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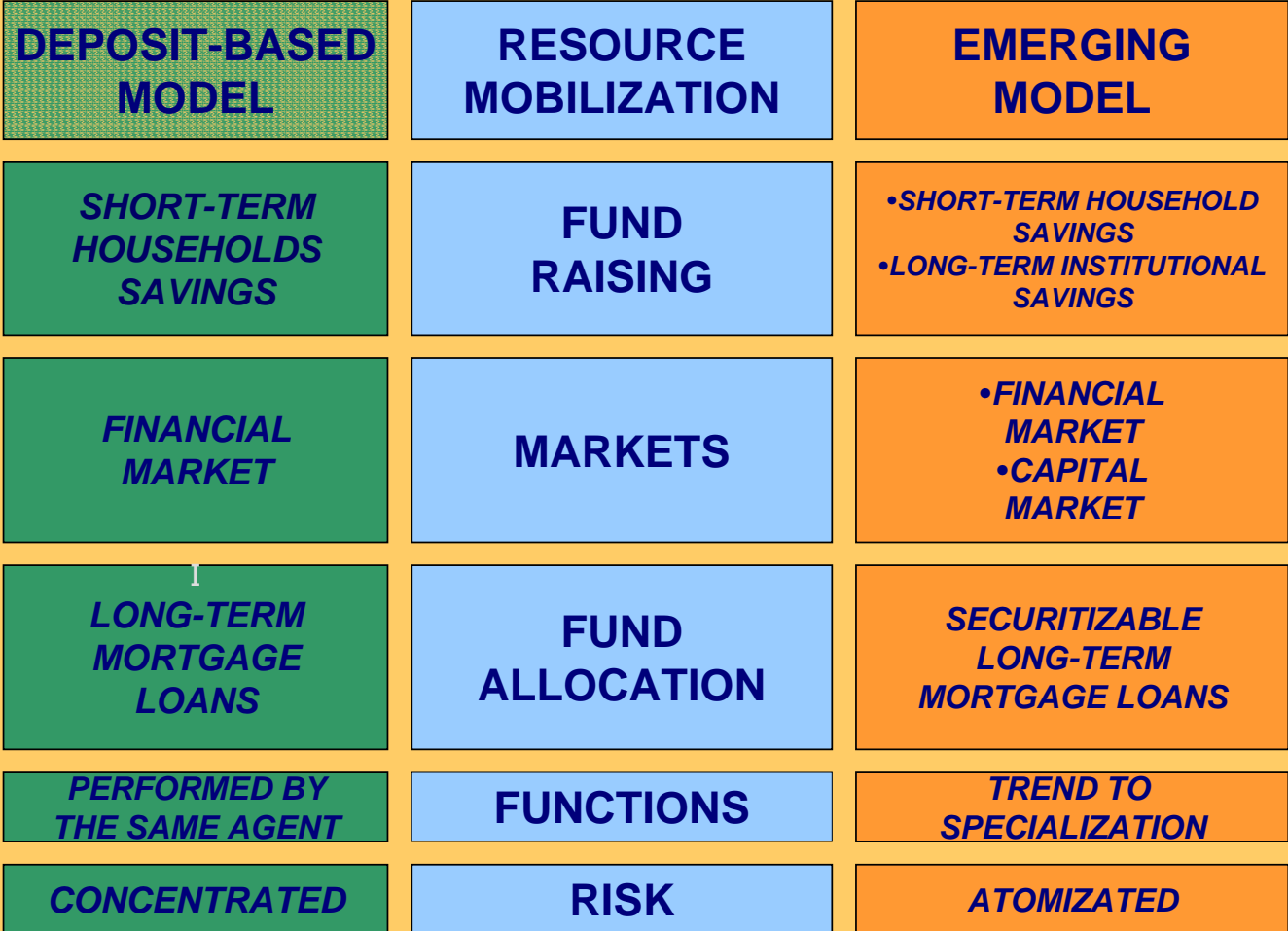
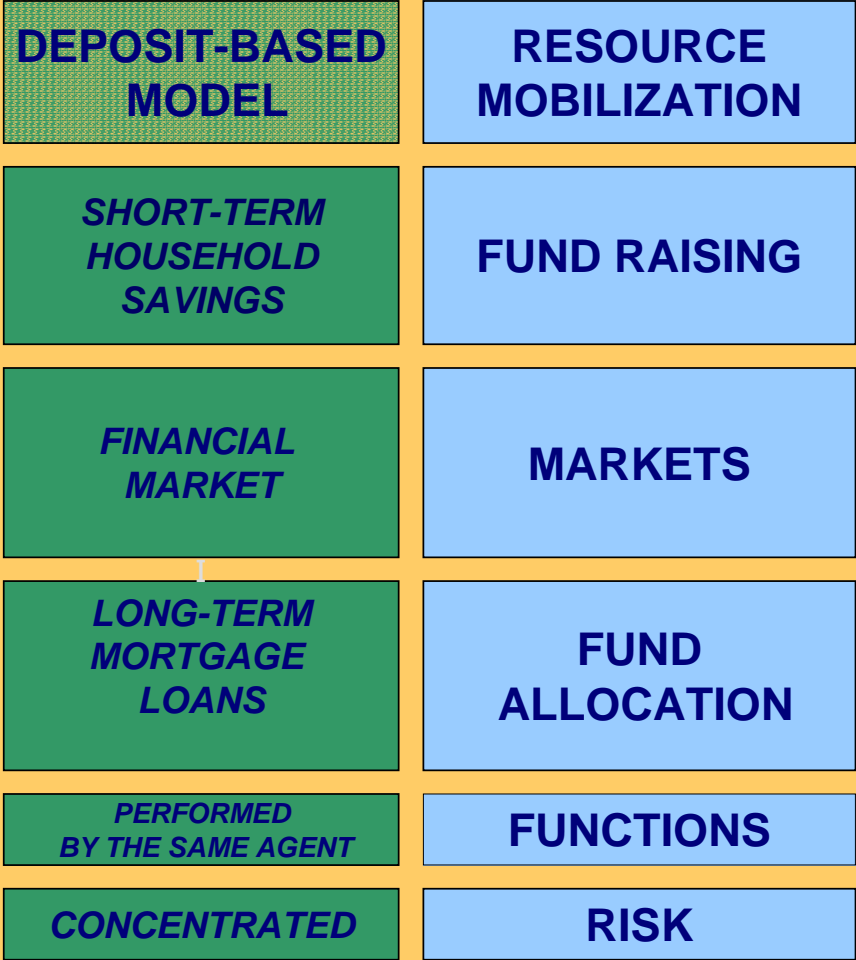
HOUSING FINANCE IN LATIN AMERICA

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FUNDAMENTALS FOR SOUND, SUSTAINABLE HOUSING FINANCE SYSTEMS

- **Long-term funding**
- **Affordable access for lower-income groups**

**Experience in Latin American countries
prevalently shows that both are pending tasks
in most countries**



ACCESS TO HOUSING FOR INCOME GROUPS WITH DEBT CAPACITY

- Served based on:
 - Previous savings
 - Mortgage loans at market rates



ACCESS TO HOUSING FOR LOWER-INCOME GROUPS

- Savings-loan combination does not ensure access for lower income groups:
 - Insufficient purchasing power
 - Lack of guarantees
 - Inability to prove permanent income
- The role of the State is crucial but enabling conditions to accommodate private sector

ROLE OF THE STATE

- Facilitating and subsidiary role
- Direct, demand-side subsidy regimes
- Subsidies to financial agents to cover fixed costs of origination and servicing low-scale mortgage loans
- Guarantees covering credit risk
- Mortgage insurance
- Swaps to compensate debtor's inability to pay under indexation regimes
- Second tier banking role
- Catalyst of secondary mortgage markets
- Housing microfinance
- Low-scale previous savings accumulation



OPPORTUNITIES IN PERU

- Significant economic growth, geographically diversified, sectorally diversified
- Strong domestic demand
- Significant, growing institutional savings (pension funds)
- Well established institutional framework in the housing sector
- New instruments are being developed (securitization)
- Huge unmet needs: significant qualitative housing deficit
- Political process of decentralization: regional and local governments are having more resources and more responsibilities but lack of institutional capacity to develop and implement projects
- Important micro-finance industry but lack of involvement in housing micro-finance
- Opportunity to developing housing-related savings products based on remittances