

Headline News

IDB Issues Partial Credit Guarantee to Back First Issuance Under First RMBS Program in Peru

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WASHINGTON, D.C. – The Inter-American Development Bank (IDB), advised by Andrews Kurth LLP, issued a partial credit guarantee to support the first issuance of residential mortgage-backed securities (RMBS) in Peru on December 12, 2007. The US\$25 million issuance was the first under BBVA Banco Continental S.A.'s US\$100 million securitization program, also the first program of its kind in Peru. Banco Continental is Peru's second largest bank ranked by assets and deposits, and a leading mortgage originator.

The deal is the equivalent of a "shelf" registration program under rule 415 of the U.S. Securities Act of 1933. The transaction is unique in that the RMBS program is very flexible as to the type of mortgages that can be securitized. Mortgage pools can be denominated in US Dollars or Peruvian Nuevos Soles, and mortgages can be either originated by Banco Continental or acquired from other mortgage originators.

"Since it's the first deal of its type in Peru, we are very pleased with this result on behalf of our client," said Partner Paul Sève of Andrews Kurth, who assisted IDB on the transaction. "Among the many challenges encountered, was the development of the concept and function of 'master servicer,' which has not been previously used in Peru," he indicated. Andrews Kurth Partner Vera Rechsteiner also worked on the transaction.

Banco Continental's RMBS program will enhance Peru's capital markets by providing new investment opportunities to Peruvian institutional investors. At the same time, it will assist in alleviating Peru's housing deficit.

According to the project abstract issued by IDB, "IDB's participation in the project is consistent with the strategy to enhance competitiveness and the efficient development of the private sector. The project provides a comprehensive support to primary and secondary mortgage markets. The design of this transaction includes important features that can make IDB's guarantee product more attractive to any corporate and/or financial institution that is pursuing access to the capital markets regularly."

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