

The 6<sup>th</sup>  
Global Housing Finance Conference

# HOUSING FINANCE IN EMERGING MARKETS

#HOUSING4ALL

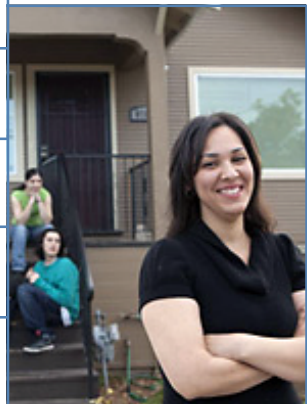
PRESTON AUDITORIUM • WORLD BANK HEADQUARTERS

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HOUSING  
FINANCE  
PROJECTS

**SPEED  
DATING**



THE WORLD BANK  
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# INNOVATIVE COLLABORATIONS TO ADDRESS DISTRESSED PROPERTY CHALLENGES

ROSEMARIE SABATINO, MORTGAGE RESOLUTION FUND

The U.S. subprime crisis contributed to thousands of families becoming delinquent on their mortgage, and all too often, going to foreclosure. This resulted in thousands of vacant and seriously distressed properties endangering neighborhoods across the country. To address this unprecedented challenge, a number of national nonprofit intermediaries joined together to create innovative partnerships and programs to help families whose mortgage was “underwater” stay in their homes, and neighborhoods hard hit by vacant properties to have the balance of homeownership restored.

Examples include:

- **The National Community Stabilization Trust**—a national nonprofit organization working with the nation’s largest financial institutions and local housing providers across the U.S. to reclaim neighborhoods hard hit by high levels of foreclosure and abandonment. The Stabilization Trust supports the stabilization of distressed neighborhoods by ensuring local housing providers have the right tools to transform empty, foreclosed properties into community assets that increase the stock of affordable ownership and rental housing for working families.
- **The Mortgage Resolution Fund**—a nonprofit created to help struggling homeowners avoid foreclosure and stay in their homes, thereby stabilizing neighborhoods and revitalizing communities. The MRF team works with banks, servicers and nonprofit agencies to help families determine the best solution to their individual housing situation. Currently, MRF is working with select homeowners in Illinois and Ohio who are in danger of losing their home to foreclosures.
- **The Community Restoration Corporation**—a national nonprofit limited liability company formed by two national nonprofit organizations that provides mortgage loan servicers with an efficient execution to convey nonperforming mortgage notes on low value properties in a way that is more cost-effective than going through foreclosure.

While the specifics of these initiatives may be unique to the United States, the tools and concepts are adaptable to any mortgage market.

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# LIFE OF HUMANITARIAN SETTLEMENTS: FROM RELIEF TO PERMANENCE

ANYA RAREDON BRICKMAN, AFFORDABLE HOUSING INSTITUTE (AHI)

Disasters permanently alter the contexts in which they take place. Beyond disrupting fragile networks of informal arrangements and informal built environments, disasters also accelerate urbanization, especially through the establishment of new informal settlements, refugee, IDP, and relief camps, and increased density through host family arrangements. Informal settlements might accelerate urbanization of an existing city, or relocation sites may create a new magnetic urban-like centers (instant city), but ultimately many of these settlements transform into permanent neighborhoods over time, and every action and political decision sets a profound foundation towards a longer-term life of “*the humanitarian settlement.*” Through research and pilot initiatives we are investigating how to act more as urban-planners-on-fast-forward, rather than relief workers, where we constructively reshape relief delivery to one of unexpected urban renewal and recovery, with a particular focus on the role of the financial sector in this process.



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# CITYMARK: A WEB-BASED, INTERACTIVE DATA PORTAL

KECIA RUST, CENTRE FOR AFRICAN HOUSING FINANCE

CityMark is an established project currently focusing on the nine major metros of South Africa. In the coming year it will expand to cover the whole of South Africa, and will initiate pilots in other cities in Sub-Saharan Africa.

CityMark is a web-based dynamic dashboard developed by CAHF to deliver local housing market intelligence in South Africa. The dashboard merges and geocodes deeds registry and census data, and hosts key indicators in a cutting edge business intelligence platform that explores housing market performance and identifies affordable housing investment opportunities at the local level across the major municipalities in South Africa. With CityMark, South African municipalities, developers and lenders can now tailor affordable housing solutions using three innovations:

- **Housing Performance Index**—measuring and comparing a basket of local, key market indicators to the city, allows the growth of housing markets to be measured relative to local conditions over time, across all cities.
- **Affordability and the housing gap**—newly released census data at the local level makes it possible to consider housing affordability relative to local income, to quantify local housing gaps, and get a better sense of real affordability.
- **Equity Leverage**—measuring and unlocking the levels of equity in affordable housing markets can help close the affordability gap, which in upper income markets is the most common way households move up the housing continuum.

The CityMark dashboard has been targeted to assist government officials; investors, including lenders, and developers; and private consultancies which currently support the housing sector, to understand market opportunities and promote the delivery of affordable housing.

An interactive CityMark dashboard demonstration, along with a user guide and some insights can be found at <http://www.housingfinanceafrica.org/Citymark/>

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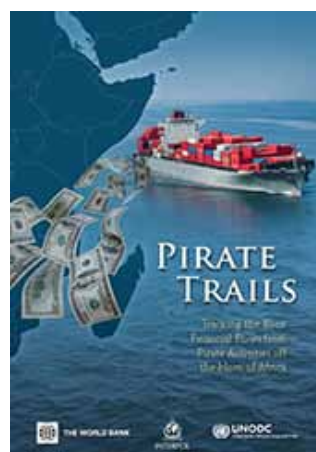
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# REAL ESTATE AND FINANCIAL FLOWS FROM PIRACY ACTIVITIES: IS THERE A LINK?

STUART YIKONA, WORLD BANK

The *Pirate Trails: Tracking the Illicit Financial Flows from Piracy Activities off the Horn of Africa* study by the World Bank, INTERPOL, and UN Office on Drugs and Crime became a ground-breaking analysis of the proceeds of piracy and how to stop the piracy money cycle.



During a taxi ride from the airport to a downtown hotel in one of the countries in the Horn of Africa, one of the members of the team conversed with the taxi driver about the political, social, and economic issues relevant to the country. The taxi driver lamented the skyrocketing prices of houses in the country. Asked what the main reason was for this, he retorted, “Oh, it is money coming from the piracy activities in Somalia.” Moreover, he continued, he was aware of situations where the price of houses tripled or quadrupled over the last few years. This is a refrain and complaint heard from a majority of people across all levels of society in the region and even in the international media. However, is this the reality OR is there more to the real estate boom than what is claimed in the streets and office corridors?

When available data from both the formal and informal economy are reviewed, the increase in the price of houses appears more likely to be due to a number of factors unrelated to piracy. Analysis of the available data shows that bank credit and remittances from the diaspora are major sources of finance in the purchase of real estate in Kenya and elsewhere in the region. ***Pirate Trails dispelled some common assumptions, chief among them the idea that piracy money is a big factor in the regional real estate market.*** Our study discovered no compelling evidence that illicit funds from pirate activities play a highly significant role in this area, in terms of being a driver of high property prices.

The study analyzed the investments made by a sample of 59 pirate “financiers” to reveal the range of sectors—including both legitimate businesses and criminal ventures—that were funded by the ransom money. Through interviews with stakeholders including Somali pirates, law enforcement and military officials, regional government officials, financial analysts, central bank officials, commercial banking officials, money remitters, revenue agencies, and others such as real estate agents, and farmers and dealers in the khat business, and analysis of several open and closed sources and documents the study revealed the total amount that was claimed in ransoms for pirate acts off the coast of Somalia and the Horn of Africa between April 2005 and December 2012. The study also identified the three main categories of beneficiaries of the proceeds of piracy.

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# ENHANCING AFFORDABLE HOUSING IN NIGERIA THROUGH TAILOR-MADE MICROFINANCE PRODUCTS

*(with technical assistance from Lafarge)*

ISADORA BIGOURDAN, AGENCE FRANÇAISE DE DÉVELOPPEMENT (AFD)

## Pilot, now entering the rolling out phase

The scheme tagged “Ile Irorun” was initiated by Lafarge Nigeria in response to the challenges of urbanization in Nigeria, the most populous country in Africa, with a housing gap estimated at about 16 million units.

Leveraging their expertise and the field experience of LAPO, the largest microfinance bank in Nigeria with 900,000 clients and 323 branches, Lafarge Nigeria and AFD propose sustainable financing solutions to support incremental housing, adapted to the needs and customs of the targeted local population, excluded from traditional mortgage finance. The financial products will finance the construction, extension or renovation of their houses thereby helping them to improve their living conditions.



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AFD provided the financial technical assistance to design the products, based on market researches and LAPO's way of operation and extended a N1 billion long term loan to enable the production of micro loans. LAPO will contribute an additional N300,000 to the development of housing products. Prospective beneficiaries under the scheme are identified through the network of branches of LAPO or the distributors of Lafarge WAPCO, and their loan applications are supported by free technical assistance from Lafarge. This technical assistance enables clients to lower their costs, choose their designs among a catalogue proposed by Lafarge Nigeria and ensures the quality of the construction through selected construction material retailers, as well as help on construction supervision.

The innovative solutions were developed since October 2013, and 147 households have already benefited from loans to improve or build their shelter. The program is now entering into its scaling up phase, based on the documentation and business model drafted and tested over the months. The program should benefit 3,500 households throughout Nigeria, within a specific targeted population under a threshold of income.

- [http://www.lafarge.com.ng/wps/portal/ng/7\\_7\\_3\\_1-EventsDetail?WCM\\_GLOBAL\\_CONTEXT=/wps/wcm/connect/lib\\_ng/Site\\_ng/AllEvents/Event\\_1382954632318/Event](http://www.lafarge.com.ng/wps/portal/ng/7_7_3_1-EventsDetail?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/lib_ng/Site_ng/AllEvents/Event_1382954632318/Event)
- <http://www.lapo-nigeria.org/lapomfb/>
- <http://www.afd.fr/home/pays/afrique/geo-afr/nigeria>

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# CREATING A MECHANISM TO REDUCE HOME IMPROVEMENT COSTS FOR LOW-INCOME BORROWERS IN CENTRAL ASIA

VICTOR MINTS, IFC

## Pilot Project

A substantial number of low-income people cannot afford to buy or build a new house, yet can improve their living conditions by improving or extending their existing homes (mending the roof, adding new rooms, installing windows and doors, etc.).

The project creates a lending product that enables people to get necessary funding and substantially reduce home improvement costs. Thus, home improvements become more affordable and more people get an opportunity to improve their living conditions.

Unlike a traditional approach that aims to cut costs via engineering advice subsidized by donors or financial institutions, this home improvement lending product does not rely on subsidized engineering support. The cost reduction is achieved via tools pre-developed for the home improvements most in demand by low-income people and creation of links between financial institutions and construction materials suppliers.

The key advantage of the product is its sustainability. Once established it does not require support or subsidy. The key disadvantage is that the product serves only a limited number of home improvements— though these are the most in-demand.

The product can be easily replicated in financial institutions in countries with similar geographical conditions and construction traditions. Replication in countries with different geographies and home types would require adaptation.

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# HOUSING FINANCE PROGRAMME IN KYRGYZSTAN

EUGEN DOCE, FRANKFURT SCHOOL OF  
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On behalf of the Ministry of Finance Kyrgyz Republic and the KfW, the Kyrgyz Republic Housing Finance Programme started in January 2013. This Programme is being implemented by Frankfurt School of Finance & Management. It aims at supporting two commercial banks and one microfinance institution to introduce, improve and increase housing finance products and at the same time to strengthen their institutional and operational capacities in this area. Through a careful selection of the target group in terms of maximum loan size and regional outreach the Programme supports the increase of access to housing finance for low and middle income families in Kyrgyzstan. This objective will be achieved through a focused approach for each of the selected financial institutions hence leveraging their existing capacities and individual strengths.

Since inception the Programme has managed to provide access to housing finance in local currency, at fixed interest rates and over long-term (loan maturities over 10 years) to over 500 low and middle income families outside the capital and other main cities of Kyrgyzstan. The Programme has managed to combine housing finance with energy efficiency investments. Hence it does not only contribute to increased access to housing for local households and to sustainable lending operations for financial institutions, but also to reduced energy bills for low income families. Given the large demand for housing loans in the country, the partner financial institutions contribute additional refinancing resources by making housing finance one of their key lending areas. Furthermore, in order to expand the base of housing finance service provided in the country, the Programme is considering the expansion with new partner financial institution at a second phase.

One of the main challenges of the Programme remains the inflationary environment in Kyrgyzstan that puts pressure on the interest rates which are already at two digit levels.

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## "From classroom training..."



## "...to financing home building"

# HOUSE IMPROVEMENT LOANS

GHISLAIN AUGER, DÉVELOPPEMENT INTERNATIONAL DESJARDINS

## Established project in Zambia and Tanzania

The purpose of DID's housing finance activities is to enable families of modest socioeconomic levels, especially self-employed and non-salaried, to acquire ownership of safe and sound housing and build up lasting wealth that can be passed on to their children. The approach based on a reality observed almost everywhere: low-income families build and improve their dwelling little by little when they have funds available.

The house improvement loan is designed for:

- a) Progressive self-help construction
  - Self-help construction of a first significant phase of a home;
  - Completed later as funds flow in, which may be saved funds or a new loan in time and place;
  - Middle-class employed borrower who already own a piece of land.
- b) Addition and improvement of existing home
  - Addition of a room or improvement of an existing house (example: addition of a bathroom facility)
  - Existing debt-free house already owned by the client to be rented out or to house a business or a workshop.
  - Built partially by the owner and hired employee.



Statistics/facts on house improvement loans:

- a) Credit amount: \$1,000 to \$60,000, Average disbursement: \$6,600
- b) Term loan: Maximum 60 months
- c) Collateral: Mostly mortgages
- d) Increase of portfolio for Zambia and Tanzania in 2013
- e) Borrowers 9% and portfolio 42% in Zambia
- f) Borrowers 141% and portfolio 182% in Tanzania
- g) While maintaining PAR 90 below 1%

Lessons learned from the implementation:

- a) Housing loans processed in a different way from other products
  - They are more complex to analyze, evaluate and disburse
  - A higher amount, a longer term
- b) Devoting specialized staff to housing finance and managing them in a centralized fashion is recommended

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# ALBANIA RESIDENTIAL ENERGY EFFICIENCY PROGRAM

LEILA SEARCH, IFC

Despite demonstrating significant economic growth in the last decade, Albania remains one of the poorest nations in Europe. Along with other factors, the country's development is constrained by an insecure power supply and obsolete energy infrastructure. As it absorbs over half of all Albania's electricity supply, the residential sector represents a huge opportunity to reduce energy consumption and address energy deficits.



IFC is working with Albanian banks to introduce financial products for homeowners to popularize energy efficiency improvements and unlock energy saving potential across the country. IFC's project reduced energy consumption in Albania through the introduction of micro and retail loans for energy efficiency home improvements. Introducing micro-loans for energy efficiency not only expanded access to financial services but also reduced energy consumption. By using performance based grants (PBGI Initiative) the project aligned support to financial institutions (FIs), mostly commercial banks, disbursing upon the institutions reach to individuals for energy efficient renovation of buildings, homes, and flats.

The project follows a programmatic approach and focuses on the following objectives:

- **Public awareness activities to raise public awareness on energy efficiency (EE) and energy savings.** Several workshops are organized to increase awareness on the benefits of EE measures, EE lending and on the EE regulatory framework. The project developed and distributed EE leaflets and EE brochures. As a general tool for public awareness, the project developed an EE website, the first of this kind in Albania, to increase public knowledge on technical issues and economic benefits of EE loans.
- **Capacity building for partner Financial Institutions develop and roll out new energy efficiency loan products.** The project is partnering with four financial institutions (mostly commercial banks), using them as intermediaries to disburse loans to individuals. The financial institutions have already disbursed over 2,800 EE loans for a volume of US\$10.8 million total outstanding. More than 2,800 households and over 13,000 individuals have benefited from the energy efficiency lending since 2010.
- **Improve existing energy efficiency regulatory framework to further enable EE financing.** As a result of the market need and to improve malfunctioning of the existing EE regulation, IFC is also working on regulatory reform. A cooperation agreement was signed with AKBN to support the energy agency in reviewing the draft EE Law and develop the corresponding by-laws for Energy efficiency.

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