



*Increasing
the Availability
and Affordability
of Housing
in Developing
Countries*

Housing Finance





Why Housing Finance?

The housing finance market is among the most important in the economy. It accounts for a sizeable portion of the production activity of a country, through its backward linkages to land markets, building materials, tools, durable goods, and labor markets.

Housing markets have significant forward linkages with financial markets, as well. Mortgage debt accounts for a large proportion of household debt and, through secondary markets and securitization, supports the efficient functioning of domestic and international financial markets. Housing markets are routinely monitored as an important leading indicator of overall macroeconomic activity. The housing finance sector has a tremendous developmental impact, both in terms of providing social stability and in promoting economic development.

Social Stability

Housing finance contributes to social stability by enabling households to purchase an asset which will represent their largest single investment. Personal residences account for 75% to 90% of household wealth in emerging market countries, which amounts to 3 to 6 times their annual income. Furthermore, housing represents 15% to 40% of the monthly expenditure of households worldwide.

Economic Development

Investment in housing accounts for 15% to 35% of aggregate investment worldwide. By supporting housing finance, the IFC promotes a successful economic sector and frees personal savings which entrepreneurs can invest in small businesses. Housing construction and housing related sectors constitute approximately 9% of the labor force worldwide.

Housing Finance and the World Bank

Housing finance plays an important role in the World Bank's overall financial sector strategy and is clearly and inextricably linked to the overarching mission of reducing poverty and improve people's lives. Given the rapid pace of innovation in this field, the Housing Finance group works closely with the Treasury Department of the IFC and the World Bank to develop an integrated approach to housing finance.

Objectives & Challenges

The Housing Finance Group aims to increase the availability and affordability of residential housing in developing countries. It does so by introducing a steady source of new housing finance product ideas, strategic formulations, policy, procedures and effectiveness measures to better meet client requirements and leverage IFC's own resources.

This broad-based mandate spans the whole process from ensuring an adequate supply of appropriate housing stock to sustainable mobilization of capital. Numerous challenges must be overcome if the housing finance sector is to fulfill its objective of increasing the availability and affordability of residential housing in developing countries. These include:

Lending Restrictions

Mortgage lending is often narrowly restricted to a single sector, such as government-owned lenders or highly regulated private institutions.

Infrastructure

Emerging markets often lack the infrastructure that is fundamental to the support of home ownership, such as untargeted subsidies and disincentives for the financial sector.

Regulatory Environment

Legal and regulatory reforms that are crucial to the development of a healthy private sector housing system are a prerequisite to the sector's growth. These include lien registrations, property rights and foreclosure practices.

Capacity

The pool of skilled managers and field staff experienced in housing finance is limited in most countries.

Outreach

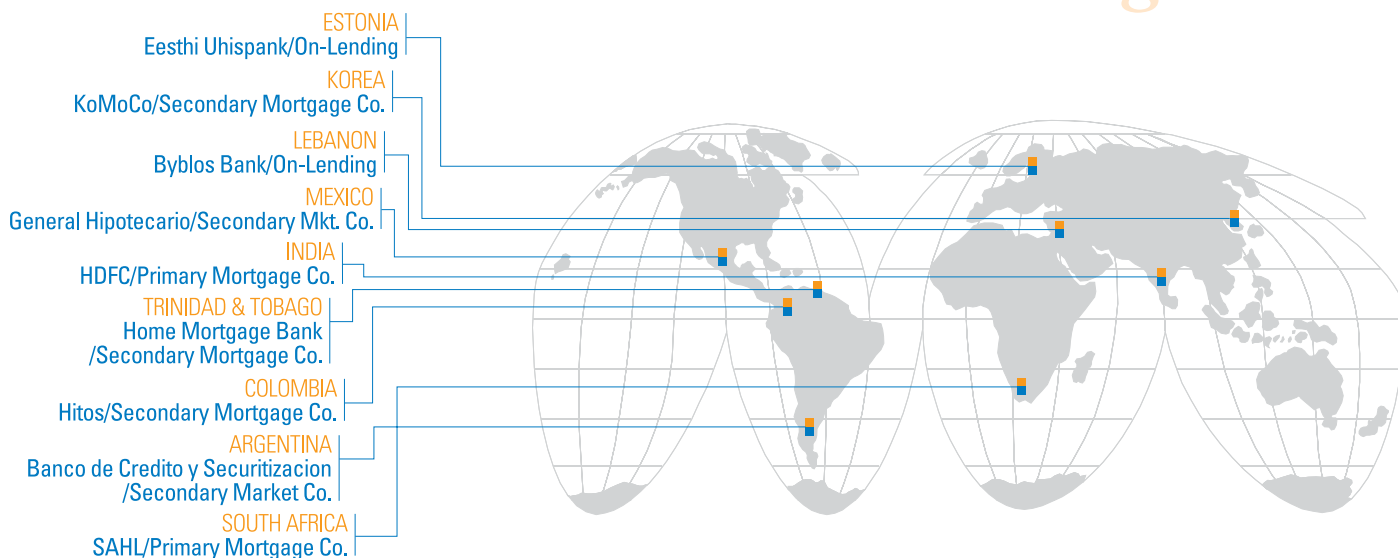
While numerous institutions have learned how to profitably serve the housing finance sector, they have yet to rise to the challenge of massive outreach, except in a few countries.



Efficient
Housing Systems

Solutions

The key to achieving the goals of the Housing Finance group lies in providing a broad range of products in support of developing well-functioning housing finance systems in emerging countries. To this end, the IFC is involved in all aspects of the housing finance market.



The Group's objectives are executed through a variety of means such as equity participation, loans, credit lines (on-lending), warehouse lines, technical assistance, advisory services and training.

Primary Mortgage Markets

- Financial assistance to primary mortgage market players (e.g. banks extending housing loans, specialized housing finance originators) through equity participation, loans, credit lines and warehouse lines
- Development of standardized and prudent credit underwriting, mortgage origination and servicing standards, and advice on the use of technology to implement such standards
- In conjunction with the World Bank, advice on legislation/regulation regarding origination, standardization or servicing of mortgages
- Development of mortgage insurance or other peripheral services such as credit reporting, property appraisal and evaluation.

Secondary Mortgage Markets

- Financial assistance to secondary mortgage market entities and conduit lenders through equity investments and warehouse lines
- Creation of Multi-Seller Conduit Vehicles for issuing Mortgage Backed Securities (MBS) or other bonds
- Credit Enhancement of MBS or other bonds such as guarantees & credit enhancement facilities
- Advice on legislation/regulation regarding MBS issuance/investment.

CONTACT

Pamela Lamoreaux
Michael Bookstaber
Kenroy Dowers
Tamara Lansky
Deepthi Fernando

Manager, Housing Finance Group ■ 202-473-7041 ■ plamoreaux@ifc.org
Team Leader, Housing Finance ■ 202-473-6781 ■ mbookstaber@ifc.org
Team Leader, Housing Finance ■ 202-473-3586 ■ kdowers@ifc.org
Team Leader, Housing Finance ■ 202-473-4078 ■ tlansky@ifc.org
Group Analyst, Housing Finance ■ 202-473-9650 ■ dfernando1@ifc.org

International Finance Corporation
World Bank Group

Global Financial Markets ■ 2121 Pennsylvania Avenue, NW ■ Washington, DC 20433, USA ■ www.ifc.org

