Center for Innovation in Shelter and Finance

The State of Housing Microfinance

A snapshot of housing microfinance practice around the globe

Cover photo

Alieva Maksatoy proudly stands in front of her home in Tajikistan with her two daughters. Thanks to a housing microfinance loan, she was able to install new doors and windows to increase the energy efficiency of her home. ©Habitat for Humanity Tajikistan

Table of contents

Abstract

This report assesses the current state, trends and challenges of housing microfinance based on the answers of 48 financial institutions located across four regions: Latin America and the Caribbean, or LAC; Asia and the Pacific, or AP; Africa and the Middle East, or AME; and Eastern Europe and Central Asia, or ECA. An online survey was used to gather information from the institutions regarding their borrowers, characteristics of the housing microfinance products, performance of their housing portfolios, and prospects for the future of housing microfinance within their institutions. The survey was timely because housing microfinance is an emerging sector within microfinance that has not yet been considerably researched. The data were analyzed to determine common themes among the institutions surveyed and further examined to identify any distinctions based on the geography, legal structure and so forth. Furthermore, responding institutions had opportunities to comment, providing the report with qualitative material to support the quantitative findings.

The financial institutions that participated in the survey represent commercial banks; nonbanking financial companies, or NBFCs; microfinance institutions, or MFIs; nongovernmental organizations, or NGOs; savings and loan companies; and cooperatives, or co-ops. The respondents also provide a representation of the housing microfinance product at different stages; some have been implementing the product for more than 10 years, and a few have only recently introduced it.

Some caveats of the research include an unequal geographical representation by the survey respondents, who are overwhelmingly located in the LAC region, and unreliable data for some financial questions. For example, the survey asked for the average borrower's household income in United States dollars. Although some did provide annual income in U.S. dollars, others gave salaries in local currency or did not provide the currency. Furthermore, some respondents provided monthly salaries instead of annual, and others did not indicate the time frame at all. For the respondents with incomplete information, it was unclear if the figure given was annual in U.S. dollars or monthly in the local currency. In these cases, the analysis applied the best assumptions to make the responses applicable. As Habitat for Humanity International's Center for Innovation in Shelter and Finance, or CISF, intends to make the survey an annual project, these shortcomings can be refined to minimize respondent error in future surveys.

The survey and report are categorized by the institution's background information, housing microfinance product information, loan requirements, technical assistance, housing microfinance portfolio performance, and the future and expansion of the housing microfinance product. The data analysis found, in general, that housing microfinance has been growing and continues to grow within the institutions' portfolios both as a response to client demand and as a means of diversifying lending portfolios. Housing microfinance is offered under various product lines, including home improvement, small construction, full house construction and the purchase of land, and uses of the product range beyond those categories to renovating and upgrading utilities, providing water and sanitation solutions, or making a home more energy-efficient or disaster-resilient. Positive feedback received on housing microfinance includes:

- Housing microfinance products are seen by respondents as equally or more profitable than other loan products offered by the institutions, and have been expanding and performing as well in the overall portfolios.
- Technical assistance programs are seen to add value in educating their borrowers on better building practices, budgeting and repayment.

Strong demand from clients is almost unanimously observed and seen as growing. However, institutions identified challenges on the horizon for the future of housing microfinance, including:

- Finding capital to support the housing microfinance product.
- Difficulties in executing the delivery of technical assistance, which includes the high costs of logistics that sometimes outweigh the social benefits to the client.
- Land tenure and property rights, with concerns about the risks of clients building on land not formally owned, and the limitations land has as collateral in many respondents' countries.

On balance, a majority of responding institutions see housing microfinance as one of their fastest-growing products, so opportunities currently outweigh the challenges. Finally, many institutions recognize that housing microfinance is generating social impact that allows low-income families to improve their homes, land rights and living conditions.

This research document was produced by Habitat for Humanity's Center for Innovation in Shelter and Finance with financial support from the Hilti Foundation.

- **General supervision:** Sandra Prieto-Callison, director, Market Development and Housing Finance Global Programs, Habitat for Humanity International.
- **Conceptual inputs and editing:** Sandra Prieto-Callison and Patrick Kelley, senior director, Market Development and Housing Finance Global Programs, Habitat for Humanity International.
- **Data analysis and writing:** Rosemarie Savio, program specialist, Market Development and Housing Finance, Habitat for Humanity International.
- **Survey composition:** Renee Barron, interim, market development and Housing Finance Department, Habitat for Humanity International.

The CISF would like to acknowledge the work of Sheldon Yoder, for his input during the survey's composition, and of the regional CISF team members, especially Jennifer Oomen, Ezekiel Esipisu, Stephen Wanjala, Elena Milanovska, Adriana Llorca and Belinda Florez. Their work to create the list of over 100 potential survey respondents and disseminate the survey made this report possible.

Finally, the CISF would like to acknowledge the contributions of the financial institutions that responded to the survey. Their willingness to share their experience and performance implementing housing microfinance products is an invaluable contribution to the research and advancement of the housing microfinance sector.

The Habitat for Humanity Center for Innovation in Shelter and Finance is an initiative to facilitate collaboration among public-, private- and third-sector actors in the market to develop sustainable and innovative housing solutions for the 1.6 billion people worldwide who lack adequate housing.
This initiative is a result of strategic planning that pointed Habitat toward working more catalytically to have greater impact and scale through the inclusion of market development approaches to increase access to affordable shelter solutions among lower-income populations.
The center offers advisory services, engages in research and knowledge development, and promotes peer learning opportunities.

habitat.org/cisf

I. Introduction

Housing is often proclaimed to be one of the "big three" priorities for low-income families around the world, along with food and primary education.[1] A comprehensive report on the global housing crisis from McKinsey estimates that 330 million urban households around the world live in substandard housing, and more than 200 million households in the developing world live in slums.[2] The majority of this deficit exists in the developing world among low-income populations, where, for many reasons, new and formally financed units are unattainable for the majority of the population. Nevertheless, there is large demand for improvements and repairs to existing shelters, which are often deemed inadequate. Indeed, in much of the world, the predominant pattern for building and upgrading homes is progressive by means of small, incremental stages, in accordance with a family's priorities and financing abilities. However, these families do not have access to conventional mortgages, and government-financed housing programs are usually constrained by limited resources.

Meanwhile, microfinance has been an effective tool for increasing access to capital for low-income populations where very few people are a part of the formal financial system. Though originally thought of as credit for microenterprises, the microfinance industry has begun to examine the true needs and preferences of their clients and is designing appropriate financial products to better serve them. Along with better savings products, insurance and other innovations, housing microfinance has emerged and shown promise in creating more inclusive housing finance solutions, especially for those people who want to upgrade their homes incrementally as needed.

Housing microfinance responds well to the housing needs for low-income populations, but it also can serve institutions strategically by allowing them to diversify portfolios with a profitable product. Therefore, this research document shares how institutions are implementing housing microfinance, along with its performance and planned growth within the institutions' overall portfolios.

Habitat for Humanity International's CISF hopes that this survey and publication will be an annual document for the microfinance sector at large and will inform the financial institutions considering housing microfinance products of the trends, opportunities and challenges in the sector.

II. Survey methodology

The CISF assembled a list of over 100 institutions in Asia/Pacific, or AP; Europe and Central Asia, or ECA; Africa and the Middle East, or AME; and Latin America and the Caribbean, or LAC, that practice housing microfinance. The survey was offered in both English and Spanish, to accommodate the respondents in LAC, and was open for responses for four months, from September to December 2014.

The survey was created using SurveyGizmo, an online survey software tool.[3] It consisted of 39 questions categorized in six groups: "Background information," "Housing microfinance product information," "Requirements and process for housing microfinance loans," Technical assistance," "Housing microfinance portfolio performance," and "Future of housing microfinance" (Annex I).

1. Jan Maes and Larry Reed. "State of the Microcredit Summit Campaign Report," Microcredit Summit Campaign, 2012.
2. Jonathan Woetzel, Sangeeth Ram, Jan Mischke, Nicklas Garemo and Shirish Sankhe. "A Blueprint for Addressing the Global Affordable Housing Challenge," The McKinsey Global Institute, 2014.
3. SurveyGizmo: surveygizmo.com.

Background information

This section evaluated the basic characteristics of the respondents: the country and region where they are located, the reach of their operations (local, regional, national), the year their institutions were established, the year housing microfinance was introduced, and what type of legal structure their institutions represent. The latter could include commercial banks; nonbanking financial companies, or NBFCs; microfinance institutions, or MFIs; cooperatives, or co-ops; nongovernment organizations, or NGOs; and savings and loan companies (Annex II). Respondents also had to provide the percentage of their borrowers who are female, the percentage who are self-employed, the average household income, and whether the institution implements any income restrictions.

Housing microfinance product information

The product information section explored the types of housing microfinance products offered, their purposes, loan amounts, tenors and interest rates. Respondents had to assign percentages for how their housing microfinance loans are used toward home improvement, small construction, full house or formal construction, and land purchase or land tenure (Annex III). Those surveyed also provided their institution's motive for introducing housing microfinance to the portfolio (to retain loyal clients, meet client demand, diversify portfolios, etc.), along with housing microfinance's share of the current portfolio, and the sources of capital for housing microfinance products.

Loan requirements

This section looked at the requirements for borrowers seeking a housing microfinance loan, including guarantee/collateral, land tenure and repayment. For land tenure questions, the survey investigated what types of nontitle tenure security are accepted by the institution and whether (and what types of) informal proxies for tenure are accepted for those who cannot produce a freehold title or nontitle tenure security document. Nontitle tenure security can be a land purchase agreement, inheritance document, registration certificate, municipal use document or cadastral plot certificate (Annex IV). Informal proxies of tenure instead can be references from neighbors, tax payment records, and utility or other bills that prove residence.

Additionally, the survey responses provided the time span from application to disbursement, how the loan is disbursed, and the typical repayment schedule. The final questions of this section asked respondents if they follow up on whether the loan is used for stated purposes, and actions taken if the loan is used for a different purpose.

Technical assistance

The technical assistance section explored whether institutions complement the housing microfinance loan with services such as blueprint drafting, construction advice, budgeting for the type of home improvement, personal finance education on repaying the loan, home maintenance skills, and legal advice and education on homeownership and land titles. The survey also looked at how the institutions implement technical assistance and its processes; for example, whether technical assistance is a mandatory or optional component of the loan, and whether the institution subsidizes its cost. Finally, the respondents were asked to provide qualitative feedback on the value of technical assistance and the challenges faced during its implementation.

Housing microfinance portfolio performance

This section of the survey analyzed the portfolio performance of housing microfinance as part of the institution's overall portfolio between 2012 and 2013, including what type of growth housing microfinance has experienced in number of loans, monetary value and quality. Respondents also listed any adjustments made to the housing microfinance product and provided the perceived value of housing microfinance by rating the following options:

- Improved economic opportunities.
- Improved health and sanitation.
- Improved opportunities for education.
- Improved security of tenure.
- Improved social standing.
- Improved quality of life/happiness.
- Safety from hazards.
- Other.

Future of housing microfinance

Finally, the survey asked respondents whether housing microfinance will be expanding as a portion of their portfolio, whether they offer or are considering offering additional products alongside housing microfinance, and what benefits and challenges they perceive in expanding their housing microfinance products.

For each question, the results were analyzed using straight and weighted averages of figures, frequency counts of phrases or choices selected, and the percentages of respondents who selected each answer where multiple choices could be selected. Some of these analyses came from charts and graphs generated by the survey platform itself. Ratings were ranked but were also examined by the average ranking given to specific choices, and by how often a particular choice appeared in the top three ranks. A few questions prompted cross-analyzing data retrieved from different sections of the survey to determine any correlations or discrepancies based on certain characteristics or factors.

The subsequent analyses have been categorized into the following sections: "Survey responses and background information," "Housing microfinance product information," "Housing microfinance loan requirements," "Technical assistance," and "Housing microfinance portfolio performance and expansion."

III. Survey responses and background information

The survey received 48 responses, representing institutions located in 27 countries in LAC, AP, AME and ECA. However, the regions are not equally represented (Figure 1); the majority of the surveys (20) are from LAC. AP is represented by 14 respondents; ECA by 11; and AME by only three.

Examining the institutions based on their corresponding countries' income level category provides a more equal representation (Figure 2): 25 percent of institutions operate in low-income countries, 37.5 percent are in lower-middle-income countries, and 37.5 percent are in upper-middle-income countries. The majority of the responding institutions are NGOs and MFIs, though banks and NBFCs also are well-represented (Figure 3).

Of the institutions, the majority (81 percent) have national reach.

Figure 1 – Regional composition of survey respondents

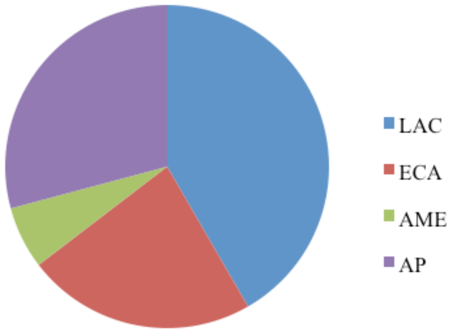


Figure 2 – Country income level of survey respondents

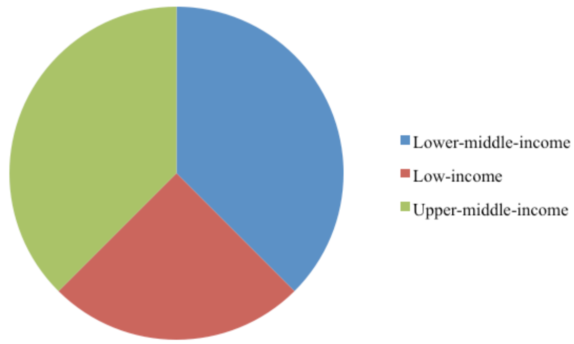
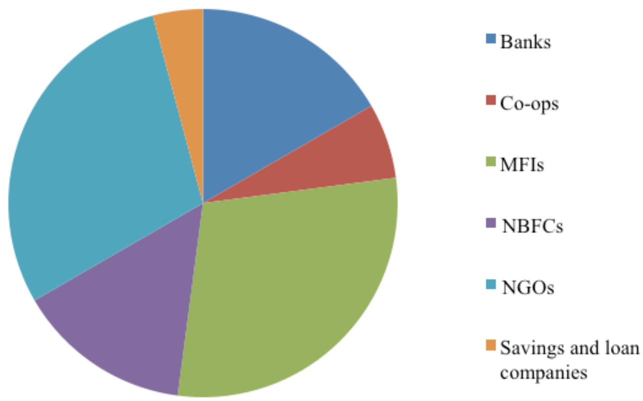
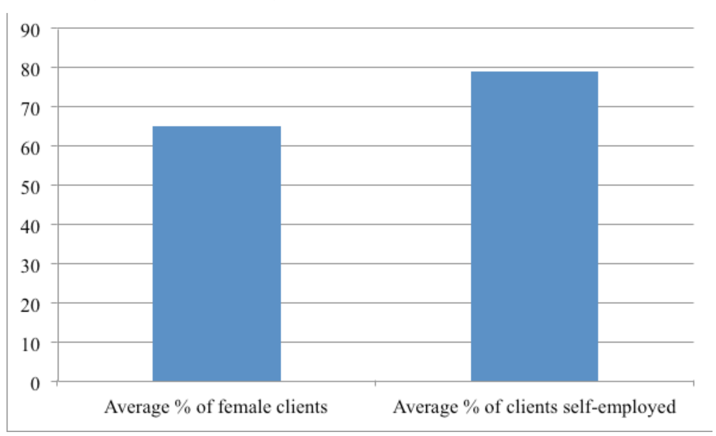


Figure 3 – Types of institutions represented by survey respondents



The background information shows that the reporting institutions are predominantly serving female clients and low-income households. The institutions hold an average of 65 percent female borrowers, and an average of 79 percent of their borrowers are self-employed (Figure 4). The average household income was difficult to calculate, because some respondents did not provide a currency, and many provided different types of salary (monthly, annual). However, the best estimate for the average annual household income among the institutions' client base is US$865.

Figure 4 – Demographic indicators of borrowers



Almost half of the institutions have introduced their housing microfinance product in the past five years, implying that the majority have been practicing in the housing microfinance sector for many years. Seventeen percent have done so for over 10 years.

The survey showed interesting trends when examining how long the institutions have been implementing the housing microfinance product. Of the institutions that introduced housing microfinance the earliest, 50 percent are located in lower-middle-income countries, and 20 percent are located in low-income countries. Among the responses, El Salvador was the first country with an institution implementing housing microfinance (since 1995), and all three of the institutions implementing housing microfinance before 2000 are in LAC. In fact, eight of the 10 responding institutions that introduced housing microfinance before 2005 are from LAC. The other two are in Bangladesh and Tajikistan.

There are also respondents for whom housing microfinance is very new. Twenty-three institutions have introduced housing microfinance since 2010, 40 percent of which are in upper-middle-income countries, along with 30 percent each in lower-middle- and low-income countries. Since 2010, Nepal has been an emerging country, with three new institutions introducing housing microfinance.

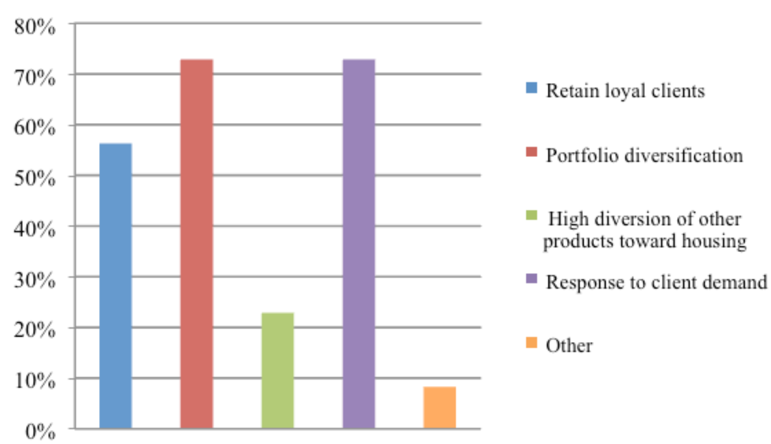
IV. Housing microfinance product information

"The majority of our clients use their savings to improve their homes, health and education. This is why we saw the HMF loan as an opportunity to meet their needs."

Within this section, the details of the institutions' housing microfinance products were analyzed. The research gathered information on the housing microfinance products' design, including loan amounts, interest rates and tenor, in addition to how the housing microfinance loans are used.

To understand housing microfinance's origination in the responding institutions' portfolios, respondents were asked to select the motives for adding housing microfinance. The options were "retain loyal clients," "portfolio diversification," "High diversion of other products toward housing," "response to client demand" or "other." Respondents were allowed to select more than one option (Figure 5).

Figure 5 – Reasons for adding housing microfinance to portfolio

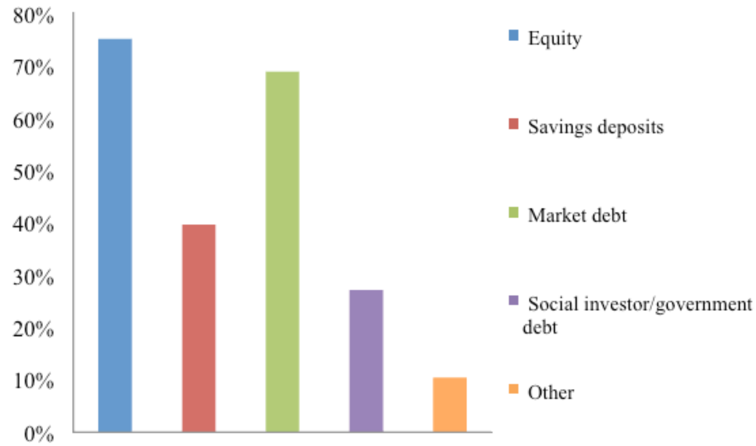


Seventy-three percent of respondents selected "portfolio diversification." Seventy-three percent also selected "response to client demand," and 56 percent chose "retain loyal clients." One respondent wrote, *"The majority of our clients use their savings to improve their homes, health and education. This is why we saw the HMF loan as an opportunity to meet their needs"* while another noted that housing microfinance was added to *"compete among local MFIs to be the leading MFI."*

These responses indicate that housing microfinance is a market-driven product, but the institutions do recognize its social benefits, demonstrated by one respondent who commented that housing microfinance was added *"to improve* [the organization's] *social performance indicator and to perform housing microfinance as a social responsibilit[y] to maintain the social dignity of our clients."*

When listing the sources of capital for housing microfinance, the institutions were able to select any or all of the options given, which were "equity," "savings deposits," "market debt," "social investor/government debt" and "other" (Figure 6). The majority of the respondents are largely using "equity" (75 percent) and "market debt" (69 percent). "Social investor/government debt," on the other hand, received less than 30 percent, demonstrating that special concessionary funding is not necessarily the driver of housing microfinance, again supporting the idea that housing microfinance is a sustainable market approach to low-income housing.

Figure 6 – Sources of capital for housing microfinance loan products



Regarding the actual housing microfinance loan, the average loan size is US$3,730. For just the first housing microfinance product offered, which generally represented basic home repairs and upgrades, the average loan size is US$3,125. The average loan sizes were analyzed by the institutions' legal structures, which showed interesting variances (Figure 7). Not surprisingly, banks have the highest average loan size, at US$5,136, while NGOs have the lowest, at US$2,399.

Figure 7 – Average loan sizes by type of institution

Average loan sizes – by type of institution	
Bank	$5,136.21
Co-op	$3,182.21
MFI	$4,171.85
NBFC	$3,851.40
NGO	$2,398.68
Savings and loan company	$2,992.00

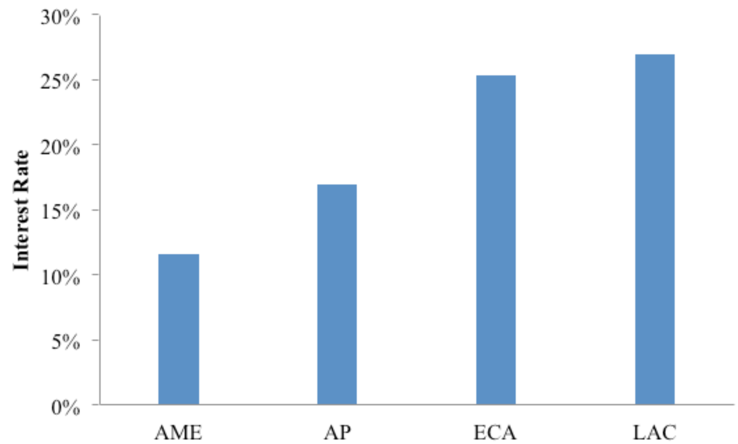
The loans' duration is on average 27 to 31 months, with the most common loan tenors being 12 or 24 months. Two institutions have the shortest loan tenor of six months, while the institutions offering the longest loan tenors of 120, 130 and 180 months are for house purchases or mortgages.

Figure 8 – Average interest rates by type of institution

Interest rates by type of institution	
Bank	24.63
Co-op	28.67
MFI	20.67
NBFC	24.12
NGO	21.64
Savings and loan company	25.33

The average interest rate for all housing microfinance products offered is 23 percent. These figures did not change much when analyzed by institution type (Figure 8), with MFIs offering the lowest interest rates (21 percent) and co-ops offering the highest (29 percent). Regionally, AME charges the lowest interest rate at an average just under 12 percent, while LAC charges the highest at 27 percent (Figure 9). Given the uneven nature of the regional representation, further research outside of the survey respondents was conducted and found that most institutions (63 percent) offer lower interest rates for their housing microfinance product than their conventional loan products. An additional 23 percent offer the same interest rates for the different products. Only 14 percent of institutions' housing microfinance products have a higher interest rate than their conventional loan products.

Figure 9 – Average interest rate by region



Fifty percent of respondents offer more than one housing microfinance product, and 17 percent offer three or more. Common examples of housing microfinance products and their purposes include:

- Home improvement or repair.
- Expansion (addition of a room).
- Better appliances (sanitation facility).
- Weatherproofing.
- Upgrades (solar panels, energy-efficient appliances, installation of connection to public facilities).
- Construction of a new home.
- Purchase of a new home.
- Land (acquiring title, security of tenure).

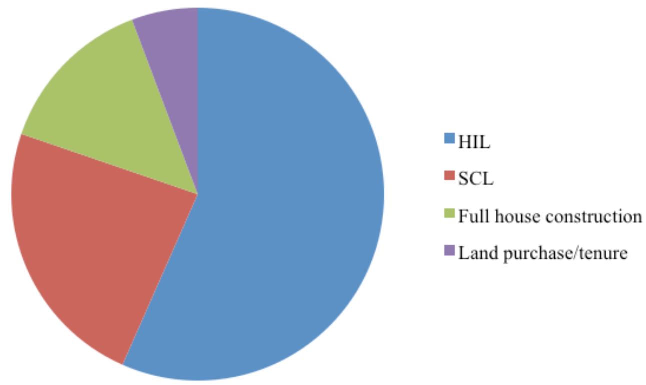
These housing microfinance products were categorized by their general use in the subsequent questions, which asked respondents to estimate the percentage of:

- Home improvement loans, or HILs: Basic home repair or improvement, such as plastering, roofing, ceiling, painting walls, or adding floor finishes such as tiling.
- Small construction loans, or SCLs: Incremental housing, e.g., added rooms, latrines or solar panels.
- Full house or formal construction on an existing property.
- Land purchase/tenure.

On average, respondents felt that 57 percent of housing microfinance loans are home improvement loans, 23 percent are for small construction, 14 percent are for full house construction, and 6 percent are used toward land purchase or tenure (Figure 10). While this breakdown of loan uses represents the entire process for achieving tenure security, the results show that at least 20 percent of housing microfinance loans are being used in a step toward a more formal secure tenure (via full home or land purchase loans). This figure is even higher when considering that some incremental housing loans are used toward the expansion of a home and other additions that contribute to tenure security.

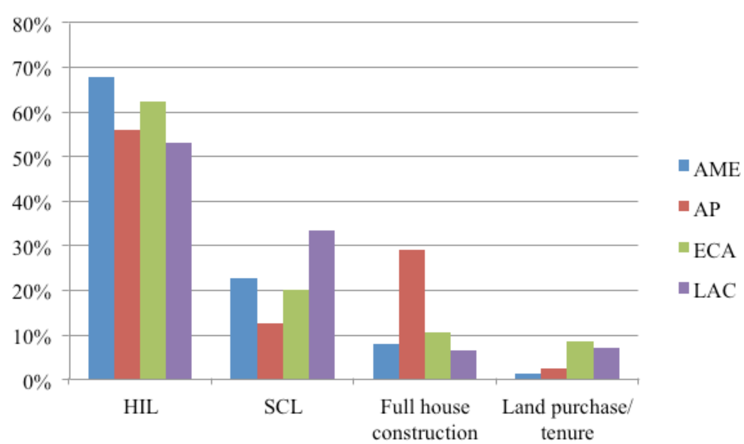
Furthermore, a few respondents used the comment section to note that formal collateral and a formal mortgage deed are not requirements for a housing microfinance loan. Others, however, were adamant that the borrower own the property. These dichotomies and discrepancies over tenure security are further explored in the next section ("Housing Microfinance Loan Requirements").

Figure 10 – Average housing microfinance loan uses



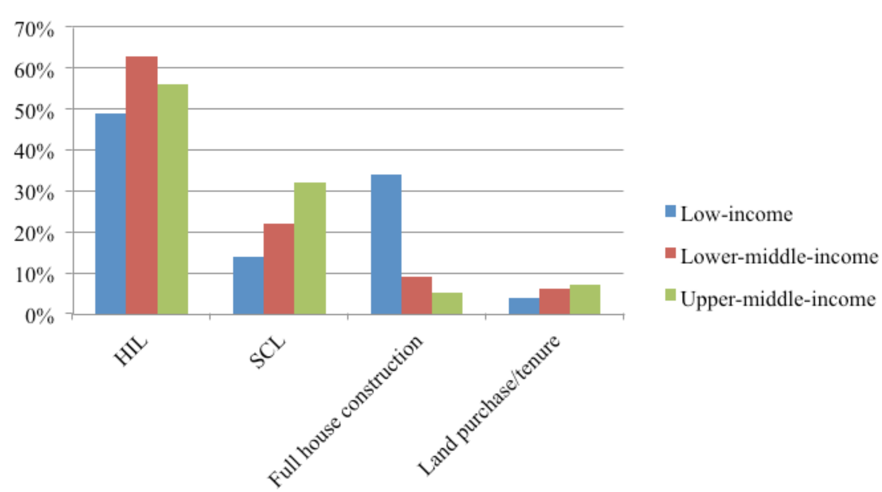
The analysis broke down these figures by region to determine if there were any geographical discrepancies or trends (Figure 11). The respondents in AP held the highest percentage of their loans used toward achieving tenure security at over 31 percent, the majority of which is directed toward full house or formal construction. The ECA region had almost 20 percent of its loans used toward achieving tenure security, and almost 10 percent of those are used solely toward land purchase or tenure.

Figure 11 – Average housing microfinance loan uses by region



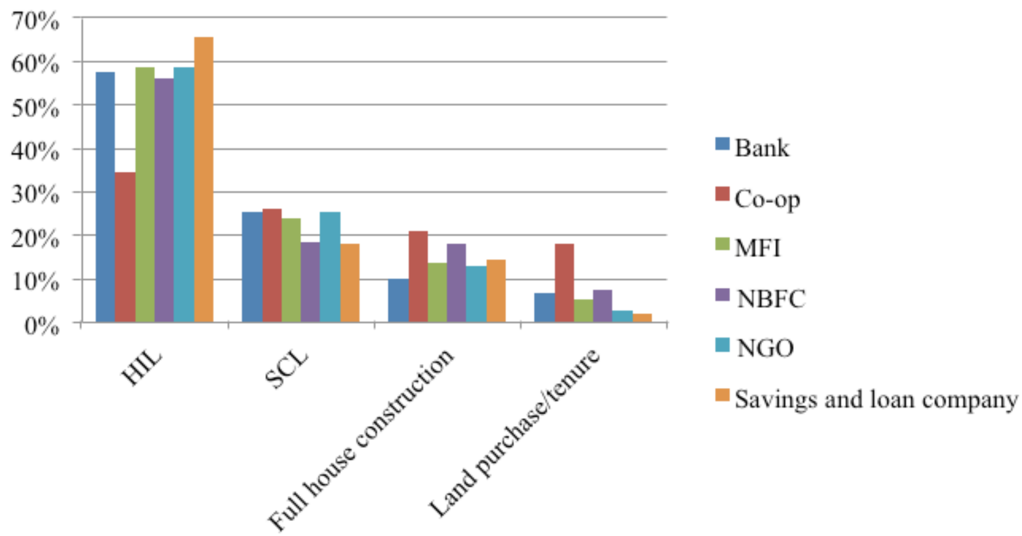
Regardless of the country's income level, loans for home improvement were the majority (Figure 12). Home improvement loans are greatest among institutions in lower-middle-income countries. Interestingly, full house construction uses are substantially higher among institutions in low-income countries, indicating that those in the poorest countries are seeking financial assistance to gain more secure land tenure.

Figure 12 – Average housing microfinance loan uses by country income level



The same trend demonstrating high loan usage toward home improvement was found when analyzing the data by institution type (Figure 13). Yet discrepancies for loan uses also were found: Whereas banks were shown to have the highest average loan size, they are not the predominant institution financing the construction of houses or the purchase of land. Instead, co-ops have the highest percentages toward those two loan uses (and even toward small construction). Savings and loan companies demonstrated a very high usage toward home improvement and almost no loans used toward land purchase.

Figure 13 – Average housing microfinance loan uses by institution type



"Active and potential clients are preliminarily trained and consulted in energy efficiency improvement, which allows them to minimize their future costs on heating."

Survey respondents were asked to provide any special or notable design features of their housing microfinance product. Many remarked on the usefulness of technical assistance alongside the loan, including one respondent who wrote, "*We are working to increase the portfolio and generate loyalty among our clients. In this sense we are designing some technical booklets for the clients trying to find a comprehensive offer for our clients.*" Others continued to note that the product was designed to meet client demand and build loyalty, so the product is *"offered as an incentive loan to our existing clients … to establish a longer relationship with them."*

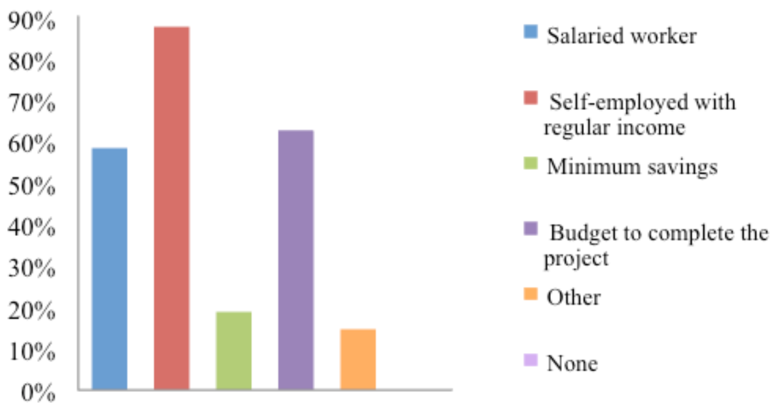
A few respondents emphasized sanitation, hygiene and energy efficiency as special design features of their housing microfinance products. For example, one respondent wrote, "*Active and potential clients are preliminarily trained and consulted in energy efficiency improvement, which allows them to minimize their future costs on heating.*"

Finally, for the survey respondents, housing microfinance represents, on average, US$13.35 million or 16 percent of the gross loan portfolio, or GLP. Calculating an average loan size of US$3,730 for the housing microfinance portfolio, the average institution can provide 3,580 housing microfinance loans. In other words, 3,580 households will receive housing microfinance loans, reaching 17,900 people.[4] Extrapolating this for all 48 reporting institutions, the current housing microfinance portfolio is helping almost 1 million men, women and children secure affordable housing.

4. This report considers the average household to be five individuals.

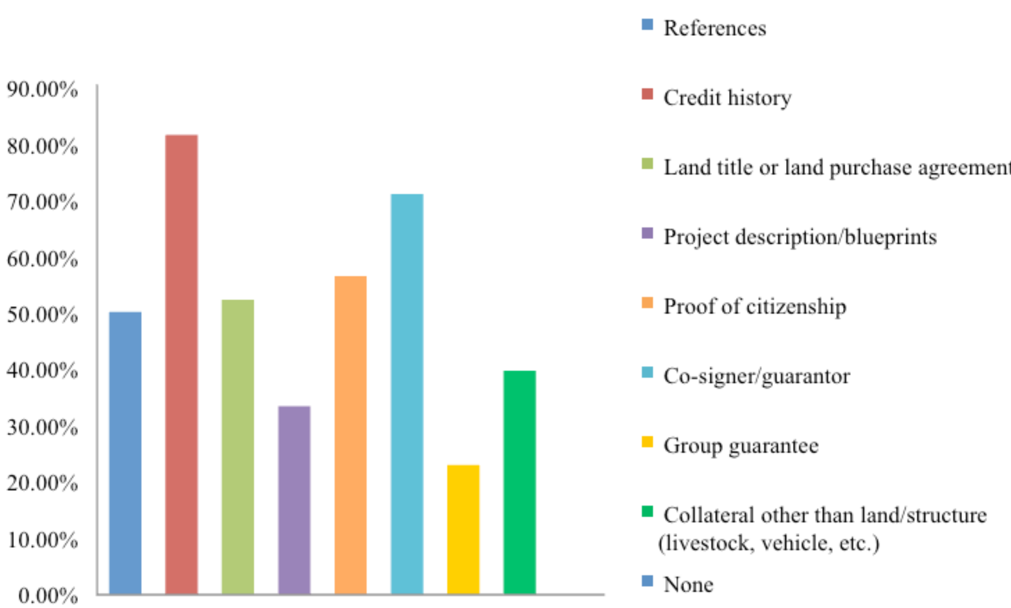
V. Housing microfinance loan requirements

Figure 14 – Housing microfinance loan requirements



This section of the survey explored how the institutions process housing microfinance loans — the policies and requirements, especially with regard to land titles and collateral. Survey respondents were asked to provide the financial loan requirements, which included "salaried worker," "self-employed with regular income," "minimum savings," "budget to complete the project," "other," or "none" (Figure 14). Most respondents (88 percent) selected "self-employed with regular income," and 58 percent require "salaried worker." Sixty-three percent require "budget to complete project." Interestingly, none of the respondents selected "none," showing that housing microfinance loans are treated with the same due diligence as other loan products.

Figure 15 – Housing microfinance loan guarantees



For the loan guarantee and collateral (Figure 15), the top requirements for the reporting institutions are "credit history" (81 percent) and a "co-signer/guarantor" (71 percent). While 52 percent selected "land title or land purchase agreement" for this question, the respondents gave different figures in subsequent questions, including 65 percent that would accept a "land purchase agreement" as an alternative to a title. When asked if a land title is required for the housing microfinance loan, 50 percent of respondents said yes. Regionally, only 35 percent of LAC institutions require a title, compared with 55 percent for ECA, 64 percent for AP and 67 percent for AME (Figure 16). Of those institutions requiring a title, 33 percent are MFIs (Figure 17), and the average loan size for these institutions is US$5,086, which is much higher than the loan size for all institutions regardless of land title requirements (US$3,730). This figure shows very different results when analyzed by legal structure (Figure 18) than it does when all respondents are surveyed. For example, the average loan size for banks requiring a land title is US$11,333 (compared with US$5,136 for all banks), and for savings and loan companies, the average for those requiring a title is US$7,001 (compared with US$2,992 for all savings and loan companies).

Figure 16 – Institutions requiring a land title by region

Institutions requiring a land title by region	
AME	67%
AP	64%
ECA	55%
LAC	35%

Figure 17 – Legal structure of institutions requiring a land title

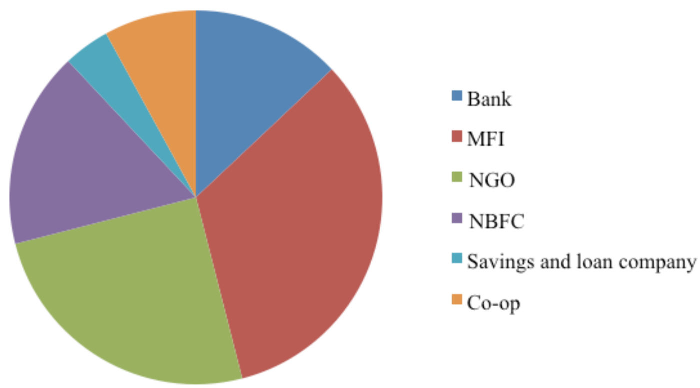
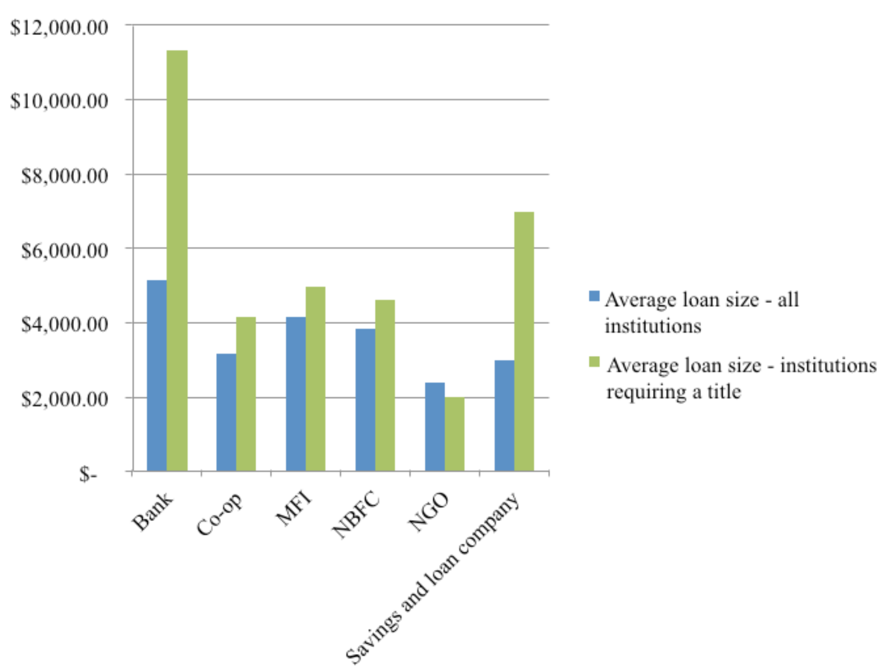
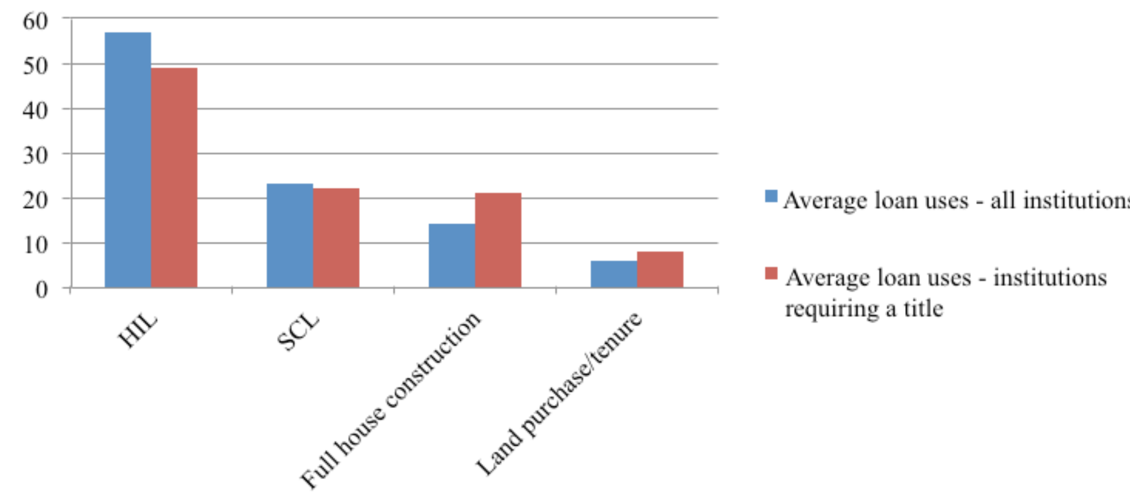


Figure 18 – Average loan sizes for institutions requiring a title



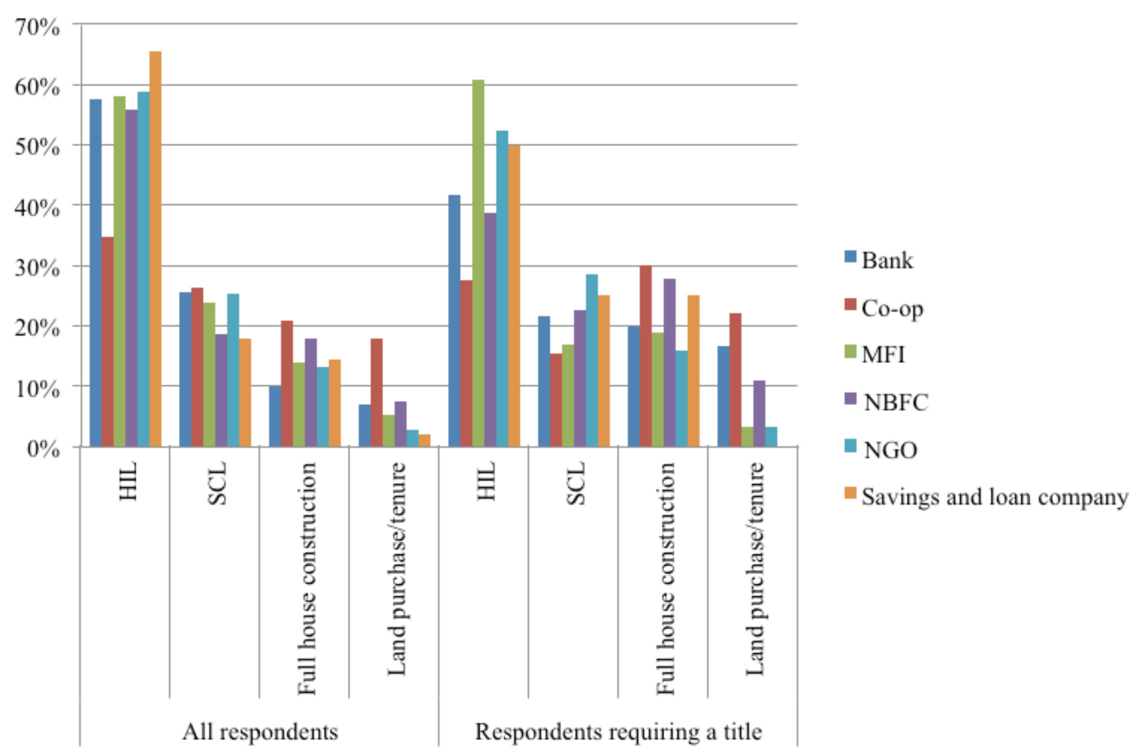
The institutions requiring a title also demonstrate some discrepancies in how the loans are used by the borrowers (Figure 19). The average use of loans for "full house/formal construction" and "land purchase/tenure" both increase. The average percentage of loans used toward the "full house" category increased from 14 percent among all survey respondents to 21 percent for only the institutions requiring a title.

Figure 19 – Average loan uses for institutions requiring a title



Discrepancies also arise when analyzing the institutions requiring a title by their legal structure and use of loans (Figure 20). Some of the results are very different from the earlier analysis of the use of loans by legal structure. With the requirement of a title, the loan use for both "full house/formal construction" and "land purchase/tenure" increase for the majority of the institutions. In fact, when looking only at those that require a title, the percentage of loan uses for "full house/formal construction" increases for every institution type. These discrepancies indicate that institutions are more comfortable with larger-scale construction loans when their borrowers can produce a title.

Figure 20 – Average loan uses for institutions requiring a title - by institution type



And yet, despite these findings on land tenure, 46 percent of the responding institutions believe that less than a quarter of their clients have freehold titles. Institutions from ECA believe 43 percent of their clients could produce a freehold title, which is explicable considering the region's post-Soviet land policies. AME institutions put that figure at 38 percent. LAC institutions put it at 37 percent, and AP institutions placed it at 28 percent. The respondents provided forms of nontitle tenure security that are accepted for housing microfinance loan guarantees, which include "land purchase agreement," "inheritance document," "registration certificate," "municipal use document," "cadastral plot certificate," or "other" (Figure 21). The majority of respondents listed "land purchase agreement" and "registration certificate" as the nontitle tenure security accepted by their institutions. Institutions also are willing to accept informal proxies (Figure 22) for land tenure; the majority selected utility or other bills showing residence. The commentary allowed respondents to include their alternatives for land titles, which included *"Certificate of possession confirmed by a community leader"* by two respondents, and a *"visit by the loan or branch officer"* by another two respondents.

Among the challenges noted by respondents is the skill level for having specialized housing microfinance loan officers; only 23 percent of institutions have loan officers dedicated solely to their housing microfinance products (Figure 23). One respondent wrote that specialized loan officers increase efficiency, writing, *"We think it is an optimized way ... the process by this*

Figure 21 – Nontitle tenure documents accepted by responding institutions

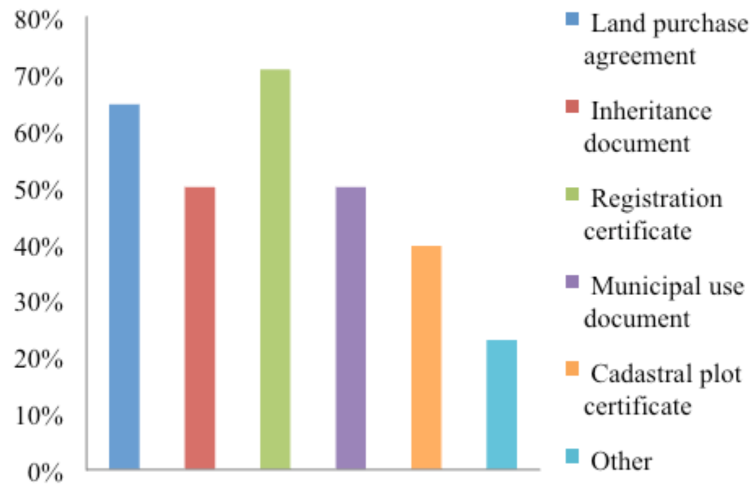


Figure 22 – Informal proxies for land tenure accepted by responding institutions

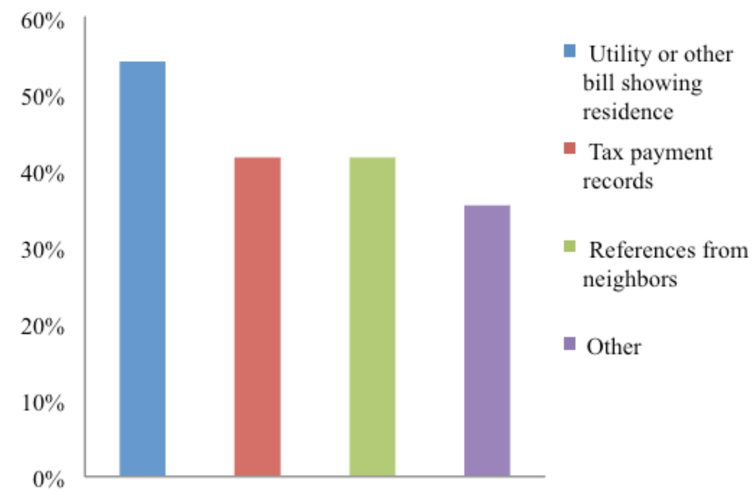
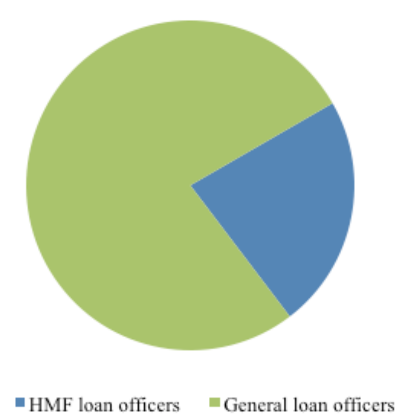


Figure 23 – Percentage of institutions with specialized loan officers for housing microfinance



method works much faster." The remaining respondents (77 percent) noted that specialized loan officers for housing microfinance and other product lines are unnecessary, writing, *"The risk analysis is the same, the use of the loan is different"* or *"It has not been necessary to have dedicated loan officers."* For these institutions, all the loan officers are "multiproduct" or "universal," and loan officers are often divided by region or branch rather than by product type.

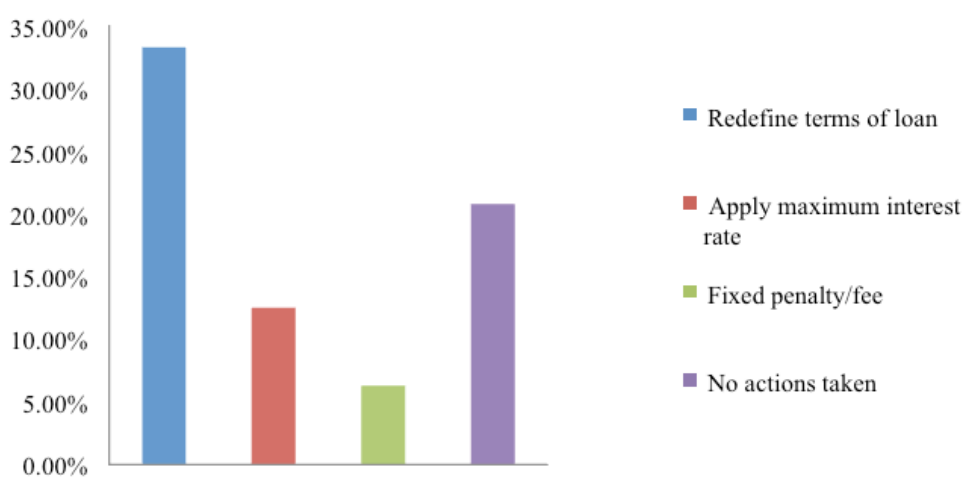
Another finding from this section is the efficiency in processing housing microfinance loans: 81 percent can process the loan application and disburse in under two weeks. It is unclear whether this figure represents the standard, or whether the disbursement time frame is used to give the institution an advantage in the market. Based on the aforementioned due diligence processes, it is presumable that this product is not given preferential treatment and the loan processing time frame is generally under two weeks. For disbursement and repayment, 80 percent disburse the full amount of the loan in cash to the borrower. Almost all institutions (94 percent) have a monthly repayment schedule. Interestingly, only one respondent offers repayment schedules based on seasonal income. Seasonal repayment could be a competitive advantage for institutions to consider, as it would better serve clients whose incomes are tied to seasonal or agricultural industries.

"The product was designed according to the demand in the market."

While the survey previously noted that housing microfinance was added to respond to existing clients' demands, housing microfinance is offered to new clients in 85 percent of responding institutions because of *"high market demand"* and *"because the product was designed according to the demand in the market,"* which confirms the viability of the product. One respondent even wrote that housing microfinance *"is a good mechanism to attract new clients."*

Finally, 90 percent of the respondents follow up on whether the housing microfinance loan is used for stated purposes. One respondent acknowledged that the technical assistance program guarantees the loan is used for its stated purposes: *"Thanks to the construction technical assistance, this is ensured one-hundred percent."* Further analysis was conducted to see if other respondents use technical assistance to ensure the loan is used as stated, and this is discussed in the following section. However, if there is loan diversion, only 33 percent of the institutions will redefine the loan terms, while others apply penalties and fees or do not do anything at all (Figure 24).

Figure 24 – Actions taken by institutions for loan misuse



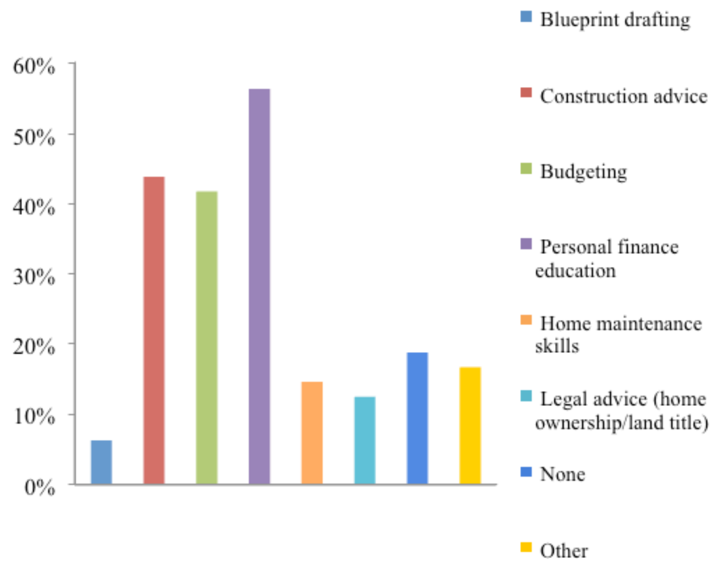
VI. Technical assistance

The inclusion of training, technical advice and other support is a tangible expression of the development community's dedication to pursuing deeper, lasting results among microfinance clients and their families. In addition to increasing the loan's value, technical assistance allows institutions to show clients how to properly use the loan through budgeting, financial literacy and education on the end use of the loan. Thus, technical assistance can be advantageous to the financial institutions, especially when the added services increase the client's ability to repay.

For housing microfinance, this can include financial technical assistance such as budgeting and personal finance education, and construction technical assistance, or CTA, which can include blueprint drafting, construction advice, home maintenance skills and legal advice (e.g., homeownership/land title). These technical assistance services help borrowers understand the loan agreement and repayment policy while providing best practices and sound construction advice. The top three technical assistance categories provided to housing microfinance clients are personal finance education for repaying a loan, construction advice, and budgeting for home improvement (Figure 25).

"TA increases the relationship between us and the clients, improves the performance of the business of the clients that helps achieving our goal of improvement of quality of life of the poor."

Figure 25 – Technical assistance offered by responding institutions



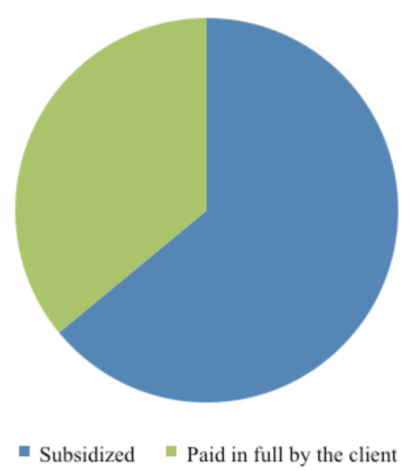
Technical assistance also serves as an additional service, attracting new clients from other institutions that do not provide it and thus improving the institution's competitiveness. One survey respondent wrote that *"Most clients [feel satisfied] with this service, they get the consultation and experiences of successful construction, budget estimation, better material supply sources, other construction technical assistance and also with affordable fee charge."* Another respondent succinctly noted, *"It's a competitive advantage for the institution and a useful tool for the borrower."*

The value of technical assistance can extend beyond the basics of the loan and construction. One respondent noted the benefits and impact to the client and community, including low-cost, earthquake-resistant construction and improved understanding of sanitation and health. Other respondents identified social impacts from technical assistance. For example, the *"social mission involves the integral development of women and the communities they belong to"* and *"TA increases the relationship between us and the clients, improves the performance of the business of the clients that helps achieving our goal of improvement of quality of life of the poor."* Additionally, the respondent noted, *"Mason training and other technical training generates employment,"* demonstrating a larger impact to the housing value chain.

Consistent with these testimonies, the majority of the respondents offer technical assistance, and it is mandatory for 34 percent of those who offer it. Some noted that the technical assistance becomes mandatory if the loan exceeds a certain amount. Reasons for making technical assistance mandatory include that it is part of the institutions' methodologies or policies and that it can *"ensure the quality of the improvement."* To ensure the quality of the housing microfinance loan, most respondents (60 percent) conduct follow-up visits, and an additional 21 percent say they monitor the loan's use, which may or may not include a physical visit to the home. But for those institutions providing CTA (50 percent of respondents), 67 percent conduct a site visit, and an additional 29 percent monitor. Although the difference is not drastic, it is important to highlight that 96 percent of the institutions providing construction technical assistance are actively monitoring the use of the loan, compared with 81 percent when analyzing this data for all respondents.

Institutions that offer optional technical assistance say this is a better approach because they feel their borrowers will not reap the true benefits of technical assistance if they are not interested or invested in it, writing, *"We understand that if it is mandatory it will not be that effective. The clients at the end of the day do what they consider best for them"* and, *"Mandatory TA is not useful because if they do not take by the heart they will not use it and all the effort behind TA will be wasted."* However, some institutions subsidize the technical assistance cost in order to incentivize their borrowers (Figure 26), as 64 percent of the institutions are responsible for the technical assistance costs, and the remaining 36 percent require the borrower to pay for it. One institution includes technical assistance *"within the interest rate."*

Figure 26 – Institution's cost share of technical assistance



But not all financial institutions have the ability to offer technical assistance services, either because they do not have the expertise and skills to do so, or because they cannot afford to implement these services appropriately.[5] The institutions that do not offer technical assistance or keep it optional note that it is costly and burdensome to organize, with challenges including low attendance — reinforced by one comment that said, *"Sometimes it is impossible to form a group for training"* — and costs and logistics; one respondent said many institutions *"don't have the technical resources nor the budget to do this permanently."*

These challenges offer an opportunity to engage other market actors who can subsequently benefit from technical assistance services, such as building materials providers. For example, Habitat partner, Financiera Edyficar in Peru provides loans for homeowners to improve their housing. It has established a partnership with Hatun Sol, a local materials provider. When Edyficar disburses a loan, the customer has the option to use Hatun Sol for the building materials needed. In turn, a Hatun Sol engineer visits the Edyficar client and provides training on how to use the product, along with other construction advice and oversight. The relationship provides value for Hatun Sol by increasing its customer base, and for the borrowers by giving them housing support.

5. Articles on Housing Microfinance (2013). Article 2: "Housing Support Services: Do They Add Value to Housing Microfinance?" Habitat for Humanity International's Center for Innovation in Shelter and Finance.

VII. Housing microfinance portfolio performance and expansion

This section of the survey evaluates how the housing microfinance portfolio is performing, comparing growth in number of loans and their values, as well as the quality of the loans by examining the housing microfinance portfolio-at-risk, or PAR.[6] These questions are necessary to determine the viability and sustainability of the housing microfinance product.

According to the reporting institutions, housing microfinance loans are performing well and growing. The quality of the housing microfinance portfolios also has seen improvements (Figure 27). From 2012 to 2013, the average increase in active loans was 28 percent, and the dollar value of these loans increased by 41 percent. The weighted average PAR for their housing microfinance portfolios has improved from 2.38 percent in 2012, to 2.29 percent in 2013. Additionally, almost all respondents said their housing microfinance portfolio is growing (69 percent) or holding steady (Figure 28). More importantly, the institutions are reporting that housing microfinance is as profitable (48 percent) or more profitable (21 percent) than their other products (Figure 29).

Those institutions that introduced a housing microfinance product at least 10 years ago have seen steady progress in its growth. Between 2012 and 2013, the sum of active loans increased by 16 percent, and the sum of their housing microfinance value has increased by 13 percent (Figure 30). The weighted average PAR has also decreased from 3.32 percent in 2012 to 2.57 percent, demonstrating better-performing loans. Additionally, these institutions overwhelmingly (67 percent) said that housing microfinance is growing as a percentage of their portfolios.

Figure 27 – Housing microfinance performance indicators

HMF performance indicators	Growth
Increase in active loans (2012-13)	28%
Increase in value of loans (2012-13)	41%
Weighted average PAR, 2012	2.38%
Weighted average PAR, 2013	2.29%

Figure 28 – Housing microfinance expansion in respondents' portfolios

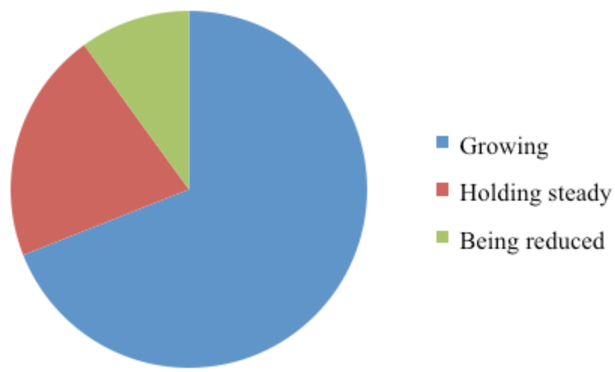
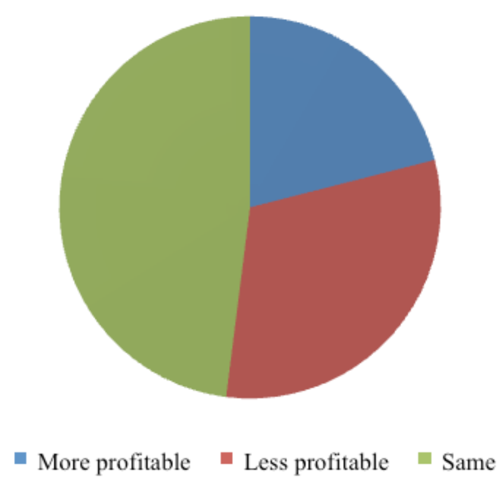


Figure 29 – Profitability of housing microfinance compared to other loan products



6. The survey used the PAR>30, which is the value of the organization's outstanding loans that have arrears surpassing 30 days.

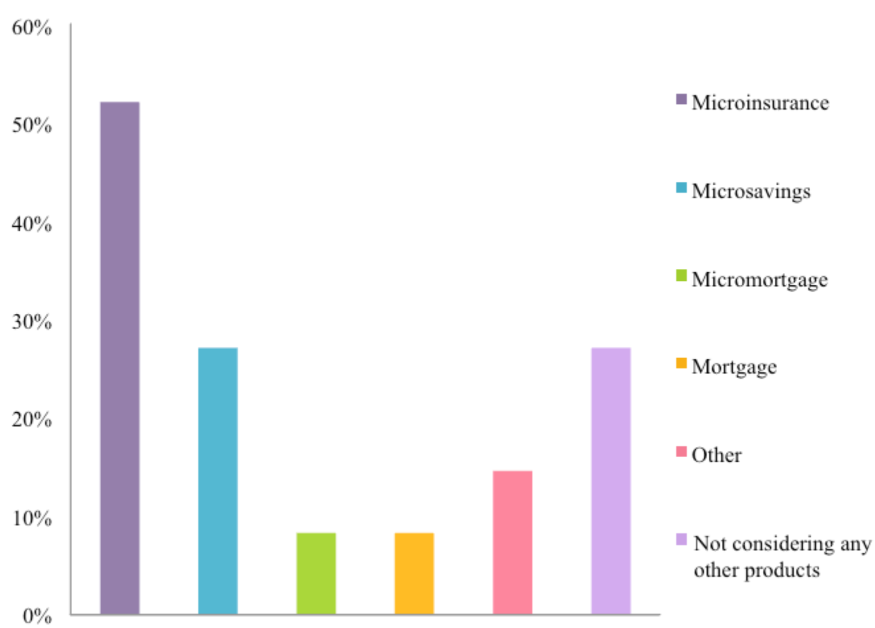
Figure 30 – Housing microfinance performance indicators by year instituted

HMF Performance Indicators	HMF Introduced 2005 or earlier	HMF Introduced 2010-2012
Increase in active loans	16%	27%
Increase in value of loans	13%	41%
Weighted average PAR 2012	3.32%	2.01%
Weighted average PAR 2013	2.57%	1.96%
HMF growing in portfolio	67%	63%

The institutions that have introduced a housing microfinance product since 2010 experienced even greater improvements in their housing microfinance products' active loan count and value; between 2012 and 2013, the sum of the active housing microfinance loans increased by 27 percent, and the sum of their value increased by 41 percent. Simultaneously, the weighted average PAR is lower than that of the institutions that have been implementing housing microfinance for longer, decreasing from 2.01 percent in 2012 to 1.96 percent in 2013. Finally, the majority of these institutions (63 percent) also see housing microfinance growing in their portfolios.

As many of the reporting institutions expand their housing microfinance product, they also are looking at products that complement housing, particularly microinsurance (Figure 31). Institutions also expressed the addition of products specifically for renewable energy and sanitation to enhance their housing microfinance products. For example, one institution is considering *"a focused product to improve sanitation and a product for external connection to electricity and water."*

Figure 31 – Additional loan products to complement housing microfinance



The survey asked respondents whether their institutions have adjusted the housing microfinance product over time. Since a few reporting institutions are currently introducing a housing microfinance product, this analysis removed their responses in order to study only those institutions that already implement such a product. These remaining respondents have not felt the need to greatly refine the product but have made some adjustments. Over time, they have refined the technical assistance program, lowered interest rates or increased repayment periods, all of which benefit the borrowers. Some interesting changes to the housing microfinance product have been the use of local currency, which increases the ease of the loan process, and partnerships with suppliers that can provide building materials at affordable prices, such as Cemex in Mexico. These partnerships are much like the relationship Hatun Sol has with Financiera Edyficar, as detailed in the "Technical assistance" section.

The respondents were asked to rate the following benefits of housing microfinance: "improved economic opportunities," "improved health/sanitation," "improved opportunities for education," "improved security of tenure," "improved social standing," "improved quality of life/happiness," "safety from hazards," and "other" (Figure 32). The perceived impact of housing microfinance by the respondents was overwhelmingly "improved quality of life/happiness." "Improved health/sanitation" was the second-rated impact. Another benefit provided by comment was *"financial inclusion,"* which demonstrates that the institutions see housing microfinance as an opportunity to increase access to capital for low-income populations.

Figure 32 – Perceived impact of housing microfinance

What do you see as the impact of HMF?	Overall Rank
Improved quality of life/happiness	**1**
Improved health/sanitation	**2**
Improved security of tenure	**3**
Improved social standing	4
Safety from hazards	5
Improved economic opportunities	6
Improved opportunities for education	7
Other	8

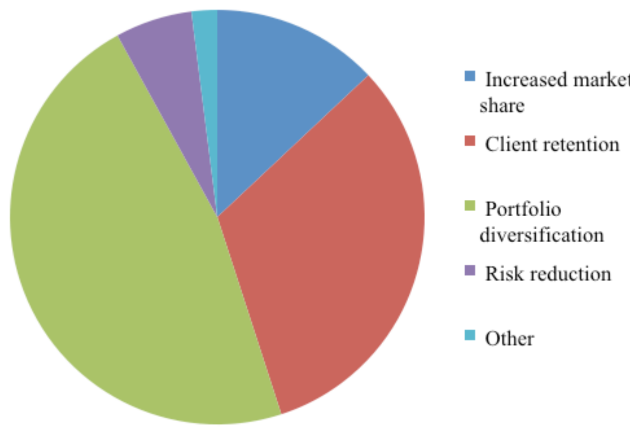
These findings correlate with research conducted by the Center for Effective Global Action at the University of California, Berkeley; Washington University in St. Louis; the World Bank; and the Mexican government. The research rigorously evaluated Piso Firme,[7] a program created by the Mexican government in 2000 to improve the health and well-being of the urban poor. The program replaced slum dwellers' dirt floors with concrete flooring, which was more hygienic and prevented the transmission of parasitic infections, particularly in children. Additionally, they compared improved slum households with those left unimproved and found that adults in upgraded homes were substantially happier (as measured by their degree of satisfaction with their housing and quality of life) and experienced lower rates of depression and stress.

"Improved security of tenure" was the third-rated impact of housing microfinance. While only four respondents placed this as the top benefit of housing microfinance, 23 respondents placed it in the top three. Regionally, all three AME respondents placed this in the top three, while 43 percent from AP, 45 percent from ECA and 47 percent from LAC ranked it in the top three. The anomaly of AME's analysis can be attributed to the fact that there were only three respondents. Therefore, the average rank for land tenure gives a more accurate portrayal of its perceived value; the average rank of "security of tenure" for AME is 3, compared with 3.58 for LAC, 4.18 for ECA, and 3.86 for AP. One hypothesis still to be proved is whether tenure security incentivizes individuals to acquire more loans to further improve their living conditions.

7. Cattaneo, Matias D.; Galiani, Sebastian; Gertler, Paul J.; Martinez, Sebastian; and Titiunik, Rocio. "Housing, Health, and Happiness." American Economic Journal: Economic Policy, Vol. 1, No. 1, 75-1. 2009.

Finally, given housing microfinance's portfolio performance and impacts, 81 percent of responding institutions plan to expand their housing microfinance portfolios, and all but five respondents explicitly include housing microfinance in their business plan. The greatest incentives for expanding the housing microfinance portfolio (Figure 33) are "portfolio diversification" (47 percent) and "client retention" (32 percent). For the latter, one respondent noted that the biggest benefit of expanding housing microfinance is *"to accomplish the institutional mission of improving the life conditions of our clients, through decent housing for their families,"* demonstrating an appreciation for the social impacts that extend beyond the financial gains. However, fewer than half of the respondents (49 percent) plan to expand their institution's housing microfinance products to new markets or demographics. For the institutions that plan to grow their housing microfinance product, most plan to expand it to all of their branches, and a few of them specifically mention the expansion into rural areas. One institution plans to grow the housing microfinance product into the green sector.

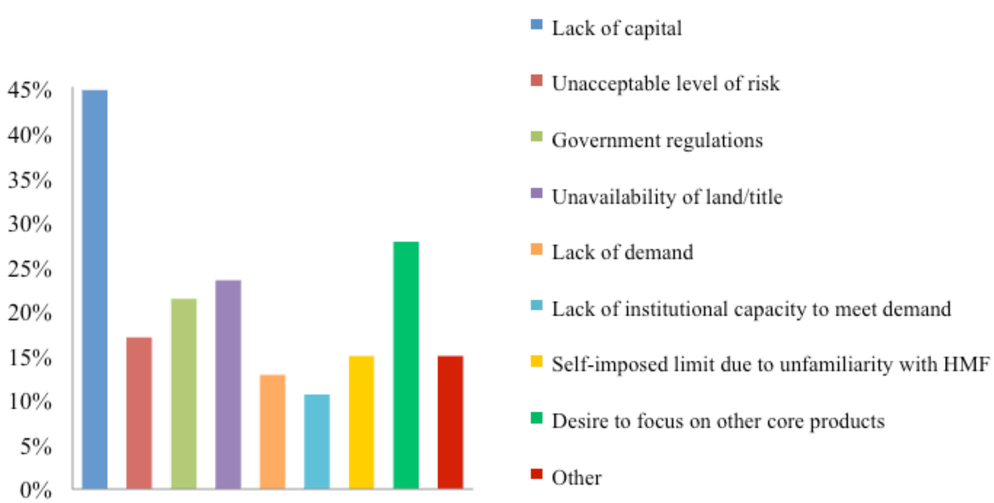
Figure 33 – Incentives for having a housing microfinance product



The biggest benefit of expanding housing microfinance is "to accomplish the institutional mission of improving the life conditions of our clients, through decent housing for their families."

When the institutions were asked for the issues preventing them from scaling their housing microfinance products, they overwhelmingly chose "lack of capital" (Figure 34). This finding demonstrates the need for funds such as the MicroBuild Fund, a Habitat for Humanity International-sponsored investment fund that provides loans to MFIs for housing microfinance products, together with CISF-sponsored technical assistance. The MicroBuild Fund is able to fill the funding gap by providing capital, while CISF can provide the aforementioned technical assistance programs and services that are valued greatly by the institutions.

Figure 34 – Issues challenging housing microfinance expansion and scalability



Notably, almost one-quarter of institutions expressed the unavailability of land title as a challenge facing housing microfinance expansion. This area requires further exploration, since the results show that all institutions are providing housing microfinance loans regardless of whether the borrower has a freehold title. Therefore, it is important for future studies to determine if the challenges are related to government-imposed regulations on lending in the absence of a freehold title and how to circumvent these obstacles.

VIII. Conclusions

Overall, the survey responses confirm the future of housing microfinance as a favorable loan product, but the institutions do face some obstacles in administering housing microfinance. The information gathered from the survey results and analyses unveiled some interesting insights into the process of housing microfinance, its performance, and benefits to low-income populations. For the most part, the respondents were aligned in their responses for each section of the survey. A few anomalies emerged, but the general consistency of the responses helped to identify the common trends and challenges across the sector, as detailed below.

The survey demonstrated that housing microfinance emerged naturally in the institutions' portfolios. The financial institutions said housing microfinance is a product that can support the diversification of their portfolios. It is also perceived as a product that is meeting client demand. Thus, housing microfinance is perceived as a viable opportunity; a product that has been introduced to fill a market gap.

The housing microfinance product itself is also well-diversified, with reporting institutions offering products for small and large projects, covering multiple purposes. This product diversification allows borrowers to find the right loan for their needs, whether it is the installation of a toilet, the repair of one's roof, or the construction of a full house.

Additionally, the institutions are emphasizing the inclusion of sustainable building materials, such as energy-efficient utilities or disaster-resistant materials, in their housing microfinance product line. These products save families money on electricity and other utilities. They also provide preparation and mitigation toward climate-driven disasters common in their locales. Furthermore, unlike developed countries whose industrialization ages wreaked havoc on the planet, it is imperative that developing countries do not make those same mistakes, but build in a manner that will protect the environment instead. Therefore, green building materials and technology have many positive impacts on the borrowers and their environment.

The section of the survey covering housing microfinance loan requirements uncovered many dichotomies regarding land tenure. Although "land purchase and tenure" was a housing microfinance product offered by the institutions surveyed, a freehold title also can be required for the loan. Thus, a borrower's lack of tenure security can become a hurdle for loan guarantees and collateral. While many institutions do accept nontitle forms of tenure security, and some even accept informal proxies, half of the reporting institutions claim they require freehold title. Yet, about half of the institutions also believe that less than a quarter of their borrowers can produce one. It would be relevant to further explore whether borrowers are working through the different stages of housing microfinance products (basic to incremental to full house) to gain security of tenure.

Although technical assistance is not mandatory, it is valued by the institutions. The cost to administer technical assistance properly, however, can become prohibitively high. Considering the survey responses show that technical assistance allows institutions to educate their borrowers regarding the financial aspects of the loan (budgeting, repayment) and the construction (blueprint drafting, material sourcing), it is important to find ways to make technical assistance more affordable and efficient. This provides an opportunity to involve other housing value chain actors (such as Cemex and Hatun Sol). Partnerships can lower the costs and improve the quality, thus increasing client satisfaction and reducing the risk of loan diversion. However, more research is needed to determine what types of partnership models are best suited for the housing microfinance product.

Overall, housing microfinance is performing well. In comparison with other loan products, the housing microfinance product for the reporting institutions is as profitable or more profitable. The number of loans and dollar value of those loans have both increased. Meanwhile, the PAR for the housing microfinance products has decreased, demonstrating improvement in the risk associated with the housing microfinance portfolio.

Many of the institutions plan to increase housing microfinance's share in their gross loan portfolios. The target percentages for housing microfinance's share are quite high — on average, 20 percent — compared with previous research[8] that shows housing microfinance currently accounts for less than 2 percent. This demonstrates a promising trend.

Finally, the institutions found that housing microfinance has many benefits, largely improving quality of life and happiness, sanitation and health, and security of tenure. This constitutes a great opportunity for financial institutions interested in achieving social impacts while meeting their financial goals.

Although housing microfinance products are promising and included in the business plans for most of the financial institutions, adequate capital seems to be the main constraint to continuing to expand these products. Adequate financial mechanisms should be a top priority; demonstration funds (such as the MicroBuild Fund) should be scaled and replicated, while other financial mechanisms and market strategies to mobilize the housing microfinance sector should be explored.

In conclusion, the survey results confirm that housing microfinance is a market-driven loan product with a sustainable future. The rise of housing microfinance as a product tailored to the building and financing patterns of the poor demonstrates how microfinance institutions are appropriately responding to their clients' needs while achieving financial and social performance. Additionally, housing microfinance generates social impact and can greatly impact the housing value chain by driving up the demand for home construction, upgrade and repair.

Habitat for Humanity's Center for Innovation in Shelter and Finance seeks to make this survey an annual instrument through which financial institutions offering housing microfinance products can help expand the knowledge and practice to establish key indicators and benchmarks for this sector.

8. Habitat for Humanity International and Omidyar Network worked with MixMarket to analyze housing products in 2011.

Annex I – Survey

Background Information

1) Please provide the following background information.*

Name of person providing details: ______________________________

Position: ______________________________

Name of organization: ______________________________

Type of institution (commercial bank, NBFC, NGO, Savings and Loan Company, Cooperative, etc.):

____

Address of organization: ______________________________

Reach of operations (city, regional, national, international): ______________________________

Date institution was established: ______________________________

Date institution began providing Housing Micro-Finance (HMF) products: ______________________________

What percentage of your clients are female?: ______________________________

What percentage of your clients are self-employed?: ______________________________

What is the average household income of your clients? (Specify currency): ______________________________

Do you have any minimum or maximum income restrictions?: ______________________________

____

HMF Product Information

2) Please describe your HMF Products. Use U.S. dollars for all monetary values.

Example:

Product	Purpose	Loan amount (average)	Duration of Loan (average)	Interest Rate (average)	Interest Rate Declining balance or flat
Home improvement loan	Weatherproofing, repairs, upgrades	$1,000	1 year	10%	Flat

	Product	Purpose	Loan amount (average)	Duration of Loan (average)	Interest Rate (average)	Interest Rate (declining balance or flat)
1						
2						
3						
4						
5						

3) What are the most common uses of the HMF Loan? Please use percentages and add to 100%.*

________ Basic Home Repair or improvement (plastering, roofing, ceiling, painting walls, floor finishes such as tiling, etc.)

________ Incremental Housing (e.g., added rooms, latrines, solar panels)

________ Full House/Formal construction on existing property

________ Land Purchase/Tenure

________ Other

If you chose "other," please briefly describe.

____

____

4) Why did you choose to add HMF products to your portfolio? Check all that apply.*

[ ] Retain loyal clients

[ ] Portfolio diversification

[ ] High diversion of other products toward housing

[ ] Grow in response to client demand for housing

[ ] Other

If you chose "other," please briefly describe.

____

____

5) What percentage of your portfolio is allocated to HMF?*

____

6) How much capital (in U.S. dollars) does HMF currently represent in your portfolio?*

____

7) What are the sources of capital for your HMF products? Check all that apply.*

[ ] Equity

[ ] Savings Deposits

[ ] Market debt

[ ] Social investor/government debt

[ ] Other

If you chose "other," please briefly describe.

____

____

8) Are there any particular design features of the HMF product that you would like to share with us? Please also explain why you chose to add these features.*

____

____

____

Requirements and process for HMF loans

9) What are the FINANCIAL loan requirements? Please check all that apply.*

[ ] Salaried worker

[ ] Self-employed with regular income

[ ] Minimum savings

[ ] Budget to complete the project

[ ] Other (please describe below)

[ ] None

If you chose "other," please briefly describe.

____

____

10) What are the GUARANTEE or COLLATERAL requirements? Please check all that apply.*

[ ] References

[ ] Credit history

[ ] Land title or land purchase agreement

[ ] Project description/blueprints

[ ] Proof of citizenship

[ ] Co-signer/Guarantor

[ ] Group guarantee

[ ] Collateral other than land/structure (livestock, vehicle, etc.)

[ ] None

If you chose "other," please briefly describe.

____

____

11) Do you require formal land TITLE (official freehold title) to extend a housing microfinance loan?*

[ ] Yes

[ ] No

12) If formal TITLE is not available, do you accept other demonstrations of non-title TENURE SECURITY (please check all that apply)? FORMAL NON-TITLE TENURE DOCUMENTS*

[ ] Land purchase agreement

[ ] Inheritance document

[ ] Registration certificate

[ ] Municipal use document

[ ] Cadastral plot certificate

[ ] Other (please specify)

If you chose "other," please briefly describe.

____

____

13) If FORMAL TENURE documents are not available, do you accept INFORMAL proxies of tenure (please check all that apply)? INFORMAL TENURE PROXIES.*

[ ] Utility or other bill showing residence

[ ] Tax payment records

[ ] References from neighbors

[ ] Other (please specify)

If you chose "other," please briefly describe.

____

____

14) Among your total client base, what do you estimate is the highest level of documentation that your clients could produce? Please use percentages and add to 100%.*

_________ Freehold Title

_________ Formal Title Alternatives

_________ Informal Proxy Documents

_________ None of the Above

15) Do you offer HMF products to new clients?*

[ ] Yes

[ ] No

Why or why not?*

____

____

16) Do you have loan officers whose sole focus is HMF loans?

[ ] Yes

[ ] No

Why or why not?*

____

____

17) How long does it take to complete the process from loan application to disbursement of funds?*

[ ] Less than 2 weeks

[ ] 2 to 4 weeks

[ ] More than 4 weeks

18) In what form is the loan disbursed? Check all that apply.*

[ ] Full loan amount in cash to borrower

[ ] Cash in tranches/line of credit

[ ] Funds provided to materials supplier

[ ] Other

If you chose "other," please briefly describe.

---

19) What is the typical repayment schedule? Check all that apply.*

[ ] Weekly

[ ] Biweekly

[ ] Monthly

[ ] Seasonal

[ ] Other

If you chose "other," please briefly describe.

---

20) Do you follow up on whether the loan is being used for stated purposes?*

[ ] Yes

[ ] No

If you answered yes, please describe how you follow up.

---

21) What actions do you take if you find a client is using funds for a purpose other than stated in the agreement?*

[ ] Redefine terms of loan

[ ] Apply maximum interest rate

[ ] Fixed penalty/fee

[ ] No actions taken

[ ] Other

Technical Assistance

22) Do you provide any non-financial technical assistance? Check all that apply.*

[ ] Blueprint drafting

[ ] Construction advice (technical training, construction best practices, sourcing of supplies)

[ ] Budgeting specifically for the type of home improvement

[ ] Personal finance education focused on repaying loan

[ ] Home maintenance skills

[ ] Legal advice/education surrounding home ownership/land title

[ ] None

[ ] Other

If you chose "other," please briefly describe.

---

23) Is the non-financial technical assistance mandatory or optional for HMF clients?*

[ ] Mandatory

[ ] Optional

[ ] No technical assistance provided

24) Why or why not?

---

25) Is the provision of non-financial construction technical assistance*

[ ] Subsidized

[ ] Paid in full by the client

26) What do you see as the value to your financial institution of the non-financial technical assistance?

____

____

27) What challenges have you dealt with in delivering this non-financial technical assistance?

____

____

____

HMF Portfolio Performance

28) Please describe the HMF portfolio performance.

	2012	2013
# of active loans		
Value of active loans (in U.S. dollars)		
PAR >30 days		

29) Is the HMF portfolio as a % of your portfolio during the last year*

[ ] Growing

[ ] Holding steady

[ ] Being reduced

30) Have you made any changes or adjustments to the HMF product during the last year? Please describe the change and explain why you implemented it.*

____

____

31) What do you see as the impact of HMF? (Please rank in order of 1 being the greatest impact and 8 being the lowest.)*

_________ Improved economic opportunities

_________ Improved health/sanitation

_________ Improved opportunities for education

_________ Improved security of tenure

_________ Improved social standing

_________ Improved quality of life/happiness

_________ Safety from hazards

_________ Other

If you chose "other," please briefly describe.

____

____

32) How does HMF compare to your other products?*

[ ] More profitable

[ ] Less profitable

[ ] Same

33) Are you considering any other products to complement HMF? Check all that apply.*

[ ] Microinsurance

[ ] Microsavings

[ ] Micromortgage

[ ] Mortgage

[ ] Other

[ ] Not considering any other products

If you chose "other," please briefly describe.

____

____

____

____

Future of HMF

34) Do you plan to expand your HMF portfolio?

[ ] Yes

[ ] No

If you answered "yes," what percentage of your portfolio do you plan to allocate to HMF?

____

____

35) Is HMF included in your institution's Business Plan?

[ ] Yes

[ ] No

36) What do you consider the greatest benefit of expanding HMF for the financial institution?*

[ ] Increased market share

[ ] Client retention

[ ] Portfolio diversification

[ ] Risk reduction

[ ] Other

If you chose "other," please briefly describe.

____

____

37) Please identify any constraints that prevent you from scaling up. Check all that apply.*

[ ] Lack of capital

[ ] Unacceptable level of risk

[ ] Government regulations

[ ] Unavailability of land/title

[ ] Lack of demand

[ ] Lack of institutional capacity to meet demand

[ ] Self-imposed limit due to unfamiliarity with HMF

[ ] Desire to focus on other core products

[ ] Other

If you chose "other," please briefly describe.

____

____

38) Do you plan to extend your HMF products to any new markets/demographics?*

[ ] Yes

[ ] No

If you answered "yes," please briefly describe.

____

____

____

Information About Other Products

39) Besides Housing Microfinance Products, which of the following products do you currently provide? Check all that apply.*

[ ] Savings Account

[ ] Checking Account

[ ] Traditional Mortgage

[ ] Working Capital

[ ] Personal Loan

[ ] Supplemental Insurance

[ ] Other

If you chose "other," please briefly describe.

____

____

Annex II – Types of institutions surveyed

Commercial bank

Traditional financial institutions providing services including deposits, loans, mortgages and savings accounts.

Nonbanking financial company/Nonbanking financial institution (NBFC)

A financial institution that provides the typical services of a bank but does not hold a banking license, meaning it cannot accept deposits from the public. It is financed mostly by its shareholders.

Microfinance institution (MFI)

Microfinance institutions are banking services targeted toward low-income individuals. As the name suggests, the institutions provide microloans and financial services to those who would otherwise be left out of formal banking institutions.

Savings and loan company

Savings and loan companies are financial institutions that can only accept deposits and provide loans.

Cooperative (Co-op)

Similar to other business cooperatives, this is a financial institution operated by its own members, as an association working toward their own benefit. Its financial stability relies on its members' savings.

Nongovernmental organization (NGO)

NGOs are organizations that work independently from the government and are typically not-for-profit, relying on funding via subsidies and bank loans. They are now allowed to accept borrowers' savings. NGOs can provide financial assistance and are typically targeting development work globally.

Annex III – Housing microfinance loan use categories

Home improvement loans (HILs)
Basic home repair or improvement, such as plastering, roofing, ceiling, painting walls or adding floor finishes (e.g., tiling).

Small construction loans (SCLs)
Incremental housing, such as adding rooms, latrines or solar panels.

Full house construction
Formal construction on an existing property.

Land purchase/tenure
Purchase of land or freehold title to land.

Annex IV – Types of nontitle tenure security

Land purchase agreement
This is the agreement between the seller and buyer of a piece of land or building. Although a formal document, it does not alone prove that the land was legally owned by the seller.

Inheritance document
A record that shows the inheritance of the property from a deceased family member.

Registration certificate
When the land is registered and recorded with the local government. Depending on the city or region and the requirements for the land registration, this can be almost as formal as a freehold title.

Municipal use document
Some communal groups will register land together as a municipal property; however, this can put them in a vulnerable position since the land can still be sold.

Cadastral plot certificate
A cadastral plot certificate usually shows a map or land survey and details the boundaries of the property.

Notes

INTERNATIONAL HEADQUARTERS:
121 Habitat St. Americus, GA 31709-3498 USA
229-924-6935 800-HABITAT fax 229-928-8811
publicinfo@habitat.org habitat.org

GOVERNMENT RELATIONS AND ADVOCACY OFFICE:
1424 K St. NW, Suite 600, Washington, DC 20005-2410 USA
202-628-9171 800-HABITAT fax 202-239-4472
buildlouder@habitat.org habitat.org

HF/100/6-15