



## OPPORTUNITIES IN HOUSING FINANCE

Housing is a basic human need, but rapid urbanization, sub-standard construction, and lack of finance contribute to the global crisis in housing, creating one of the biggest challenges in emerging markets.

The demand for low-income housing accounts for as much as 90 percent of all demand for housing worldwide. Yet in developing countries, only 7 percent of adults have an outstanding loan to purchase a home, and only 5 percent have a loan to build, expand, or renovate their home. Furthermore, in many markets, poor and low-income groups have little or no means of financing housing, even improvements and repairs.

Given all of the above, housing finance represents a tremendous opportunity for private citizens, financial institutions, and investors alike. Investments in housing finance have economic multiplier effects that lead to more jobs, improved health and education. At the same time, access to housing and better living standards result in greater productivity and boost shared prosperity.



## WHAT IFC IS DOING

For more than 30 years, IFC has supported the expansion of residential mortgage lending, working in countries as diverse as Argentina, Indonesia, and Uganda. To catalyze the development of sound and widely accessible housing finance markets, IFC:

- Invests in financial institutions and mobilizes capital across the globe, serving as a reliable source of long-term funding
- Provides advice to financial institutions to strengthen their capacity in housing finance
- Works with regulatory agencies to improve the enabling environment
- Promotes housing as an important asset class, bringing investors back to the sector after the financial crisis

## AREAS OF FOCUS

To achieve maximum impact in emerging markets, IFC currently focuses on the following areas in housing finance:

- Housing microfinance
- Islamic housing finance
- Residential energy efficiency and green mortgages
- Women in housing finance
- Responsible finance and risk management

## IFC VALUE ADD

IFC offers a unique combination of investment services, top-notch expertise, and global presence. We advise our clients on:

### Market intelligence:

- Market scoping and assessments
- Operational diagnostics
- Strategy development

### Product solutions:

- Product design and implementation support
- Financial products tailored to local market realities

### Capacity building and knowledge dissemination:

- Staff training
- Toolkits on housing finance
- Optimization of underwriting and servicing processes, sales and marketing strategy
- Advice on asset-liability management, risk management and funding options
- Dissemination of best practices

## KEY FACTS

- IFC is the **number one international investor in housing finance**, reaching 94 clients in 46 countries.
- As of June 2013, IFC had investments in **169 housing finance projects** totaling **\$1.22 billion**, and was implementing **19 advisory programs across 6 regions**.
- IFC housing finance clients provided **450,000 housing finance loans** for a total of **\$23.8 billion** (as of December 2012).

## PROJECT EXAMPLES

### Improving Access to Housing in India

India has one of the world's biggest shortfalls of affordable housing, with a gap valued at \$67 billion (*McKinsey & Co*). To tackle this issue, IFC worked with India's Dewan Housing Finance Corp. to launch a joint venture - Aadhar Housing Finance Pvt. Ltd. IFC made an equity investment of \$4.5 million in Aadhar and advised it on responsible lending and risk management practices.

Aadhar caters to those earning \$1,200 to \$4,800 annually with no proof of income, such as small business owners and daily wage laborers. It offers mortgage loans along with smaller loans for construction and housing improvements.

Since 2011, the venture has made 2,500 loans, setting up 15 branches in Uttar Pradesh and five other low-income states. Aadhar became profitable only one year in operations, demonstrating that the low-income demographic can be a lucrative segment in the mortgage market.

### Catalyzing the Mortgage Sector in Ghana

To facilitate Ghana's mortgage sector development, IFC worked with several lenders to bring their operations in line with international standards:

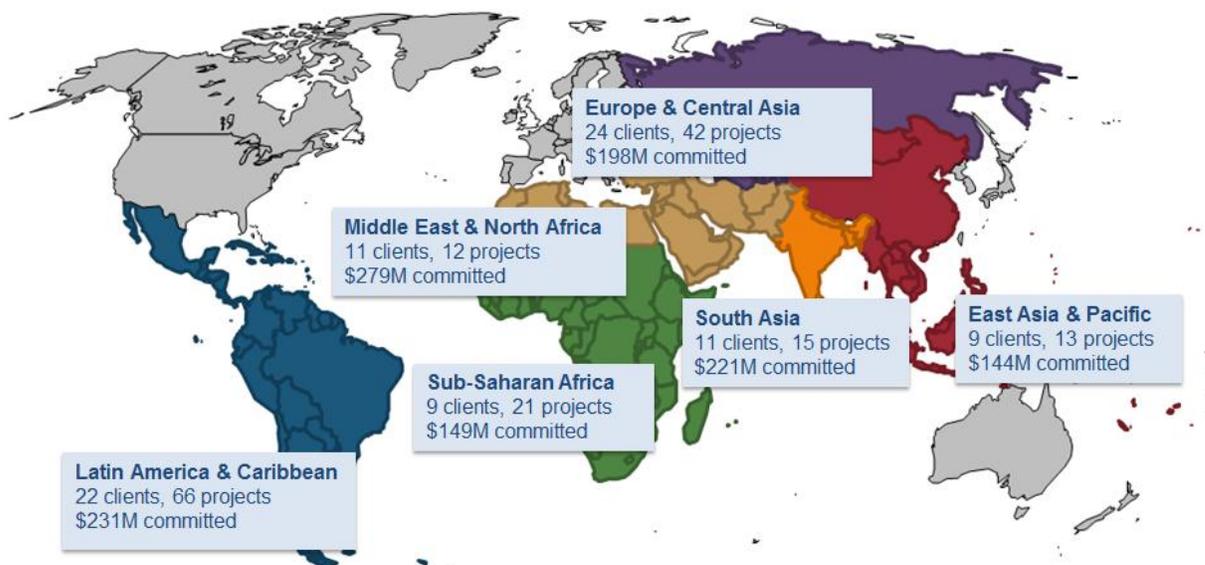
- Standardized key mortgage lending documents
- Revised lenders' internal manuals on mortgage procedures
- Developed a guide on mortgage lending for potential borrowers
- Trained the trainers for Ghana's banking sector

IFC helped draft the Home Mortgage Finance Act and lobbied the government for its adoption. The law, which passed in 2008, sped up the process of gaining control of collateral on a defaulted loan and attracted much-needed investment in Ghana's mortgage sector.

As a result of this multi-faceted effort, the country's mortgage portfolio had almost tripled by June 2009. The combined portfolios of the four lenders - Ecobank, HFC Bank, Fidelity Bank, and Ghana Home Loans - held 2,091 loans worth \$83.9 million.

## IFC Housing Finance Investments

94 Clients, 169 Projects, \$1.22 Billion Committed Exposure



As of June 30, 2013

IN PARTNERSHIP WITH



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