At a Glance

- Housing is a basic human need. Yet lack of adequate housing is one of the biggest challenges facing emerging markets today.

- Rapid urbanization, sub-standard dwellings, poor urban planning and limited access to finance all contribute to the global crisis in housing.

- Purchasing a home is usually one of the largest investments a family will make, exceeding the means of most families. This gap is often bridged by mortgage finance. In developed markets, mortgage finance is readily available, typically reaching 50 percent or more of gross domestic product. In contrast, this figure is well under 10 percent in most emerging markets, reflecting a severe shortage in mortgage financing. The global financial crisis worsened the problem by chasing investors away.

- IFC works through financial institutions to build mortgage markets and increase access to finance. Land acquisition and development, property construction and mortgage finance all play a role in fostering a sustainable housing market. IFC Financial Markets focuses on property construction and mortgage finance.

- IFC helps to create sustainable housing markets through direct investments and working with financial institutions and regulatory agencies to improve the environment for housing. This includes training, mortgage operations and establishing a more enabling regulatory environment for housing expansion.

- Beyond the direct benefit of adequate shelter, a vibrant housing sector is important to economic growth. Housing is one of the strongest job creators. Studies find that for every home built, at least three jobs are created both directly through construction, real estate and finance as well as indirectly through manufacturing and services.

Case Study

Increasing the Availability of Housing Finance for Low-Income Households in India

In India, urbanization, the increasing number of nuclear families, and rising incomes are boosting demand for housing. Yet there is an estimated housing shortage of more than 20 million units—primarily in underserved urban areas.

IFC is taking steps to increase the availability of housing finance for low-income households. In 2011, IFC worked with Dewan Housing Finance Corp. to launch a unique joint venture in housing finance in India—Aadhar Housing Finance Pvt. Ltd.

Before the creation of Aadhar, residents of states such as Uttar Pradesh, Orissa, and Madhya Pradesh had very little access to home loans or other financial services. In only one year, the company achieved its objective of establishing 15 branches in six states to offer home loans to low-income customers. IFC played a key role in mobilizing equity and advising Aadhar on responsible financing practices and corporate governance.

The project targets customers with household incomes of up to 20,000 rupees a month, or about $400. In its first year of operation, the company processed 1,800 loans from more than 3,300 applications, adding about three new customers a day.

The Aadhar housing project demonstrates that the low-income demographic can be a profitable segment for mortgages, and that loans can also be rolled out on a large scale.
What IFC Is Doing

- In the wake of the financial crisis of 2008, IFC is again ramping up its housing practice to help resuscitate an important asset class that has fallen out of favor with some investors.

- Applying lessons learned from the crisis, IFC’s strategy focuses on investing in commercial banks and certain specialized financial institutions to increase the supply of mortgage finance and encourage international best practices. Because the need is so large, IFC provides both direct investment capital as a demonstration of the market potential and also seeks to attract third-party capital to help fill the financing shortfall.

- IFC is taking a leadership role to bring investors back to the housing market by encouraging more sustainable practices from the financial institutions in which IFC invests. This includes sound underwriting, proven valuation techniques, and improved accountability in mortgage finance markets.

- We focus on every phase of housing development, including investment-climate reform, building managerial skills, access to mortgage finance and environmentally sustainable housing.

- To address climate change, IFC encourages financial institutions and homebuilders to consider alternative methods of production to reduce greenhouse gases. We use financial incentives where necessary to offset the cost of “green” building.

Housing Finance Global Map
85 clients, 167 projects, $1.1 billion committed exposure as of March FY13

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