage Facilities submitted for issuance of a Guarantee to ensure compliance with the Mortgage Facilities Eligibility Standards and the terms and conditions set out in the Guarantee Documents.
- 10.6** If any of the Mortgage Facilities included in the Mortgage Facilities Data do not comply with the Mortgage Facilities Eligibility Standards for CGS and/or any other terms and conditions, the Trustee will notify the Creditors and request them to remove such Mortgage Facilities and submit a revised list of Eligible Mortgage Facilities for Guarantee coverage.
- 10.7** Based on the results of the offsite/onsite portfolio review, the Trustee will approve the Eligible Mortgage Facilities to be included in the CGS under a Guarantee.
- 10.8** The Trustee shall prepare the Guarantee Agreement. The Trustee shall execute two copies of the Guarantee Agreement (including the annexure of the Eligible Mortgage Facilities covered under such Guarantee Agreement) and send both copies to the Creditor for the Creditor’s execution.
- 10.9** After execution of the Guarantee Agreement by the Creditor, the Creditor shall send one copy of the executed Guarantee Agreement (including the annexure of the Eligible Mortgage Facilities covered under such Guarantee Agreement) to the Trustee and retain one copy of the executed Guarantee Agreement.
- 10.10** Creditors may apply for Guarantees under the CGS on a quarterly basis subsequent to the first application for a Guarantee.
- 10.11** It is mandatory for Creditors to ensure that an application for Guarantee is made in respect of each Eligible Mortgage Facility originated on or after the date of the MCGA.

## **11 Guarantee Premium**

- 11.1** The Trustee will notify the Creditor of the amount of Guarantee Premium payable in respect of each Guarantee, being equal to 2% of the outstanding and unpaid principal balance of the portfolio of Eligible Mortgage Facilities covered under such Guarantee as of the date of the Guarantee Agreement.



**11.2** The Creditor shall remit the Guarantee Premium to the Trustee. The Guarantee Premium shall, unless otherwise agreed between the Parties, be paid by the Creditor by crediting the amount into Trust's designated bank account by way of RTGS, wire transfer or SBP cheque.

**11.3** The Guarantee becomes effective only upon payment of the Guarantee Premium.

## **12 Reports to be submitted by the Creditors to the Trustee**

**12.1** Creditors are required to submit to the Trustee the following quarterly reports commencing from the Guarantee Effective Date ("**Reports**"):

- a) A performance report of each of the Eligible Mortgage Facilities covered under a Guarantee setting out details about monthly repayments under the Eligible Mortgage Facilities (on an individual and aggregate basis) in the form set out in **Appendix3(Eligible Mortgage Facilities Performance Report)** of this Scheme Manual; and
- b) In relation to Eligible Mortgage Facilities that have fallen in arrears of principal and mark-up payments (hereinafter referred to as the "**Delinquent Facilities**"), the Creditor shall submit a report setting out details of such Delinquent Facilities in the form set out in **Appendix4 (Delinquent Facilities Report)** of this Scheme Manual. The Delinquent Facilities Report, in addition to stating the number of months in arrears, shall also contain details of administrative actions (e.g. Notices sent to Principal Debtors), loss mitigation actions (restructuring) and legal actions taken by the Creditor.

**12.2** In addition to the foregoing, the Creditor shall:

- a) notify the Trustee in writing of any Termination Event (and the steps, if any, being taken to remedy it) or Discharge Event promptly upon becoming aware of its occurrence;
- b) promptly and no later than five (5) Business Days of becoming aware or receiving a demand from the Trustee, provide to the Trustee details of any litigation, administrative or regulatory proceedings or actions (including issuance of any show cause notices) which are initiated, or are likely to be initiated, against the Creditor or the Principal Debtors for a violation, or potential violation by the Creditor or the Principal Debtor, as the case may be, of any Applicable Environmental and Social Requirements; and
- c) any additional reporting as may reasonably be required by the Trust for the purposes of complying with its reporting obligations to the Strategic Sponsors.

**12.3** The Reports under Section 12.1 of this Scheme Manual shall be submitted to the Trustee on the 15<sup>th</sup> of the month following the quarter end.

**12.4** Failure to comply with reporting obligations set out herein shall constitute a material breach of the Guarantee Documents and may result in the termination of the relevant Guarantee in accordance with the Guarantee Documents.

**12.5** The Creditors shall ensure the accuracy and completeness of the Reports submitted to the Trustee.

## **13 Servicing Obligations of Creditors**

**13.1** The Creditors shall:

- (a) at all times maintain an accurate and complete set of books and records in relation to the Servicing of the Eligible Mortgage Facilities covered under each Guarantee. Such books and records,

together with the Mortgage Facility File with respect to each Eligible Mortgage Facility, shall be appropriately identified in the Creditor's records and computer database and shall be available for inspection by the Trustee or its authorised representatives at any time during the Creditor's business hours and after giving five (5) Business Days' advance notice in writing;

- (b) promptly and properly take all such actions and do all such acts and things (at its own expense) as are required by Applicable Laws and/or this Scheme Manual, in respect of the management of the Delinquent Facilities, including but not limited to the restructuring or rescheduling on best effort basis, of such Delinquent Facilities;
- (c) to maintain complete books and records for each Eligible Mortgage Facility which shall be clearly marked to reflect that the same is covered under a Guarantee issued by the Trust; and
- (d) to hold and maintain custody of the Mortgage Facility File in respect of each Eligible Mortgage Facility with due and reasonable care and shall take all necessary steps to prevent any loss or damage to the Mortgage Facility Files.

#### **14 Arrears/Delinquency Management**

- 14.1** Subject to the Applicable Laws (in particular Prudential Regulations), the Creditors shall initiate early proactive actions as soon as an Eligible Mortgage Facility becomes a Delinquent Facility. Early actions taken by the Creditor may prevent the Delinquent Facility from becoming non-performing. The Creditors shall follow up closely with the Principal Debtors on the payments of the overdue instalments so that the Principal Debtor's account can be brought up to date as soon as practicable.
- 14.2** The Creditors shall follow the requirements, guidelines and measures prescribed under the Applicable Laws (in particular the Prudential Regulations) for management of Delinquent Facilities.

#### **15 Guidelines on the Rescheduling/Restructuring of Delinquent Facilities**

The Creditors shall follow all requirements, guidelines and measures prescribed under the Applicable Laws (in particular the Prudential Regulations) for rescheduling/restructuring (on best effort basis) of Delinquent Facilities.

#### **16 Claims Procedure**

- 16.1** The Creditor shall submit Guarantee Claims on a quarterly basis.
- 16.2** The Creditor can only submit a Guarantee Claim Request under a Guarantee within the Guarantee Claim Period (set out in Section 16.3 below) and subject to fulfilment of the Guarantee Claim Conditions as set out in the MCGA.
- 16.3** The Guarantee Claim Period shall, in respect of each Eligible Mortgage Facility covered by a Guarantee, be the period commencing from the day after the Lock-In Period and ending on the earlier of (a) 11 years after the end of the Lock-In Period; or (b) the expiry of a period for designating a 'loss' as provided by the applicable Regulation.
- 16.4** The Creditor will submit a Guarantee Claim Request in the form set out in **Appendix 5 (Guarantee Claim Request)** of this Scheme Manual together with the following documents verified and duly signed by the authorized signatories of the Creditor:
  - a) The payments track record of the Principal Debtor from the Effective Guarantee Date to the month preceding the date of submission of the Claims Request.

- b) Evidence of actions taken by the Creditor for rescheduling/restructuring (on best effort basis) of the Eligible Mortgage Facility. This should indicate the dates, documentation and the detailed actions taken to reschedule/restructure the Eligible Mortgage Facility and the results of the rescheduling/restructuring.
  - c) Copy of Notice of Demand by the Creditor to the Principal Debtor.
  - d) Evidence of recovery/foreclosure proceedings.
  - e) Confirmation that the Representations and Warranties provided by the Creditor are valid as at the date of submission of the Claims Request.
  - f) Any other documents that may be required by the Trustee to verify the claims.
- 16.5** On receipt of the Guarantee Claims Request, the Trustee at its discretion shall, on its own or through its authorised representatives, conduct an onsite/offsite verification of the Eligible Mortgage Facilities included in the Guarantee Claims Request on a case by case basis to determine the validity of the claim submitted.
- 16.6** Upon the conclusion of the onsite/offsite verification, the Trustee shall either:
- (a) reject in writing the Guarantee Claim Request, in whole or in part, if the Trustee is of the reasonable opinion that the Guarantee Claim Request is defective or that the Guarantee Claim Conditions are not satisfied; or
  - (b) accept the Guarantee Claim Request, remit the Guarantee Claim Amount in the Creditor's designated account, and issue a Discharge Letter in the form set out in **Appendix 6** of this Scheme Manual.
  - (c) Upon Trustee satisfaction for eligibility of claim, it will be paid within 10 Business Days.
- 16.7** The Creditor shall acknowledge receipt of the Guarantee Claim Amount and sign and remit the Discharge Letter to the Trustee acknowledging the cessation of the Trustee's further obligations in respect of the concerned Eligible Mortgage Facilities under the CGS.

## **17 Subrogation**

- 17.1** In respect of each Eligible Mortgage Facility covered under a Guarantee, the Creditor shall, upon recovery of the Guarantee Claim Amount from the Principal Debtor, deposit such amount into the Trust's bank account no later than 10 Business Days from the date of receipt of such recovered amounts.

## **18. Safeguards against Moral Hazards**

- 18.1** The MCGA defines Moral Hazard Event and provides safeguards against it.
- 18.2** Prior to initiating any action against the Creditor in respect of any Moral Hazard Event, the Trustee shall, upon a Moral Hazard Event, serve a written notice ("**Moral Hazard Event Notice**") to the Creditor:
- (a) declaring that a Moral Hazard Event has occurred and specifying the details in relation thereto; and
  - (b) specifying the action(s) the Trustee is taking against the Creditor pursuant to the MCGA.

**19 Ad-hoc Review**

- 19.1** The Trustee shall upon giving at least 5 Business Days' Notice to the Creditor, be entitled to conduct an onsite Ad-hoc Review of Eligible Mortgage Facilities covered under one or more Guarantee(s).
- 19.2** The Review may be conducted either by the Trustee or its authorised representatives.
- 19.3** The Creditor shall provide all necessary assistance to, and fully cooperate with the Trustee and its authorized representatives for the purpose of a due and proper Ad-hoc Review, including but not limited to granting access, or procuring that access is granted, during normal business hours to the Trustee and its authorized representatives to the Mortgage Facility Files of each of the Eligible Mortgage Facilities, all books of records and accounts relating to the Servicing by the Creditor of the Eligible Mortgage Facilities and such other information and documents as may be required by the Trustee and/or its authorised representatives for the purposes of the Ad-hoc Review.

## LIST OF EXCLUDED ACTIVITIES – COMPLIANCE WITH E&S REQUIREMENT

1. Real estate construction deemed illegal or non-compliant according to Applicable Laws.<sup>1</sup>
2. Properties or land associated with illegal forced evictions of previous owners or occupants.<sup>2</sup>
3. Properties built on land from which government agencies or builders have removed / involuntarily resettled local communities, including squatters or encroachers, without proper compensation.<sup>3</sup>
4. Properties involving outstanding land disputes.
5. Properties built in locations and / or in a manner that involves significant degradation or conversion of critical habitats<sup>4</sup> and/or legally protected areas.<sup>5</sup>
6. Properties built in locations and / or in a manner that involves significant adverse impacts on critical cultural heritage.<sup>6,7</sup>

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### Footnotes

1. Examples include unauthorized construction; housing construction in zones not designated as residential; encroachment on public / government land or private land etc.

2. Permanent or temporary removal against their will of individuals, families and/or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate forms of legal or other protection. Prohibition on forced evictions does not, however, apply to evictions carried out by force in accordance with the law and in conformity with the provisions of the International Covenants on Human Rights. This criteria will only apply where such evictions took place specifically in anticipation or preparation for the construction of housing for which primary mortgages had been subsequently originated by Participating Banks and Non-Bank Financial Institutions.

3. Resettlement activities should follow the process through which adverse social and economic impacts are minimized through (i) providing compensation for loss of assets at replacement cost defined as the market value of the assets plus transaction costs and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected. This criteria will only apply to such resettlement / displacement that took place specifically in anticipation or preparation for the construction of housing for which primary mortgages had been subsequently originated by Participating Banks and Non-Bank Financial Institutions.

4. Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitats of significant importance for critically endangered or endangered species as defined by the IUCN Red List of Threatened Species; habitats of significant importance for endemic or restricted-range species; habitats supporting globally significant concentrations of migratory species and /or congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes. Primary Forests or forests of High Conservation Value (HCV) shall be considered Critical Habitats. HCV areas do not directly correspond with definitions for modified, natural and critical habitat. The HCV Resource Network, an internationally-recognized group, provides information and support on the evolving usage of HCV to ensure a consistent approach. <https://www.hcvnetwork.org/>

5. This criteria will only apply where such degradation or conversion took place specifically in anticipation or preparation for the construction of housing for which primary mortgages had been subsequently originated by Participating Banks and Non-Bank Financial Institutions and/or are likely to occur or continue post-construction.

6. Critical cultural heritage consists of one or both of the following types of cultural heritage: (i) the internationally recognized heritage of communities who use or have used within living memory the cultural heritage for long-standing cultural purposes; or (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation.

7. This criteria will only apply where such impacts took place specifically in anticipation or preparation for the construction of housing for which primary mortgages had been subsequently originated by Creditors and/or are likely to occur or continue post-construction.

Creditor's Name: \_\_\_\_\_

Data as of MM/YY

Principal Debtor's Details											
	1	2	3	4	5	6	7	8	9	10	11
S.No	Principal Debtor's Name	Principal Debtor's CNIC #	Principal Debtor's Loan Account#	Disbursement Date	Gender (Male/Female)	Co-Principal Debtor (Y/N)	Principal Debtor's Occupation	Principal Debtor's Income	Household Income (in case of co-Principal Debtor)	Principal Debtor's Segment (Salaried/Self-employed/informal sector etc.)	Debt Burden

Loan Details									
12	13	14	15	16	17	18	19	20	21
Financing Amount	Tenor of Loan	Loan Fully Disbursed (Y/N)	Mark-up Rate%	Type of Pricing	Loan Maturity Date	Monthly Instalment	Repayment Frequency	Loan to Value (LTV)	Has the Mortgage Facility been classified as Sub-Standard during the 12 months period from the date of commencement of first instalment of principal/mark-up (Y/N)

Property Details							
22	23	24	25	26	27	28	29
Property Type (Apartment/House etc.)	Purchase Price of Property	Original Valuation as at (indicate date of valuation)	Valuation by Panel Valuers or Creditor's Officers	Owner Occupied (Y/N)	Guarantee Expiry Date*	Property City	Property Province

\*in respect of each Eligible Mortgage Facility, the date falling after the tenth anniversary from the date of first instalment of principal and/or mark-up payable by the Principal Debtor in accordance with the Mortgage Facility Documents

**Eligible Mortgage Facilities Performance Report**

**Eligible Mortgage Facilities Monitoring Report on Performance of each of the Eligible Mortgage Facilities in Terms of Monthly Repayments**

**Creditor's Name:** \_\_\_\_\_

**Data as of MM/YY**

Eligible Mortgage Facilities Performance Report										
Data/MIS Format										
	1	2	3	4	5	6	7	8	9	10
S.No	Principal Debtor's Name	Principal Debtor's CNIC #	Principal Debtor's Loan Account#	Mortgage Rate %	Mortgage Facility Outstanding as of MM/YY	Mortgage Instalment	Date of last Instalment Payment	Days Past Due	Last Payment Amount	Status (Regular/ NPL)
1										
2										
3										
...										

**Delinquent Facilities Report**

Creditor's Name: \_\_\_\_\_

Data as of MM/YY

Delinquent Facilities Report											
Data/MIS Format											
	1	2	3	4	5	6	7	8	9	10	11
S.No	Principal Debtor's Name	Principal Debtor's CNIC #	Principal Debtor's Loan Account#	Original Mortgage Facility Amount	Mortgage Facility Outstanding as of MM/YY	Mortgage Instalment	Date of last Instalment Payment	Last Payment Amount	Number of Days past due	Current Classification Category	Details of administrative actions** including restructuring and legal actions taken by Creditor to rectify delinquency
1											
2											
3											
...											

**\*\* Administrative actions refer to calling of Principal Debtors and sending Notices to settle arrears.**



**GUARANTEE CLAIM REQUEST**

---

**[ON THE LETTERHEAD OF THE CREDITOR]**

[Date]

To

Trustee of Credit Guarantee Trust Scheme for Low-Income Housing  
Pakistan Mortgage Refinance Company Limited  
6th Floor, Bahria Complex-I, M.T. Khan Road, Karachi  
(hereinafter referred to as “**Trustee**”)

**GUARANTEE CLAIM REQUEST**

Dear Sirs:

1. Please refer to the Master Credit Guarantee Agreement dated [●] (“**Agreement**”) and the Guarantee Agreement dated [●] (“**Guarantee**”) entered into between [●] (as the Creditor) and the Credit Guarantee Trust Scheme for Low-Income Housing (“**Trust**”). Terms used in this Guarantee Claim Request but not defined shall, unless the context otherwise requires, have the same meanings as in the Guarantee Documents.
2. We hereby submit our claim under the Guarantee, and confirm that, in respect of each of the Eligible Mortgage Facilities of which details are provided in Annexure [●] of this Guarantee Claim Request, the Principal Debtor[s] [has/have] failed to make payments in accordance with the respective Mortgage Facility Documents.
3. We therefore request the Trust to credit in [*our designated bank account*], the Guarantee Claim Amount (calculated on the basis of the Guarantee Coverage as of the date hereof) as specified against each Eligible Mortgage Facility in Annexure [●] of this Guarantee Claim Request. The calculations for the Guarantee Claim Amount in respect of each Eligible Mortgage Facility is set out in Annexure [●] of this Claim Request.
4. In support of our claim, we hereby certify, in respect of each Eligible Mortgage Facility listed in Annexure [●], that each of the Guarantee Claim Conditions are satisfied.
5. Please also find enclosed the following documents required to be submitted with the Guarantee Claim Request in accordance with the Clause 15 of the Scheme Manual:
 

(a) [*insert list of documents*] as given in
6. Clauses 16.12 (*Governing Law*) and 16.13 (*Jurisdiction*) of the Agreement shall stand incorporated in this Guarantee Claim Request.

7. We hereby represent and warrant that the undersigned is duly appointed and authorized to execute and issue this Guarantee Claim Request for and on behalf of the Creditor.

Yours faithfully,

for and on behalf of  
**[CREDITOR NAME]**

\_\_\_\_\_  
By:  
Its:

Witnesses:

1 \_\_\_\_\_  
Name:  
Address:  
CNIC Number:

2 \_\_\_\_\_  
Name:  
Address:  
CNIC Number

## Annexure to Guarantee Claim Request - Claim Request Data Format

Customer's Name: \_\_\_\_\_

Claim Request Data Format											
	1	2	3	4	5	6	7	8	9	10	11
S.No	Principal Debtor's Name	Principal Debtor's CNIC #	Principal Debtor's Loan Account #	Original Mortgage Facility Amount	Mortgage Facility Outstanding as of MM/YY	Guarantee Claim Amount	Mortgage Instalment	Date of last Instalment Payment	Last Payment Amount	Number of Days past due	Details of administrative actions** including restructuring and legal actions taken by Creditor to rectify delinquency
1											
2											
..											
	12	13	14								
1	Loan within Guarantee Period (Yes/No)	Loan Classified as loss (Yes/No)	Loss Classification Date (DD/MM/YY)								
2											
..											

**\*\* Administrative actions refer to calling of Principal Customers and sending Notices to settle arrears.**

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DISCHARGE LETTER

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[ON THE LETTERHEAD OF TRUST]

[Date]

To

[Creditor Name]

[Creditor Address]

(hereinafter referred to as “Company”)

Dear Sirs:

1. Please refer to the Guarantee Claim Request dated [●] submitted by the Company pursuant to the Guarantee Agreement dated [●] (“**Guarantee**”) entered into between the Company (as the Creditor) and the Credit Guarantee Trust Scheme for Low-Income Housing (“**Trust**”). Terms used in this Discharge Letter but not defined shall, unless the context otherwise requires, have the same meanings as in the Guarantee Documents.
2. We hereby confirm that your Guarantee Claim Request in respect of the Eligible Mortgage Facilities listed in Annexure [●] of this Discharge Letter has been accepted in [full/part], and your designated account has been credited with the Guarantee Claim Amounts as specified against each Eligible Mortgage Facility in Annexure [●] of this Discharge Letter in satisfaction of the Trust’s obligations under the Guarantee in respect of such Eligible Mortgage Facility(ies).
3. The Company acknowledges and agrees that, on receipt of the Guarantee Claim Amount(s), the Trust stands unconditionally discharged from its obligations and liabilities under the Guarantee in respect of the Eligible Mortgage Facilities listed in Annexure [●] of this Discharge Letter.
4. Clauses 16.12 (*Governing Law*) and 16.13 (*Jurisdiction*) of the Agreement shall stand incorporated in this Discharge Letter.
5. Please kindly acknowledge your receipt of the Guarantee Claim Amount(s) and agreement to the above by executing and returning the Discharge Letter to the Trustee.

Yours faithfully,

for and on behalf of

**TRUSTEE OF CREDIT GUARANTEE TRUST SCHEME FOR LOW-INCOME HOUSING  
PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED**

By:  
Its:

Witnesses:

1 \_\_\_\_\_

Name:

Address:

CNIC Number:

Agreed and Acknowledged by:

2 \_\_\_\_\_

Name:

Address:

CNIC Number

**[CREDITOR NAME]**

\_\_\_\_\_

By:  
Its:

Witnesses:

1 \_\_\_\_\_

Name:

Address:

CNIC Number:

2 \_\_\_\_\_

Name:

Address:

CNIC Number

**Annexure to Discharge Letter- Claim Discharge Data Format****Customer's Name:** \_\_\_\_\_

Claim Discharge Data Format							
	1	2	3	4	5	6	7
S.No	Principal Debtor's Name	Principal Debtor's CNIC #	Principal Debtor's Loan Account #	Original Mortgage Facility Amount	Mortgage Facility Outstanding as of MM/YY	Guarantee Claim Amount	Reason for Discharge
1							
2							
3							
..							

**ENVIRONMENTAL AND SOCIAL REPRESENTATION FORM**

**Creditor's Name:**[INSERT CREDITOR'S FULL LEGAL NAME]

**Data as of MM/YY**

**A. Environmental and Social Management System**

(i) Does [INSERT CREDITOR'S FULL LEGAL NAME] have an Environmental and Social Management System? (Y/N).

*If yes, please attach a copy.*

(ii) Does the ESMS incorporate Applicable Environmental and Social Requirements, as defined by the Mortgage Loan Eligibility Standards, in relation to Mortgage Facilities? (Y/N)

(iii) Does [INSERT CREDITOR'S FULL LEGAL NAME] ESMS have an environmental and social screening process in relation to Mortgage Facilities that integrates requirements of the Trustee's Environmental and Social Risk Management Policy? (Y/N)

(iv) Does [INSERT CREDITOR'S FULL LEGAL NAME] have a staff member/ unit/ department specifically responsible for management of environmental and social risks and implementation or the ESMS? (Y/N)

*If yes, please provide name and contact information*

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**B. Compliance of Mortgage Facility under Guarantee with Applicable Environmental and Social Requirements**

(i) Does the Mortgage Facility for Guarantee, to the best of [INSERT CREDITOR'S FULL LEGAL NAME]'s knowledge, comply with Applicable Environmental and Social Requirements, including those set out in Mortgage Facility Eligibility Standards? (Y/N)

(ii) Is adequate documentation available for review by the Trustee and its representatives in the Mortgage Facility Files? (Y/N) \*

\*Check that documents stipulated in the Trustee's E&S procedures are available, such as ESIs (to the extent applicable), lease completion certificate, approved building plan, site plan, undertaking from borrower for E&S compliance of the Mortgage Facility and surveyor report are available.

**(As The Creditor)**

For and on behalf of [INSERT CREDITOR'S FULL LEGAL NAME] through its authorised signatory

}

SIGNATURE

Name:

Designation:

.....

**UNDERTAKING FOR E&S Compliance under CGS**

I, Mr./Mrs./Ms. \_\_\_\_\_, s/o, d/o, w/o \_\_\_\_\_, having CNIC No. \_\_\_\_\_, undertake that I shall/have comply/ complied with the requirement(s) of Environmental and Social (E&S) Compliance in Credit Guarantee Scheme (CGS) of Pakistan Mortgage Refinance Company (PMRC) and shall also continue to meet and fulfil the said criteria for <Bank's Name> Home Finance under with respect to property against which, the finance is being availed. Furthermore, I hereby undertake and confirm that:

1. The construction is/will be legal and in compliance with applicable national and provincial laws and I shall not commit violation of such laws/bye laws;
2. The property is located in an area clearly designated as residential;
3. The property is/shall be built with a proper environmental assessment and NOC of Environmental Protection Agency (EPA) or relevant agencies responsible for approval of building plans where required or advised which shall be obtained for property susceptible to natural hazards / disasters (e.g. located in land slide prone area, on earthquake belt, close to the sea etc.) or locations hazardous to human habitation (e.g. waste dump sites/ landfills, drain ways, etc.);
4. The property / land is free from illegal or forced evictions of previous owners /occupants or otherwise;
5. The property / land is free from outstanding land disputes;
6. The property is not built or being built in locations and / or in a manner that involves significant degradation or conversion of critical habitats and/or legally protected areas;
7. The property is not built or being built in locations and / or in a manner that involves significant adverse impacts on critical cultural heritage;
8. While construction of the site the neighboring inhabitants will not suffer/ experience from any non-conductive environmental issues.
9. The household activities hazardous to the environment and / or human health and safety (e.g. storage or use of hazardous chemicals) shall be refrained / avoided.

I also undertake that all necessary health and safety measures as per best industry practices and standards for construction as applicable to construction of individual house will be adhered.

Furthermore, I hereby confirm that the above stated facts are true and correct to the best of my knowledge and belief and I understand that if at any time it is established that I have submitted a false statement / undertaking before the Bank, the Bank shall be entitled to terminate the financing facility, impose any penalties upon me and recover the outstanding amount including balance financed amount, charges, penalties, duties, in lump sum or otherwise.

\_\_\_\_\_  
Name of the Applicant:  
CNIC #:  
Date:

Witnesses: 1.

Witnesses: 2.