

HOUSE IMPROVEMENT LOAN PROGRAM - IMPLEMENTATION CONTROL (LA1)

APPLICATION No: 0167

DATE APPROVAL 26.4.88

LOAN No: 0096

No.	Activity	Dept.	Date	Signature	Observations	Days
1.	Preliminary information	Social	15.3.88			
2.	Reception application	Social	23.3.88			1
3.	Socio-economic evaluation	Social	28.3.88			6
4.	Financial evaluation	Accounts	29.3.88			7
5.	Technical evaluation	Technical	31.3.88			9
6.	Reception documents	Social	14.4.88			23
7.	Approval committee	Com.	15.4.88			24
8.	Approval DG	DG	26.4.88			
9.	Signing contract	Legal	28.4.88		Only 1 wit.; the other on 2.5	37
10.	1 st document	Stores	2.5.88			41
11.	Technical inspection	Technical	14.5.88			53
12.	Social inspection	Social	-		Gladys was ill	
13.	2 nd disbursement	Stores	16.5.88			55
14.	Technical inspection	Technical	25.5.88			64
15.	Social inspection	Social	25.5.88			64
16.	3 rd disbursement	Stores	2.6.88		Mason went to USA; a new mason contracted	72
17.	Technical inspection	Technical	14.6.88			(84)
18.	Social inspection	Social	-		No need	
19.	Termination of works	Technical	13.6.88			83
20.	Information collection	Accounts	15.6.88			
21.	Beginning recovery	Collection	14.6.88			



Applications are numbered in accordance with the order of receipt. The social worker assigns a running number to the new application and maintains an alphabetic card register, which permits the identification of applicants by name.

Once the application has been approved, a new loan number not corresponding to the application number will be assigned. This is because applicants may require shorter or longer periods to obtain supporting documents, consult with relatives and friends or obtain witnesses. It also may happen that the application needs to be reconsidered by the Team, particularly if the Approval Committee has some doubts. Loan numbers, on the other hand, must be consecutive in order to avoid errors and permit control.

The control sheet is periodically evaluated by the project's monitor, in order to identify the total time required to process the application and to complete construction as well as the intervals between individual activities. This permits a comparative evaluation and the timely identification of problems or potential problems.

Based on the experience gained, we estimate that on an average, four to six weeks are required to process the loan application. Improvement or construction work may extend from 2 to 8 weeks, depending on the volume of work. As a rule, borrowers are obliged to complete the building work within three months.

2. Filling in the application form (form LA 2)

When the interested person enters the project's field office, the social worker hands him or her, the information sheet about the scheme and the loan conditions. The interested person usually needs time to think and discuss with relatives and friends and will return to fill in the application form after two to seven days.

The application form is filled in by the social worker and not by the applicant in order to avoid mistakes and misunderstandings (after all, the applicant may understand the question in a different way). Also, the social worker may observe the applicant and so gain a clear impression of him or her.

The application form has been designed with the object of minimizing inconvenience to the applicant and obtaining only that information necessary for decision making as well as for an evaluation.

Some observations on implementation control, application
<p>No. 0167</p> <p>The major problems and delays we have confronted with the processing of loan applications:</p> <ul style="list-style-type: none"> - Applicants may require time to obtain the supporting documents, particularly the municipal land-lease contract; - The Director General or the sub-Director are not always available to approve loan contracts; - Witnesses who must sign the affidavit don't arrive on time; - The borrower cannot always find a mason-builder; - Some materials are scarce for a while; suppliers do not comply with their obligations; - Borrowers want to alter the agreed design. <p>All these smaller and bigger problems are natural. Some have solutions, some do not. They show the need for flexibility and adaptability. It is simply the human factor that does not always correspond to forms and formulae.</p>

Some observations on the loan application form
<p>a. Identification of applicant</p> <ul style="list-style-type: none"> - In many Latin American countries a person uses the family name of both parents as well as two surnames. These are freely interchangeable and the cause of permanent equivocation. Therefore, it is useful to identify an applicant also by his or her nickname. - Exact location of the house and not only the address, helps the social worker and the technician to identify the place more easily, particularly in irregularly laid-out settlements. - The wife's name and identification number are very important whenever the shelter is a common property. <p>b. General data</p> <ul style="list-style-type: none"> - In Latin America more than half the squatters and other low-income households do not marry officially because a wedding is an expensive ceremony. Rather the couples live together as man and wife. Most,

	<p>although not all, of these free unions are permanent.</p> <ul style="list-style-type: none"> - The information about number of dependents in relation to the household's income helps the social worker to evaluate payment capacity. - The number of persons who live in the house permits the technician to determine densities and extension requirements. Very often other relatives or friends (from the same village) share the shelter with the applicant.
c.	<p>Economic data</p> <ul style="list-style-type: none"> - In the case of employees, the social worker can verify the data and employment certificate by telephone. - Although it may be difficult to determine monthly income, particularly in the case of casual labour, the social worker usually obtains a clear impression from the conversation with the applicant which is usually friendly and relaxed. Mistakes may occur but they are not very significant. The more common problem is that of loss of source of employment and periodic inability to repay the installment. - In the case of self-employed and casual workers, the social worker attempts to establish an average monthly income.
d.	<p>Housing</p> <ul style="list-style-type: none"> - It is important to verify whether the applicant is the owner of the house, not because he or she might be a tenant, but rather because if another person (relative or not) may have a claim to the house, problems may arise in loan recovery. For example, a borrower might have changed addresses and the present occupier-owner may refuse to accept responsibility for the repayment. - It is also important to find out whether the owner lives in the house. There are cases where rental houses were improved and rent has been increased, with the result that the original tenants had to leave. - Approximate value of the house and year of construction are needed in the case of legalization of loan contracts through Notarial Promissory Note and Affidavit.
e.	<p>Loan</p> <ul style="list-style-type: none"> - Value of loan required is an estimate by the applicant. Actual loan value will be determined by the technician, based on the design and the budget. - Monthly quota suggested by an applicant indicates payment propensity only. The actual quota will be negotiated, based on improvement value.
f.	<p>Data of witnesses</p> <ul style="list-style-type: none"> - Are required in the case of legalization of loan contract through Notarial Promissory Note and Affidavit.

HOUSE IMPROVEMENT LOAN PROGRAMME		
APPLICATION FOR HOUSE IMPROVEMENT LOANS (LA 2)		
		No. 0167
		Date 2 3 0 3 8 6
I.	IDENTIFICATION OF APPLICANT	
	1.	Family Name(S): Sanchez Rosano
	2.	Name(s): Alfredo Alejandro
	3.	Nickname: Pato
	4.	Identification Card No: 125702 Series: 13
	5.	Address: La Sabita No. 52 (left from water tank 3rd house)
	6.	If married: Name of wife: Miguelina Alvarez Ciruela
	7.	Identification Card No: 710524 Series: 43
II.	GENERAL DATA	

8.	Date of Birth:	14.9.1953				
9.	Marital Status	Married	Widow(er)	Divorced	Separated	X Free un.
10.	No. of Dependents:	2				
11.	Total no. of persons who live in the house:	5				
III.	ECONOMIC DATA					
12.	Do you work at present:				Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
13.	(If working) type of work:	Car mechanic (describe)				
14.	Category of employment:	Employee <input checked="" type="checkbox"/>	Independent <input type="checkbox"/>	Pensioner <input type="checkbox"/>		
15.	(If employed or pensioner) name of employer:	Aymecsa Garage				
16.	Address of employer:	Ave. Francisco Sanabia 35, Industrial Zone, Santiago				
17.	Telephone no. of employer:	685-8855				
18.	Type of salary/wages:	MONTHLY <input checked="" type="checkbox"/>	FORTNIGHT <input type="checkbox"/>	WEEKLY <input type="checkbox"/>		
19.	Monthly wage/salary:	RD\$ 400 (US\$ 63)				
20.	Do you have another remunerated work?				Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
21.	How much do you earn from that job?	RD\$ 300 (US\$ 47)				
22.	Does your wife/husband work?				Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
23.	(If yes) name and address of employer:					
24.	Total monthly income of the family:	RD\$ 700 (US\$ 110)				
IV.	HOUSING					
25.	Are you the owner of the house which you wish to improve?				Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
26.	Do you live in the house which you wish to improve?				Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
27.	Approximate value of the house:	RD\$ 15,000 (US\$ 2,362)				
28.	Year of construction of the house:	1974				
V.	LOAN					
29.	Value of the loan required?	RD\$ 2,000 (US\$ 315)				
30.	What type of improvement you wish to introduce with the loan (explain):	build a kitchen and another room for the children				
31.	For how long do you wish to take the loan?				Months <input type="checkbox"/>	Years <input checked="" type="checkbox"/> [3]
32.	Would you pay the quota:	Weekly <input type="checkbox"/>	Fortnight <input type="checkbox"/>	Monthly <input checked="" type="checkbox"/>		
33.	How much can you pay monthly?	RD\$50 (US\$7.87)	Date: 23.03.88	Signature of Applicant		
DATA OF WITNESSES (In case of a legal promissory note)						
1.	Name(s) and surname(s):	Manolo Alberto Jemenez				Series: 18
	Identification card no:	671096				
2.	Name(s) and surname(s):	Eugenia Altagracia Sanchez				Series: 42
	Identification card no:	314209				
3.	Name(s) and surname(s):	_____				Series: _____
	Identification card no:	_____				

EXCURSUS

The urbanization of Alfredo A. Sanchez Rosario

Alfredo Alejandro Sanchez Rosario was born in 1953 in the village of Argujo, some 35 km from Santiago. His parents and grandparents were farmers. They owned a small farm of about 1.5 ha. where they grew green banana, coffee and vegetables. Alfredo is the fifth of eleven children, but three have died.

He visited the village school and learned reading and writing which he does with great difficulty. He did not complete primary school because he had to contribute to the family income and find some work. In his childhood he worked

with his uncle selling ice ... there were no refrigerators in the village at that time.

Poverty was really terrible at that time. The land was not big enough to feed the entire family. Two of his brothers migrated to the United States where they still live and send some money to his parents from time to time. One of his brothers, Antonio, bought Alfredo a colour TV at his request, but Alfredo had to pay the value in pesos.

Alfredo left the village in 1969 when he was 15. There was no work and no food for him there. The year before, the land reform had been announced by the Government. Alfredo waited patiently but nothing happened, so he decided to go to Santiago which is only 45 minutes ride by bus from his village. He had been there many times in the past, but only for short visits.

Now the problem was to find lodging, work and food.

Alfredo was lucky. His older brother, Eduardo, had lived in Santiago for six years together with his wife, her mother and his small son, in a rented two-room timber house. Eduardo worked at that time in the municipal abattoir and Alfredo hoped that his brother would help him get a job there as well.

Alfredo did not like to stay with Eduardo because his wife and her mother are witches and grumble all the time. When he ate lunch with them, these women looked at him as if he pinched the last bit of food from their mouth.

But Alfredo had no choice - he had to stay with them for awhile and sleep in the kitchen. If it did not rain he slept in the hammock under the mango tree.

Alfredo began to look for work. It was not very easy. He started selling newspapers and later smuggled cigarettes, which he did not like very much because he had to bribe the policemen daily. The income was enough for one or two meals a day (rice and beans), but nothing else.

Alfredo visited and met all his acquaintances from the village. Conrado, the third brother of the second wife of his step-uncle, introduced him to a friend of his who worked as a panel-beater in a garage. He started visiting the garage in the afternoons and watched the work. Sometimes he would help Conrado with the work or go to buy cigarettes and soda for the workers.

One day one of the workers was sick and the owner suggested that Alfredo should take his place, which he gladly did. At first he received only \$RD30 (\$US4.62) per month,^(a) but at that time life was cheap. After two months his wages were raised to \$RD45 (\$US7.00) and later to \$RD60 (\$US9.45).

Alfredo rented a small room, at first with two other bachelors from his village and later on by himself. From his salary he bought clothing and food and brought it back to his parents in the village whom he visited twice a month.

After four years of working in the garage, Alfredo decided to look for another job. He had the feeling that he could get a better position and work less hours - in the first garage he had worked 14 hours per day.

He found anew job in the garage of the Ministry of Agriculture. Actually he had to bribe the supervisor and hand him all his savings of \$RD150 (\$US23.62). The job was good because working hours were from 7:00 a.m. to 2:20 p.m., so that he could look for another job in the afternoon, which he did. He started working as a gardener for a rich foreigner from 3:30 p.m. to sunset and earned another \$RD50 per month.

Alfredo was ambitious at that time. His brothers from the United States who came for a visit told him all the wonders of the "land of promises" and promised to find him a job once he got there, though they could not help him to obtain a visa. He tried but was rejected. Alfredo started saving in order to go to New York illegally. He met a smuggler who promised to get him there with a small boat. The man was a charlatan who co-operated with the police. Alfredo paid him \$RD2,000 (\$US315), went on the boat, was caught by the police and thrown in gaol. His father had to pay \$RD350 (\$US55) to get him out.

Alfredo decided never to try it again - better poor but honest. As he is serious and hard-working, he found anew job at once in another garage. He rented another room and started saving to buy a radio.

Then he met Miguelina at a fiesta (party). She was also from his village. Actually he did not like her too much because he knew her mother and she was always complaining and fighting - but then there was the child, Pedrito, and he did not have a choice, because he is a serious man.

For a while they lived in a small rented house; well, it was a shack and not a decent place. Alfredo started looking for

a small house to buy and he found one in barrio Pekin, in La Sabita Street. La Sabita is not really a good location. It is a squatter settlement and it is too far from his work, but the price was cheap, he had to pay \$RD1250 (\$US197) only. He had saved \$RD400 and the rest he got as a loan from his father and two uncles.

The house, made of rotten timber with a roof of old corrugated iron sheets, was small and not very attractive - only 28 m², but the plot was quite large with 124 m² with ample space for improvement. Alfredo paid back his loan, found a better job in Aymecsa Garage where he has been working since 1982, and a second job in the afternoon in a plumbing workshop.

He started improving his house, constructed block walls to replace the timber ones and bought new corrugated iron sheets for roofing. Of course, not all went as he had planned. In 1983 Carmensita was born and is always ill, and he must spend a lot of money for medicine. Miguelina brought her aunt to live with them and there is not enough space, but on the whole Alfredo is content.

One day, Miguelina told him that she heard from the neighbours that INVI offers loans at favourable interest rates for house improvements. Alfredo, like most Dominicans, has a healthy sense of distrust of the Government and its agencies, but Miguelina got on his nerves, so he decided to go and check what it is all about.

^(a) At that time the real value was 30 dollars

3. Supporting documents (forms LA 3 and LA 4)

Employees, whether of public- or private-sector, must obtain an employment certificate or sign an income declaration with the project's lawyer. The employment certificate is verified by the social worker.

In accordance with the Law, INVI may oblige public- and private-sector employers to deduct housing-loan repayments from the borrower's salary and transfer it to the account of the Institute. However, the transfer between public-sector institutions may require months and is accompanied by considerable delays and sometimes irregularities. Private-sector enterprises and employers are reluctant to assume additional administrative responsibility and deduct loans from wages. Therefore, INVI agreed that borrowers will be made personally responsible for the repayment of loans.

Income declaration does not guarantee the accuracy of the data. The social worker attempts to verify the data by means of conversation and domestic and work-place visits. Ultimately, though, the borrower assumes obligations and is aware of the consequences of arrears or default.

In addition to an employment certificate or an income declaration, applicants must either submit a copy of the land-lease contract with the Municipality, or sign an affidavit together with two witnesses and a notarial promissory note with the project's lawyers.

Learning from the experience of other similar projects, an attempt has been made to minimize "paper work" and formal requirements which often discourage potential applicants. At the same time, contracts must be legalized and loans safeguarded.

4. Economic evaluation of applications (form LA 5)

Based on the loan application and prior to the socio-economic evaluation, the project's accountant prepares the economic or financial evaluation. In accordance with the stated monthly income, requested credit and computed payment capacity, the accountant determines maximum loan value, loan duration and minimum monthly quota, which guides the technicians while preparing the technical evaluation and improvement proposal.

To determine maximum loan value, the accountant computes first the share of income available for loan repayment. The value established will be identified in the computerized loan analysis sheets. Depending on the type of improvement requested, the accountant always attempts to reduce the repayment period. That is to say, if the applicant's income allows him to repay the loan within a shorter period than requested, the technician will have to discuss this and try to convince the applicant.

The economic evaluation is a guideline. Following the technical evaluation and based on the grocer budget prepared, the accountant, the technician and the social worker may reconsider the loan value and the conditions.

HOUSE IMPROVEMENT LOAN PROGRAMME EMPLOYMENT CERTIFICATE (LA 3)		
The Director, House Improvement Loan Scheme, The National Housing, Institute (I NVI)		Date: 8/04/86
Dear Sirs,		
By means of this certificate and at the request of the applicant, we would like to inform you that Mr./Mrs. (name and surname): <u>Alfredo Sanchez Rosario</u> .		
Identification Card No: <u>710524</u> Series: <u>43</u>		
is employed by (name of employer): <u>Aymecsa Garages</u>		
since (year): <u>1982</u> permanently/temporarily*		
as a <u>mechanic</u> , his/her* salary/wages amounts to RS\$ <u>400</u> monthly.		
This enterprise established in (year): <u>1962</u> .		
It is located in (address): <u>Ave. Francisco Sanabria 35, Zona Industrial</u> .		
Telephone No: <u>685-8855</u> , it expresses its consent to:		
<input type="checkbox"/> Monthly or	<input type="checkbox"/> Fortnightly	<input type="checkbox"/> not possible
deduce from the employee's salary/wages * the value of the quota which the applicant has in writing agreed to pay for the house improvement loan granted by the National Housing Institute (INVI).		
Yours sincerely,		
Name: <u>Francisco Plinio Ayban</u>		
Function: <u>Manager</u>		

HOUSE IMPROVEMENT LOAN PROGRAMME INCOME DECLARATION (LA 4)	
To:	The Director, Home Improvement Loan Scheme, National Housing Institute (INVI)
From:	(Name and address of the self-employed) <u>Ramon Eduardo Santana</u> <u>Calle El Sol 32</u> <u>Pekin, Santiago</u>
	Identification No: <u>147033</u> Series <u>32</u>
I, the undersigned, <u>Ramon Eduardo Santana</u> work as self-employed as <u>Fruit Seller in the market of los Jazmines</u> . I have worked as self-employed since <u>12</u> years. My average monthly income amounts at present to <u>RD\$ 650</u> . I declare that to my best knowledge the above information are true and valid and understand that any false statement shall comprise a valid ground to reject the loan application or abolish which ever loan contract which has been approved and signed based on this information.	
Applicant's Signature	Date: 27.4.1986

5. The socio-economic evaluation (form LA 6)

The socio-economic evaluation of the application verifies the data provided by the applicant. The social worker confirms employment data by means of telephone calls or visits to the employer or the work-place (for example, a market stall) of the self-employed.

She also visits the applicant's home to verify the information and get direct and personal impressions, discussing the application with the wife and other family members. As a rule, a trained and experienced social worker can, through personal scrutiny of the applicant, determine his or her credibility. The appearance of the applicant and the family, the

maintenance and cleanliness of the house and the information provided by the household enable her to gain a clear impression.

In addition to the neighbours, who always likes to talk, the grocer around the corner is also a good - source of information. Low-income families buy on credit and pay at the end of the month. The usually knows very well who are the trustworthy clients.

Some observations on the economic evaluation

Alfredo A. Sanchez Rosario applied for \$RD2000 (\$US315) and suggested a repayment of \$RD50 (\$US7.87) per month. Cilenio, the accountant, determined that based on his declared monthly income of \$RD700 (\$US110), Alfredo could repay \$RD105 (\$US16.35) per month (15 per cent of income). This entitles him to a loan of up to \$RD3000 (\$US471.44) repayable in three years.

If, however, the loan required is minor (e.g. \$RD2000, the repayment period may be reduced to 18 to 20 months.

HOUSE IMPROVEMENT LOAN PROGRAMME ECONOMIC EVALUATION (ACCOUNTING) (LA 5)

1. Maximal value of loan: RD\$ 3,000 (US\$ 472.44)
2. Loan period: 3 years
3. Minimal monthly quota: RD\$ 105 (US\$ 16.53)
4. Quota as per cent of income: 15%
5. Observations: Depending on costs of improvement, monthly payment should be negotiated with applicant. Probably he can pay up to RD\$ 130 per month.

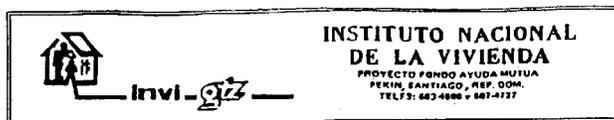
Signature (Accountant)

Date: 29.3.86

Some observations on the socio-economic evaluation

Rosa, our social worker, visited Alfredo's house while he was at work. This permitted her to converse confidentially with Miguelina, his wife. After half an hour of complaints about the Government and Municipality, inflation, the school, the children, the husband, the neighbours and the weather, Miguelina confessed that periodically she receives money from her sister in New York and has some savings, but Alfredo does not and should not know anything about it.

Based on this information and her general impressions of the house, Rosa recommends approval of the loan and suggests that Alfredo may repay \$RD105 to \$130 (\$US16.53 to \$20.47) per month.



HOUSE IMPROVEMENT LOAN PROGRAMME SOCIO-ECONOMIC EVALUATION OF HOUSING LOAN APPLICATION (LA 6)

No. 0167

Date 28 03 86

1. Name: Alfredo Alejandro
2. Surname: Sanchez Rosario (Pato)
3. Identification No: 125702 Series: 31

4. Address: La Sabita 52 Sector: Pekin

5. Marital Status: Free Union

6. No. of Dependants: 3

7. Housing Conditions: Acceptable

8. Employment Confirmation: Yes No

9. Economic Conditions: Applicant has colour TV, refrigerator. Wife receives periodically money from her sister in USA.

10. Confirmation of monthly income: Yes No RD\$ 700

11. Payment capacity: RD\$ 105-130

12. Verification of witness data:

1. Yes No

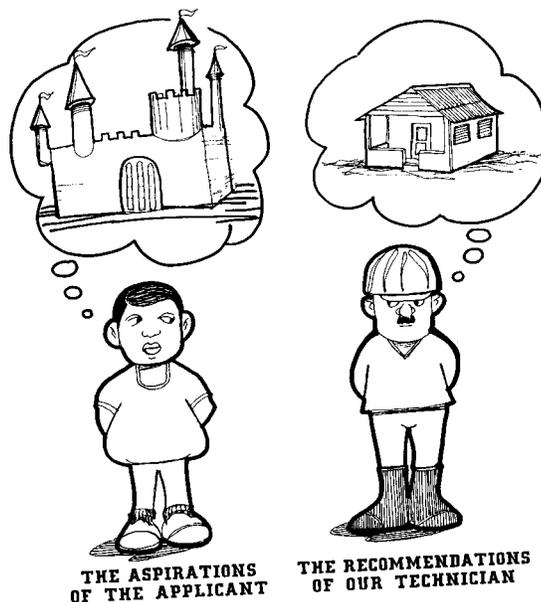
2. Yes No

3. Yes No

13. Personal impression: The house is well maintained; the children are clean and go to school; conditions are stable; applicant does not drink excessively; no debts at grocer's.

14. Recommendations: To give a relatively short-term loan. Applicant and wife can pay labour costs by themselves.

Signature: Social Worker



6. **Technical evaluation (forms LA 7, LA 8, and LA 9)**

Prior to the socio-economic evaluation, the social worker agrees with the technical supervisor the date and hour of the technical evaluation, and this information is passed on to the applicant.

Based on the loan application and the economic and socio-economic evaluations, the technician visits the applicant's house, measures the plot and house and prepares a rough sketch of the existing shelter.

Following an evaluation of the foundations, floor, walls, roof and the building materials, the technicians and the applicant discuss the requested and proposed improvement. The applicant's wishes are not always feasible. If there are no foundations, it is not possible to construct a second floor, or if the costs of extension or replacement exceed payment capacity, other solutions must be found.

The technician knows the standard costs of construction by its elements and can easily estimate rough improvement costs. If the requested improvement is not economically feasible, the technician will recommend a more modest solution or a progressive (step-by-step) improvement and repair of the house. A dialogue ensues, in the course of which an acceptable solution will be sought. The technician also possesses a computerized loan analysis and can quickly calculate the affordability of the improvement.

Once the feasible improvement has been agreed upon, the technician will draw a rough sketch of the planned construction works (form LA 8), identify the quantities and proceed with the preparation of the budget (form LA 9). The budget is prepared in accordance with a logical constructional development or implementation and the disbursement schedule. Building materials are disbursed corresponding to the construction schedule established by the budget. Once a stage or component has been completed, the technician will be called in to confirm the use of materials in agreement with the proposed design and authorize the subsequent disbursement.

Material prices are based on actual acquisition prices of components available at the store. Considering the accelerated rate of inflation, it proved costly and time-consuming to update individual budgets repeatedly. Consequently, it has been decided to apply the values of materials available at the store and the principle of "first come, first served". For the same reason, the project attempts to maintain a relatively large stock of non-perishable materials.

In order to mitigate the impact of inflation and to provide for unforeseeables, a contingency provision of 10 to 20 per cent, depending on the loan value and the volume of work, is added to the budget. Once disbursement has been completed, the precise value of the loan and of the monthly quota are determined by the accountant and made known to the borrower.

7. Loan approval (form LA10)

Once the evaluations have been completed and the budget prepared, the applicant's file is handed to the Approval Committee which is composed of the project director, the technical supervisor and the project's lawyer, and the project's accountant are (as a member with voice but without vote).

The Approval Committee again reviews the applicant's file and recommends whether to approve, reject or re-evaluate the application. In the last case, the social worker will be asked to clarify some details or obtain additional information.

Although the members of the Committee as well as other Team members are in close and permanent contact and often discuss the individual applications, the approval is not merely a formal act. Rather, it permits an overall consideration of each case based on the complex information available.

For the same reason it has been decided to discontinue the use of a points system which was introduced at the beginning. While the points system permitted an impartial decision, it did not allow the consideration of special and often complicated cases, particularly of the poorer households. Instead of a points system, the principle of "first come, first served" is now applied. Through the monthly evaluation of loans approved for house improvement (form PM 8), the accessibility of the Fund to lower-income households is controlled.

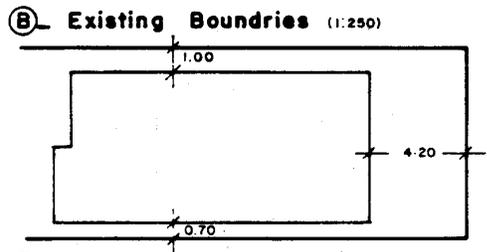
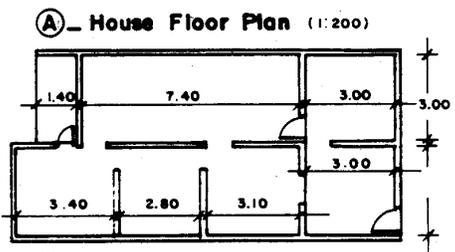
After the approval of an application by the Committee, the file is sent to the Head Office in Santo Domingo to be approved finally by the Director General or the Sub-Director for Administration, depending on the type of loan. That process usually requires between 7 and 10 days, unless the Director or Sub-Director are absent on a trip.

Once approved, the applicant is invited to the project's office to sign the loan contract and, if necessary, the affidavit and the process of disbursement may commence.

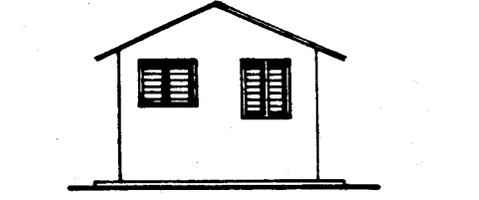
HOUSE IMPROVEMENT LOAN PROGRAMME
TECHNICAL EVALUATION (LA 7)

Applicant: Alfredo A. Sanchez Rosario **Application No.** 0167
Address: La Sabita 52 **Sector:** Pekin
(Left from water tank, third house to the right)

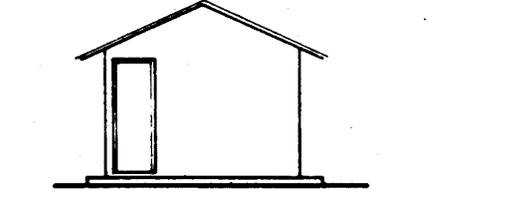
1. DIMENSIONS AND ELEVATION (Indicate scale)



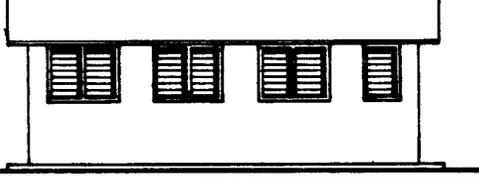
(C) Front Elevation (VERT. 1:100) (HORIZ. 1:200)



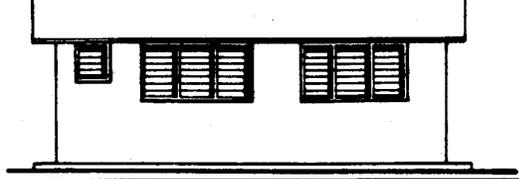
(D) Rear Elevation (VERT. 1:100) (HORIZ. 1:200)



(E) Right Side Elevation (VERT. 1:100) (HORIZ. 1:200)



(F) Left Side Elevation (VERT. 1:100) (HORIZ. 1:200)



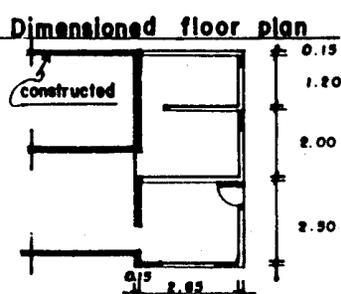
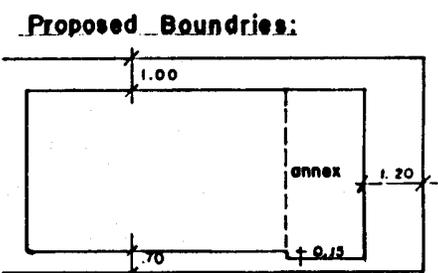
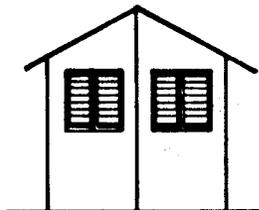
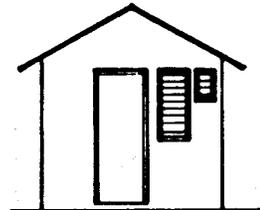
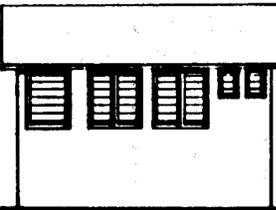
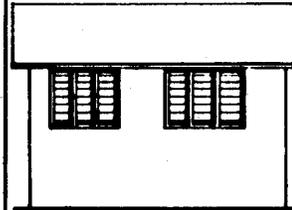
2. MATERIALS USED FOR:

(G) Foundation: Concrete **(H) Walls:** Blocks **(I) Roof:** Zinc
(J) Floor: Cement **(K) Doors:** Timber **(L) Windows:** Timber
(M) Painting: - **(N) Sanitary:** Pit latrine

3 - (P) Construction Area 71 m² **(Q) Plot Area:** 124

Signature (Evaluator): _____ **Date:** 31.3.86
Approval (Technical Supervisor): _____ **Date:** 4.4.86

**HOUSE IMPROVEMENT LOAN PROGRAMME
PROPOSAL FOR THE IMPROVEMENT OF HOUSING (LA 8)**

Applicants: <u>Alfredo A. Sánchez Rosario</u>		Application no.: <u>0167</u>	
Address: <u>La Sabita 52</u>		Sector: <u>Pekin</u>	
Recommended improvement: Construct an annex to the kitchen of blocks Calculate: Foundation, roof, floor			
Dimensioned floor plan 		Proposed Boundaries: 	
Proposed Elevation			
Front	Rear	Left Side	Right Side
			
Materials used for: Cennex			
Foundation: <u>Concrete</u>		Walls: <u>blocks</u>	
Floor: <u>Cement</u>		Roof: <u>use exist. zinc</u>	
Painting: <u>-</u>		Doors: <u>--</u>	
Sanitary: <u>-</u>		Windows: <u>Timber (No)</u>	
Area of the improved house: <u>18.90</u> m ²			

Elaborated by: _____
 Technical Supervisor

Approved by: _____
 Applicant

Date: 31.3.86

Date: 4.4.86



INSTITUTO NACIONAL DE LA VIVIENDA

PROYECTO FONDO AYUDA MUTUA
 PUEBLO SANTIAGO, REP. DOM.
 TEL: 803 4896 y 801 4727

HOUSE IMPROVEMENT LOAN PROGRAMME
BUDGET FOR A HOUSE IMPROVEMENT LOAN (LA 9)

Loan No.

0	1	?	6
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COMPONENT <i>A. Foundations</i>	MATERIALS				LABOUR COSTS		TRANS- PORT	OTHERS
	QUAN- TITY	UNIT.	UNIT PRICE	VALUE	BORROWER	PROJECT		
1 Sand	1	m ³	55.00	55.00				
2 Gravel	1.5	m ³	55.00	82.50				
3 Cement	13	bag	16.68	216.84				
4 Steel Ø 3/8	16	U.	8.81	140.96				
5 Wire	2	lb.	3.75	7.50				
6 Subtotal				502.80				502.80
7 Floor								
8 Sand	0.25	m ³	55.00	13.75				
9 Gravel	0.50	m ³	55.00	27.50				
10 Cement	3	bag	16.68	50.05				
Sub-Total :				91.29				91.27
Walls								
1 Blocks	525	U.	2.25	1,181.25				
2 Sand	1	m ³	55.00	55.00				
3 Gravel	1	m ³	55.00	55.00				
4 Cement	10	bag	16.68	166.68				
5 Steel Ø 3/8	13	U.	8.81	114.53				
6 Wire	1	lb.	3.75	3.75				
7								
8								
9								
10								
Sub-Total :				1,576.21				1,576.21
Lintel								
1. Steel Ø 3/8	0.5	QQ	114.48	57.24				
2. Steel Ø 1/4	0.25	QQ	100.60	25.15				
3. Sand	0.5	m ³	55.00	27.50				
4. Gravel	0.5	m ³	55.00	27.50				
5. Cement	2	bag	16.68	33.36				
6.								
7.								
8.								
9.								
10								
Sub-Total :				170.75				170.75
Contingencies (20 %)								468.21
TOTAL :								2,800.00

(2,809,36)

Signature applicant: _____

Date: _____



HOUSE IMPROVEMENT LOAN PROGRAMME
APPROVAL COMMITTEE - APPROVAL OF LOAN APPLICATION (LA 10)

Application No: 00167

Date: 15 04 86

1. Surname: Sanchez Rosario
2. Name: Alfredo Alejandro
3. Identification No: 125702 Series: 31
4. Address: La Sabita 52, Pekin
5. Declared household's income: RD\$ 700 (US\$ 110)
6. Loan value: RD\$ 2,800 (US\$ 441)
7. Loan period: 2.5 years
8. Monthly quota: RD\$ 111.16 (US\$ 17.50)
9. Quota as percent of income: 15.9

DECISION OF APPROVAL COMMITTEE:

Approved

Rejected

Reevaluation

In case that miscellaneous costs do not fall, repayment period should be reduced to 1.5 years.

Project's Director

Technical Supervisor

Project's Lawyer

FINAL APPROVAL

Administrative Director: _____

Date: 26.4.86

E. Legalization of loan contracts

1. How to guarantee the loan

Like most other similar projects, the project has confronted considerable difficulties in Santiago with the legalization of loan contracts or agreements and it took some time to identify and introduce appropriate procedures.

The legalization of contracts is a precondition for the disbursement of loans, following the law and regulations concerning INVI. The contract is supposed to provide the legal basis for compelling a borrower to pay in the case of arrears or default, but in reality it does not. First, legal proceedings are costly and extremely slow. It may take as many as three to five years to obtain a sentence from the civil court. Secondly, it would have been politically impossible for INVI to evict more than two to three defaulters in a house-improvement loan scheme. To secure recovery, other instruments have to be used. Nevertheless, the loan contract is essential to legalise the transaction and this is well-known and accepted by borrowers.

When designing the scheme, the legal adviser proposed three types of optional contracts:

- (a) A mortgage contract on freehold or leasehold land; implying that borrowers shall mortgage their plots for the period of loan repayment;
- (b) A guarantor's contract (solidarity contract) by means of which two guarantors, one of whom must own an immovable property, guarantee the credit;
- (c) Conditional resale contract, whereby the borrower sells his house (or structure) to the lender (INVI) for the amount of the loan and repurchases it automatically when the credit has been paid back.

In fact, however, none of these contractual forms could really be applied. The land on which Pekin was built has belonged to the Municipality of Santiago since colonial times. During the 1950s and 1960s, the Municipality gradually leased plots to rural migrants for medium-term periods (5-10 years). Since then, and particularly during the 1970s when improvement the town was growing rapidly, plots were exchanged and illegally sold several times. Only a few of the residents or their descendants are the original leaseholders.

Moreover, hardly any of the leaseholders have paid rent on the land and they could not, therefore, obtain a lease contract. To obtain a tenancy, the interested person would have to queue for several days or weeks in various offices of the Municipality, complete the 24 steps required and spend as much as \$RD700 (\$US110), (excluding bribes). After several futile attempts the Project Team realized that other legalization instruments would have to be applied.

The other two types of loan guarantee (guarantor's and conditional resale contracts) were rejected by potential borrowers. In view of progressive atomization of the urban society in the Dominican Republic, it became more and more difficult to find people who would agree to guarantee any type of loan, even within the core family.

The concept of the conditional resale contract was understood neither by the applicants nor by the Project Team (except the lawyer) and was flatly rejected. After all, attempting to impose legal structures and restrictions on people whose living style is determined by an informal mode of communication and interaction, is equal to squaring a circle.

Finally, and following considerable discussions and deliberations, the concept of a Notarial Promissory Note and Sworn Affidavit to legalize the loan contract was introduced. The Promissory Note, which will be discussed in the following paragraphs, is utilized by commercial and discount shops (particularly for electrical articles) and is commonly known and accepted in the squatter settlements. With that type of agreement it is no longer necessary, to present a leasehold, nor to face the humiliating rejection by would-be guarantors; the process is rapid, simple and cheap.

An important step towards starting the project was the signing of an agreement with the Municipality of Santiago, permitting INVI to grant improvement loans to the house-owners (in Pekin as well as in other squatter settlements), and to prepare, design and control construction work.

2. *Legal requirements as formulated by the project's lawyer*

In order to qualify for a house- loan, the applicant must be the proprietor of the structure or the property to be improved and be in a position to offer the structure as a guarantee for the credit granted.

House-improvement loans can be offered to applicants who have a right to the property as well as to proprietors of a house built on municipal land and who comply with the following legal requirements:

- (a) To be of legal age;
- (b) To offer the property as a guarantee for the loan and be authorized to do so;
- (c) Reside in the sector where the project is being implemented;
- (d) If the applicant is the proprietor of the real estate offered as a guarantee, any title deed which is not mortgaged must be presented;
- (e) If the applicant is not the proprietor of the plot, a lease agreement with the Municipality of Santiago permitting the mortgaging of the plot should be presented;

- (f) If the applicant is the owner only of the house or structure built on the plot, he or she must present an affidavit sworn in front of two witnesses who in good faith testify that the house or structure has been constructed for more than five years;
- (g) If the applicant is married, the spouse must consent as well.

Applicants who are the proprietors of the plots or leaseholders of the Municipality must sign a mortgage contract to guarantee the loans. Owners of the house or structure only may sign a notarial promissory note.

3. Formalization of contracts

In the case of applicants with freehold or leasehold title, the project's lawyer prepares a mortgage contract which must be signed by the borrower and the General Director of INVI. The mortgage contract must then be registered with the General Director of the Property Registry as well as the Registrar of Mortgages. Since the contract is with INVI, the mortgage is exempt from considerable fees and stamp duties. Nevertheless, the process may cost as much as \$RD150 to \$200 (\$US23 to \$31.50).

Prior to signing a notarial promissory note, the applicant must swear an affidavit in front of the lawyer-notary and two witnesses. The sworn affidavit certifies the ownership of the house by the applicant who has no other document to prove it. It also helps to prevent any later claim to the improved structure by a third party.

Once the affidavit has been sworn and signed, the applicant may then sign the promissory note which, in fact, is a simple obligation to repay the loan. When notarially certified, the promissory note is a legally accepted obligation of the borrower. In case of default, the lender (INVI) does not need to seek recourse in lengthy legal proceedings but may simply obtain a court order, enabling it to sell at first the movables and then the immovables of the defaulters.

The advantage of the promissory note is the simple and rapid procedure, requiring the intervention of the project lawyer and the notary only. The applicant need not spend a great deal of time and comes only once to the office with the witnesses to sign the affidavit and the promissory note.

Although most notaries may charge \$RD100 to \$150 (\$US15.75 to \$23.62) for the certification of documents, which is obviously too costly for low-income households, the associate of the Project's lawyer agreed to charge a lump sum of \$RD35 (\$US5.50) for the legalization of each promissory note.

MORTGAGE CONTRACT (LL 1)

BETWEEN: "EL INSTITUTO NACIONAL DE LA VIVIENDA" (National Housing Institute), autonomous entity of the Dominican State, regulated by Law Number 5892 dated May 10, 1962 and its modifications, with - offices and headquarters in the city of Santo Domingo, National District, represented in this act by its General Director Engineer MIGUEL D. PIMENTEL KAREH, Dominican, of legal age, of this address, bearer of the personal identity card No. 14975, Series IRA, who acts in virtue of a Resolution of the Board of Directors dated 15.07.1985, hereinafter referred to as the "Creditor", and Mrs. ALTAGRACIA GARCIA BEATO DE CRUZ, Dominican, of legal age, civil state married, identified by the Personal Identity Card No. 77432, Series 31, duly validated, residing at House No. 13, of the street No. 6, Barrio Pekin (CONANI), married with ARTURO JAQUES DOMINGUEZ, Dominican, of legal age, identified by the Personal Identity Card No. 342096, Series 28, of the same address, who as a symbol of approval signs the foregoing document, hereinafter referred to as the "Debtor", in presence of the instrumental witnesses free of exceptions and objections, Messrs. LEYDA ORQUIDEA PICHARDO CABRERA, and ADRIANO CUEVAS SANCHEZ, Dominicans, of legal age, identified by the Personal Identity Cards Nos. 132148 Series 31 and 40638 Series 2, residing in the City of Santiago; have agreed upon the following:

LOAN CONTRACT WITH MORTGAGE SECURITY

FIRST: THE CREDITOR grants in favor of THE DEBTOR a loan for the sum of Four thousand five hundreds Dominican Pesos, (RD\$4 500), for the purposes that THE DEBTOR, who accepts, improves the house 13 of the street No.6, of the section of Pekin (CONANI) of the City of Santiago;

SECOND: THE CREDITOR delivers in hands of THE DEBTOR, the sum granted as loan, of the following manner: Solely in the form of building materials in parties determined by the Technical Supervisor of the Project Unit of INVI in Santiago; in accordance with the advance of the physical implementation of the improvement of the house.

THIRD: THE DEBTOR agrees freely and voluntarily to grant as security of the present loan a first mortgage in favor of THE CREDITOR over the following property: A HOUSE OF Timber, ROOF OF Zinc WITH FLOOR OF Pressed earth WITH Eighteen (18) SQUARE METERS OF CONSTRUCTION; located on No. 13 OF THE STREET No.6, OF THE SECTOR OF Pekin (CONANI) OF THE CITY OF Santiago, INSIDE THE PLOT No. 1037 OF BLOCK No. 6, PARCEL No. 1037 OF THE CADASTRAL DISTRICT No. TS 046 OF the Municipality of Santiago.

FOURTH: THE DEBTOR justifies his property rights over the asset granted as mortgage security by the Lease Certificate No. 19033 issued in her favor by the Registrar of Titles of the Municipality of Santiago,- on the thirteenth (13th) of the month of April of the year nineteen hundred eighty two (1982).

FIFTH: The loan has been granted for a term of five (5) years which THE DEBTOR must start paying thirty (30) days after the last disbursement in monthly installments of one hundred Dominican Pesos (RD\$100.00);

SIXTH: The loan will draw interests of Fourteen (14) percent annual.

SEVENTH: The arrear in payments of two (2) installments grants the right to THE CREDITOR of exercising the option resolving the contract without recouring to judicial action and execute the mortgage security. SIGNED AND SEALED in two original of the same effect and validity, one for each of the contracting parties, in the City of Santiago de los Treinta Caballeros, on the thirtieth (30) of the month of April of the year nineteen hundred eighty eight (1988). I, DR. Leonel Tigre Sosa, Attorney at Law, Notary Public of the number of 3012, CERTIFY AND ATTEST: that the following signatures have been affixed before me, freely and voluntarily by Messrs. Altagracia Garcia Beato de Cruz, Arturo Jaques Dominguez, Leyda Orquidea Pichardo Cabrero, Adriano Cuevas Sanchez, and Lic. Miguel D. Pimentel Kareh, who have declared under oath that these are the same they use in all the acts of their public and private lives.

In the City of Santiago, on the thirtieth (30) of the month of April of the year of nineteen hundred eighty eight (1988).

Altagracia Garcia Beato De Cruz
DEBTOR

Arturo Jaques Dominguez
HUSBAND DEBTOR

Miguel D. Pimentel Kareh
CREDITOR

Leyda O. Pichardo Cabrera
WITNESS

Adriano Cuevas Sanchez
WITNESS

THE PRESENT ACT IS EXEMPTED FROM ALL KINDS OF TAXES AND DUTIES IN ACCORDANCE WITH THE STIPULATIONS OF LAW NUMBER 6017 of 27th August 1962.

**SWORN AFFIDAVIT FOR THE PURPOSES OF DECLARING
THE EXISTENCE OF AN IMPROVEMENT SUCH AS A HOUSE
OR CONSTRUCTION IN A DETERMINED PLOT OF LAND (LL 2)**

I, DR. LEONEL TIGRE SOSA, Attorney at Law, Notary Public of the Number of 3012, civil state Divorced, identified by the Personal Identification Card No 128036, Series 31, with duly validate stamps, with law offices open at 37 Las Casas, of this City of Santiago de los Caballeros; CERTIFY AND ATTEST, that before me and in presence of the instrumental witnesses required for these purposes, free of exceptions and objections, Messrs. M.ANOLO ALBERTO JIMENEZ and EUGENIA ALTAGRACIA SANCHEZ, Dominicans, of legal age, identified by the Personal Identity Card Nos. 671096 and 314209 respectively, Series 18 and 42 respectively, with duly validated stamps, residing in this city, Mr.(s) ALFREDO ALEJANDRO SANCHEZ ROSARIO, Dominican, civil state Free Union, Personal Identity Card No 125702, Series 31, with duly validated stamps, residing at No.52, La Sabita, Barrio Pekin, Santiago, appeared before me and declared that the reason for his appearance is to acknowledge and make it publicly known that he is the sole owner of the construction made in plots property of the Dominican State, located in Plot M 31067, Barrio Pekin, of this city, because it was made with personal monies and efforts, consisting such construction of a house marked with No 52 of the Street La Sabita Barrio Pekin of this city, constructed of sand-cement blocks with cement floors and corrugate iron sheet roof, with 3 rooms and an approximate value of Fifteen Thousand Dominican Pesos (RD\$ 15,000), which was constructed in 1953, and enjoying the same in an uninterrupted and pacific manner.

This declaration was supported as true by the mentioned witnesses, who declared that such was true and their willingness of affirming them before any public or private entity. Once read the previous affidavit, the parties in approval signed with and before me, of which total faith and credibility can be given. In the City of Santiago on the twenty-eighth (28) of April of the year nineteen hundred eighty eight (1988).

Manolo Alberto Jimenez
WITNESS

Eugenia Altagracia Sanchez
WITNESS

Alfredo Alejandro Sanchez Rosario
PERSON DECLARING

Dr. Leonel Tigre Sosa, on behalf of

Lic. Miguel Ant. Garcia Cordero
NOTARY PUBLIC



PROMISSORY NOTE BEFORE NOTARY PUBLIC No 60703 (LL 3)

I, DR. LEONEL TIGRE SOSA, Attorney at Law, Notary Public of Santiago de los Caballeros, Dominican, of legal age, identified by the personal identity card No 128036, Series 31, with duly validated stamps, with law offices open at house No 37 of the street Las Casas of this city, CERTIFY AND ATTEST that before me appeared Mr. ALFREDO ALEJANDRO SANCHEZ ROSARIO, Dominican, of legal age, civil state free union, identified by the personal identity card No 125702, Series 43 with duly validated stamps, residing at House No 52 of the street La Sabita of the Barrio Pekin of this city, and said that he DECLARES UNDER OATH, THAT HE IS DEBTOR OF THE INSTITUTO NACIONAL DE LA VIVIENDA, (INVI), for the sum of Two thousand eight hundred Dominican Pesos (RD\$ 2,800), quantity that was lent by such Institution for the purposes of improving and extending the above mentioned house and draws an annual interest rate of 12% plus 2% annually for management expenses that he is obliged to pay of the following manner: 30 quotas of RD\$111.16 each, commencing one month (1 month) after the ultimate disbursement of the loan.

ALSO DECLARING TO ME, that as security for the payment of the loan he grants the following assets of his property: "A house marked with No 52 of the street La Sabita of Barrio Pekin, Santiago, constructed of sand-cement blocks with cement floors and corrugated iron roof, constructed in the plot M 31067 of the property of the Municipality of Santiago of which property rights are justified by means of the enclosed Sworn Affidavit, and all his present and future assets, comprising to make the payments on each date and in case he fails to pay two installments, recognizes that all the assets granted as security, become exclusive property of the "INSTITUTO - NACIONAL DE LA VIVIENDA (INVI) , which he does in a FREE and VOLUNTARY manner.

In the city of Santiago de los Caballeros, on the twenty-eighth (28) of the month of April of the year of nineteen hundred eighty eight (1988).

Alfredo A. Sanchez Rosario
DECLARING DEBTOR

Manolo Alberto Jimenez
Identity Card No. 671096 Series 18 WITNESS

Eugenia Altagracia Sanchez
Identity Card No 314209 Series 42 WITNESS

I ATTEST,

Dr. Leonel Tigre Sosa on behalf of

Lic. Miguel Ant. Garcia Cordero
Attorney at Law – Notary Public



F. Disbursement of materials - construction monitoring

1. Disbursement concept

Building materials are disbursed to approved borrowers in accordance with the budget prepared by the technical supervisor (form LA 9). The materials are provided by the INVI store as well as by local suppliers and hardware shops.

Initially, it was proposed to furnish all the materials through local suppliers, avoiding thereby the costs of the project's store and its administration. However, due to the gigantic government construction works, the ensuing shortage of key building materials and accelerating inflation, the project had to establish its own materials store and purchase those materials that could be stored such as cement, blocks, steel etc.

Materials that are difficult to store, such as sand and gravel, are patched to borrowers by private suppliers or hardware shops located in Pekin or its vicinity. For that purpose INVI, represented by the project director, has entered into a long-term agreement with the suppliers who know about the project and support it.

2. Disbursement by the project's store (DM 1)

Based on the approved budget (form LA 9), the technical supervisor fills in the authorization for the dispatch of building materials (form DM 1) and sends it to the storekeeper, who dispatches the materials with the project's vehicle to the borrower. The latter must sign the receipt for the materials in order to avoid later reclamations and complaints.

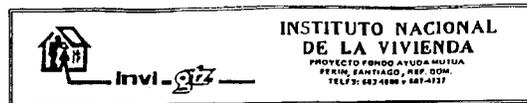
HOUSE IMPROVEMENT LOAN PROGRAMME

Some observations on store disbursement

- Alfredo Sanchez Rosario receives the first disbursement for the construction of foundation and floor.
- The value of materials is as in the original budget, because they were purchased at the beginning of April 1988 and were not affected by the increase in price.

Some observations on the purchase order and cash sale invoice

- The budget (form LA 9) was prepared on 31 March 1988. During April and before construction commenced on 2 May 1988, prices had increased substantially due to scarcity. Sand, gravel and wire prices increased by 35 per cent, 40 per cent and 30 per cent respectively. For such increases and fluctuations, contingencies of 20 per cent have been foreseen.
- After receiving the purchase order, the supplier prepares the invoice including the agreed quantities and prices and adding the transport costs. The project's accountant later enters the entire value of the invoice in the disbursement control card (forms DM 4 and DM 5).
- In the case of invoice No.4717 (Alfredo A. Sanchez Rosario), the supplier made a mistake both with the house number (56 instead of 52) and the loan number (069 instead of 096). The driver could not find the house and went back to the hardware store. Alfredo, who was waiting at home had to go to the office and then to the supplier, but he finally got the materials.
- The project accountant had to correct the loan number on the invoice later, based on the number of the purchase order and borrower's name.
- Suppliers usually do not make mistakes with quantities and prices, but if they do, either the foreman or the accountant will intervene and demand corrections.



**HOUSE IMPROVEMENT LOAN PROGRAMME
AUTHORIZATION FOR THE DISPATCH OF BUILDING MATERIALS (DM 1)**

LOAN NO: **0096**
(1st. Disbursement)

BORROWER: Alfredo A. Sanchez Rosario
DATE: 2.5.88

ADDRESS: La Sabita 52, Pekin
NO: 0214

HEREWITH WE AUTHORISE YOU TO DISPATCH THE MATERIALS REGISTERED AS FOLLOWS

No.	Description	Unit	Quantity	Location of construction	U.P	Value
1	Cement	Bag	16		16.68	266.88
2	Steel Ø 3/8	U.	16		8.81	140.96
3						
4						
5						
6						
7						
8						407.84
AUTHORIZED BY: (Technical Inspector)					DATE:	
RECEIVED BY: (Borrower or Representative)					DATE:	

3. Disbursement through suppliers (forms DM 2 and DM 3)

Contract suppliers receive from the technical supervisor a purchase order delivered by project's driver. The purchase order identifies the order and loan number the borrower the materials to be supplied and their cost. As the latter may increase and periodically vary, the accountant maintains an up-to-date list of material prices which he verifies with the various suppliers by telephone twice a week.

The project has contracts with various suppliers, both because one supplier may not have all the materials required at a given time and also in order to be able to compare prices. All the hardware stores are located in Pekin or its immediate surroundings; this helps to minimize transport costs. Suppliers send their copies of purchase orders and bills to the project's office fortnightly. Payments are issued by checks by INVI's Head Office.

4. Disbursement monitoring and control

At the house-improvement project's level, monitoring and control take place at three levels: technical supervision, social work and accounting.

The basic monitoring instrument is the disbursement control. Materials are disbursed in two to four stages (depending on the volume and complexity of the work) in accordance with construction progress. The borrower receives an advance for the first stage of construction. Usually this amounts to 20 to 30 per cent of the value of the loan. Once materials have been used and the stage completed, the borrower or construction his mason will call in the project's technicians to inspect the work done and approve the next disbursement, and so on until construction has been completed.

Technical control is based on the design agreed upon, the budget and the materials required. The technicians know the standard material requirements per square metre of construction and can easily determine their appropriate use. For the technical inspection and follow-up work, the technicians use the control of house improvement loan card (form DM 4).

Borrowers only rarely attempt to deceive the project Team or misuse the materials. A careful screening of applicants and periodic supervision practically exclude such a danger. After all, most borrowers are stable and sensible people who are the anxious to improve their housing conditions. Many of them have intended to do it for years but were unable to construct or complete their shelter due to limited access to funds.

The common problems relating to the supervision of construction are those of deviation from the agreed design and poor quality of work by masons/builders. In the first case, borrowers sometimes change their mind in the course of the work and extend the floor area or add another room or component. In such cases, the project technicians and social workers will talk to the borrower to determine financial loan capacity .If the borrower is capable of securing the additional funds needed and, at the same time, of paying back the credit, no further action will be necessary. If, however, the Team is of the opinion that the borrower cannot afford the additional burden, attempts will be made to persuade him or her to comply with the original design. Only rarely will the project's lawyers be asked to intervene and revoke the contract.

Whenever possible, borrowers are expected to contract with and pay the mason and construction workers or to do the building work themselves. As most borrowers try to economize, they do not always contract qualified masons with the result that the quality is sometimes poor. The project's Team has had to discontinue the disbursement, demand corrections or even the demolition of walls in some cases. Following the experience gained, a list of masons known to the project was established and these are recommended to interested people.

In some similar projects in other countries, borrowers were not anxious to complete once they had received the final disbursement in order to postpone the beginning of repayment. In order to avoid such a danger and source of conflict, the borrowers in Santiago are obliged to commence repaying the loan one month after receiving the last disbursement, whether they have completed the building work or not.

An ongoing disbursement control is exercised by the project's accountant. The accountant receives the originals or copies of invoices and bills are kept in the borrower's personal file.



HOUSE IMPROVEMENT LOAN PROGRAMME PURCHASE ORDER (DM 2)

Messer:
Hardware Stores, La Chunchita

NO. 0396
Date: 020588

Kindly dispatch the materials detailed as follows to be used in Loan 0096 Mr. Alfredo A. Sanchez Rosario in accordance with your offer no. _____ of date phone quotation of 28.5.88. Date of Supply 3.5.88 (morning). Location La Sabita 52, Pekin. Payment Condition invoice

Head of Purchase Section

Head Admin. Division

Approved by

Quantity	Unit	Article	Price	
			Unit	Total
1.25	m ³	Sand	74.25	92.81
2.00	m ³	Gravel	77.00	154.00
2.00	lb.	Wire	4.87	9.74
		Total		256.55
Date:	Supplier:		Receiver:	

HARDWARE STORES IN LA CHUNCHITA BEST IN TOWN - CHEAPEST PRICES

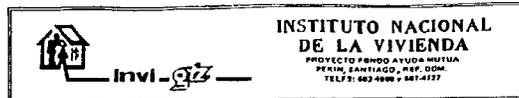
CONSTRUCTION MATERIALS - TIMBER - BLOCKS - CEMENT - ZINC – STEEL - PAINTING –
ELECTRIC FITTINGS AND ALL YOU NEED

Av. LOS JAZMINES No.73 (PEKIN) TEL. 582-5040
SANTIAGO DE LOS CABALLEROS - DOMINICAN REPUBLIC

No. 4717 DATE: 3 May 1988
MR./MRS: Alfredo A. Sanchez Rosario (// 0069) – INVI/GTZ No.0396
ADDRESS: La Sabita No.56 (Pekin)

CASH SALE (DM 3)

Quantity	Description	Unit Price	Total
1.25	Sand	74.25	92.81
2.00	Gravel	77.00	154.00
2.00	Wire	4.87	9.74
			256.55
		Transport	19.70
			276.25
Confirmation Dispatch	Confirmation Driver	Confirmation Recipient	



**HOUSE IMPROVEMENT LOAN PROGRAMME
CONTROL OF HOUSE IMPROVEMENT IMPLEMENTATION (DM 4)**

Borrower: Alfredo A. Sanchez Rosario
Address: La Sabita 52, Pekin
Total loan approved: RD\$2,800

Loan No. 0096

Component	Material				Labour Cost	Others	Revised costs	Date	Signature
	Quantity	Unit	Unit Price	Total					
A. Foundations									
1. Sand	1	m ³	55.00	55.00					
2. Gravel	1.5	m ³	55.00	82.50					
3. Cement	13	Bag	16.68	216.84					
4. Steels Ø 3/8	16	U.	8.81	140.96					
5. Wire	2	lb.	3.75	7.50					
Sub-Total				502.80					
B. Floor									
1. Sand	0.25	m ³	55.00	13.75					
2. Gravel	0.50	m ³	55.00	27.50					
3. Cement	3	bag	16.68	50.05	(150)		684.07	29.4	
				91.29					

C. Walls									
1. Blocks	525	U.	2.25	1,181.25					
2. Sand	1	m ³	55.00	55.00					
3. Gravel	1	m ³	55.00	55.00					
4. Cement	10	Bag	166.68	166.68					
5. Steel Ø 3/8	13	U.	114.53	114.53					
6. Wire	1	lb.	3.75	3.75					
Sub-Total			1,576.21	1,576.21	(500)		1,816.21	13.5	
D. Lintel									
1. Steel Ø 3/8	0.5	QQ	114.48	57.24					
2. Steel Ø 1/4	0.25	QQ	100.60	25.15					
3. Sand	0.5	m ³	55.00	27.50					
4. Gravel	0.5	m ³	55.00	27.50					
5. Cement	2	Bag	16.68	33.36					
Sub-Total				170.75	(100)		199.72	31.5	
Contingencies (20%)				468.21					
TOTAL				2,809.36	(750)		2,700.00	9.6	
Comments:									
Signature: Technical Supervisor					Date:				

**HOUSE IMPROVEMENT LOAN PROGRAMME
DISBURSEMENT CONTROL (ACCOUNTS) DM 5**

BORROWER: Alfredo A. Sanchez Rosario

LOAN No. 0096

DATE BEGINNING: 2.5.88

DATE TERMINATION: 13.6.88

Maximal loan value: \$RD 2,800

Date	Description	Ref.	Value of		Balance
			Material	Labour	
2.5.88	Dispatch (stores)	0214	407.84		407.84
3.5.88	Supplier "La Chuchina"	4717	276.25		684.09
16.5.88	Dispatch (stores)	0306	1,181.25		1,865.34
16.5.88	Supplier "Don Armando"	T 303	344.96		2,210.30
18.5.88	Supplier "Carbonero"	8150	290.00		2,500.30
2.6.88	Supplier "La Chuchina"	5616	83.95		2,584.25
4.6.88	Dispatch (stores)	0411	115.75		2,700.00 ⁽¹⁾
⁽¹⁾ Maximum loan value approved was \$RD2,800 including 20 per cent contingencies. However, not the entire amount was required and actual material value amount to \$RD2,700.					

**HOUSE IMPROVEMENT LOAN PROGRAMME
DISBURSEMENT CONTROL (ACCOUNTS) DM 6**

Borrower: Eugenia Carmen Dolores

LOAN No: 0026

DATE BEGINNING: 8.2.88

DATE TERMINATION: 16.4.88

Maximal loan value: \$RD 6,000

Date	Description	Ref.	Value of		Balance
			Material	Labour	
8.2.88	Dispatch (stores)	0071	606.14		606.14
11.2.88	Supplier "El Chismoso"	8196	234.06		840.20
26.2.88	Payment labour	0013		340	1,180.20
26.2.88	Supplier "Carbonero"	D-1013	863.12		2,043.32
29.2.88	Dispatch (stores)	0092	899.52		2,942.84
14.3.88	Dispatch (stores)	0173	127.81		3,070.65
14.3.88	Payment labour	0031		770	3,840.65
16.3.88	Supplier "La Chunchita"	20410	301.16		4,141.81
5.4.88	Supplier "El Chismoso"	3321	442.00		4,583.81

6.4.88	Dispatch (stores)	0056	727.19		5,311.00
18.4.88	Payment labour	0132			5,921.00

The corresponding values are introduced in the disbursement control card (forms DM 5 and DM6) in the order of their arrival. The control card is also attached to the borrower's personal file, permitting both the accountant and the technicians to identify immediately the actual values of disbursements.

Construction labour (mason or foreman) is contracted by the project verbally, based on price agreement per construction stage. There are, of course, standard values well known to both builders and the project technicians.

Once the work or stage agreed on has been completed, the builder calls the supervisor for approval. The latter, using the control of house improvement loan card (form DM 4) will approve the work and instruct the custodian (secretary) to pay the agreed amount out of petty cash. The builder (foreman or mason) signs a corresponding receipt (form DM 7).

5. Weekly follow-up of construction work (forms DM 8 and DM 9)

An essential instrument of construction monitoring by the project's team is the weekly follow-up of construction work which is prepared by the technicians (form DM 8) as well as the social workers (form DM 9).

The information and results are discussed by the Team during the weekly planning meetings, scrutinizing both global problems applying to the entire project and individual ones which may require special consideration or intervention by other Team members (lawyer, accountant).

As it is difficult to remember the specific problems that may confront some borrowers, the follow-up forms enable the documentation of these, their evaluation and the coordination of follow-up activities.

Some observation on disbursement control by the accountant	
-	The reference number is determined either by the project's storekeeper or by the supplier and is identified on the corresponding dispatch document in the borrower's file.
-	The total value disbursed is the basis for the calculation of the monthly installments.
-	The value of materials disbursed by the project's store always corresponds to the improvement's budget.
-	The value of materials dispatched by the supplier depends on fluctuating market prices. The accountant verifies invoices by means of comparison with the telephone quotations made by the suppliers.
-	In the case of Alfredo A. Sanchez Rosario, labour costs are paid by the borrower.
-	In the case of Eugenia Carmen Dolores, some materials were not available in the project's store for a while and had to be bought from suppliers. Thus, for example, cement sold at a controlled price of \$RD16.68 per 50 kg bag, was bought for \$RD29 at market rate.

LABOUR PAYMENT RECEIPT (DM 7)

Santiago, 26.2.88
RECEIPT No. 0013 LOAN No: 0026

We have paid Mr. ESTEEAN MARCELINO PICHARDO the amount of \$RD340 (Three hundred and forty Pesos) for the construction of foundations and floor for the house of Mrs. EUGENIA CARMEN DOLORES, Merino Street, Pekin Santiago.

PAID BY
EDUARDO MARTINEZ

RECEIVED BY
ESTEBAN M. PICHARDO

CONFIRMED BY
EUGENIA CARMEN DOLORES



HOUSE IMPROVEMENT LOAN PROGRAMME (DM 8)

WEEKLY FOLLOW-UP OF CONSTRUCTION WORKS (TECHNICAL DEPT)

Week: 13.6.88 - 18.6.88

Date of visit	Loan No.	Use of materials received	Observations/recommendations
13.6	061 067 089 091	completed disburse. 2 completed disburse. 3 no progress - problem with mason completed disburse. 1	approve disburse. 3 final inspection - next week look for another mason approve disburse. 2
14.6	094 096 099	lost 2 bags cement (stolen) completed disburse. does not find labourers	will buyout of his pocket confirm to Cilenio Mario - ask Rolando is available
17.6	087 072 069 102	nobody at home - no working completed disburse. 2 did not comply with design; did not start - wants to change design;	Gladys should check approve disburse. 3 visit bor. with Leonel Tigre reject - cannot pay
18.6	098 054 066 089 082	completed disburse. 1 did not start - materials there completed construction completed disburse. 2 completed disburse. 2	approve disburse. 2 Leonel - cancel loan? Cilenio - final calculation new mason o.k. approve disburse. 3

DATE: 20.6.88

SIGNATURE:



HOUSE IMPROVEMENT LOAN PROGRAMME (DM 9)

WEEKLY FOLLOW-UP OF CONSTRUCTION-WORKS- SOCIAL DEPT.

Week: 13.6.88 - 18.6.88

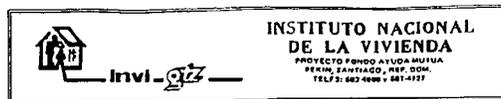
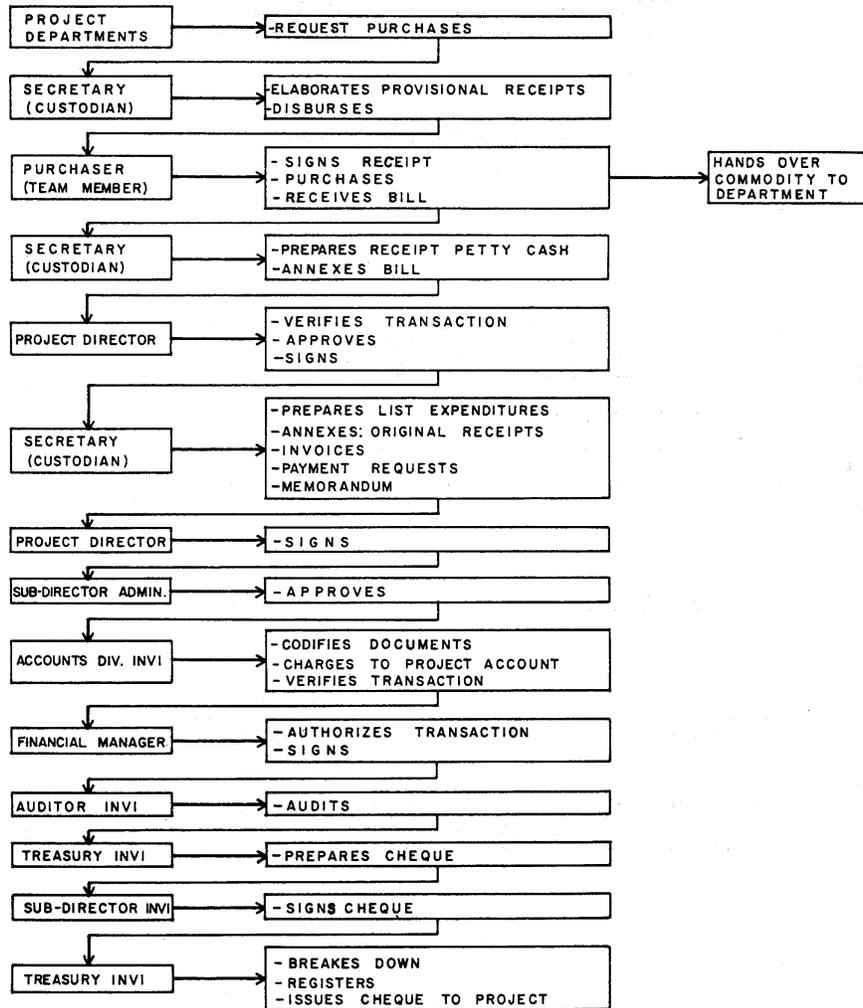
Date visit	Loan No.	Construction Status	Borrower's Comments	Observations
13.6	072 096 101	Disburse. 2 Completed Commencing	Materials arrived late and mason could not work Borrower came to office Wife complains too much but no reason	Again problems with the drivers No problems
14.6	094 086 091	Disburse. 2 Disburse. 1 Disburse. 1	Mason stole 2 b. cement; Cannot continue because rain Not all materials arrived	(don't believe it) Discuss with team next Monday; Mario should control better
15.6	089 083	Still Disburse. 1 Disburse. 2	The mason sent by project is lazy No problems	We should not contract that mason again; third time problems with him
17.6	093 066	Disburse. 1 Completed const.	Wants to change the design - needs 800 more (she can afford it) Timber is too expensive. We could get it cheaper	Discuss with Carlos

18.6 The car did not arrive to pick me up - this time I will make a real scandal on the Monday meeting; Frida (the Technical Supervisor) believes that the car belongs to her!

DATE:

SIGNATURE:

**HOUSE IMPROVEMENT LOAN PROGRAMME
PROCEEDINGS OF PETTY CASH ADMINISTRATION**



**INSTITUTO NACIONAL
DE LA VIVIENDA**
PROYECTO FONDO AYUDA MUJER
SANTO DOMINGO, REP. DOM.
TEL: 982-9889 / 981-9172

**HOUSE IMPROVEMENT LOAN PROGRAMME
PURCHASE SECTION
PROVISIONAL RECIEIPT OF PETY CASH (PC 1)**

We have paid to:	Eng. Eduardo Martinez, Project Director
The amount of:	(Fifty Pesos) RDS 50.00
For:	the purchase of stationary
Date:	8.8.88
Paid by:	Received by: Jasinto_Reynoso
NOTE: This provisional receipt shall be destroyed when final accounts are settled and supporting documents presented within a space of time of no more than 24 hours.	



INSTITUTO NACIONAL
DE LA VIVIENDA
PROYECTO FONDO AYUDA MUTUA
PEKIN, SANTIAGO, REP. DOM.
TELF: 683 4606 y 681-4127

**HOUSE IMPROVEMENT LOAN PROGRAMME
PAYMENT REQUEST (PC 4)**

No: 0047
Date: 24.8.88

To be paid to: Carmen Lueje, Secretary, House Improvement Loan Program, Santiago.
For the value of RD\$ 2,508.42 (Two thousands five hundred and eight).
For: Reimbursement Petty Cash, House Improv. Prog. Santiago
Requested reimbursement RD\$ 2,508.42
Funds in petty cash – RD\$ 2,491.58
Previous cheque - No.081
Receipt Nos. 409 - 416

Chargeable to: House Improvement Loan Program, Santiago
Paid by the funds of: INVI/GTZ

Project Director: Eng. E. Martinez
Head of Dept:
Head of Division (Finance): Augusto Blanco Pollo
Technical Sub-Director: Salvador Jorge Rosado
Admin. Sub-Director: Carlos Pimentel Confuso
Director General: Miguel Pimentel

DISTRIBUTION OF ACCOUNTS

Debits	Value	Credits	Value
Received by:		Identification No:	
Paid by Cheque No:			

Santiago, 24.8.88

To: Dr. Augusto Blanco Pollo, Financial Manager
National Housing Institute (INVI), Santo Domingo

Via: Mr. Roberto L. Mendez, Sub-director Administration
Reference: Request for the reimbursement of Petty Cash Fund

Annex: (a) Request No.0047 for the value of \$RD2508.42
(b) List of expenditures
(c) Receipts Nos. 409 –416

We submit a request for the reimbursement of the Petty Cash Fund of the project House Improvement Loan Program, Santiago, for the amount of \$RD2508.42 (two thousand five hundred eight Pesos and forty-two Centavos), to be charged to the Account House Improvement Loan Program, Santiago.

Eng. E. Martinez, Project Director

G. The administration of funds and petty cash

As a rule, all payments related to the project are made by INVI's Head Office (Treasury) by cheques. These include the acquisition of building materials purchased for the project store by the Institute as well as all payments to local suppliers in Santiago.

In order to be able to respond rapidly to project requirements, the following regulations have been issued by the Director General of INVI:

- (a) Cheques of \$RD5000 (\$US 787) or less are signed by the Sub-director for Administration in accordance with the following procedures;
 - (i) The Project Unit requests the payment or disbursement by means of a memorandum specifying the amount, the use of the fund or payment and the receiver, annexing original bills, invoices or other supporting documents;
 - (ii) The request is made to the financial manager of INVI who authorizes the payment. It is then approved by the internal auditor of the Institute.

The cheque is prepared by the treasury, signed by the Sub-director for Administration and registered by the Accounts Division;

- (b) Cheques of a value of more than \$RD5000 (\$US 787) are signed by the Director General in accordance with the above procedures.

In order to permit a flexible administration and timely response to daily needs, a petty cash fund of \$RD5000 (\$US 787) has been established. This fund is used to cover the costs of:

- (a) Minor acquisitions of building materials and tools;
- (b) Stationery and office equipment;
- (c) Labour paid by the project;
- (d) Duty stamps and legalization of contracts;
- (e) Transporting of materials in urgent cases;
- (f) Minor personnel costs.

While responsibility for the funds lies with the Project Director, the petty cash is administered by the project's secretary who functions as a custodian.

Standing regulations for the management of petty cash

- | | |
|-----|---|
| (a) | The custodian of the petty cash fund is responsible for its administration and registration and may neither transfer this responsibility to a third person, nor use the fund for any other purpose than is stipulated. |
| (b) | Payment made out of the petty cash fund may not exceed the value of \$RD500 (\$US78.70). |
| (c) | The project director must approve all payments made by petty cash. |
| (d) | The project director requests the reimbursement of the fund when 50 per cent of its stipulated value (\$RD 2500) has been used. |
| (e) | Prior to cash disbursements, the custodian of the fund should: <ul style="list-style-type: none">- Prepare a provisional receipt for the amount disbursed (form PC 1).- Obtain the signature of the Team member responsible for the acquisition or payment. |
| (f) | Once payment has been made, accounts must be settled within 24 hours and bills handed over to the custodian (form PC 2). |
| (g) | When 50 per cent of the petty cash funds have been spent, the custodian shall: <ul style="list-style-type: none">- Enumerate the receipts consecutively and attache the supporting documents;- Fill-in the "list of expenditures of petty cash" (form PC 3) with the same numerical sequence of the receipts;- Hand over the receipts to the project accountant in order to codify these in accordance with the approved budget;- Prepare the payment request (form PC 4) and memorandum, indicating the account to which it should be |

- charged;
- Annex the list of expenditures and supporting documents;
- Obtain the approval of the project director and send the request to INVI's Head Office.

H. Purchasing building materials

Building materials to be used by the project are either purchased by INVI's Head Office and stored in the project's store (cement, blocks, steel, zinc etc.) or purchased directly by the project from local suppliers in Santiago.

In the first case, the system of acquisition corresponds to INVI's standard procedures that will be explained in the following paragraphs. In the second case, the project's accountant obtains the quotations by telephone or in writing from the suppliers and, depending on the value of the purchase, the materials are ordered by the technical supervisor or the project director.

INVI's internal regulations establish the following guidelines for the acquisition of goods and services:

- (a) Purchases with a value of \$RD101 to \$1000 (\$US16 to \$160) require three telephone quotations and the prices must be registered;
- (b) From \$RD1001 to \$25,000 (\$US160 to \$3937) three written quotations must be obtained;
- (c) Acquisitions with a value of more than \$RD25,000 must be tendered out in accordance with the Law.

As a matter of fact, these regulations do not apply for the majority of building materials used by the project, including cement, steel and timber, the prices of which are controlled by the Government. However, due to occasional scarcity, some materials must be bought from time-to-time at market rates.

Based on the estimated requirement for building materials, the project director prepares a purchase request for each of the items required by the project to be purchased by the Head Office (form BM1). The request is submitted to the Sub-director for Administration who, after approving the request, orders the Head of Purchase Section to request from suppliers (form BM 2).

Materials acquired by the project in Santiago are subject to the same procedures. However, most materials locally purchased are valued at less than \$RD1000 for the purchase of which telephone quotations are sufficient.

Following the receipt of the quotations, the Head of the Purchase Section or the project's accountant (for local purchases) proceeds with the analysis of quotations (forms BM 3 and BM 4) and with the elaboration of the purchase order (form BM 5). In case the cheapest quotation is not accepted, an explanation in writing must be given.

Items purchased by the Head Office, usually are dispatched by the supplier to INVI's General Store in Santo Domingo and then by the Institute truck to the project's store in Santiago. Local suppliers dispatch items to the project's store directly.

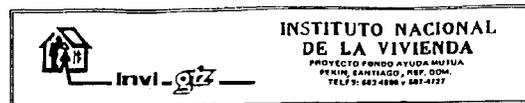
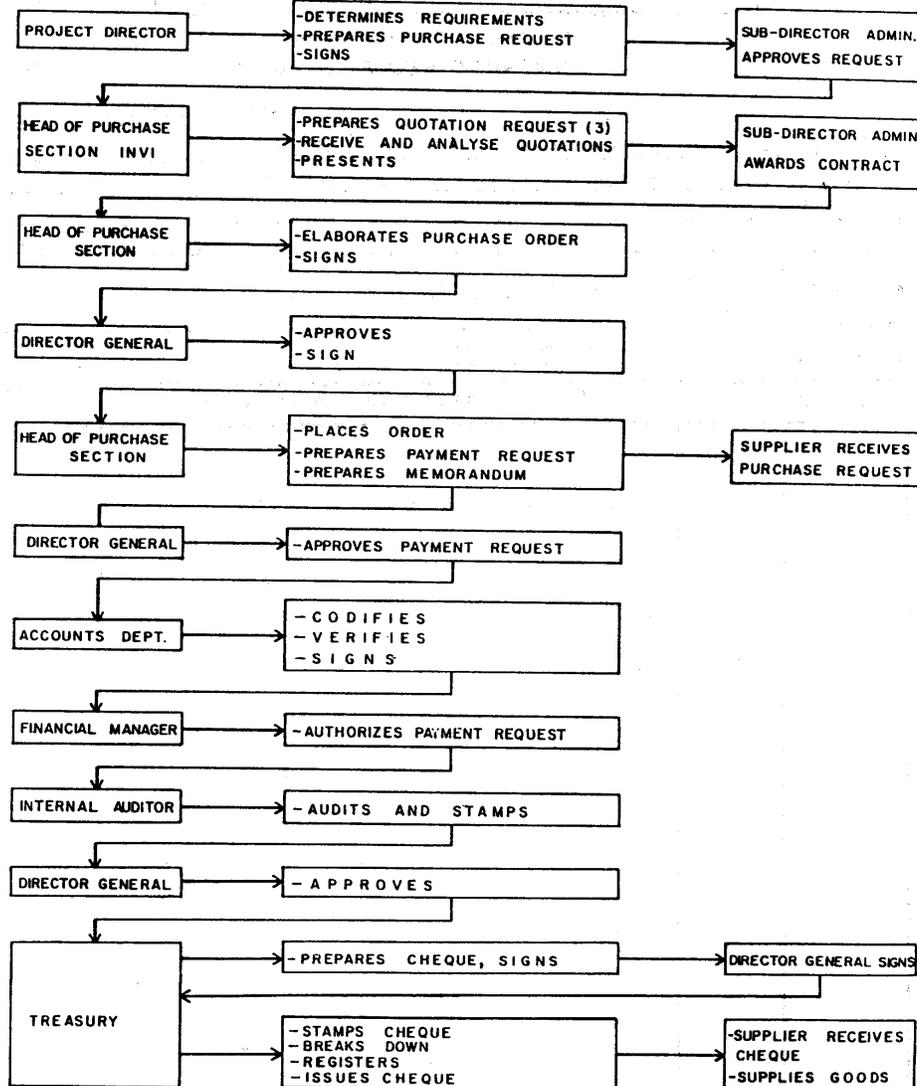
Once the items have been received, the project's director prepares a payment request and a corresponding memorandum (form BM 6).

Some observations on the payment request

While preparing the payment request and memorandum, the secretary made a mistake with the total amount. Instead of \$RD 10,721.40 she wrote \$RD 10,725.40. The project director did not notice the mistake either, but the internal auditor did and refused to approve the payment. By the time the mistake was corrected, the Director General was away and a delay of more than four weeks occurred.

The supplier who had to pay his bills to the factory within three weeks complained and said that he will not give INVI any credit in the future.

HOUSE IMPROVEMENT LOAN PROGRAMME PURCHASE PROCEEDINGS



HOUSE IMPROVEMENT PROGRAMME PURCHASE REQUEST (BM 1)

Date: 7.3.88	No: 3994		
Requesting Unit:	House Improvement Loan Program, Santiago		
To be used for:	House improvement under the project (Store)		
Requested by:	Eng. E. Martinez, Project Director		
Authorized by:			
Approved by:	Sub-director Administration		
Requested Quantity	Unit	Description of Articles	
60	QQS.	Steel of 1/2"	
20	QQS.	Steel of 3/4"	
Observations:			