



Structured Finance



Titularizadora Colombiana

HIGHLIGHTS

- Residential mortgage securitization by the first secondary mortgage market company in Colombia
- US\$210.5mn equivalent issue backed by residential mortgages and denominated in inflation-indexed local currency
- US\$2.2mn equivalent partial credit guarantee provided by IFC for the senior bonds
- Successful first issue already replicated in six further MBS transactions

THE COMPANY

Titularizadora Colombiana is Colombia's first secondary mortgage market company specializing in supporting the country's residential mortgage market through securitizations and related activities. Its primary lines of business comprise: portfolio business, mortgage securitization, repo lending and trading of MBS, and support services to mortgage participants.

Main shareholder groups include three of the largest, most established, private groups in Colombia: Grupo Bolivar, Grupo Suramericana, and Grupo Social. Through their participations in their respective subsidiaries, the groups control 43% of Colombia's mortgage stock, 22% of the pension funds, and 37% of the insurance funds. IFC has a 21.25% equity stake in the company.

FINANCING OBJECTIVES

The company was incorporated with the objective of promoting mortgage asset securitization in Colombia through: the introduction of standards in mortgage origination and servicing, promotion of liquidity through the purchase of qualified mortgage loans, and the offering of a new high quality investment product to investors.

To support the company and help facilitate the creation of an MBS market in Colombia, IFC provided a local currency facility of up to US\$100mn to support the issuance of mortgage backed securities (MBS) arranged by the company.

THE STRUCTURE

Titularizadora's first MBS involved the securitization of two distinct collateral pools. The first pool consisted of inflation-indexed loans whose collateral is guaranteed by Fogafin, a Colombian governmental agency. Hence this type of loan (social) carried below-market rates. The second pool (non-social) was formed by inflation-indexed loans with no governmental guaranty and hence carried market rates.

Overall, the issue amounted to US\$210.5mn in mortgage backed securities denominated in inflation-indexed local currency. The issue comprised US\$204mn equivalent, or 97%, of AAA-rated senior bonds in three tranches of varying maturities and US\$6.5mn equivalent, or 3%, of A-rated subordinated bonds. The maturities of the senior tranches were 5, 10, and 15 years while the subordinated tranche had a 15-year maturity. IFC's credit enhancement facility was in the form of a US\$2.2mn partial credit guarantee of the non-social portion of the senior bonds.

OUTCOME

With this project, IFC contributed to the development of housing finance services in Colombia by helping establish the first secondary mortgage market company in the country. It also promoted the development of domestic capital markets with the introduction of a new, longer-term, highly-rated fixed income security as well as helped establish the blueprint for further MBS issues in the country.

Case in point are Titularizadora's further six MBS issues which were similar in structure to the first except for the inclusion of a residual non-rated tranche. IFC partially guaranteed the non-social portion of the senior notes for each of these issues.

TERMS AND CONDITIONS

Amount	UVR 3.8bn (approximately US\$210.5mn)
Currency	Unidades de Valor Real
Issue Date	May 2, 2002
Maturity	15 years
Series	Class A: UVR 3.7bn (approximately US\$204mn)
Pricing Yield	Class A: 5-year 4.0%, 10-year 5.4%, 15-year 6.04%
Principal Payment	Soft amortization
Rating	Class A: rated AAA.co by Duff and Phelps de Colombia
Enhancement	UVR 40mn (approximately US\$2.2mn) guarantee of the non-social portion of the Class A bonds by IFC

