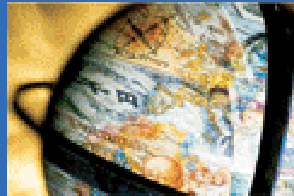


Presentation at Joint Congress UN-Habitat/EFBS Housing Finance in Emerging Markets-Experiences and Challenges

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IFC

Why is Housing Finance so Important?

- Growing recognition of its socio-economic impacts (growth, private sector, social safety, wealth, savings)
- Sizeable part of the financial sector (market-base integration through banks and non-depository lenders, stabilizer or leveraging role, capital markets)
- Constant requests from highest levels of governments & Central Banks in more countries to address housing needs
- Room for expansion & social penetration (under-developed housing finance systems fuel urban problems)

Need Holistic Approach to HF

- Cannot skip basics: legal, regulatory, collateral, macro, standards, competition, etc. pre-conditions to be analyzed
- Government role: no direct lending but regulator, market catalyst, provider of infrastructure & subsidies (complex)
- No housing finance miracle if inadequate supply of low-middle-income housing along with secured land
- Dual challenge: (1) manage credit and market risks (2) adequate accessibility and affordability to homebuyers

Private/Public Partnerships Critical

NO ONE CAN DO IT ALONE

- Legal/regulatory reforms
- Improved macroeconomic and investment environments
- Corporate Governance
- Targeted Subsidies
- Direct Investments—a number of models and products
- Risk Sharing/Mitigation
- Technical Assistance

Products and Opportunities

ENVIRONMENT/ INFRASTRUCTURE

- Proper urban development and housing policy (adjustment and policy development loans)
- Effective collateral and property registration (investment loans, TA)
- Sound construction activities (laws, regulations): (TA)
- Reforms of housing banks / earmarked funds (TA, investment loans)
- Non-distorting, efficient and targeted subsidies (TA, loans)
- Linkages with microfinance and infrastructure

PRIMARY MARKET

- Financing construction of lower income housing (investment loans)
- Prudential regulatory framework and credit standards (TA)
- Market-based pricing and risk management (TA, guarantees, loans)
- Peripheral services (appraisal, title insurance, credit insurance)
- Capacity building for mortgage lenders, insurers, etc. (TA)
- Additional Funding Sources (warehouse facilities, longer-term funding)
- Remittances

SECONDARY MARKET

- Legal and regulatory framework (TA, different types of loans)
- Access to longer-term matched funding resources (investment loan)
- Securitization—various models
- Non-performing loan management/restructuring
- Financial support during take-off period for liquidity facility and securitization companies (limited state support, add liquidity and/or credit enhancement) through loans and guarantees

One Size Does Not Fit All

IMPORTANT TO SOLVE THE RIGHT PROBLEM

- Each country requires customization based on actual situation and needs
- Several successful models for consideration—both in primary and secondary markets
- Globalization is supporting the “cross fertilization” of ideas and products (i.e. Bauparkasse in India, China, Danish Model in Mexico)