

## Minimum Loan Eligibility Criteria

a. Lender	:	An LGUGC shareholder bank and its subsidiary, heretofore referred to as the LGUGC Partner Financial Institution (PFI)
b. Borrower	:	<ul style="list-style-type: none"> <li>• Local Government Units (LGUs) with minimum investment grade rating under the internal LGU Credit Screening and Rating System (LCSRS)</li> <li>• Water Districts (WDs) with minimum investment grade rating under the Credit Rating for Water Districts (CRWD)</li> <li>• Private corporations classified as Medium and Large Enterprise not included in the Top 1,000 corporations with above-average risk rating score under the Borrower Risk Rating System (BRRS)</li> <li>• Electric Cooperatives registered with the National Electrification Administration (NEA) or Cooperative Development Authority (CDA) with above-average borrower risk rating score under the BRRS</li> <li>• Renewable Energy Technology Providers (RETP) and other borrower types approved by the LGUGC Board that pass the BRRS</li> </ul>
c. Project	:	<ul style="list-style-type: none"> <li>: Developmental infrastructure projects.</li> <li>: Utilities (power supply, water supply, power sanitation and water connection) and basic services of LGUs to its constituents.</li> <li>: Projects that comply with environmental, health and safety requirements under Philippine applicable laws and regulations. For LGUs, projects that do not fall under basic services nor benefit all or most of the constituents directly or indirectly should be self-liquidating. Those that do are eligible for LGUGC guarantee whether or not they are self-liquidating.</li> </ul>
d. Purpose	:	<ul style="list-style-type: none"> <li>• Revenue-generating projects (Annex A) of eligible borrowers and other social service infrastructure projects that are environmentally sound and comply with applicable laws and regulations</li> <li>• Additional working capital</li> </ul>
e. Availment of Second Loan	:	<ul style="list-style-type: none"> <li>• Leverage ratio of not more than 3:1</li> <li>• At least one year on-time principal repayment on the previously availed loan</li> <li>• Aggregate loan still within the LGUGC single guarantee limit</li> <li>• Positive financial operations for three (3) years</li> </ul>

## 2.2 Standard Guarantee Terms and Conditions

a. Guarantee Term	:	Cash flow-based
b. Grace Period	:	Cash flow-based
c. Single Guarantee Limit (SGL)	:	25% of LGUGC Net Worth
d. Guarantee Coverage	:	Up to 85% of the debt service to the PFI; up to 80% for ECs
e. Guarantee Fee	:	<ul style="list-style-type: none"> <li>• Risk-based</li> <li>• Ranges from 0.25% to 2% p.a.</li> </ul>
f. Acceptable Collateral	:	<ul style="list-style-type: none"> <li>• Assignment of the following: <ul style="list-style-type: none"> <li>○ Project Cash Flow/Revenues/Receivables</li> <li>○ Project Assets (real estate, chattel)</li> <li>○ Internal Revenue Allotment (if LGU)</li> <li>○ Debt Service Fund</li> </ul> </li> <li>• Personal Suretyship of Principals (if MLE)</li> <li>• Corporate Guaranty (if MLE)</li> </ul>
g. Insurance	:	The project assets and other assets offered as collateral must be insured with a reputable insurance company acceptable to LGUGC and the PFI
h. Pre-qualification	:	The borrower shall undergo a pre-qualification process and should pass the minimum credit score that will be determined by LGUGC for acceptance of guarantee applications.
i. Due Diligence	:	<p>Credit analysis based on complete documentary requirements shall include, among others:</p> <ul style="list-style-type: none"> <li>• Analysis of the borrower's ownership structure, existing management, historical financial statements, debt repayment capability and income generating capacity</li> <li>• Evaluation of feasibility study/business plan in terms of market, technical and financial viability</li> <li>• Conduct of interviews and/or project site visits</li> </ul>

## 2.3 Documentary Requirements

### 2.3.1 For Guarantee Approval

### **LGUs**

- a. Project Feasibility and or/Market Studies and/or Engineering Reports
- b. Sanggunian Resolution to apply for a loan/bond floatation with LGUGC guarantee
- c. LGU Profile
- d. Latest approved local development plan
- e. List of awards received for the past five years
- f. Sanggunian Resolutions/ Ordinances
  - Approving the local development plan
  - To borrow, pledge Internal Revenue Allotment (IRA) and other assets, appoint Financial Advisor (FA), if applicable, and approving the authorized signatory/ies
- g. List of elected officials (including Sanggunian members) for the last three elections and bio-data of present officials
- h. Commission of Audit (COA) – audited reports and financial statements for the past five years
- i. Interim financial statements
- j. Budget operations statement
- k. Budget appropriation for the current year
  
- l. Debt service schedules of all outstanding debts
- m. Statement of Income and Expenses of all economic enterprises for the past five years
- n. Bank dealings and preferences
- o. Government Approvals/ Certification
  - Certificate from the Department of Finance – Bureau of Local Government Finance (DOF-BLGF) on Maximum Debt Service
  - Monetary Board Opinion
- p. Guarantee Application Form (Annex B)
- q. Others
  - Top 20 taxpayers for real property tax (RPT) and business tax (BT)
  - Collection efficiency (both for RPT and BT)
  - List of properties owned

### **WDs**

- a. Constituent documents of the Borrower
  - Certificate of Compliance issued by the Local Water Utilities Administration (LWUA)
  - WD Franchise Certificate
  - BOD and Management profile
  - Constitution and By-Laws/Charter
- b. Monthly Data Sheets (MDS) as of December for the past five years
- c. Latest available MDS for the current year
- d. Required government approvals and status of compliance such as:

- Environmental Compliance Certificate (ECC) or Certificate of Non-Coverage (CoC)
  - Water rights from the National Water Regulatory Board (NWRB)Conditional
    - e. Monetary Board Opinion
- f. Guarantee Application Form

#### **ECs**

- a. Constituent documents of the Borrower
  - Certificate of Registration from NEA/CDA/SEC
  - EC Franchise Certificate
  - BOD and Management profile
  - Constitution and By-Laws
- b. Latest available 5-year audited financial statements
- c. Updated Monthly Financial and Statistical Report (MFSR) for the past 5 years and latest interim financial statements
- d. Feasibility Study with Detailed Engineering Design
- e. Technical Due Diligence for capital expenditure (CAPEX) projects
- f. Offering Ticket with Credit Memo
- g. NEA clearance to borrow from other lenders
- h. ERC approval of CAPEX projects or at least ERC acceptance of CAPEX projects application
- i. Guarantee Application Form

#### **MLEs, RETPs and Other Borrowers**

- a. Project Feasibility and/or Market Studies and/or Engineering Reports
- b. Board Resolution/s approving the project, if applicable
- c. Certified list of directors and key officers and their individual bio-data
- d. List of banks with current dealings (specific type of accommodation), including copies of existing loan agreements with debt service schedules, and list of suppliers
- e. Latest available 5-year audited financial statements
- f. Latest interim financial statements
- g. Guarantee Application Form
- h. List of major clients and on-going and completed projects, if applicable

#### **2.3.2 After Guarantee Approval Before Document/s Signing**

- a. PFI's indicative credit terms and conditions/Bank's Advice Letter
- b. LGUGC guarantee approval/Secretary's Certificate
- c. Borrower's Board Resolution on the preferred lender
- d. Borrower's certification confirming the terms and conditions of the guarantee loan
- e. Borrower's certification confirming the credit terms and conditions of the PFI

**2.3.3 After Document Signing Before Loan Release/Bond Closing**

- a. Certified true copies of the Sanggunian Resolutions/Ordinances or Board Resolutions
- b. Signed Guarantee Agreement
- c. Signed Loan Agreement/Trust Indenture
- d. Signed Underwriting Agreement (for bonds)
- e. Signed Deed of Collateral Agreements
- f. Amortization Schedule
- g. Certification from Borrower's legal officer re: compliance with existing regulations of the proposed bond flotation/loan availment for LGUs
- h. Other documents indicated in the Guarantee and/or Loan Agreement as condition precedent, if applicable
- i. Other documents specific to the project that may be required by LGUGC and PFI

**2.3.4 After Loan Release/Bond Closing**

- a. Original copies of documents under Sections 2.3.1, 2.3.2 and 2.3.3
- b. Official Statement (for bonds)
- c. Insurance Policies: Contractor's all risk/property insurance coverage, if applicable
- d. Independent Appraisal Report, if applicable
- e. Sanggunian Ratification/Board Approval of Loan/Bond Terms and Conditions
- f. Other documents specific to the project that may be required by LGUGC and PFI under the Guarantee and/or Loan Agreement