

Master Loan Agreement Term Sheet

This Master Loan Agreement (MLA) term sheet is for an agreement between a wholesale Bank and a micro-finance institution to support financing of solar home systems (SHS) program. The MLA would be executed between a lending Bank and a community micro-finance intermediary (CMFI). The MLA loan program would be supported by a loss reserve fund established with donor. This draft term sheet is provided for discussion purposes. Expected terms of a Master Loan Agreement between the Bank and CMFI include the following.

- WHOLESALE BANK: _____, ("Bank")
- BORROWER: _____, a legal entity organized as a _____ (e.g., multi-purpose cooperative), based in _____ (name community) and registered with the _____ (name of primary government office regulating/registering this legal entity) which is prepared to serve as a community micro-finance intermediary (CMFI) for the purposes of this SHS lending program.
- SHS PROGRAM: Sales and financing of solar home systems (SHS) to provide energy and lighting services to households in _____ (name community). Program will be implemented in cooperation with _____ (Vendor).
- SUB-LOANS & SUB-BORROWERS: CMFI will originate sub-loans with individual household borrowers in its community for the purchase of SHSs.
- MAXIMUM MLA LOAN AMOUNT: to be determined based on community SHS market size, e.g., 2 million pesos (equals 100 loans @ average 20,000 pesos); this Maximum Loan Amount can be increased as required subject to approval of Bank.
- DONOR LOSS RESERVE FUND: Bank will utilize the resources of the Donor Loss Reserve Fund as additional security for loans made under the MLA according to the Loss Distribution Formula indicated below.
- VENDOR FINANCE AGREEMENT: Bank will utilize commitments of the Vendor to (i) realize the collateral value of SHSs subject to Sub-Loan Agreements, and (ii) share in losses resulting from defaulted Sub-Loans as additional security for loans made under the MLA. CMFI agrees to cooperate with Vendor in all collateral realization actions.
- SUB-LOAN TERMS: Terms of the Sub-Loans between CMFI and individual households will be subject to approval of Bank; key terms and as anticipated as follows:
a) term: up to five years maximum.

- b) interest rate: ___%, which rate shall be fixed at the time of each Sub-Loan closing as a margin of 7% over the then applicable MLA Discount Rate.
- c) payment schedule, monthly in arrears
- d) downpayment of 15% SHS net sales price plus security deposit of two monthly payments

Bank will provide CMFI with an acceptable form Sub-Loan agreement.

**SUB-LOAN
COLLECTIONS:**

The CMFI will be responsible for collections of the Sub-Loans; a collections timetable defining CMFI collection actions for late paying Sub-Loans will be established.

**REFINANCING OF
SUB-LOANS BY BANK:**

Bank will refinance Sub-Loans originated by CMFI on a monthly basis. The refinancing amount shall equal (A) the present value of Sub-Loan payments discounted at the MLA Discount Rate, multiplied by (B) 94%.

**MLA LOAN
DISBURSEMENTS:**

Loans and loan disbursements under the Master Loan Agreement (MLA) would be matched precisely with SHS Loans ("Sub-Loans") made by the CFI to households. The Sub-Loans would be grouped monthly for refinancing by the FI under the MLA.

MLA LOAN TERMS:

- Main MLA Loan terms are as follows:
- a) Term: will be matched to the terms underlying Sub-Loans.
 - b) Discount rate: ___% [13%]; this rate shall be indexed directly to the _____ (name Bank's index rate) and shall be fixed at the time of each Loan disbursement; no other MLA Loan fees or expenses will be charged to CMFI by Bank.
 - c) Payment schedule: will be matched to the underlying Sub-Loans; CMFI will make one monthly MLA payment for each group of Sub-loans that have been refinanced.

LOAN SECURITY:

- Security for the MLA will be, in the following order:
- a) assignment of all rights and interest in the Sub-loans;
 - b) customer security deposits, held for account of CMFI;
 - c) collateral value of SHS, as committed under the Vendor Finance Agreement;
 - d) the Loss Reserve Fund, including any loss reserves established by the CMFI;
 - e) full faith and credit repayment commitment of the CMFI.

**LOSS SHARING
FORMULA:**

First losses on the portfolio of SHS loans up to the "planned loss rate" shall be covered by the Donor and Vendor as follows.

Party	Distribution of Losses up to Planned Loss %	Maximum Liability
Donor	65.00%	t.b.d.
Vendor	25.00%	t.b.d.

The planned loss shall equal __ [30%] of the total original SHS Sub-loan portfolio value.

**LOAN ORIGINATION &
HOUSEHOLD CREDIT
APPROVAL:**

Credit approval of households is subject to credit approval guidelines to be established by Bank. CMFI will be responsible for collecting, assessing household credit information and making credit approval decisions. CMFI will originate Sub-Loan agreements with households using the form Sub-Loan Agreement approved by Bank.

RECORD-KEEPING:

CMFI and Bank shall both keep records of all Sub-Loan, MLA Loan and LRF and loss sharing data for this finance program. Bank [and technical assistance provider] will assist CMFI to establish appropriate record-keeping system. CMFI's establishment of a Bank-approved recordkeeping system shall be a condition precedent to the first disbursement under the MLA.

PREPAYMENT:

CMFI shall have the right and shall be required to prepay the MLA Loan, in whole or in part, for all applicable Sub-Loans which are prepaid by Sub-Loan borrowers.

BANK CURE:

Bank shall have right to take over and enforce all Sub-Loan agreements should CMFI fail to enforce Sub-Loan agreements properly.

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