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LOAN NUMBER 7261-ME

Loan Agreement

(Housing and Urban Technical Assistance Loan)

between

UNITED MEXICAN STATES

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated March 31, 2005

LOAN NUMBER 7261-ME

LOAN AGREEMENT

AGREEMENT, dated March 31, 2005, between UNITED MEXICAN STATES (the Borrower) represented by its signatory on page 12 of this Agreement, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter from the Borrower, dated May 10, 2004, describing a low-income housing and urban poverty program (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) the Bank and the Borrower have signed on the date hereof an adjustment loan agreement in support of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project) which will support the provision of technical assistance for the Program, has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (as amended through May 1, 2004).

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CONAFOVI" means *Comisión Nacional de Fomento a la Vivienda*, the Borrower's housing promotion commission within SEDESOL established pursuant to Article 1 of the Borrower's Decree published in the Borrower's Official Gazette *(Diario Oficial de la Federación)* on July 26, 2001;

(b) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement;

(c) "FONHAPO" means *Fideicomiso Fondo de Habitaciones Populares*, a housing trust fund created by the Borrower on April 1, 1981;

(d) "Habitat" means an urban poverty program of the Borrower, regulated under the operating rules issued by the Borrower, through SEDESOL, on February 19, 2004;

(e) "Implementation Letter" means the letter of even date herewith from the Borrower to the Bank containing the monitoring indicators of the Project;

(f) "INFONAVIT" means *Instituto del Fondo Nacional de la Vivienda para los Trabajadores*, an institute for housing finance with separate legal personality, regulated by the law published in the Borrower's Official Gazette *(Diario Oficial de la Federación)* on April 24, 1972 (as amended through May 25, 2001);

(g) "Municipality" means a political subdivision (*Municipio*) of a State;

(h) "Operational Manual" means the manual referred to in Section 3.04 of this Agreement, as such manual may be amended from time to time with the agreement of the Bank;

(i) "Procurement Plan" means the Borrower's procurement plan covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(j) "RPP" means *Registro Público de la Propiedad*, the public property registry of each of the Selected States (as hereinafter defined);

(k) "SEDESOL" means *Secretaría de Desarrollo Social*, the Borrower's Social Development Ministry;

(l) "Selected State" means any of the five States to be selected by agreement between the Borrower and the Bank;

(m) "Selected State Agreement" means an agreement referred to in Section 3.06 (a) of this Agreement;

(n) "SHCP" means the Borrower's *Secretaría de Hacienda y Crédito Público* (Ministry of Finance and Public Credit);

(o) "SHF" means *Sociedad Hipotecaria Federal, S.N.C.*, the Borrower's development bank in charge of promoting the development of mortgage markets, regulated under SHF's organic law published in the Borrower's Official Gazette *(Diario Oficial de la Federación)* on October 11, 2001;

(p) "SHF Agreement" means the agreement referred to in Section 3.05 (a) of this Agreement;

(q) "SOFOL" means *Sociedad Financiera de Objeto Limitado*, a limited objective financial corporation regulated under, *inter alia*, the Borrower's financial institutions law (*Ley de Instituciones de Crédito*), the Borrower's corporations law (*Ley de Sociedades Mercantiles*), and regulations issued by SHCP;

(r) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(s) "State" means any of the thirty one geopolitical subdivisions (*Estados*) of the Borrower and the Federal District (*Distrito Federal*).

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to seven million seven hundred and seventy thousand Dollars ($7,770,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, cause SHF to open and maintain a separate special deposit account in Dollars in its central bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2008 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate, provided that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

Section 2.10 The General Director (*Director General*) of SHF and any person whom he or she shall designate in writing, are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objective of the Project, and, to this end, shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project, and shall, with due diligence and efficiency and in conformity with appropriate administrative, housing finance, urban policy, land development and disaster prevention and management practices, as well as in accordance with the Operational Manual and the monitoring indicators set forth in the Implementation Letter:

(a) carry out Parts E, F and G of the Project through SEDESOL;

(b) carry out Parts A, B, C.1, C.2, D.1, and D.2 of the Project through CONAFOVI;

(c) cause SHF to carry out Parts C.3, C.4, C.5, C.6, C.7, and C.8 of the Project pursuant to the terms of the SHF Agreement; and

(d) through CONAFOVI, enter into Selected State Agreements to cause each Selected State to carry out Part D.3 of the Project.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall cause SHF to update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. The Borrower, through SEDESOL and CONAFOVI, as the case may be, shall:

(a) maintain within SEDESOL, throughout Project implementation, an appropriate number of staff with functions and skills adequate to properly execute Parts E, F and G of the Project; and

(b) maintain within CONAFOVI, throughout Project implementation, an appropriate number of staff with functions and skills adequate to properly execute Parts A, B, C.1, C.2, D.1, and D.2 of the Project and the supervision of the execution of Part D.3 of the Project.

Section 3.04. (a) Without limitation of the provisions of Section 3.01 above, the Borrower shall cause SHF to issue an operational manual, satisfactory to the Bank, which shall include, *inter alia*, a description of separate operational procedures for Project implementation for SEDESOL, CONAFOVI, SHF and the Selected States.

(b) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

(c) The Borrower shall, through SEDESOL and CONAFOVI, and shall cause SHF to, carry out the Project in accordance with the Operational Manual.

Section 3.05. (a) The Borrower, through SHCP, SEDESOL and CONAFOVI (the latter two, as executing agencies), shall enter into an agreement (*Contrato de Mandato y Ejecución del Proyecto*) with SHF, satisfactory to the Bank, whereby:

(i) SHF agrees to act as financial agent of the Borrower with regard to the Loan, meaning that, *inter alia*, SHF agrees to represent the Borrower vis-à-vis the Bank for purposes of submitting Loan withdrawal applications to the Bank in form and substance

sufficient to justify disbursement by the Bank to the Borrower of Loan proceeds, agrees to maintain and operate the Special Account in compliance with the terms of this Agreement and agrees to ensure that the obligations set forth in Section 3.02 of this Agreement are complied with;

(ii) SHF agrees to carry out Parts C.3, C.4, C.5, C.6, C.7, and C.8 of the Project;

(iii) SEDESOL agrees to carry out Parts E, F and G of the Project;

(iv) CONAFOVI agrees to carry out Parts A, B, C.1, C.2, D.1, and D.2 of the Project, and agrees to enter into the Selected State Agreements with the Selected States to cause each Selected State to carry out Part D. 3 of the Project; and

(v) the Borrower agrees that, through SHCP, the Borrower shall cooperate fully with SHF to ensure that SHF is able to comply with all of SHF's obligations referred to in paragraphs (i) and (ii) of this Section.

(b) The Borrower shall exercise its rights and carry out its obligations under the SHF Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend or fail to enforce any provision of the SHF Agreement. In case of any conflict between the terms of the SHF Agreement and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.06. For the purposes of implementing Part D.3 of the Project, and for the Selected States to receive funds under the Project, the Borrower, through CONAFOVI, shall:

(a) enter into an agreement (the Selected State Agreement) with each Selected State, setting forth the technical, financial, administrative and fiduciary aspects of the Selected State's participation in the implementation and use of funds for Part D.3 of the Project, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable said Selected State to perform such obligations;

(b) ensure each Selected State has its financial management and procurement capacity assessed by CONAFOVI and SHF, and that said capacity is acceptable to the Bank; and

(c) exercise its rights and carry out its obligations under each Selected States Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, CONAFOVI shall not assign, amend, abrogate, repeal, terminate, waive or fail to enforce any Selected States Agreement or any provision thereof.

Section 3.07 The Borrower shall, and shall cause SHF, not to finance with Loan proceeds any activities (including the activities under Part D of the Project) which have been financed or will be financed by sources other than Loan proceeds (including funds provided to the Borrower by the Inter-American Development Bank).

Section 3.08. The Borrower, through SEDESOL and CONAFOVI shall, and shall cause SHF to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Implementation Letter, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than six months after the Effective Date and annually thereafter during the period of Project implementation, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by not later than two months after the date of such report, or such later date as the Bank shall request, each report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section 3.09. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower through SEDESOL and CONAFOVI shall, and shall cause SHF to:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall, through SEDESOL and CONAFOVI (including those activities to be carried out by the Selected States), as the case may be, and shall cause SHF, to maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall, through SEDESOL and CONAFOVI (including those activities to be carried out by the Selected States), as the case may be, and shall cause SHF to:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall, through SEDESOL and CONAFOVI (including those activities to be carried out by the Selected States), as the case may be, and shall cause SHF to:

(i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank's representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.08 (b) of this Agreement, the Borrower shall prepare and furnish to the Bank, through SEDESOL or CONAFOVI (including the activities carried out by the Selected States), as the case may be, and shall cause SHF to, prepare and furnish to the Bank, a financial monitoring report, in form and substance satisfactory to the Bank, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) SHF shall have failed to perform any of its obligations under the SHF Agreement or a situation shall have arisen so as to materially and adversely affect, in the opinion of the Bank, the ability of SHF to carry out its obligations under the SHF Agreement; and

(b) any of the Selected States shall have failed to perform any of its obligations under the relevant Selected State Agreement or a situation shall have arisen so as to materially and adversely affect, in the opinion of the Bank, the ability of any of the Selected States to carry out its obligations under the relevant Selected State Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following event is specified, namely, that SHF shall have failed to perform any of its obligations under the SHF Agreement and such failure shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the SHF Agreement has been entered into by the Borrower and SHF; and

(b) that the Operational Manual has been issued and submitted to the Bank.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Borrower (in its legal opinion) and SHF (in a separate legal opinion satisfactory to the Bank, issued by SHF counsel acceptable to the Bank), indicate that the SHF Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and SHF and is legally binding upon the Borrower and SHF in accordance with the SHF Agreement's terms.

Section 6.03. The date June 29, 2005 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.10 of this Agreement, the *Titular de la Unidad de Crédito Público* of the Borrower's Ministry of Finance and Public Credit is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Secretaría de Hacienda y Crédito Público
Unidad de Crédito Público
Palacio Nacional (piso 3), oficina 3010
Colonia Centro
06000 México, D.F.
México

Telex:	Facsimile:
1777313-SHOCME	011-52-559-158-1156

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Mexico City, Mexico, as of the day and year first above written.

UNITED MEXICAN STATES

By /s/ Francisco Gil Díaz

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Isabel Guerrero

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

	Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1)	Consultants' services	4,432,350	60%
(2)	Goods	1,173,000	60%
(3)	Training	1,033,200	60%
(4)	Non-consultants' services	1,092,600	60%
(5)	Front-end fee	38,850	Amount due under Section 2.04 of the Loan Agreement
	TOTAL	7,770,000	

2. For the purposes of this Schedule:

(a) the term "*Non-consultant's services*" means expenditures incurred by the Borrower to finance printing and digitalization services, organization and delivery of special institutional events under Part D.1 of the Project, as well as other services of similar nature required under the Project;

(b) the term "*Training*" means expenditures (other than those for consultants' services) incurred by the Borrower to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable) and rental of training facilities, materials and equipment under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $780,000 may be made on account of payments made for expenditures before that date but after February 25, 2004 (and in no case earlier than twelve months prior to the date of this Agreement); and

(b) payments made for expenditures under Categories (1), (2), (3) and (4) in the table in paragraph 1 above to finance activities under Part D.3 of the Project unless: (i) the Selected State Agreement with the relevant Selected States has been entered into; and (ii) the financial management and procurement capacity of the relevant Selected State has been assessed and found satisfactory to the Bank.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods; (b) for services of individual consultants; (c) for services of consulting firms; (d) expenditures for Training; and (e) expenditures for Non-consultant's services, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in strengthening its low-and moderate-income housing and urban poverty policies and programs.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part A: National Housing Strategy and Institutional Framework

1. Strengthening the capacity of Borrower agencies such as FONHAPO to manage housing subsidy programs, especially focusing on their systems for registering beneficiary information and their capacity to design, evaluate and monitor programs.

2. Developing a strategy and guidelines (such as a model of a suitable administrative structure and program design, operation, and monitoring) for the operation of state and municipal agencies in charge of housing programs.

3. Developing a national housing data system to systematize housing-related information such as prices, titles, construction, liens, permits, environmental licenses and zoning.

4. Carrying out an environmental study and workshops following the recommendations of the Borrower's housing environmental assessment, dated September 19, 2003.

5. Financing of technical assistance and operational costs of CONAFOVI to implement Parts A, B, C.1, C.2, D.1 and D.2 of the Project and to supervise the execution of Part D.3 of the Project.

Part B: Housing Subsidies

Carrying out an evaluation of federal housing subsidy programs (including analyzing and calculating the net present value of interest-rate subsidies of INFONAVIT loans) and designing a unified federal housing subsidy system.

Part C: Housing Credit and Household Savings

1. Designing and carrying out an awareness campaign for State and local authorities on mortgage foreclosure enforcement.

2. Developing a strategy to reconcile INFONAVIT's housing lender and pension fund roles and INFONAVIT's lending practices.

3. Analyzing the origination, servicing, funding and other practices of low-cost housing lenders.

4. Developing capital provisioning norms for the operation of SOFOLs.

5. Studying options to use remittances of emigrants to support housing finance in the Borrower's territory.

6. Designing and implementing a database for the development of national, regional and local house price indexes.

7. Carrying out studies on the economic benefit and credit scoring of housing micro-finance.

8. Supporting the development of a new legal and regulatory framework for the issuance and investment of mortgage related securities.

Part D: Urban Real Property Registries Modernization and Rights

1. Promoting and disseminating information about property rights reform, through activities such as: (a) the design of a long-term strategy for institutional and financial sustainability of the RPPs and their relationship with customers; (b) the carrying out of an assessment of the fiscal function of the RPP; and (c) the preparation, publication, dissemination and discussion of a codified statement of principles of modern property rights.

2. Strengthening of the RPP's management, through activities such as: (a) the evaluation of the economic impact of a property registry reform initiative currently being implemented by the Borrower; (b) the carrying out of a comparative assessment of the property rights contained in the respective civil codes of the Selected States and the States of Baja California, Colima, and Sonora; and (c) the design of a system of performance indicators for public registries.

3. Carrying out a modernization process of the Selected States' RPPs, through activities such as: (a) the identification of the legal, administrative and regulatory changes needed to streamline the organization of Selected States' property registries; and (b) the implementation of the changes referred on (a) above.

Part E: National Urban Policy, Slum Upgrading and Institutional Strengthening

1. Training State and Municipal officials and the general public in the norms and procedures of Habitat.

2. Analyzing the experience of Habitat and elaborating recommendations on effective community participation suited to slum upgrading programs.

3. Developing training modules in poverty mapping and related data management, training and providing the necessary equipment to State and Municipal officials and other public or private organizations on those modules, and evaluating the use of poverty maps made by State and Municipal governments.

4. Financing of technical assistance and operational costs of SEDESOL to implement Parts E, F, and G of the Project.

Part F: Low- and Moderate-Income Land Development

1. Carrying out a study to quantify and analyze the costs, benefits and related information on informal and formal land development.

2. Analyzing options to promote low- and moderate-income land development and use of the Borrower's land data base in the Borrower's programs and policies on land development.

3. Training State and Municipal agencies in local economic development and competitiveness,, providing the necessary equipment therefor, and evaluating the performance of said training.

4. Designing of a geographic information system that includes both land and urban development data.

5. Carrying out an evaluation of SEDESOL's land market information system.

Part G: Disaster Prevention and Management

1. Assessing SEDESOL's methodological guide for elaboration of risk atlases at the city level.

2. Evaluating risk prevention efforts at the State and Municipality level in response to the recommendations set forth in risk atlases.

3. Conducting regional workshops to train local authorities in risk prevention and disaster management.

* * *

The Project is expected to be completed by December 30, 2007.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Payment Date	Installment Share (Expressed as a %)
On each March 15 and September 15	
Beginning on March 15, 2010 through September 15, 2019	5 %

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement

Section I. General

A. All goods and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement method or methods of review by the Bank of particular contracts, have the meaning ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than $100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget.

2. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, up to an aggregate amount equivalent to $770,000, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to Individual Consultants. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review, in accordance with Appendix 1 to the Procurement and Consultants Guidelines. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means the amount of $780,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the

basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to cause SHF to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts

remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.