

Financing housing down-pyramid



Affordable Housing Institute

David A. Smith

dsmith@affordablehousinginstitute.org ♦ www.affordablehousinginstitute.org

38 Chauncy Street, Suite 600 ♦ Boston, MA 02111 ♦ +1 (617) 502-5913

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Structure of this talk

- Housing and housing affordability are outputs of value chains
 - Supply side: Land → Owned homes
 - Demand side: Eligible households → Enforceable liens
 - Weak or broken value-chain links thwart policy intentions
- The differences among need, effective demand, underwritable demand, financeable demand
- Informality and its gradations
 - Formality is the endgame; formality is an ‘illusion’
- Aggregation to underwritability to formalization

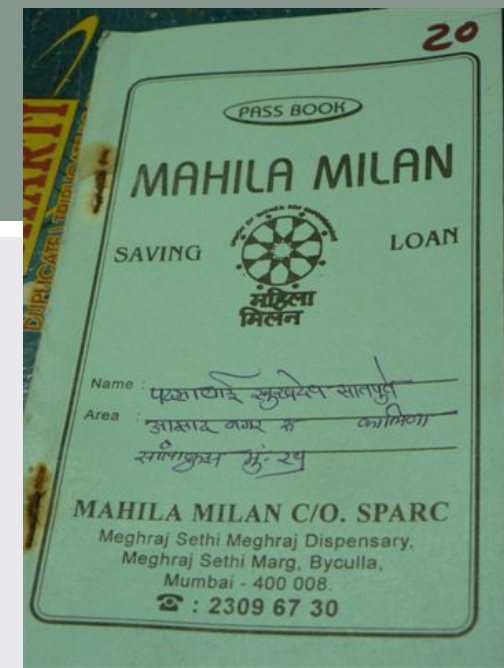


New for-sale co-operative: Ahmedabad

Demand has to be actualized

Need → Effective → Underwritable → Financeable → Loan

- **Need** is not effective demand
 - ‘Need’ is what I want to consume
 - “Effective demand” is what I *can* pay for, *will* pay for, and *do* pay for
- **Effective demand** is not underwritable demand
 - Ability to pay must be verifiable
- **Underwritable demand** is not financeable demand
 - A loan is a financial product connected to a stream of repayments of underwritable demand
- **Financeable demand** is not a housing loan
 - Not just a stream of payments, a financial product
 - Optionalities → If good things happen to borrowers
 - Penalties → If bad things happen to borrowers
- A **housing loan** is not a **house** itself
- Result is *two* value chains: **demand** and **supply**



Women's co-op savings passbook
Ahmedabad, Gujarat, India

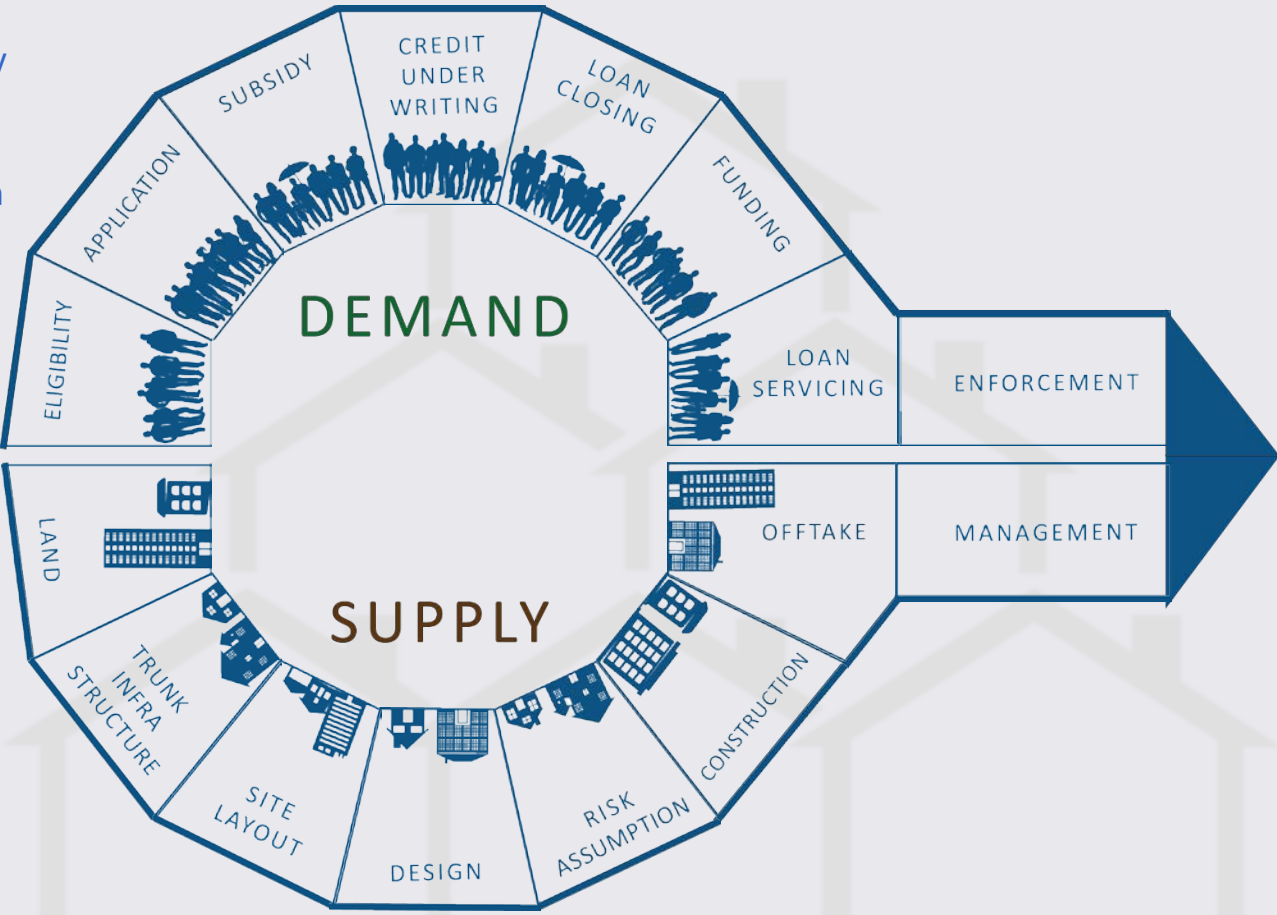


Loan officers meeting borrower family
Delhi, India

Demand and supply: 2 value chains, 16 links

Household → ‘financing journey’: property → ‘development journey’

- Many actors along the way
- Many handoffs
- Each relies on the next



- Government enables or disables
- Regulates
- Incentivizes

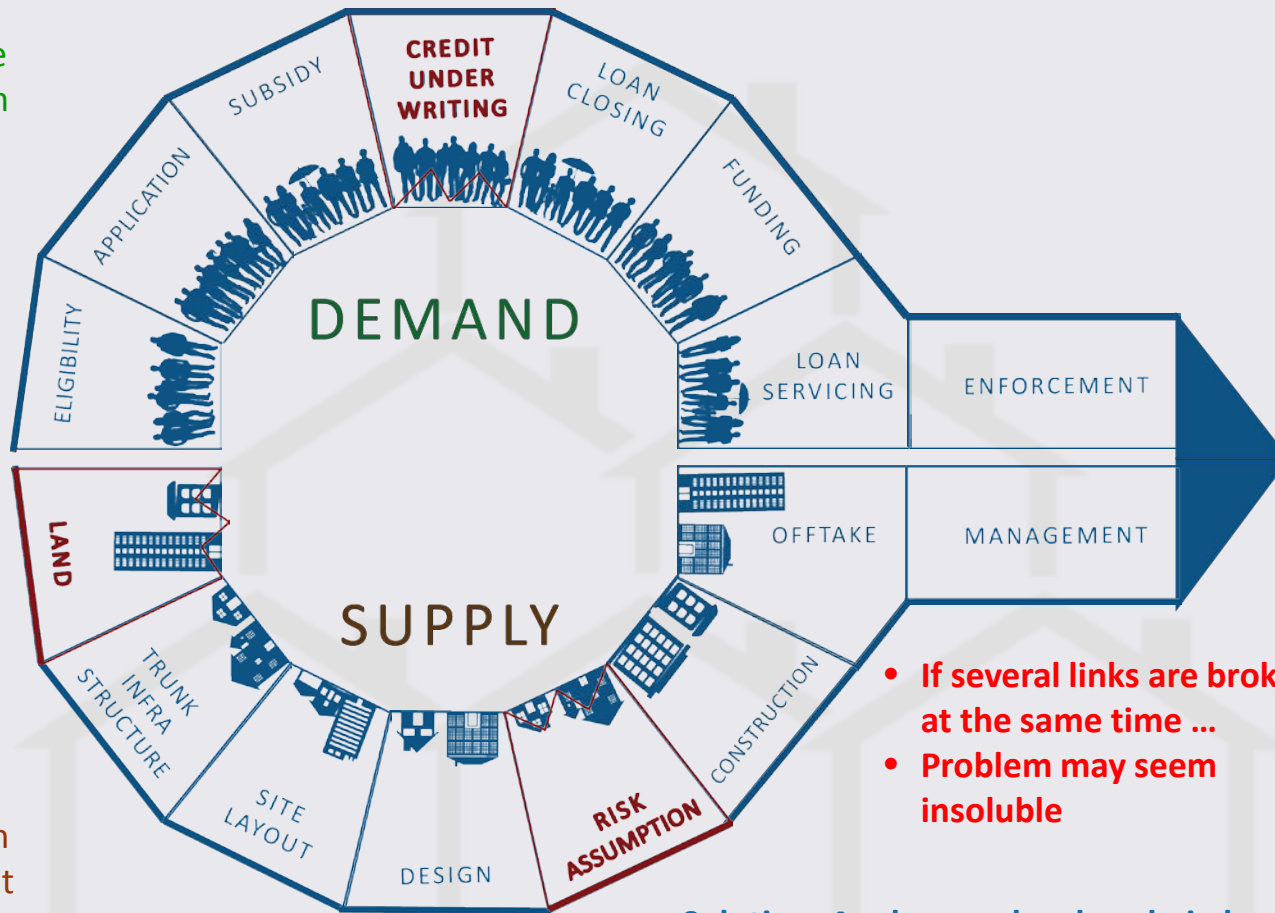


- Developers always looking for opportunity
- Find a new customer-price niche

If any link doesn't work, the value chain is 'broken'

And in many (most?) markets, one or more links doesn't work

- If even one demand-side link is broken
- People can't borrow to buy



- If even one supply-side link is broken
- Homes aren't created

- If several links are broken at the same time ...
- Problem may seem insoluble

- Solution: Analyze each value chain by observation
- Identify missing links, weak links, uneconomic handoffs
- Make 'maxi-min' changes at the weak links *only*

Informality, underwriting, financeability

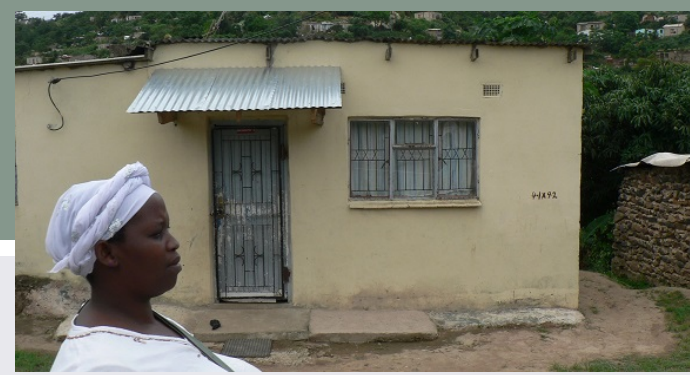
What is true, what is believed, what can be documented

- Formal systems rely on paper, not people
 - Documentation = Proof
 - Quantitative, electronically transmittable
 - Personal testimony = Unreliable
- Informality is of two types
 - *Income*. Formal → Declared on taxes
 - No regular pay slip; pay in cash
 - Self-employed; seasonal; home-based
 - Extended family (remittances)
 - *Tenure*. Formal → Registered in cadaster
 - 'Clouded' land use rights (estates, leases)
 - "You can become urban without moving"
 - Building code/ inspectors (self-improved)
- Formal systems require formal-formal
 - But 80%+ of the emerging world is informal
 - Are they bad credit risks?



*What do they need/ want?
What can they afford?
What can we verify?
What can we finance?*

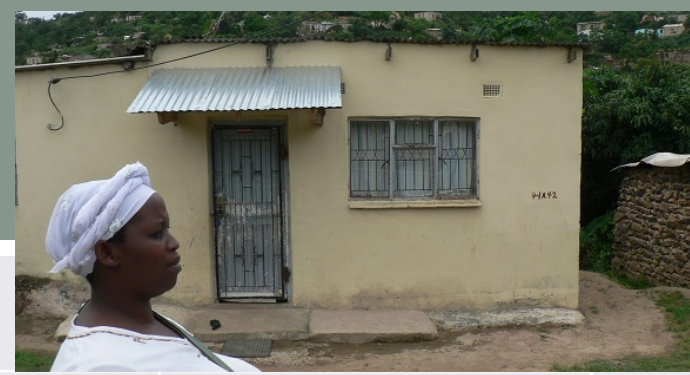
Gradations of informality and 'effective housing demand'



	<i>Informal income</i>	<i>Semi income</i>	<i>Formal income</i>
<i>Formal tenure</i>	Irregular income Title deed to land Pukka house	Self employed Title deed	Pay slip Title deed
<i>Semi tenure</i>	Irregular income Kacha house Month to month	Self employed Pukka house Month to month	Pay slip Pukka house Long occupancy
<i>Informal tenure</i>	Irregular income Kacha house Week to week	Self employed Kacha house Week to week	Pay slip Kacha house Week to week

- Deep poverty → Cannot pay, cannot finance
- Unreliability of income → Conservative PTI, external guarantors, product grace periods
- Unverifiability of income → Create pre-funding or savings-based features (e.g. escrows)
- Unrecoverability of collateral → Pre-assignment, Power of Attorney, right to evict

Gradations of informality and housing finance solutions



	<i>Informal income</i>	<i>Semi income</i>	<i>Formal income</i>
<i>Formal tenure</i>	Irregular income Title deed to land Pukka house	Home upgrading loan/ mortgage	Mortgage
<i>Semi tenure</i>	Irregular income Kacha house Month to month	Housing micro-finance/ HALF	Employer-assisted loan
<i>Informal tenure</i>	Irregular income Kacha house Week to week	Self employed Kacha house Week to week	Affordable rental

- Financial products are tailored to informality grid squares
- Require more 'financial engineering' up front, plus efficient 'disrupted' value chains
- Intermediate or strengthen borrower entity (e.g. co-operative, landlord, employer)
- Cash invested + Risk of being evicted = Significantly reduced probability of default

Aggregation → Underwritability → Formalization

Scale and formality improve underwritability

- Aggregation: Savings groups, co-operatives
 - Build group cohesion, establish credit histories
 - Savings ↔ Loan repayment with time reversed
- Intermediating: Formal entity for informal people
 - Co-operatives
 - Mission-oriented landlord
 - Charity, philanthropist, employer, community org
 - Rental is a simpler credit decision
 - Lender can enforce against landlord, not residents
 - Expertise, capital, equity at risk ('skin in the game')
- Risk reduction through scale and connectedness
 - Intermediating income guarantor (employer).
 - Cross-collateralizing (e.g. co-op's); free-rider problems?)
- Remittances and co-signers?



*Government-built housing
Mumbai, India*



*Home-based seamstress
Delhi, India*

Where it's worked

Countries, programs, entities

- India: SEWA Grih Rin
 - Non-bank housing finance company
 - Targeting informally employed women
 - Member savings, credit history
 - Customized financial products (home improvement)
- South Africa: Enumerations
 - Community-led expansion of cadaster
 - Coupled with grandfathering ('amnesty')
- Many countries: housing co-operatives
- Thailand: Land rationalization via CODI
- Home Asset Loan Finance (HALF) as a tool
 - Longer tenor, lower rate than microfinance
 - De Soto 2.0 – formality comes at the end



*Design review: housing co-op
Mumbai, India*



*Enumeration: plat survey
Durban, South Africa*

Questions?



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Our value proposition to Microfinance Institutions & their borrowers

François Perrot, head of Affordable Housing
May 25, 2016

Content of the presentation

 What do we want to build? Affordable housing for LafargeHolcim

Why construction assistance matters

Best practices in the delivery of Construction Technical assistance

What we are building: a business initiative with social impacts

- **Our definition of Affordable Housing: “*Housing for people who do not have access by usual financial ways to decent housing*”**
 - Emerging countries: 4 billion people (‘Base of the pyramid’)
 - Developed countries: 150 million people without decent house conditions
- **Our objective: building new markets for LafargeHolcim and improving housing conditions**
- **A dedicated team at Corporate and local projects embedded within the local teams of LafargeHolcim subsidiaries**

THE AFFORDABLE HOUSING PROGRAM OF LAFARGEHOLCIM

25 COUNTRIES WITH PROJECTS LAUNCHED OR IN DEVELOPMENT



 Countries where LafargeHolcim has affordable housing programs

MEXICO

FRANCE

SERBIA

MOROCCO

ALGERIA

EGYPT

IRAQ

INDIA

BENGLADESH

VIETNAM

ECUADOR

BRAZIL

ARGENTINA

NIGERIA

CAMEROON

UGANDA

KENYA

RWANDA

TANZANIA

ZAMBIA

MALAWI

ZIMBABWE

SOUTH AFRICA

SRI LANKA

INDONESIA



LafargeHolcim

Affordable Housing with LafargeHolcim in numbers

25 countries involved

Over **400,000 people** impacted in 2015

More than **15,000 housing loans** distributed through our partners in 2015

Contribution to LafargeHolcim of additional **CHF 15m** EBITDA

Affordable housing segments

MICROFINANCE



- *Customer need:* Individual home builder's access to finance
- *Our solution, based on our cement bags retailers network:* Providing access to **credits & technical assistance** (catalogues of house designs, bill of quantities, ...)

EARTH&CEMENT



- *Customer need:* alternative to burnt clay bricks
- *Our solution:* Mix of cement and soil to produce **non burnt clay bricks**, keeping aesthetic and thermal inertia of earth construction

SLUM REHABILITATION



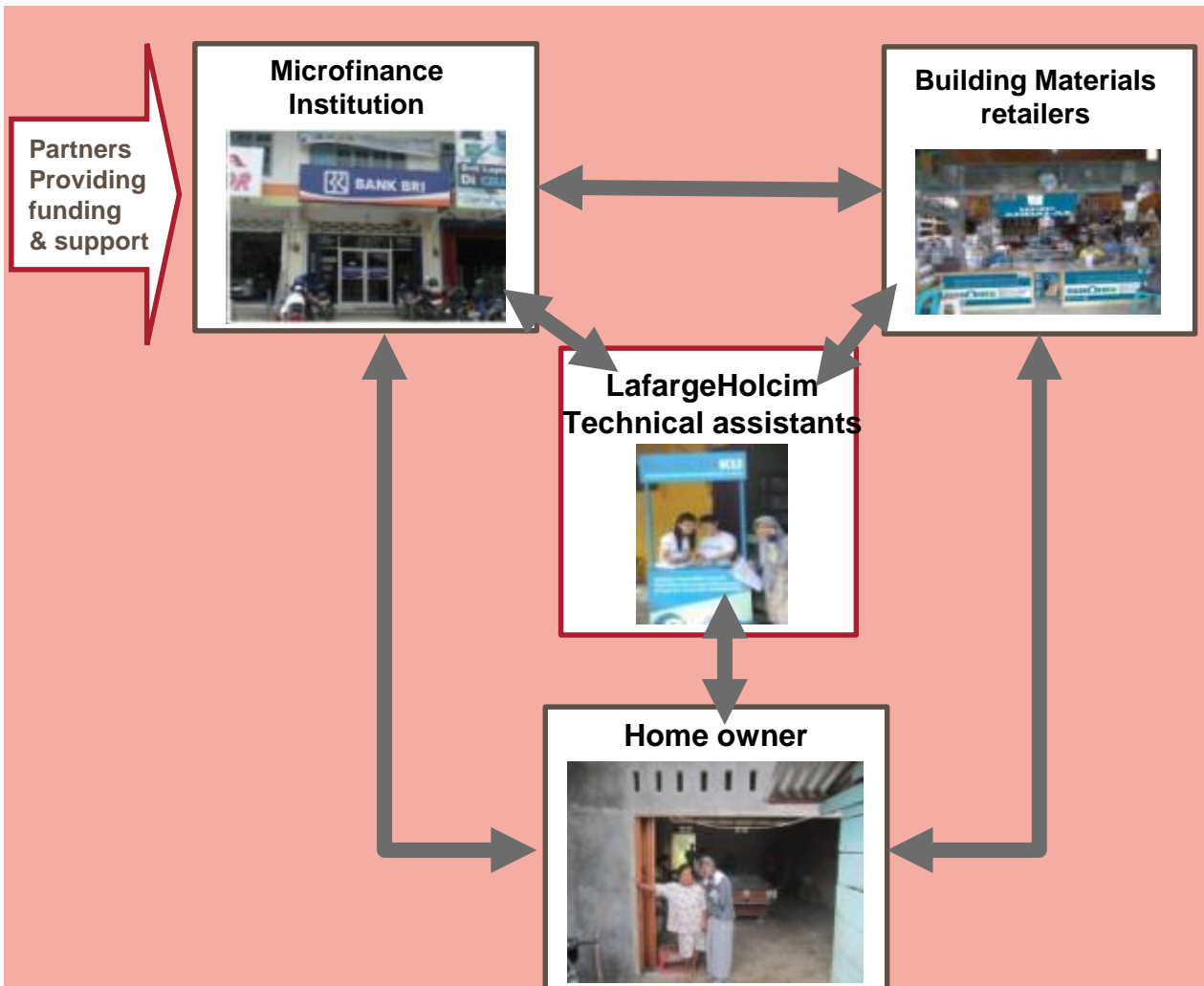
- *Customer need:* looking for good waterproof solution
- *Our solution:* **Bagged concrete** supplied to small customers in informal settlements

MASS AFFORDABLE HOUSING



- *Customer need:* quality & speed of large scale projects
- *Our solution:* Lafarge works with developers to improve **quality & speed** of construction.

Our Housing Microfinance model, tailored to local conditions



Benefits for the MFI

- Introducing a customer needed and financially beneficial product
- Creating strong positive impact
- Product diversification
- New customers carefully selected

Benefits for the customer

- Access to top quality technical assistance in house design, construction process, ...
- Ability to generate new incomes
- Enjoying a more comfortable life

Benefits for LafargeHolcim

- Creating a new market
- Contributing to the social development of low income families

Over 15,000 households received construction assistance in 12 months

Our value proposition to *Microfinance Institutions*

Market assessment methods



End-user surveys



Focus group meetings

Marketing campaigns to promote Housing Finance



Promotion tools



Activation campaigns

Training of loan officers on housing



Topics include construction practices, project assessment & safety

Access to funding & technical assistance



Cooperation & refinancing agreements



Network of practitioners

1. MARKET ASSESSMENT



We have developed a method of market surveys to help microfinance institutions evaluate the size of the market and understand the housing needs of their customers

Benefits for Microfinance Institutions

- They know what their customers want in terms of housing credits (size, maturity, etc) and can anticipate challenges (land issues, technical assistance)
- They can develop the best suited credit product
- They can identify a first pool of customers who will benefit from housing credits
- Customer surveys can also be organized with new potential customers through Lafarge network of retailers

2. ACCESS TO FINANCING FOR MFIs



We have partnered with several investors to facilitate access to refinancing and technical assistance for our microfinance partners

Benefits for Microfinance Institutions

- They access long term financing suited for the development of housing products
- They also leverage on the technical assistance capabilities of the investors
- They develop well designed credit products, with fair and competitive interest rates

Our partners



3. TRAINING & I.T. TOOLS FOR MFIs STAFF



We have developed toolkits to train microfinance loan officers on construction basics, facilitate the processing of housing loan and increase their sales skills

Benefits for Microfinance Institutions

- They develop the skills of their staff
- They can pre-check housing applications and accelerate the disbursement
- They can sell better the housing loans (product specificities, advantages, etc)

COUR						
	Somme	Crédit autorisé reste à faire (€)	Crédit autorisé maximum (€)	Total crédit autorisé à faire (€)	Total crédit autorisé maximum (€)	100%
Montage de sol	12,5	20	100	0	0	0
Installation des murs	12,5	20	100	0	0	0
Plafond	5	20	100	0	0	0
Électricité	10	20	100	0	0	0
Total	40	80	400	0	0	0

Type de construction	Date	Valeur des matériaux	Crédit autorisé	Crédit autorisé	Crédit autorisé	Délais
Montage	01/01/2015	100	100	20	100	10/15 à 20
Structure	01/01/2015	100	100	20	100	10
Électricité	01/01/2015	100	100	20	100	10/15 à 20
Plafond	01/01/2015	100	100	20	100	10
Peinture	01/01/2015	100	100	20	100	10
Finitions	01/01/2015	100	100	20	100	10

4. ACCESS TO THE COMMUNITY OF HOUSING MICROFINANCE PRACTITIONERS



We want to help the housing microfinance community grow and learn through trainings and workshops

Benefits for the Microfinance Institutions

- Access the largest network of microfinance practitioners proposing housing microfinance loans
- Learn from your peers to continue innovating and improving your products and performance
- Promote your work internationally and get recognition

2016 projects

- Housing Microfinance Academy: introduction classes and courses for advanced participants
- Website with useful information and peer exchange

Our value proposition to *borrowers*

Construction Technical assistance



Project visit by Lafarge counselors

NO	Uraian Pekerjaan	Jumlah	Volume
1	Pondasi Beton	100	100 m ³
2	Dinding Beton	200	200 m ³
3	Lantai Beton	100	100 m ²
4	Atap Beton	100	100 m ²
5	Plafond Gypsum	100	100 m ²
6	Partisi Kaca	100	100 m ²
7	Partisi Aluminium	100	100 m ²
8	Partisi Kayu	100	100 m ²
9	Partisi Baja	100	100 m ²
10	Partisi Plastik	100	100 m ²
11	Partisi Kertas	100	100 m ²
12	Partisi Kulit	100	100 m ²
13	Partisi Marmer	100	100 m ²
14	Partisi Granit	100	100 m ²
15	Partisi Marmar	100	100 m ²
16	Partisi Keramik	100	100 m ²
17	Partisi Keramik	100	100 m ²
18	Partisi Keramik	100	100 m ²
19	Partisi Keramik	100	100 m ²
20	Partisi Keramik	100	100 m ²

Bills of quantities



Plans

Catalogues of house designs



Nigeria



Indonesia

Access to building materials retailers



Lafarge-led network



Rebranded stores

Affordable construction materials



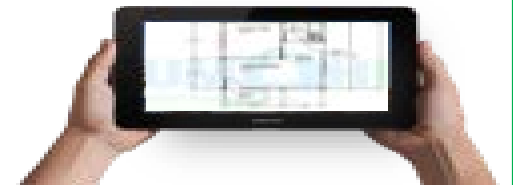
1. CONSTRUCTION TECHNICAL ASSISTANCE



We provide access to our dedicated teams of construction technical assistance, who help loan applicants with their construction projects

Benefits for the borrowers

- Lafarge technical assistants visit applicants on their site, prepares the bills of quantities and the project's drawings
- They optimize the house design and propose construction solutions which are affordable and durable



Benefits for the Microfinance Institutions

- Lafarge technical assistants visits ensure that there is a real project behind the loan application. It contributes to reducing the credit risk

2. RELIABLE BUILDING MATERIAL RETAILERS



We mobilize our network of building material retailers so that loans are disbursed in kind and customers benefit from the best suppliers

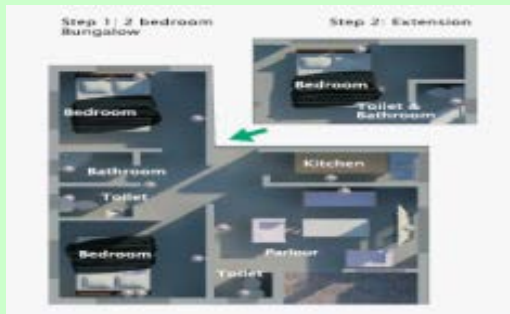
Benefits for Microfinance Institutions

- They are sure that the money is used for construction: strongly reduces the risk of money misuse
- They benefit from new relationship with retailers

Benefits for the borrowers

- They benefit from the best prices which are checked to make sure retailers are competitive
- Retailers are trained to offer the best service to the microfinance borrowers (construction assistance)

3. CATALOGUES OF HOUSE DESIGNS



We have developed houses which, by design, are suited to be built step-by-step, one room at a time

Benefits for Microfinance Institutions

- Construction phases will match with the loan size and it will contribute to building a safe house

Benefits for the borrowers

- Borrowers will build the house of their dreams in phases which have been carefully identified
- The end result house is safer (structural) and remains extendable either horizontally or vertically

4. ACCESS TO NEW CONSTRUCTION MATERIALS



We have developed new construction technologies such as soil stabilized bricks which can be associated to the loan offer

Example: Soil Stabilized Bricks

- Soil Stabilized Bricks developed & tested by Lafarge in its Research Center in Lyon, France
- Non burnt clay bricks: avoiding the use of wood, thus reducing CO2 impacts dramatically
- Gain of 25% from traditional construction method
- Built to last : SSB bricks are stronger than burnt clay bricks



Content of the presentation

What do we want to build? Affordable housing for LafargeHolcim



Why construction assistance matters

Best practices in the delivery of Construction Technical assistance

Impact of construction technical assistance

Addressing structural assessment and if needed retrofitting

Key issue: columns for 1 storey \neq columns for 2 storeys.



Non-Standard Column



Standard Column 350x350

Impact of construction technical assistance

Proper attention to slabbing

Key issue: thin/unsound floor slabs endanger safety and durability

As seen in other low-cost projects



Non-Standard Slab, below 100mm



Standard Slab, 100mm +

Content of the presentation

What do we want to build? Affordable housing for LafargeHolcim

Why construction assistance matters

 Best practices in the delivery of Construction Technical assistance

Best practices in the delivery of construction technical assistance

Best practice # 1: Start with safety

Best practice # 2: Promote step-by-step construction

Best practice # 3: Application on tablet

Best practice # 4: Training of loan officers

Unsafe job sites are more expensive

And saving lives has no value

A safe site

= No accident

= No delays

= Less wastage of materials

Major issues:

- Protection equipment
- Work at Heights
- Housekeeping



Best practice # 1: start with safety

Question: is it a safe site ?

Real example from Indonesia

Question:
Is it a safe site?

Helmets

Shoes

Housekeeping



What happens without construction assistance

- **The customer:** *I want a loan to build a 100sq.m house right now, the same house as my neighbor*
- **The loan officer:** *I am sorry , you cannot afford a loan for a 100sq.m. house. Better you come when you have more revenues*
- **The customer:** *Ok ...
(thinking: I will do it on my own)*



Our solutions to build affordable houses

1. Promote step by step construction

Objective: modular houses, adapted to loan size / maturity and family income



2. Use new construction technologies

Ex: Soil stabilized bricks by Lafarge



- **Gain of 25% from traditional construction method. High quality product**
- **Built to last : SSB bricks are stronger than burnt clay bricks**

→ Using catalogues of house designs to promote affordable solutions and products

Fast processing of housing loans is key

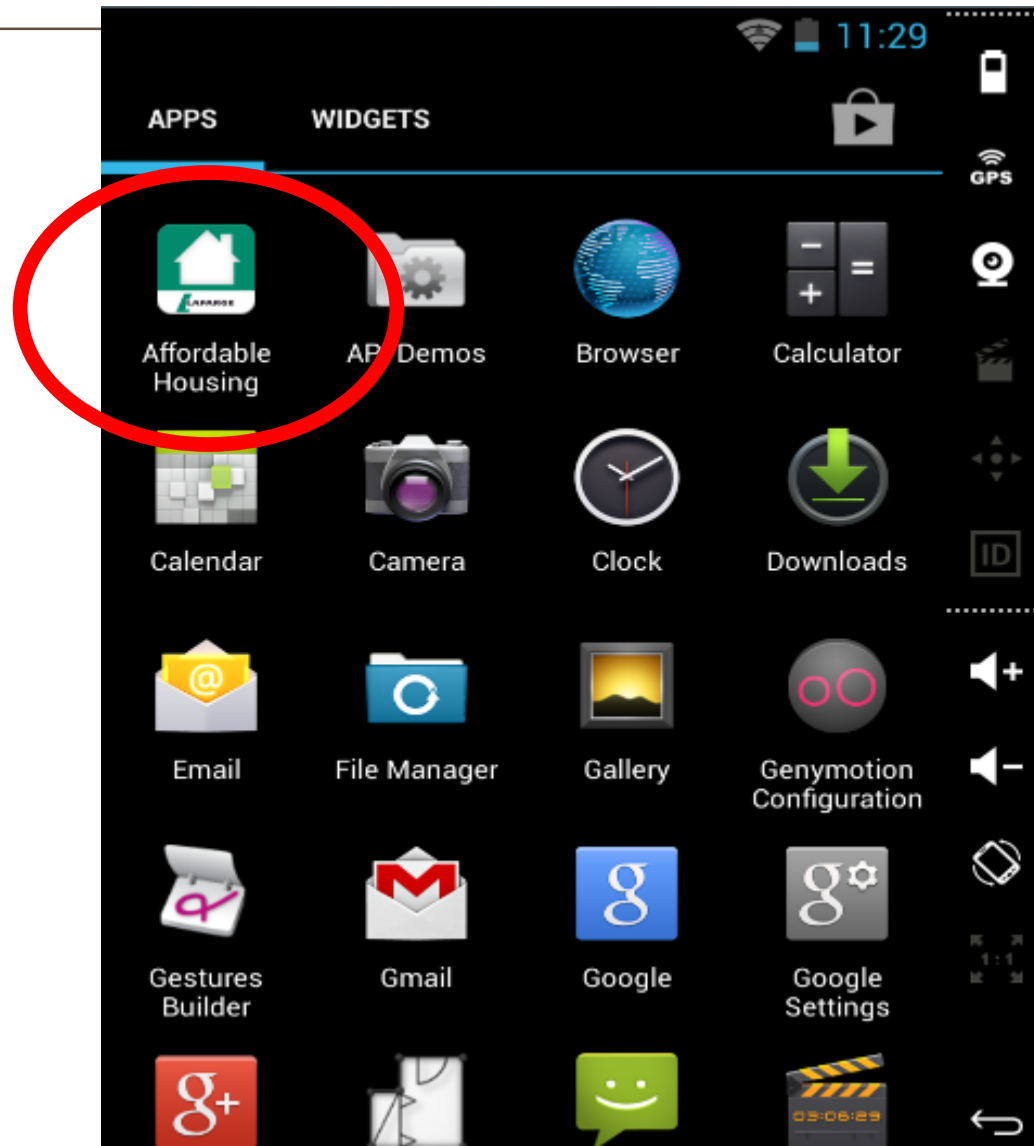


- Customers highly value site visits
BUT
- They want their loan application to be processed rapidly

➔ New software on tablet

Best practice # 3: accelerating the loan processing

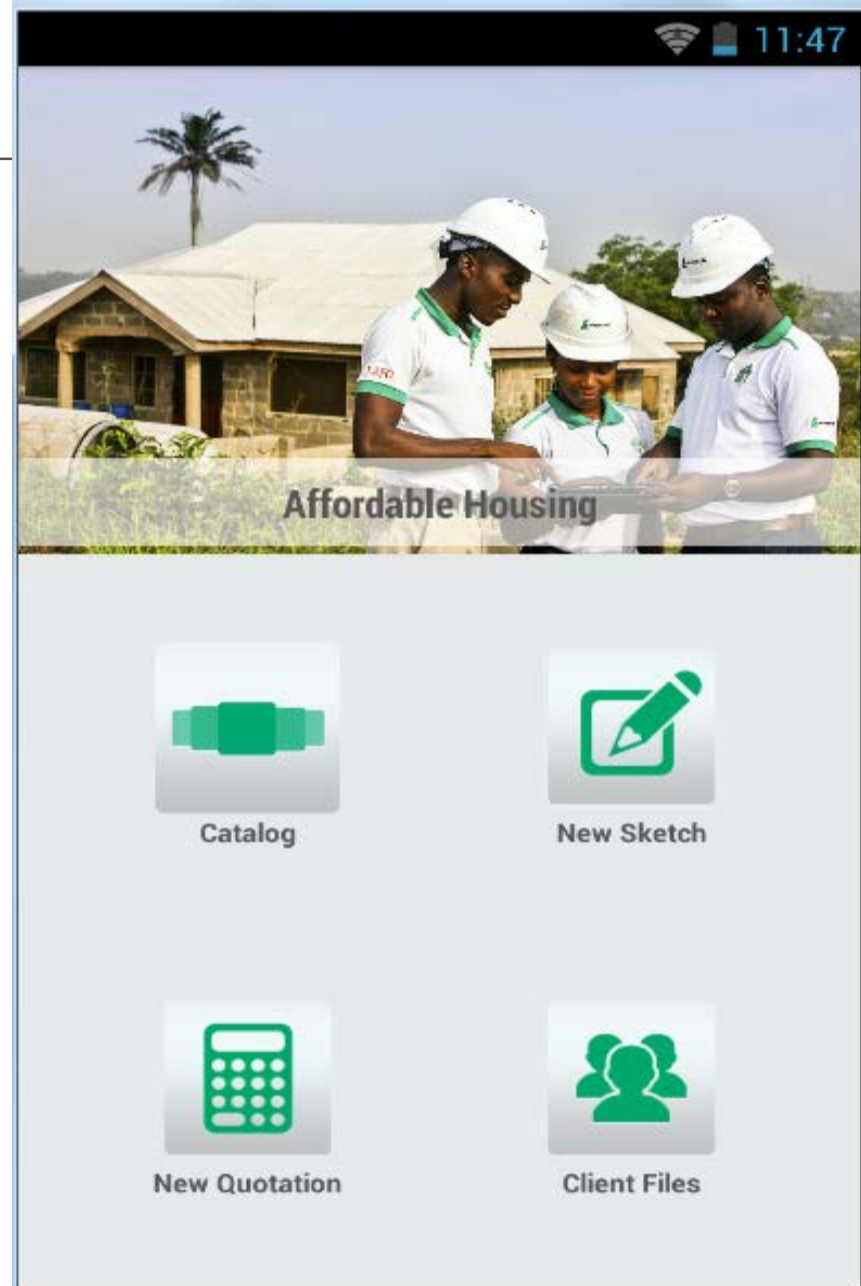
Lafarge software available on Android



Best practice # 3: accelerating the loan processing

4 components

1. Catalog of house designs
2. Sketch preparation
3. Quotation
4. Client file processing



Step 1: showing examples to the customer



BANGUN BARU Rumah Standar Tipe 54



Denah

41



Perspektif

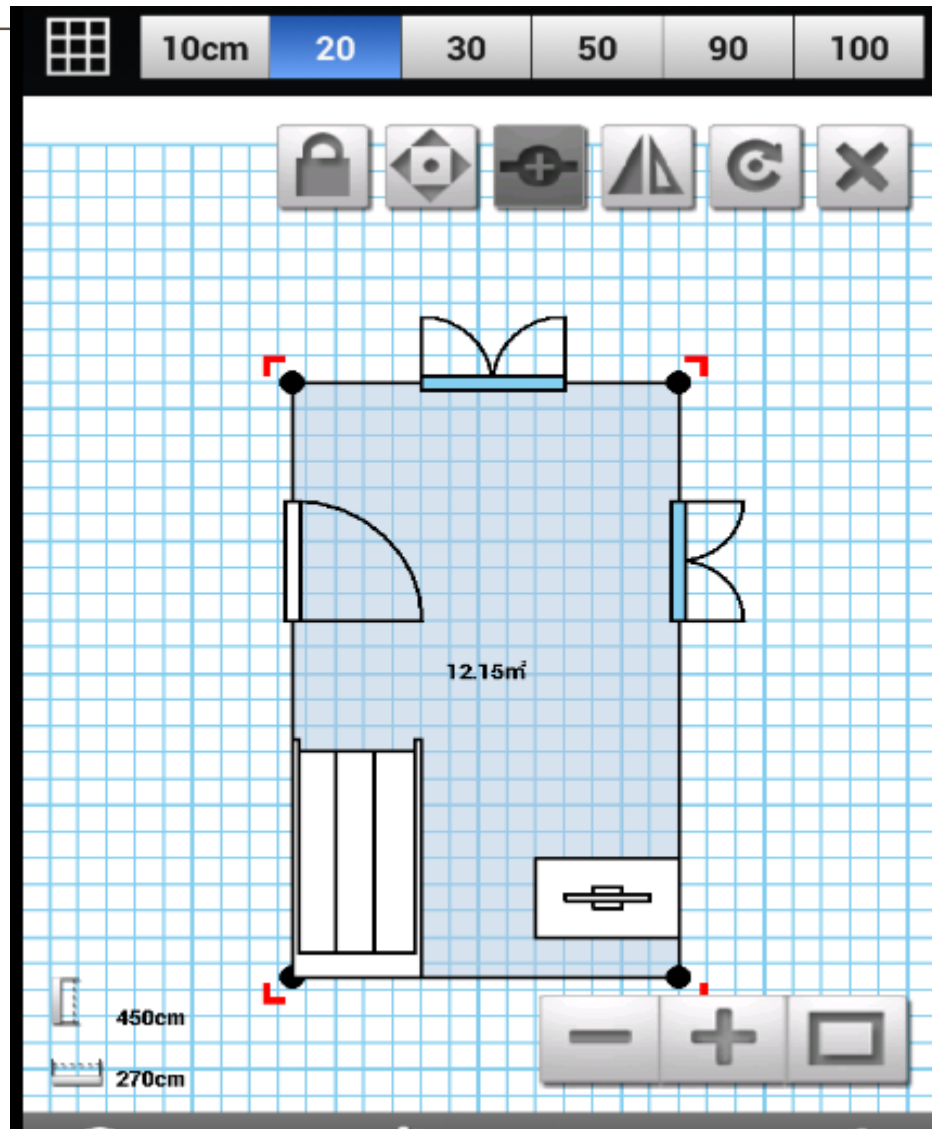
Spesifikasi :

- Pondasi menerus beton bertulang
- Pondasi Setempat beton bertulang
- Teras pondasi batu bata
- Konstruksi beton bertulang
- Dinding batu bata
- Plesteran dan acian dinding Semen Andalus
- Plafond multiplex 3 mm
- Gording kayu 2x3x16
- Kusen dan pintu (kayu fin, cat)
- Daun jendela kaca bingkai
- Pintu K/M/W/C PVC
- Penutup atap seng Zyncalum # 0,25 mm
- Penutup atap teras Polikarbonat
- Kisi-kisi teras (Bambu)
- Lantai keramik 30 x 30 cm Polos
- Lantai teras plesteran Semen Andalus
- Closet jongkok

42

Best practice # 3: accelerating the loan processing

Step 2: preparing / adapting sketches



Step 3: preparing the Bill of Quantities

LAFARGE New Quotation
Standard Product Range

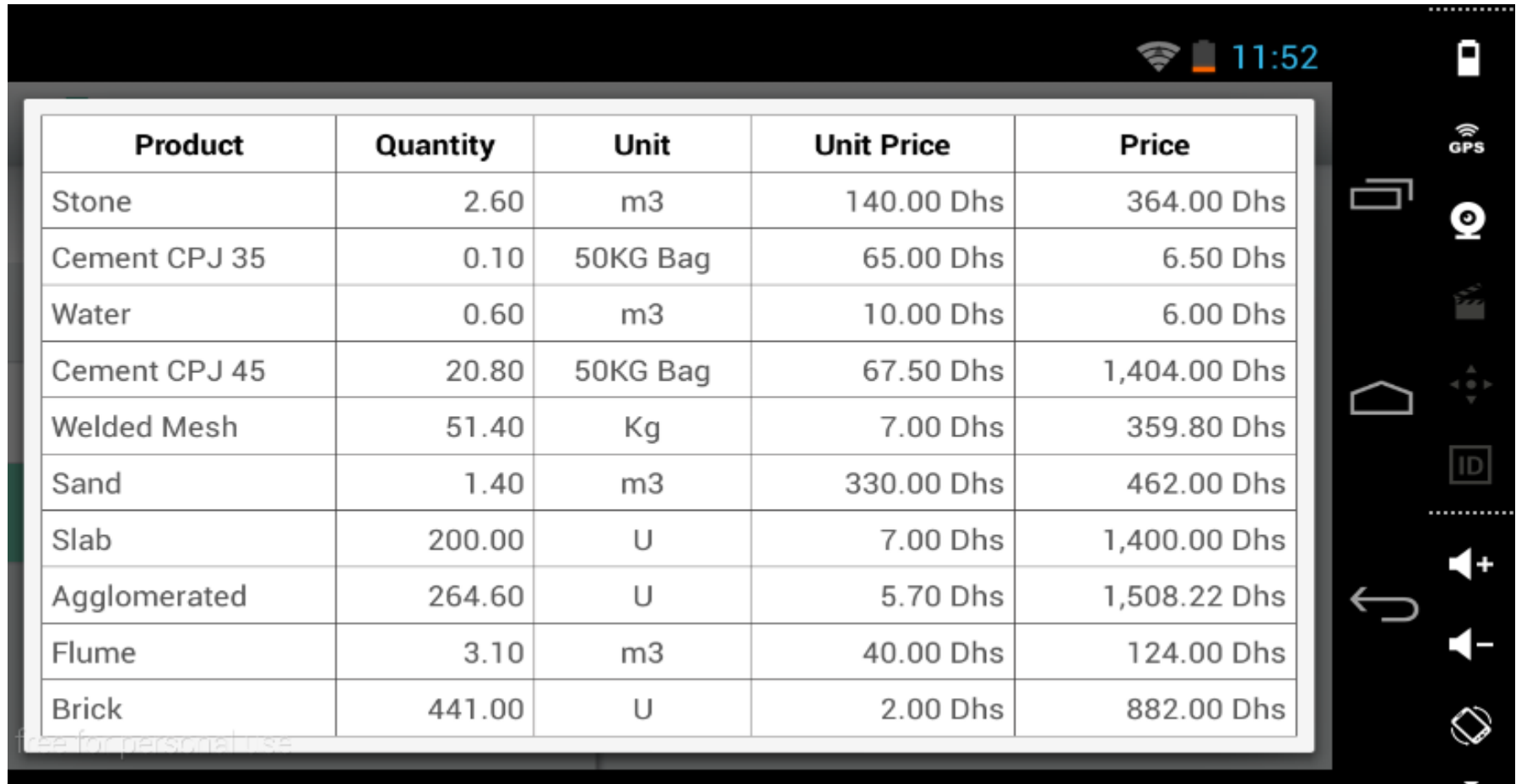
SAVE | CANCEL | VIEW BOQ

Item	Value	Action
Total	116,085.20 Dhs	+
Structural Work	116,085.20 Dhs	⋮
Foundations	38,907.66 Dhs	⋮
1st Floor	77,177.52 Dhs	⋮

Surface	20.00 m2	✎
Floor	64,314.60 Dhs	📦
	12,862.92 Dhs	🔧
	<u>77,177.52 Dhs</u>	

free for personal use

Example of Bill of Quantities



Product	Quantity	Unit	Unit Price	Price
Stone	2.60	m3	140.00 Dhs	364.00 Dhs
Cement CPJ 35	0.10	50KG Bag	65.00 Dhs	6.50 Dhs
Water	0.60	m3	10.00 Dhs	6.00 Dhs
Cement CPJ 45	20.80	50KG Bag	67.50 Dhs	1,404.00 Dhs
Welded Mesh	51.40	Kg	7.00 Dhs	359.80 Dhs
Sand	1.40	m3	330.00 Dhs	462.00 Dhs
Slab	200.00	U	7.00 Dhs	1,400.00 Dhs
Agglomerated	264.60	U	5.70 Dhs	1,508.22 Dhs
Flume	3.10	m3	40.00 Dhs	124.00 Dhs
Brick	441.00	U	2.00 Dhs	882.00 Dhs

Step 4: Preparing the client file

LAFARGE New Client File

Name*
JP Palau

Address
24 Brown Street

Phone
9789678678

PROJECT INFORMATION

Description*
Adding new floor

Quotation*
JPP Quotation (154,992.80 Dhs)

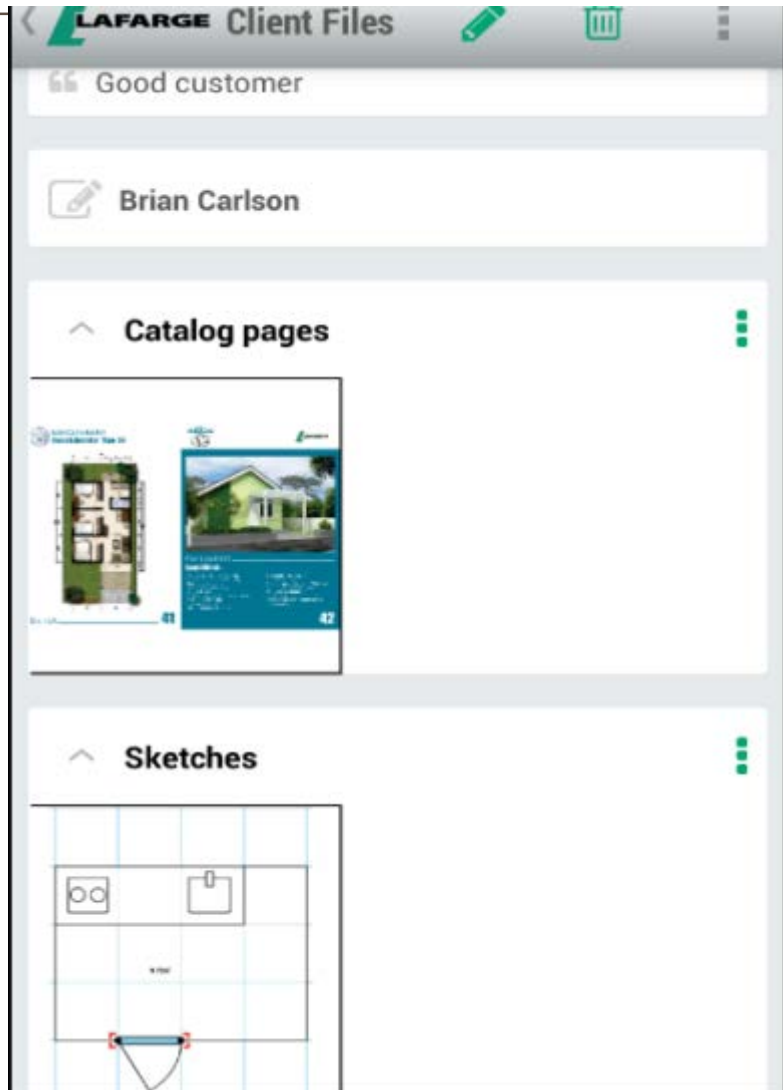
MICRO FINANCE INFORMATION

Micro Finance Institution*
HSBC

Branch Name*

Best practice # 3: accelerating the loan processing

Step 4: Comprehensive client file



Best practice # 3: accelerating the loan processing

Step 5: PDF sent to loan officer by email

FICHE ESTIMATION CLIENT

Date : Tue Jul 01 16:30:55 CEST 2014
 Nom : nt
 Adresse : nt
 Numéro de téléphone : IMF : nt
 Nom de la branche : yu
 Descriptif project : Rt
 Recommandation fournisseur :



ESTIMATION COÛTS DU PROJET

Matériaux	12 158,78 Dhs
Main d'œuvre	2 806,46 Dhs

DECAP MATERIAUX

Materiau	Quantité	Unité
Besbes 50x50x25	130,00	U
Traillis acouit	10,00	m ²
Couffrais	20,00	ml
Bourde	100,00	U
Ciment CPJ 35	17,00	Sac de 50 Kg
Adm	117,00	Kg
Ciment CPJ 45	13,20	Sac de 50 Kg
Sable	1,20	m ³
Sable	3,30	m ³
Relevés 40x20x8 (B. trou)	220,00	U
Bois	14,00	m ²

Nom du technicien Lafarge : pti

FICHE ESTIMATION CLIENT

Date : Tue Jul 01 16:30:55 CEST 2014
 Nom : nt
 Adresse : nt
 Numéro de téléphone : IMF : nt
 Nom de la branche : yu
 Descriptif project : Rt
 Recommandation fournisseur :

TEMPAT USANA
 Pembangunan tempat usaba
 Tipe suduk (hook)




Denah **17**

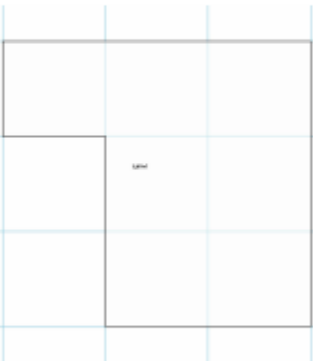
Perspektif **18**

Nom du technicien Lafarge : pti






FICHE ESTIMATION CLIENT

Date : Tue Jul 01 16:30:55 CEST 2014
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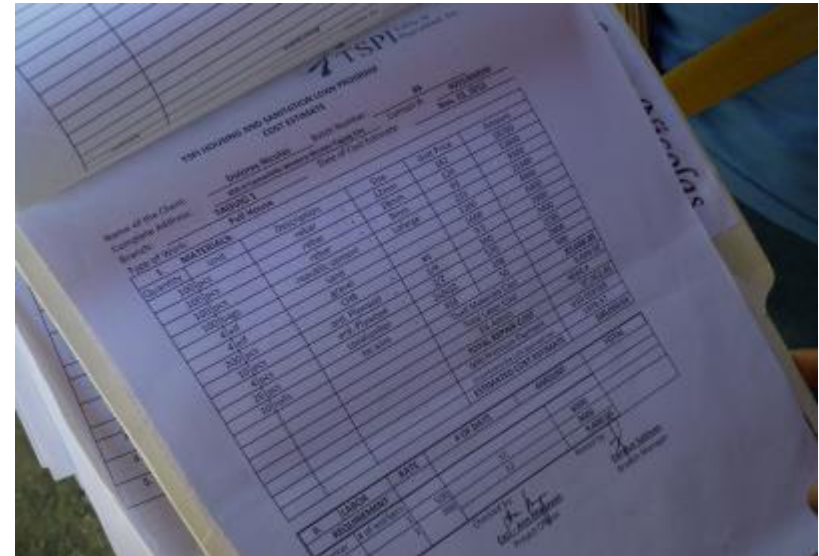
Housing loans require specific competences

For the promotion



- ✓ Understanding construction projects & basics
- ✓ Promotion the housing product
- ✓ Explaining the benefits, compared to consumption loans

For the processing



- ✓ New Standard Operating Procedures
- ✓ Training the front and back office
- ✓ Impact on the IT system (vouchers, money transfer)

Contacts – Corporate Affordable Housing team

François PERROT, Ph.D.
Head of Affordable Housing
francois.perrot@lafargeholcim.com

Corporate website :
www.lafargeholcim.com/affordable-housing

Join our collaborative platform
www.affordablehousinghub.com





LafargeHolcim



**FINANCING HOUSING
AT
THE BOTTOM OF THE
PYRAMID
EGYPT CASE, 2016**

May Abdel Hamid
Chairman, Mortgage finance Fund, Egypt
Executive Director , Social Housing Fund

7th Global Housing Finance Conference Housing 2030

A photograph of a modern, multi-story apartment building at dusk. The building has a white and orange facade. The windows are illuminated from within, creating a warm glow. In the foreground, there is a paved courtyard area with some greenery and a traditional-style gazebo with a white roof and wooden frame.

Overview of Egypt Real Estate Industry

Demographic & Real Estate Indicators

Total Egyptian population 90 million representing around 22 million households. Average Household size 4.4 person : 4.1 for urban and 4.7 for rural. Population growth 2.6% annually. Where Over 50% of population below age of 30 years

Average family spending on Housing 18.6% of their monthly income. Only 43% of the household in Urban areas while 57% in Rural areas.

Annual demand for urban housing estimated at 554,000 units 950,000 new marriages yearly.

26% of population are below poverty line, 75% of population need a certain form of subsidy or government assistance to get access to formal homes. 12 -15 million people living in informal housing , and Vacant units estimated at 3.4 million units

13% of the existing housing stock needs replacement while the actual percentage stands at less than 1% of total units. Urbanization rate of 55 pct

12-15 million People Living in informal housing ,and vacant units estimated at 3.4 million units

Egypt Mortgage Finance Market Overview

Shortage of housing and limited affordability created an urgent need for a well functioning housing finance system and need for ways to improve affordability and above all a comprehensive housing program that could accommodate all the needs.

Issuance of the Real Estate Finance law (148) of 2001 and its executive regulations, sets up the basis to regulate the mortgage sector.

Mortgage Finance Law set the rules for the types of products which banks and mortgage finance companies could offer borrowers as well as underwriting criteria Maximum LTV of 90%. - Maximum installment 40% of monthly income & 35% for low income. Creation of a Guarantee & Subsidy fund to improve access to housing finance loans through cash subsidies as targeted beneficiaries ranging from LE 5 K– LE 25 K based on income level .

Liquidity facility established along FHL banks with participation of 28 banks and MFCs in addition to CBE and GSF. Extended finance of EGP 1 billion. Bonds issue planed soon.

Egypt Social Housing Programs



Affordable mortgage program launched in 2010 in collaboration with WB . Loan of \$300 million to support the operation extended to GSF to finance part of the mortgage finance linked demand side subsidy



The Social Housing Program launched in the wake of the Egyptian revolution, a momentum for change, with the goal of providing one million social houses in five years to complement the AMP of 2010



Launch of National strategy for housing 2013 and establishment of SHF 2014. New operation for \$500 million with the World Bank for five years. The program covers both newly built houses and existing houses to unlock some of the capital tied up in vacant units.



SH Law no. 33 of 2014 was ratified on May 2014, establishing the Social Housing Fund with the objective of providing necessary finance needed to build houses for low-income households. The SHF was mandated to “propose, plan and release social housing projects, & supervise their implementation, to secure suitable residences for low-income citizens, & land management for low and middle-income citizens.”



Central Bank of Egypt stimulus package for EGP 20 billion for low income housing launched in 2014. Interest rate of 5%-7% to eligible beneficiaries complementing the demand side. The cash subsidy paid by GSF from LE 5 K to LE 25 K based on income level.

EGYPTIAN SOCIAL HOUSING

The Inclusive Housing Finance Program

- The CBE initiative EGP 20 billion to banks and their affiliated MFCs to make 5% & 7% interest rate (7%-9 % lower than rental rate) - 20 year mortgage loans to low income households qualifying under the AMP program and intends to expand the program with growing demand.
- Subsidy approaches 50% house price for certain incomes levels, but enable us to reach the desired income levels.

The Program will support the following aspects of the Government's Social Housing Program:

- (i) Institutional consolidation and capacity building;
- (ii) development of housing policy, and the design of regulations and program guidelines;
- (iii) Measures to improve the effectiveness, transparency, and accountability of housing programs;
- (iv) Demand-side housing programs, including financial support to low-income households to help them access housing or housing finance.
- (V) It will also assist in developing incentives for private rental investors to rent out their units to low-income tenants.

Egyptian Social Housing 2015-2020

Household Beneficiaries

Cumulative Number of Household Beneficiaries under the Inclusive Housing Finance Program (2016-2020)

Items	2016	2017	2018	2019	2020
<i>Demand-side homeownership subsidies (AMP)</i>	50,000	125,000	300,000	500,000	725,000
<i>Demand-side rental subsidies</i>	5,400	26,500	47,500	75,000	102,400
Total Number of Household Beneficiaries	55,400	151,500	347,500	575,000	827,400

The total number of Program beneficiaries is expected to reach more than 3.6 million individuals or close to 830,000 households with an average household size of 4.3 individuals and generate 1.5 million job opportunity.

Egypt Housing Finance Program

II . Rental Programs

Public Rental Subsidy Program for Tenants:

A new public rental program has been put in place by the Gov. to provide housing for HH's with incomes below LE 1,500 per month.

A program administered by MOH & SHF where Units are fully paid by Gov. and Rents only need to cover maintenance & management.

Current rent levels to affordable HH with lowest decile of income distribution, based on a rent-to-income ratio of 25 %.

The SHF will introduce supplementary demand-side subsidies to accommodate HH with very low incomes, while making sure that rental incomes are sufficient for real estate companies to take on the management of the stock. The Program will support the design, implementation and financing of this demand-side subsidy and related management system for low-income tenants.

In addition to investors' incentive packages, the Program will support the development of demand-side tenant subsidies aiming at filling the gap between the rent required by the investor and the payment affordable to the tenant, estimated at 25 percent of income.

Egypt Housing Finance Program

Private Rental Subsidy Programs for Investors (new, unfinished, vacant)

Incentive packages necessary to attract private investors to rental housing for moderate income HH's.

They consist of two distinct demand-side programs, for investors and for tenants.

Incentive schemes will be offered to investors who would commit to rent out units to HH's with moderate incomes (in the range of LE 900 to LE 2,500) for a given period of time.

The scheme would concern investors newly-built units from developers or renting out previously-owned units that were either left unfinished, or kept vacant.

Program will support the design of the investor incentive program, which may include upfront subsidies by the SHF.



The Inclusive Housing Finance Program

A total of 650,000 unit to be offered in the coming 2 years as follows:

100,000 units ready to be delivered through mortgage linked subsidy nowadays. 40 000 already allocated & subsidy paid. Mortgage loans & subsidy extended estimated at EGP 3.6 billion under the program so far

150,000 units to be delivered to customers in the last 6 months .

400,000 to be delivered after 1-1.5 year and to be financed through mortgage finance

10 000 rental units to be offered shortly



CHALLENGES

Design an integrated strategy and policy document that does not change with government changes

Creation of affordable rental housing component as part of the social housing program to cover the need of the very poor , micro loans for construction and completion .

Inclusion of the private sector to make it sustainable

Public campaign to make people aware of the program

Address informal incomes with guarantee & or mortgage default insurance policy along Fogarim lines

Location of units to be near to jobs

Land management , make land available to private developers at attractive conditions so that they build units for rental - low yield rates so developers will need rental vouchers

Disequilibrium of the sector , rental law and vacancy rates creating distortions,

Public finances made available in the future for subsidies

Self build models well designed and managed

Review of existing rental laws



Indonesia's Housing Finance Approach: Serving the Bottom of the Pyramid

7th Global Housing Finance Conference, Washington DC, May 2016

By Wijayanto Samirin, wija.dc@gmail.com
Special Staff to Vice President of Republic Indonesia for Economic and Finance



Indonesia at a Glance



- 4th largest **population** in the world, 255 million;
- **Urbanization** rate of 54% in 2015, and will reach 63% by 2030;
- **Young population** with median age of 28.6 years;
- **GDP per-capita** of USD 3,600 in 2015; and
- 60% of working population are in **the informal sector**.

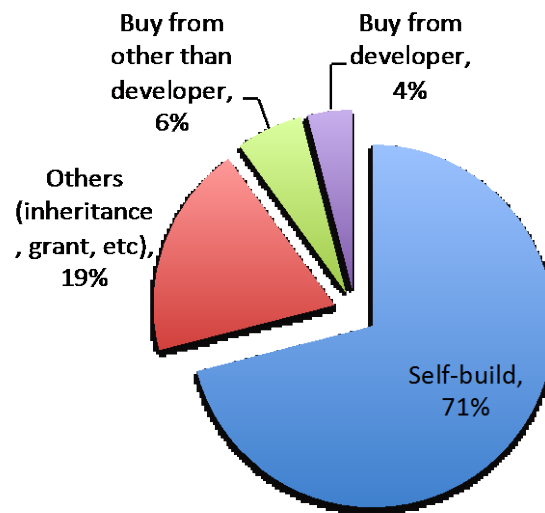
Current Housing Situation

Demand

- House ownership rate of 80%, the rest is rent/contract;
- 13.5 mio HH have no house;
- 3.4 mio HH have substandard housing;
- 1 mio new houses is needed per year to address the problem.

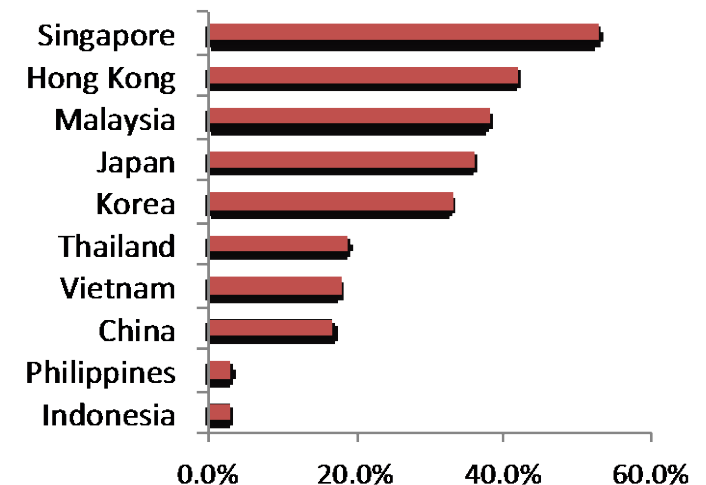
Supply

- Community/self-build as the main player on housing provision in Indonesia (71%);
- Formal housing stock is not sufficient to response the demand (400 k per-annum)



Financing Access

- Mortgage market in Indonesia is limited, only represent 3% of GDP. This is below it peers in the region.



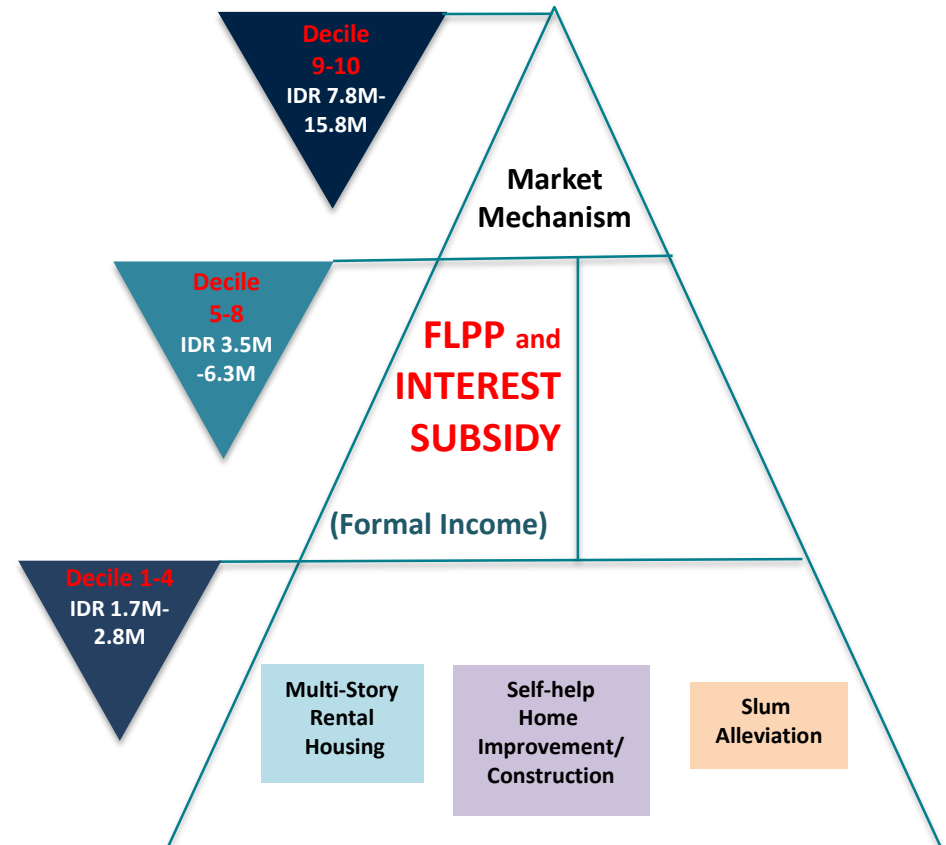
- Low affordability (income relative to rising house prices) and lender perceived high risk are key constraints;

Policy

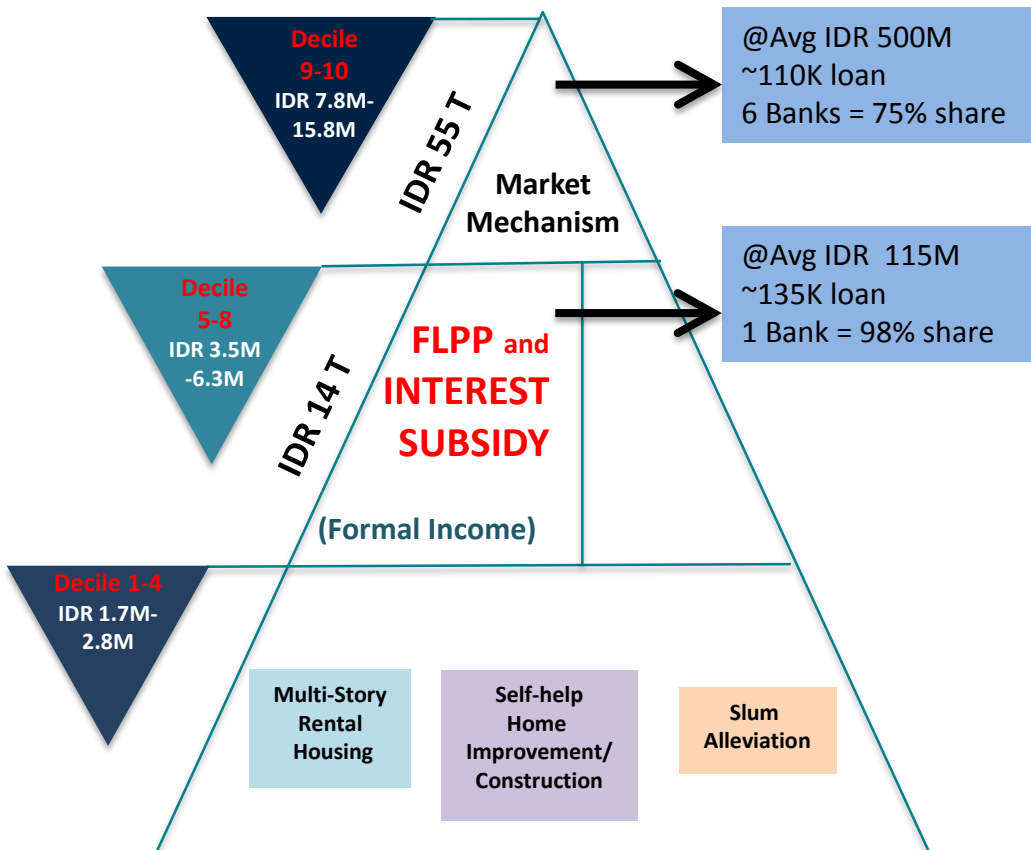
A policy is described
government, private
"Statement of Inter
important organiza

Government Intervention

- Government housing budget of IDR 13 T (USD 1 billion) is far from being adequate;
- Need efficiency of spending and massive mobilization of housing credit and mortgage securitization;



Housing Finance Market & FLPP Program



FLPP

- Interest Rate: 5%
- Tenor: 20 years
- Liquidity: 90% funding provided by Government of Indonesia;
- Guarantee: 100% guaranteed, 24 bps included in interest rate

Challenges

- Dominated by one player;
- Constrained Net Interest Margin (NIM), limited lenders' interest;
- Regressive, benefiting those with higher loan;
- Allowing for purchase of new home only
- Bias toward salaried workers, NO PROGRAM FOR NON SALARIES WORKER;
- Low interest rate has made mortgage securitization very difficult;

Collaboration with the World Bank.....

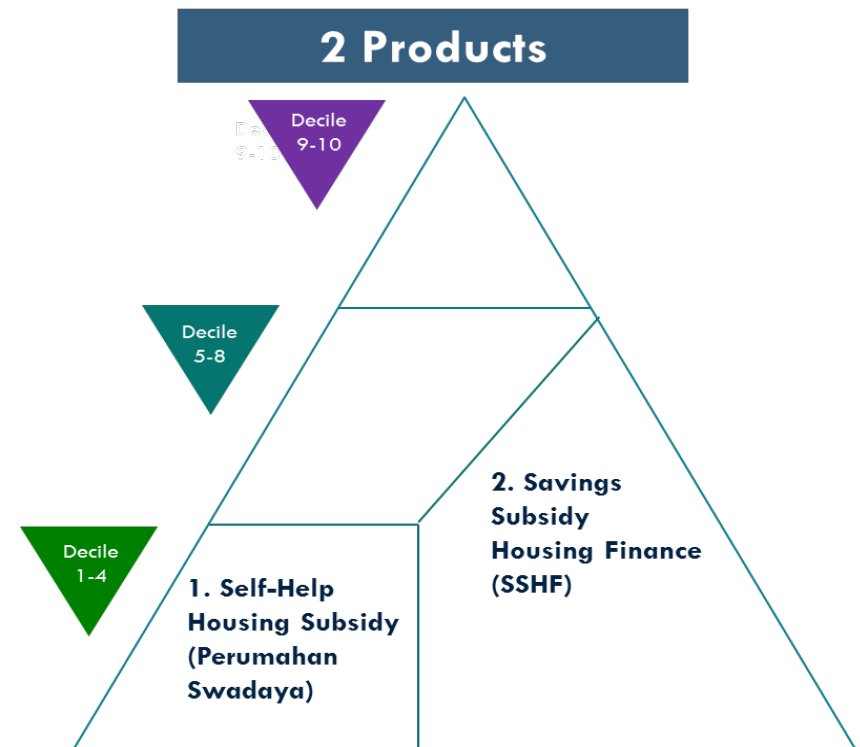
National Housing Affordability Program

Goal:

- Support GoI to achieve *Satu Juta Rumah* (One Million Homes) goals while increasing access to affordable housing for underserved groups

Tools: 2 Products & Technical Assistance Building Blocks

- Implement **down-payment subsidy scheme** linked to credit for lower-income salaried and non-salaried households (Savings Subsidy Housing Finance or SSHF).
- Support **self-help subsidy scheme** *Bantuan Stimulan Perumahan Swadaya* (BSPS)
- Technical assistance to support market development and policy



National Housing Affordability Program

Indicative Budget Allocation:

Component	Indicative Budget for 2016 - 2019 (USD million)		
	Gov	World Bank	Total
SSHF	150	215	365
Self-Help Housing Subsidy	350	215	565
Technical Assistance	0	20	20
Total	500	450	950

Collaboration
with the World
Bank

Building Block:

Housing and
Real Estate
Information
System

Supply Side
Policy
Support

Local
Governance
Capacity
Building

Access to
Housing
Finance



Saving Subsidy Housing Finance Program (SSHf)

Standard Home Purchase	
5%	Savings
35%	Subsidy
60%	Housing Finance



Assuming
house price of
IDR 100M

- **Savings** by household ~ 5% to 10% of house-value; income proxy (non-fixed income) + creditworthiness assessment
- **Down-payment subsidy** non fixed income & salaried households, scaled by income (20% - 40%) of value
- **A loan; maximum a household can afford** – ~50% to 70% from a lender of choice; a mortgage or a micro-loan
- Loans made at **market interest rates** determined by each lender's risk appetite and business model
- **Lenders qualify customer for loan**; Gol approves applicants for subsidy (upon qualifying for loan)

Saving Subsidy Housing Finance Program (Cont'd)

Program Characteristics

- **Fund ~100K Loans**
- **Broad Loan Purpose** allows HH's to purchase new/existing homes, build own homes OR upgrade existing homes
- **Reduced lender risk** with low LTV due to higher equity with prior savings and subsidy
- **Mortgage and Micro-Housing Finance** products being distributed through various lender segments
- **Formal and Informal income**
- **Progressive subsidy** with higher subsidy for lower income HH's

Technical Assistance Support

- **Real time electronic IT system with lenders** on case files / approvals / rejections / income assessment; qualifying subsidy amount; loan performance; etc.
- **Drive lower cost of funds and improve access to longer term capital market funding** working through with SMF (Secondary Mortgage Facility)
- **Develop a new guarantee scheme for low and non-fixed income**
- **Support to lenders** on non-fixed income assessment tools and best practices and construction technical assistance
- **Support consumers' access to housing finance safely** via consumer financial literacy & education program; owner-construction toolkits, etc.



Self-Help Swadaya Subsidy Program

Goal 1:

*Increase number of households reached
by BPS subsidy*

Activity	RPJMN (Unit)	Current Budget Allocation (Unit)
Development of New Self-Help Houses	250,000	100,000
Quality improvement of Self-Help Houses	1,500,000	300,000
Total:	1,750,000	400,000

- Gap of 1,350,000 Units and 1.8 Billion USD in financing between RPJMN targets and Budget Allocation to BPS
- World Bank proposes an initial investment of ~215 Million USD for Perumahan Swadaya. Sufficient to fund ~200,000* units
- Potential for refinancing in later years if demand warrants



Self-Help Swadaya Subsidy Program (cont'd)

Goal 1:

Improve efficiency and effectiveness of subsidy through financing and TA

- At **Policy Level** work to expand subsidy in urban areas, link with National Slum Upgrading Program, strengthen community participation
- At **Implementation Level** improve delivery by:

Improving facilitators performance

Introducing more robust system or verification & money

Improving the subsidy management information system

Introducing complaint handling management

Thank you.....