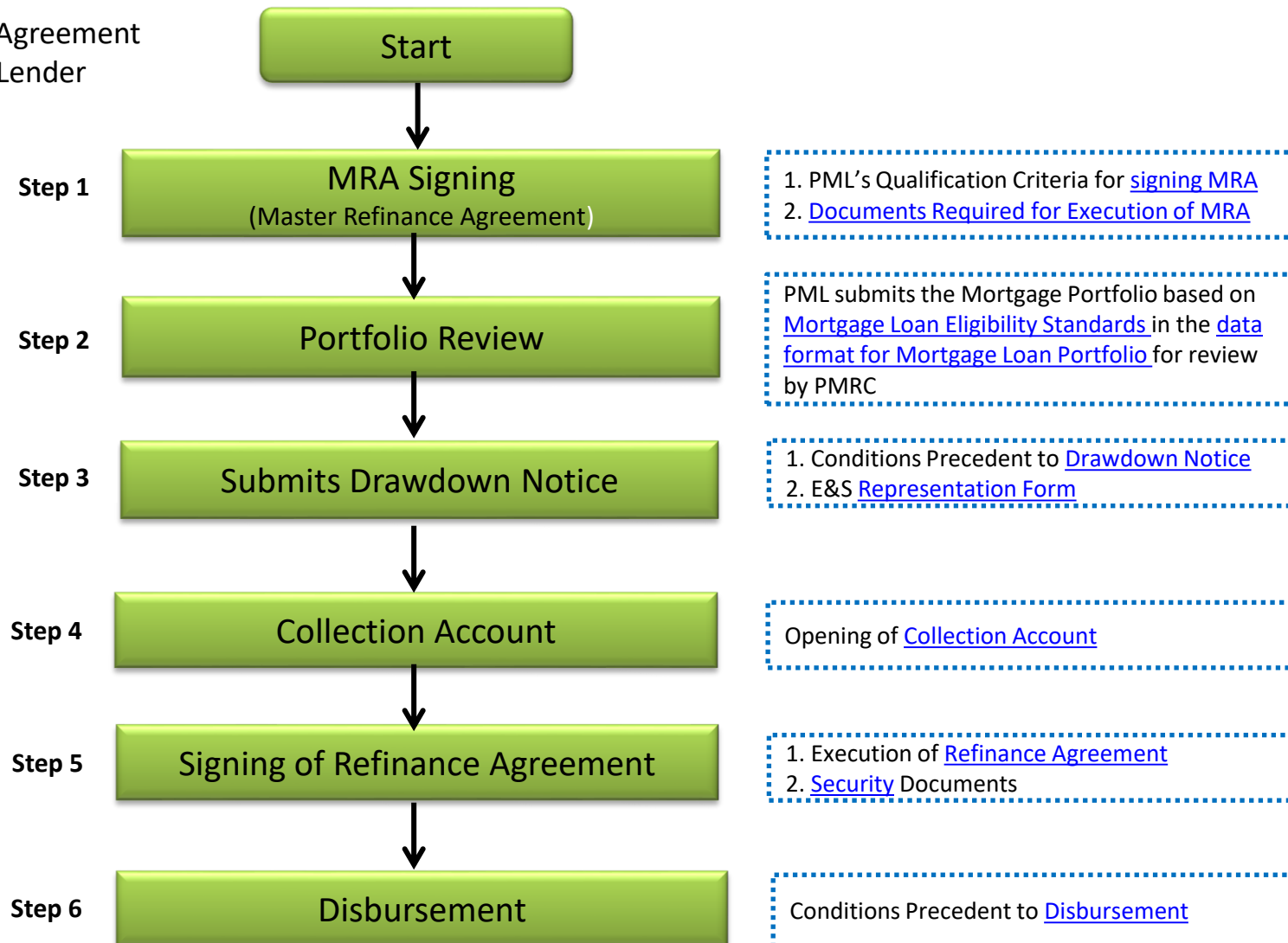
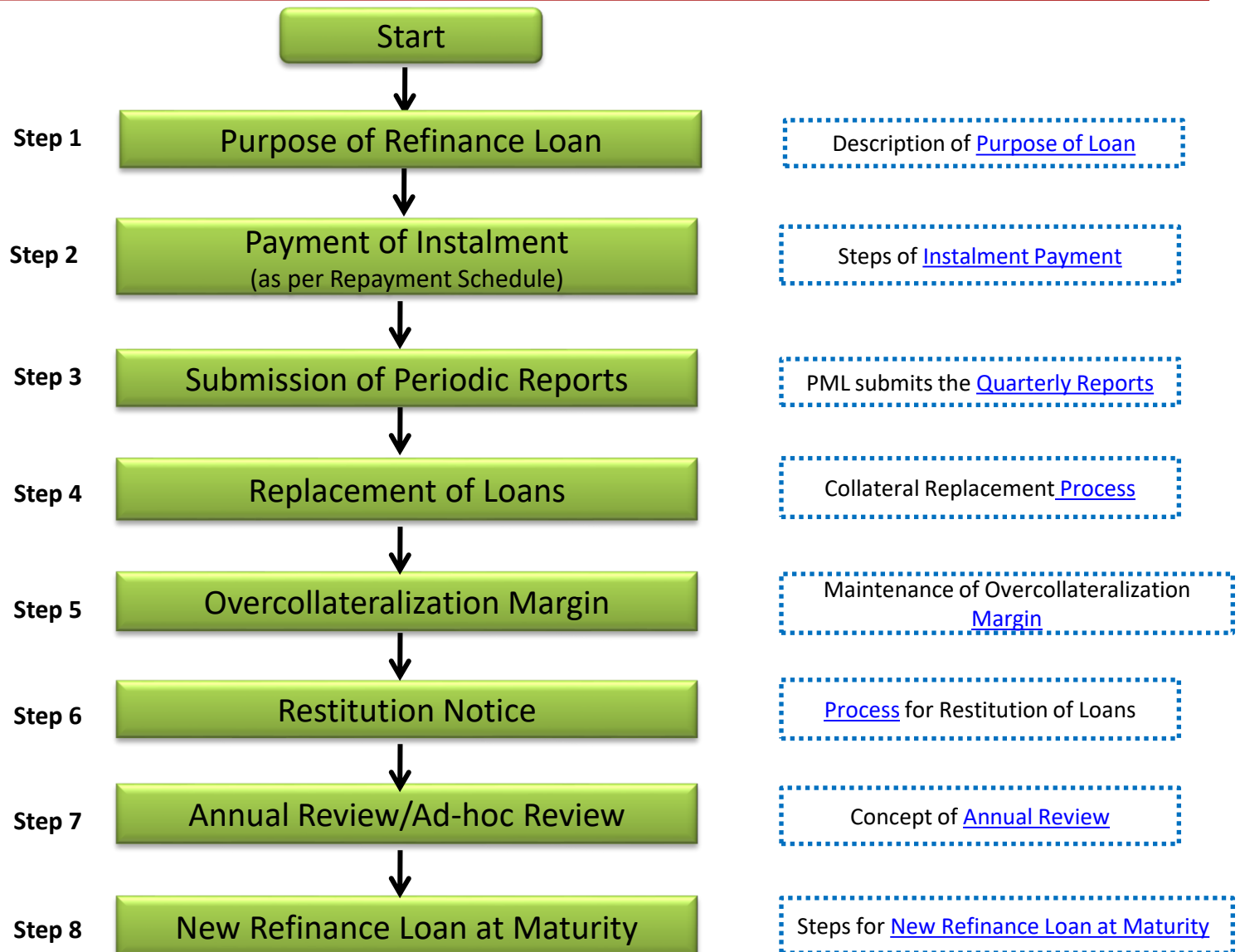


Mode of Operations

MRA : Master Refinance Agreement
PML : Primary Mortgage Lender



Post Disbursement Activities



PML's Qualification Criteria for signing MRA

A financial institution that:

- Is licensed and regulated by the SBP and/or SECP and is engaged in the business of housing finance.
- Has a long-term credit rating of at least “A” issued by one or more recognized credit rating agencies licensed by the SECP.
- Has unqualified audited Financial Statements for the most recent financial year, except for an emphasis of matter, paragraph in the Auditor’s Report related to the Customer’s minimum capital requirement as allowed by SBP.



Documents Required for Execution of MRA

PML shall provide PMRC the following documents prior to execution of the Master Refinance Agreement (MRA):

- a) Certified copies of the constitutional documents of the Customer.
- b) Certified copy of the resolution of the Board of Directors of the Customer authorising the Customer to avail the Refinance Facility and create Security from time to time and the execution of the Principal Documents, from time to time, by authorized representatives.
- c) Certified copy of Banking Licence/DFI Notification.
- d) Latest credit rating report issued by one or more credit rating agencies licensed by the SECP.
- e) Copies of the most recent audited Financial Statements.



Mortgage Loan Eligibility Standards

- a) Mortgage Loan is for the purchase, balance transfer facility, renovation of a residential unit or construction of property, and is fully disbursed to or for the account of the Mortgagor and there is no obligation for the Customer to advance additional funds thereunder.
- b) The Mortgagor is a natural person owning a verifiable source of income (verified by the Customer) and, to the best knowledge of the Customer, is not an undischarged bankrupt nor have any bankruptcy proceedings been commenced against the Mortgagor.
- c) Total monthly amortization payments, including under the Mortgage Loan, and the repayment obligations of the Mortgagor against all other consumer financing does not exceed fifty per cent (50%) of the net disposable income of the Mortgagor.
- d) The Mortgage Loan is in compliance with Applicable Laws, in particular, the Housing Finance Prudential Regulations issued by SBP.
- e) As of the Requested Drawdown Date, repayment by the Mortgagor is up to date for the preceding month.



Mortgage Loan Eligibility Standards

- f) Weighted average of mark-up rate on the portfolio of Mortgage Loans is higher than the Applicable Rate on the Refinance Loan, provided that the criteria in respect of the mark-up rate on Performing Loans and Shortfall Mortgage Loans (as defined in the Assignment Deed) shall be as specified by PMRC from time to time.
- g) Weighted average tenor of the portfolio of Mortgage Loans is longer than the tenor of the Refinance Loan, provided that the criteria in respect of the tenor of Performing Loans and Shortfall Mortgage Loans (as defined in the Assignment Deed) shall be as specified by PMRC from time to time.
- h) The Mortgage Loan 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.
- i) There is no default, breach, violation or event of acceleration existing under the Mortgage Loan Documents and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration, and the Mortgagor has not waived any default, breach, violation or event of acceleration;



Mortgage Loan Eligibility Standards

- j) The Mortgage Loan has not been prepaid in full and the Customer has not received any notification from the Mortgagor that a prepayment in full shall be made after the Requested Drawdown Date.
- k) The Mortgage Loan Agreement and/or the Mortgage Security Agreement contains customary and enforceable provisions for enforcement of the Customer's rights and remedies against the Mortgage Property, including the right of the Customer to: (i) take possession of the Mortgage Property; (ii) sell/assign the Mortgage Property; (iii) commence foreclosure proceedings; and (iv) exercise any other enforcement procedure, right or remedy available under Applicable Laws.
- l) The maximum loan to value ratio does not exceed eighty per cent (80%), provided that "value" shall be the lower of the price or appraised value of the Mortgage Property.
- m) 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 Customer 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.
- n) A substantially clean legal opinion has been obtained in respect of the Mortgagor's title to, and Security Interests (if any) on, the Mortgage Property and creation and perfection of valid mortgage.



Mortgage Loan Eligibility Standards

- o) There is no provision in the Mortgage Loan Agreement and/or Mortgage Security Agreement that restricts the Customer from assigning or transferring all its rights, interests and benefits thereunder to any person with or without the Mortgagors consent.
- p) The Mortgage Property is not subject to any bankruptcy proceeding or foreclosure proceeding or any other enforcement proceedings and the Mortgagor has not filed for protection under applicable bankruptcy laws;
- q) The Mortgage Property is in the lawful possession of the Mortgagor, 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.
- r) To the best of knowledge of the Customer, the Mortgagor and the Mortgage Property is in material compliance with all Applicable Environmental and Social Requirements.
- s) 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 contain a standard mortgagee clause naming the Customer, its successors and assigns as first loss payee and all premiums thereon have been paid. The Mortgage Security Document obligates the Mortgagor thereunder to maintain all such insurance at the Mortgagor's cost and expense, and on the Mortgagor's failure to do so, authorizes the Customer to maintain such insurance at the Mortgagor's cost and expense and to seek reimbursement therefor from the Mortgagor.



Data required for Mortgage Loan Portfolio Review

Mortgagor's Details								
1	2	3	4	5	6	7	8	
S.No	Mortgagor's Name	Mortgagor's CNIC #	Mortgagor's Loan Account No.	Mortgagor's Segment (Salaried/Self-employed)	Female Borrower or Co-borrower (Y/N)	Household Monthly Income Rs.	Total Indebtedness Burden to Income(%)	
Loan Details								
9	10	11	12	13	14	15	16	17
Purpose of Loan i.e Home Purchase, Home Renovation, Construction, Balance Transfer Facility	Financing/ Loan Amount	Last Disbursement Date	Tenor of Loan	Loan Fully Disbursed (Y/N)	Loan Outstanding as of MM/YY	Date of Last Repayment	Monthly Instalment Rs.	Repayment Frequency
Loan Details			Property Details					
18	19	20	21	22	23	24	25	
Current Payment Status (Current/Overdue)	Mark-up Rate %	Pricing Type (Fixed/Floating)	Loan Maturity Date	Property Value at Origination	Property Type (Apartment/Bungalow)	Loan to Value (LTV) Ratio	Mortgage Property Address	



Conditions Precedent to Drawdown Notice

Conditions Precedent to Delivery of Drawdown Notice

- a. Details of the Mortgage Loan Portfolio in the form prescribed by PMRC from time to time.
- b. Latest search report obtained from the SECP as evidence that the Mortgage Loan Portfolio is free from all Security Interests.
- c. Amended and updated documents listed in Schedule A (*Documents on Execution of Agreement*), if any.
- d. Environmental and Social Representation Form.



Environmental and Social Representation Form

A. Environmental and Social Management System

- (i) Does [●] have an Environmental and Social Management System? (Y/N).
If yes, please attach a copy, if no please provide plan to comply.
- (ii) Does the ESMS incorporate Applicable Environmental and Social Requirements, as defined by PMRC in Mortgage Loan Eligibility Standards, in relation to Mortgage Loans? (Y/N)
- (iii) Does [●] ESMS have an environmental and social screening process in relation to Mortgage Loans that integrates requirements of PMRC Environmental and Social Risk Management Policy? (Y/N)
- (iv) Does [●] 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

B. Compliance of Mortgage Loan Portfolio with Applicable Environmental and Social Requirements

- (i) Does the Refinance Mortgage Loan Portfolio, to the best of [●] knowledge, comply with Applicable Environmental and Social Requirements, including those set out in Mortgage Loan Eligibility Standards? (Y/N)
- (ii) Is adequate documentation available for review by PMRC, its representatives in the Mortgage Loan Files? (Y/N)

* Check that documents stipulated in PMRC E&S procedures are available, such as ESIA's (to the extent applicable), lease completion certificate, approved building plan, site plan of the mortgage loan and surveyor report are available.



Opening of Collection Account

- Customer shall be required to establish and maintain a single Collection Account to deposit the Mortgage Loan Receivables in relation to each Refinance Loan.
- PMRC shall have a lien on the Collection Account to secure all obligations owed to PMRC under the Refinance Facility.
- PMRC will, on a case to case basis, determine whether the use of the funds by the Customer held in the Collection Account should be restricted or otherwise be permitted to use in the ordinary course of business. This will be achieved through Utilization Consent issued by PMRC to the Customer.



Execution of Refinance Agreement

- Customer will execute the following documents:
 - Refinance Agreement;
 - Lien Security and Control Agreement; and
 - Deed of Assignment
- Customer will arrange to stamp the above documents and return them to PMRC for execution.
- PMRC will execute the documents and return them to Customer.
- Customer will register the Deed of Assignment with SECP and intimates SBP.
- Customer will then return the original set of the above documents together with the acknowledgement of Registration with SECP and evidence of intimation to SBP to PMRC.



Security Documents

As security for the payment of the Secured Obligations under the Refinance Facility, the Customer shall execute in favour of PMRC the following documents.

- Creation of lien on the collection account to be done only once i.e. before the disbursement of loan.
- A charge by way of assignment over the mortgage portfolio rights.
- Such other Security Interests (including Alternative Security) as may be required by PMRC if it is of the reasonable opinion that the value of the Security as stated diminished such that it does not sufficiently secure the Secured Obligations after taking into account Overcollateralization Margin.



Conditions Precedent to Disbursement

- a. the Customer has complied with Part A of this Schedule C (*Conditions Precedent to the Delivery of the Drawdown Notice*);
- b. PMRC has received a duly completed Drawdown Notice signed by an authorized representative of the Customer;
- c. the Requested Drawdown Date specified in the Drawdown Notice is a Business Day within the Availability Period;
- d. PMRC is reasonably satisfied that the statements and certifications made in the Drawdown Notice are true and correct on Disbursement;
- e. PMRC is reasonably satisfied that no Event of Default or Specified Event has occurred and is continuing and that the disbursement of the Refinance Amount will not result in the occurrence of an Event of Default or Specified Event;
- f. PMRC is satisfied that all regulatory and corporate approvals relating to the Maximum Facility Amount and completion of all actions under the Principal Documents have been issued and are subsisting;

Conditions Precedent to Disbursement

- g. PMRC has received all satisfactory evidence for PMRC to determine that the Customer is a Qualified Financial Institution;
- h. satisfactory completion of the Portfolio Review;
- i. PMRC is reasonably satisfied that there is no law, directive, notification, order or decree of any Authority, the SBP or any Court in Pakistan, as the case may be, which prevents or restricts PMRC from Disbursement;
- j. the representations and warranties set out in the Principal Documents shall as of the date of the Drawdown Request be true and correct and the Drawdown Request shall contain a statement to that effect;
- k. no event or circumstance has occurred or exists which would have any Material Adverse Effect on the rights of PMRC under this Agreement;
- l. PMRC is satisfied that the Disbursement of a Refinance Amount would not result in any of the Prudential Regulations being violated, or in the event it does, necessary waivers have been obtained by the Customer from the SBP and documentary evidence confirming the same has been provided to PMRC;

Conditions Precedent to Disbursement

- m. PMRC is reasonably satisfied that the Customer conducted an environmental and social due diligence on the Mortgage Loan Portfolio and has provided PMRC a confirmation of such due diligence in the form of an Environmental and Social Representation Form;
- n. after Disbursement of a Refinance Amount, the Customer would not be in violation of:
 - (i) its constitutional documents;
 - (ii) any provision contained in any document to which the Customer is a party (including this Agreement) or by which the Customer is bound; or
 - (iii) any Applicable Law, authorization or agreement or other document binding on the Customer directly or indirectly limiting or otherwise restricting the Customer's power to incur Financial Indebtedness.
- o. A Refinance Agreement and Security Documents have been executed in relation to the Refinance Amount in the form provided in Schedules D and E to this Agreement;
- p. Security has been perfected in accordance with Applicable Laws, including registration/filing of the Security with: (a) the Companies Registration Office of SECP and a certificate of registration issued by SECP in respect of the same has been provided to PMRC; and (b) the SBP;

Conditions Precedent to Disbursement

- q. If required by PMRC, copies of the Mortgage Portfolio Documents have been delivered to PMRC before the requested Drawdown Date in the form and manner instructed by PMRC; and

- r. The Collection Account required to be opened by the Customer in accordance with the terms of this Agreement has been opened to the satisfaction of PMRC.

Purpose of Refinance Loan

Customer will ensure that Refinance Loan provided by PMRC should be used for origination of new mortgages within a time span agreed between the Customer and PMRC.



Payment of Instalment

- The Customer shall receive Instalment Intimation email from PMRC prior to the due date and the Customer will acknowledge receipt of the email .
- The Customer shall transfer the Instalment Amount as per the Repayment Schedule to PMRC's account with SBP on the due dates through RTGS.
- The Customer shall inform PMRC via email of the amount of instalment credited to PMRC's account.



Reports

The Customer shall prepare and submit to PMRC the following quarterly reports:

Portfolio Monitoring Report

The Customer shall prepare and submit a quarterly “Portfolio Monitoring Report” to track payments and collateral coverage.

Defective Loan Report

The Customer shall submit a Defective Loan Report to PMRC on a quarterly basis setting out details of Defective Mortgage Loans which are to be replaced.

Statement of Collection Account

The Customer shall provide a certified Statement of Collection Account on a quarterly basis showing debits and credits of the account during the statement period.

New Loans Disbursement Report

The Customer shall prepare and submit New Loans Disbursement Report on a quarterly basis, to show the generation of new mortgage loans from the refinance loan obtained from PMRC.

Financial Statements

The Customer shall send PMRC a written notice confirming that its Financial Statements have been uploaded onto the Customer’s official website.



Portfolio Monitoring Report

Portfolio Monitoring Report – Quarterly

Data/MIS Format

1	2	3	4	5	6	7	8	9	10
S.No	Mortgagor's Name	Mortgagor's CNIC #	Mortgagor's Loan Account No.	Mortgage Rate %	Loan Outstanding as of MM/YY	Date of Last Repayment	Last Payment Amount	Breakup of Last Payment	
								Principal Amount	Mark-up Amount
1									
2									
3									
4									
5									
6									
...									



Defective Loans Report

Customer's Name : _____ Refinance Mortgage Loan Portfolio # _____

Data as of DD/MM/YY _____

Defective Mortgage Loans

Data/MIS Format

1	2	3	4	5
S.No	Mortgagor's Name	Mortgagor's CNIC #	Mortgagor's Loan Account No.	Event of Defective Loans (Event selection from Table below)

Reasons for Defective Loan

A mortgage loan is considered to be a defective loan if:

Description/Detail

1. it ceases to meet the Mortgage Loan Eligibility Standards;
2. it is non-performing, i.e. repayments by the Mortgagor are in arrears for three (3) months and/or more;
3. it is redeemed or prepaid in full by the Mortgagor;
4. the Mortgagor becomes bankrupt;
5. the Mortgagor becomes partially or totally disabled or if he dies;
6. the Mortgage Property is destroyed or damaged by fire or other perils;
7. no valid policies of fire and other perils insurance; or
8. there is a breach of any of the representations and warranties provided in terms of Clause 13.1.2 of the MRA.



New Loans Disbursement Report

Customer's Name :

Data as of DD/MM/YY

New Loans Disbursement Report

Data/MIS Format

1	2	3	4	5
S. No	Period Covered	Number of Loans Disbursed	Amount Disbursed	Female Borrower or Co-borrower (Y/N)
1				
2				



Collateral Replacement Process

- Within ten (10) business days of receiving a Replacement Direction, the Customer shall replace the Defective Mortgage Loan(s) identified in the Replacement Direction with another Mortgage Loan(s) that meets the Mortgage Loan Eligibility Standards to the satisfaction of PMRC.
- In the event that the Customer does not have sufficient eligible Mortgage Loans, it may offer alternative assets as substitute collaterals up to a limit of 20% of the pledged assets. Substitute collaterals can be:
 - Government Securities i.e. PIBs or Treasury Bills. The Government Securities will be placed under pledge by transfer of securities to PMRC's SGLA Account with SBP. Government Securities will be accepted as collateral on market value or
 - Deposits with another bank that will be kept in escrow for the benefit of PMRC. Deposits will be valued at their nominal value.



Maintenance of Overcollateralization Margin

Overcollateralization of 125%

- The overcollateralization for loans refinanced with PMRC shall be 125% or such other margin as may be determined by PMRC from time to time.
- In case the Customer does not have sufficient eligible mortgage loans for replacement, the Customer may offer alternative collaterals which may be in the form of PIBs, Treasury Bills or deposits as temporary collateral, pending the replacement of eligible mortgage loans.
- Based on the Portfolio Monitoring Report, in case Overcollateralization level goes below 125%, PMRC will send the Restitution Notice to the PML to top-up with eligible mortgage loans to meet the required overcollateralization margin.



Process for Restitution of Loans

- Within fifteen (15) Business Days (or such extended period as PMRC may specify in writing) of receiving a Restitution Notice, the Customer shall create additional Security Interests in favour of PMRC in accordance with the Security Documents.
- The Customer shall provide Mortgage Loan(s) that meets the Mortgage Loan Eligibility Standards to the satisfaction of PMRC.
- In the event that the Customer does not have sufficient eligible Mortgage Loans, it may offer alternative assets as substitute collaterals up to a limit of 20% of the pledged assets. Substitute collaterals can be:
 - Government Securities i.e. PIBs or Treasury Bills. The Government Securities will be placed under pledge by transfer of securities to PMRC's SGLA Account with SBP. Government Securities will be accepted as collateral on market value or Value of PIBs.
 - Deposits with another bank that will be kept in escrow for the benefit of PMRC. Deposits will be valued at their nominal value.



Annual Review/Ad-hoc Review

PMRC or its appointed Reviewer shall conduct an annual review of the mortgage loans provided as security to ensure that the portfolio complies with the terms and conditions of the Master Refinance Agreement.

PMRC may also conduct an ad-hoc review if in the opinion of PMRC such an audit is necessary.



New Refinance Loan on Maturity

PMRC will have the option to offer a new Refinance Loan in place of the existing maturing Refinance Loan. In such instances, the Customer shall be required to make a formal request.

Steps for the new Refinance Loan will be as follows:

- Indicative Term Sheet will be communicated to Customer by PMRC one month prior to the maturity of the loan.
- Customer will confirm its commitment to avail the Refinance Loan based on the terms and conditions stipulated by PMRC.
- Drawdown Notice will be required.
- Signing of Refinance Agreement.
- Security requirement will be complied with before disbursement of Refinance Loan.
- Disbursement will be made in Customer's Account at SBP.

Portfolio Review and Security Requirements

- Review of Portfolio will not be required (if same collateral in the maturing Agreement shall be used).
- Deed of Assignment will be re-registered with New Refinance Loan Number at SECP and intimation to SBP.