

IFC: Strengthening Housing Finance in Latin America and the Caribbean

HIGHLIGHTS

- Most active international investor in the housing sector in the region
- Won 2004 Latin Finance award for first Non-Performing Loan Securitization in Colombia
- First residential construction finance facility for IFC
- First IFC regional investment in a real estate fund
- First investment in secondary mortgage market in Brazil, Colombia, Trinidad and Tobago, and the Organization of Eastern Caribbean States.

Housing finance generates economic growth via job creation, entrepreneurship, and economic linkages. At the individual level, it makes possible both a shelter and a real asset that might be the largest investment a family makes in a lifetime. Housing finance activities also spur expansion in financial and capital markets. For these reasons, IFC helps clients increase access to housing finance in emerging markets.

IFC PRODUCTS FOR HOUSING FINANCE MARKETS

Construction Finance

IFC can supply funding directly to developers for residential housing finance or work with a credible intermediary to develop a program to on-lend to developers of affordable homes for low- and middle-income people.

Primary Mortgage Markets

IFC provides credit lines to help institutions produce intermediate or long-term mortgages or upgrade their activities in modern origination techniques, underwriting and servicing standards, and related technology. By engaging with a substantial number of clients, IFC can help foster uniformity and consistency in mortgage lending by improving the efficiency of loan origination and standardizing loan documents and mortgage loan underwriting.

Secondary Mortgage Markets

IFC's reputation as an honest broker can bring market participants into the formation of a secondary market company, which can then become a bridge to the capital markets. In addition, we offer financing support, such as warehouse lines and credit guarantees, to establish mortgage-backed securitization (MBS) transactions or pool purchases. Example: IFC provided a local currency facility of up to \$100 million to support the issuance of MBSs arranged by Titularizadora Colombia.

Mortgage-Related Services

IFC supports companies that specialize in mortgage servicing, mortgage credit insurance, and technology for processing or analytical systems.

IFC Results

As of June 2005, IFC's housing finance portfolio stood at \$1.3 billion, representing some 57 housing finance projects in more than 34 countries. A large share of these investments is in Latin America and the Caribbean, including Argentina, Brazil, Colombia, El Salvador, Mexico, Panama, and Peru. In addition, IFC's first ever investment in a secondary mortgage market company was in Trinidad and Tobago. One of IFC's most noteworthy accomplishments in investments is our on-going work in the burgeoning housing sector in Mexico (see box).

MEXICO:

AN EFFECTIVE APPROACH TO HOUSING FINANCE

IFC's housing finance strategy in Mexico, launched in 2004, has been heralded for its focused and programmatic approach to supporting the development of the sector and providing funding to key players. IFC has been credited with directly contributing to the growth of both the secondary and primary market, and has to date invested close to US\$400 million in the housing sector. This strategy has adopted a phased approach. The first phase has focused on helping develop a vibrant primary mortgage market through local currency debt facilities to major originators in the sector, including Su Casita, Hipotecaria Nacional, and Hipotecaria Credito y Casa.

The second phase is more focused on ensuring development of the country's secondary mortgage market. In this phase, IFC is focusing on providing warehouse credit lines to support mortgage securitization programs, credit enhancement facilities for residential mortgage-backed securitizations, and other capital market securities, and is also supporting the development of a viable secondary mortgage market conduit. To date IFC has also provided partial credit guarantees or structuring advice to MBS in the market, and via its investment has mobilized a total in excess of US\$120 million through investments in MBS. IFC's revolving credit lines to Su Casita and GMAC Financiera in 2005—each consisting of a warehouse mortgage line and credit enhancement facility to support the company's secondary mortgage market activities—are consistent with the objectives of this second phase.

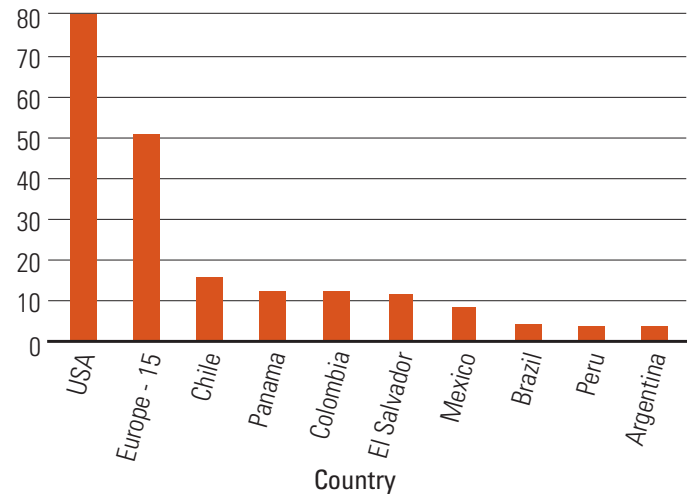
IFC has also collaborated with Mexico's national housing finance institution, Sociedad Hipotecaria Federal, to ensure that its approach to developing the country's housing market is consistent with the government authorities' views.

Global Financial Markets Housing Finance

The scope of IFC's operations in the region's housing sector is quite broad. It covers investments in, or transactions alongside, banks, other primary market originators, and secondary market companies. IFC also invests in capital market instruments, notably mortgage-backed securitizations and similar funding vehicles.

Looking ahead, the IFC sees several untapped opportunities. As the graph above demonstrates, the level of penetration is still relatively low, and a targeted focus on other countries such as Peru and Brazil could bare fruits, as well as finding ways to have more involvement in other aspects of housing in Colombia, Chile, and Mexico. In addition, the IFC is working hard to explore how to bring value to housing markets via a regional approach in both Central America and the Caribbean.

Housing Finance as a % of GDP



IFC INVESTMENTS IN LAC

Country	Projects	Products	Amount (\$M)
Argentina	Banco Hipotecario	Structured US Commercial Paper	128
	BACS	Equity and Warehouse Line	63
Brazil	Cibrasec	Equity	3
	Rio Bravo Securitizadora	Equity	3
Colombia	Davivienda	Subordinated Bond	20
	Titularizadora Colombiana	Equity	40
		Liquidity Facility for MBS	100
El Salvador	Banco Agricola	Mortgage Credit Line	50
	La Hipotecaria	Mortgage Credit Line	20
Mexico	Su Casita	Equity and Mortgage	88
	Hipotecaria Nacional	Warehouse Line	100
	Credito y Casa	Mortgage Warehouse Line	20
	GMAC Financiera	Mortgage Warehouse Line	50
		Credit Enhancement Facility	50
		Mortgage Warehouse Line	65
Panama	La Hipotecaria	Mortgage Credit Line	15
Peru	Interbank	Mortgage Credit Line	40
Regional	Paladin Realty Latin America Investors II, LP	Private Equity Fund Equity	15

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