Public Information Summary

Host Country

Mongolia

Name of Counterparty / Issuer

Mongolian Mortgage Corporation – SPC to be established.

Project Description

The Project is a term loan securitization financing facility to a newly established bankruptcy remote SPC in Mongolia for the purchase of a portfolio of commercial rate residential mortgages targeting underserved communities including low-and middle-income borrowers. The Project will expand home ownership in Mongolia, which has been challenged by funding costs and lack of liquidity.

DFC Product Type

Debt Financing

DFC Investment

$150,000,000

Total Project Costs

$187,500,000

U.S. Involvement

N/A

Policy Review

U.S. Economic Impact

The Project is not expected to have a negative impact on the U.S. economy.

Developmental Objectives

In Mongolia, more than a quarter of the population lives below the national poverty line, and traditional nomadic herding livelihoods are declining. These factors have contributed to rapid urbanization in the country and substandard living situations in areas around cities, and especially the capital city of Ulaanbaatar. These informal living situations are unconnected to basic services like heating, sewage, and water pipes. Affordable housing and home ownership is an important tool in building wealth and combatting poverty. Women in Mongolia especially have much lower rates of home ownership than men, limiting their ability to achieve independent wealth. The Government of Mongolia has made efforts through a subsidized mortgage program to allow low- and middle-income citizens to purchase a home and move into safer and more sustainable housing. However, government intervention in the mortgage market is economically unsustainable in the long-term.

In response to these challenges, the Project will provide a market-based solution addressing the liquidity gap in the Mongolian mortgage market and support the transition from informal to formal housing by providing financing for the underwriting of commercial-rate mortgages to underbanked groups, including low and middle-income households, ger district residents, women, rural household, young families, civil servants, and first-time homebuyers. More specifically, the Project is aligned with the 2X criteria for leadership and consumption, including an allocation of minimum 50% of DFC Loan proceeds to women borrowers and co-borrowers. The Project will also support homeownership of low-income populations with a target of allocating 30% of Project proceeds to this segment. Given the Project's characteristics, it is categorized as Highly Impactful per DFC's Impact Quotient.

Environment and Social Assessment

Screening:

The Project has been reviewed against the DFC's 2024 Environmental and Social Policies and Procedures manual ("ESPP") and has been determined to be categorically eligible. DFC direct loans to financial institutions for mortgage lending are screened as a Category FI-C for environment and social assessment. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all those downstream investments have been pre-screened as Category FI-C and further review and consent is not required for these investments.

Applicable Standards:

To ensure that the Borrower's investments are consistent with the DFC's statutory and policy requirements, the DFC loan will be subject to conditions regarding the use of proceeds. The primary environmental and social issues identified in this transaction relate to the need for an Environmental and Social Policy ("ESP") that meets the 2012 IFC Performance Standards.

Under the DFC's ESPP, the Borrower is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation's Performance Standard ("PS") 1 and 2. A desk-review based due diligence assessment indicates that because the Project will use DFC support for the expansion of its mortgage lending portfolio in Mongolia, significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated; therefore, PS 3, 4, 5, 6, 7, and 8 are not triggered.

Environmental and Social Risk and Mitigation:

The Borrower has an environmental and social policy as described in IFC PS 1, internal grievance mechanisms, and human resources policies generally commensurate with its investment strategy. However, the Borrower will be required to provide to DFC an update to its environmental and social policy to include a methodology for the consideration of GHG emissions aligned with DFC's 2024 Environmental Policy and Procedures and a framework to categorize the E&S risks of the portfolio in accordance with IFC PS 1. In addition, DFC will require compliance with DFC's client protection standards.