

La Hipotecaria, S. A.
Panama City, Republic of Panama

La Hipotecaria S. A. is a full-service mortgage company that operates in the Republic of Panama. Founded in 1997, La Hipotecaria today is one of the leading providers of mortgage funds in middle to lower-middle income market segment and the only company in Central America with an ongoing mortgage-securitization program. The firm administers a portfolio of 2,400 mortgage loans with a total loan balance of just over \$50,000,000. The average loan size in the portfolio is approximately \$21,000.

La Hipotecaria uses its own capital and warehousing lines of credit from international banks to create mortgage portfolios. Once a critical mass of mortgage loans originated and seasoned, La Hipotecaria securitizes the mortgages, using Panama's trust law to create special-purpose vehicles that purchase the mortgages loans and issue mortgage-backed securities. La Hipotecaria retains the servicing rights to the securitized mortgage loans. La Hipotecaria also sells non-securitized portfolios of mortgage loans to local banks and retains the servicing rights.

La Hipotecaria has served as administrator of two mortgage-backed securitizations, both of which were sold to local investors; primarily banks, insurance companies and the administrators of the recently privatized government employees pension fund. La Hipotecaria's second mortgage backed security received a rating of BBB+ from Fitch Centroamericana, S.A., the local-rating affiliate of Fitch, IBCA, Duff and Phelps.

The firm's co-founder and general manager John Rauschkolb direct the operations of La Hipotecaria. John is an American citizen and Panamanian resident. John has spent his entire adult life as a mortgage lender; nine years in California, two years in Mexico and the past six years in Panama. John holds a BS in business administration, summa cum laude from Pepperdine University, a B.A. in International Management from the Lauder Institute at the University of Pennsylvania and an MBA in finance from the Wharton School of Business at the University of Pennsylvania. While studying at Wharton, John became interested in bringing business models that operated successfully in developed countries to developing countries and his ideas gave birth the La Hipotecaria.

In addition to being a mortgage lending company, La Hipotecaria also provides consulting services and information systems to other mortgage lenders in Latin American that wish to implement origination and securitization programs. La Hipotecaria is currently contracted by Corporation de Desarrollo de Mercado Secundario de Hipotecas CTN, S. A. of Quito, Ecuador to aid in the development and implementation of their mortgage origination and securitization programs.

Key to the success of the primary mortgage market in Panama is that fact that the Republic of Panama is a completely U.S. dollar-based economy, and has been since 1904. Although called a "Balboa" Panama has no local currency and the U.S. dollar freely circulates as the only legal tender. Because the threat of inflation or devaluation is practically non-existent, mortgage lenders actively compete to provide mortgage financing with terms of up to thirty years. In the middle and lower-middle income sectors, the market in which La Hipotecaria

operates, the existence of the direct-discount law and the preferential interest rate law have also been key to the success of the primary markets

The direct discount law enables a mortgage lender to obligate a borrower's employer to deduct directly from his paycheck the amount of a the borrowers monthly payment, regardless of how many times he may change jobs during the life of the mortgage loan. This has greatly facilitated the collections process as lenders receive monthly payments not from the borrowers, but rather directly his employers. By law, the employers must remit payments to mortgage lenders within five working days or face fines of up to ten times the amount of the borrowers mortgage payment. Once agreed to by the borrower, the deduction is obligatory and may not be voluntary suspended by the borrower.

The preferential interest rate law provides an interest rate subsidy to homebuyers who acquire low priced homes, subject to certain qualifications. Lenders lend to borrowers at subsidized rates and the Panamanian government provides a tax credit at the end of the year to lenders compensating them with the equivalent of market interest rates. In a country where, for example, a schoolteacher earns an average of \$400 - \$450 per month, the below-market rates enable a large portion of the Panamanian population that would otherwise not be able to afford a home the opportunity to qualify for mortgages.

For further information about La Hipotecaria, please consult its website at www.lahipotecaria.com