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HOUSING FINANCE IN LATIN AMERICA

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FUNDAMENTALS FOR SOUND, SUSTAINABLE HOUSING FINANCE SYSTEMS

- Long-term funding
- Affordable access for lower-income groups

Experience in Latin American countries prevalently shows that both are pending tasks in most countries
FUND RAISING

RESOURCE MOBILIZATION

SHORT-TERM HOUSEHOLD SAVINGS

FUND RAISING

MARKETS

FINANCIAL MARKET

FUND ALLOCATION

LONG-TERM MORTGAGE LOANS

FUNCTIONS

PERFORMED BY THE SAME AGENT

RISK

CONCENTRATED

DEPOSIT-BASED MODEL

EMERGING MODEL

SHORT-TERM HOUSEHOLD SAVINGS

• SHORT-TERM HOUSEHOLD SAVINGS
  • LONG-TERM INSTITUTIONAL SAVINGS

FINANCIAL MARKET

• FINANCIAL MARKET
  • CAPITAL MARKET

LONG-TERM MORTGAGE LOANS

SECURITIZABLE LONG-TERM MORTGAGE LOANS

PERFORMED BY THE SAME AGENT

TREND TO SPECIALIZATION

CONCENTRATED

ATOMIZATED
ACCESS TO HOUSING FOR INCOME GROUPS WITH DEBT CAPACITY

• Served based on:
  • Previous savings
  • Mortgage loans at market rates

ACCESS TO HOUSING FOR LOWER-INCOME GROUPS

• Savings-loan combination does not ensure access for lower income groups:
  • Insufficient purchasing power
  • Lack of guarantees
  • Inability to prove permanent income

• The role of the State is crucial but enabling conditions to accommodate private sector
ROLE OF THE STATE

- Facilitating and subsidiary role
- Direct, demand-side subsidy regimes
- Subsidies to financial agents to cover fixed costs of origination and servicing low-scale mortgage loans
- Guarantees covering credit risk
- Mortgage insurance
- Swaps to compensate debtor’s inability to pay under indexation regimes
- Second tier banking role
  - Catalyst of secondary mortgage markets
  - Housing microfinance
  - Low-scale previous savings accumulation

OPPORTUNITIES IN PERU

- Significant economic growth, geographically diversified, sectorally diversified
- Strong domestic demand
- Significant, growing institutional savings (pension funds)
- Well established institutional framework in the housing sector
- New instruments are being developed (securitization)
- Huge unmet needs: significant qualitative housing deficit
- Political process of decentralization: regional and local governments are having more resources and more responsibilities but lack of institutional capacity to develop and implement projects
- Important micro-finance industry but lack of involvement in housing micro-finance
- Opportunity to developing housing-related savings products based on remittances