



Center for Innovation  
in Shelter and Finance

# Housing Microfinance: Product Development Toolkit



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***A toolkit for Practitioners***  
*May, 2012*

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This toolkit is available in English and Spanish at [www.habitat.org/cisf](http://www.habitat.org/cisf) (English version) or [www.habitat.org/lac/civf](http://www.habitat.org/lac/civf) (Spanish version).

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# Introduction to the Center for Innovation in Shelter and Finance (CISF)

Almost a quarter of the world's population lives in substandard shelter, impacting family health, livelihood and education. Since 1976, Habitat for Humanity International (HFHI) has mobilized communities to build more than 300,000 homes for low-income families worldwide, resulting in improved security, health and education outcomes. Habitats for Humanity's 2,000 affiliates, in nearly 90 countries, continue this work using its original methodology, as well as innovating new ways to reach poorer families at greater scale. To address the growing quantitative and qualitative shelter deficit, new methodologies, actors, and approaches are desperately needed.

HFHI has launched the Center for Innovation in Shelter and Finance (CISF or "the Center") as an initiative to collaboratively work with a wide variety of actors in the public, private and third party sectors, many of whom have not yet applied their full strength to affordable housing. Only through the contributions of multi-disciplinary actors - such as financial service providers, urban planners, municipalities, grass-roots NGOs, water and sanitation experts, bi-lateral agencies, and advocacy groups - can innovative shelter and habitat solutions for the poor be sustained.

The Center's goal is to serve as a place of knowledge, expertise, advice, and innovation, to enable key actors to serve millions of poor families to acquire adequate shelter. Although the housing microfinance sector is showing much promise, the supply of such services still lags far below the natural client demand (internal estimates show that less than 10% of servable demand is currently being met globally). A key objective of the Center is to accelerate the growth of this important sector. Under this objective, the Center offers institutional technical assistance to financial institutions and other organizations interested in designing housing microfinance (HMF) products aimed at low-income families, along with housing support services (HSS), that as well as being affordable for these families, are sustainable for the entities that offer them.

The CISF offers the following services:

- **Market Research and Product Design (MR&PD).** Through this service, partner institutions are able to design housing microfinance products to allow their borrowers to build, repair, renovate, and extend housing progressively (in stages). This may also include **product evaluation** and institutional readiness to take the products to scale.

- **Housing support services.** (HSS) design. These services include construction technical assistance (CTA) for target families, training in planning home improvements, delivery of printed information, direct construction, and negotiation with the municipality and building material suppliers for respective permits and purchase of supplies.
- Planning and implementation of **pilot projects** to field test the designed products, and support in the design of monitoring and evaluation systems to measure the performance of these products during the pilot phase
- Advice and assistance in obtaining adequate **funding** for testing and taking to scale the designed products.

Other activities supported by the CISF include:

- Advisory services on (a) financial modeling and projections, (b) internal process and systems adaptations, and (c) marketing/promotion strategies.
- Supporting peer learning opportunities by facilitating practitioner interactions in virtual forums and regional workshops.
- Closing knowledge gaps by performing and supporting “action research” projects.

For more information on The CISF, visit our website [www.habitat.org/cisf](http://www.habitat.org/cisf) or send us an e mail to: [cisf@habitat.org](mailto:cisf@habitat.org) (for English), or [lac-civf@habitat.org](mailto:lac-civf@habitat.org). (for Spanish).



# Introduction to the Housing Microfinance Toolkit

To ensure the best and most value-creating use of scarce capital, financial institutions (FI) often require technical assistance around product design, marketing, risk management, and consumer education for end-borrowers. Many non-financial barriers in the process of scaling-up housing microfinance can also be addressed through well designed technical assistance (i.e. train the trainer programs for HMF and financial education for households benefiting from HMF).

Habitat is an innovative leader in the emerging housing microfinance field. Its cross-cutting approaches include construction assistance, housing financing, training to households in financial management, linkages between beneficiaries and governments for access to land, building infrastructure, and smart subsidies for housing. Program innovations include savings-led incremental housing, meta-financing for renovation of housing blocks, and provision of demand-driven support services through Habitat Resource Centers<sup>1</sup>, among others.

This Toolkit is the first in a series of publications created by CISF to facilitate the provision of housing microfinance, with future volumes intended to cover topics such as financial education and housing support services.

## How was the toolkit developed?

The Toolkit came about as a result of Habitat's decade-long experience providing assistance to financial and housing institutions in Latin American and the Caribbean (LAC), Europe and Central Asia (ECA), India, and Africa.

The first version of the CISF methodology for MR&PD was based on the MicroSave format, developed in Africa for business microfinance products. Over four years, the CISF added to the first version based on its experience, as well as adapting and developing tools to provide housing support services –which has resulted in the new methodological version of this toolkit.

<sup>1</sup> Habitat for Humanity *Resource Centers* broaden the reach of Habitat home-building programs by providing one or more of four principal types of services: construction services, skills training, financial literacy, and housing microfinance.

### What principles is the toolkit based on?

The toolkit is based on the following principles:

1. **Listen** to the needs, preferences and capacities of the target families (clients).
2. **Adapt** the organization's operations to meet the target families in a sustainable manner.
3. Be aware of the **external contextual changes** that affect housing microfinance.
4. **Develop** products and services **through participation** by involving field staff.

### What is the toolkit's aim?

With this toolkit, the CISF wants to help strengthen the capacities of those institutions interested in housing microfinance (HMF) by offering:

- A structured process for developing HMF products and services for low - income families, which will help fill **the existing gap between the supply and demand of these products and services**.
- Field tested-tools used by our staff and consultants to implement this process.
- Lessons identified during each phase of the process.

A great part of this toolkit's added value is its focus on *developing housing support services for low-income families*. These services are a key element to improve housing quality and/or reducing construction costs. The toolkit dedicates a whole chapter to HSS and the tools addressing this theme. In this chapter, the concepts are made clear and the necessary steps given to offer adequate services that respond to the needs of the target population.

### Who is the target population of this toolkit?

The toolkit is aimed at the staff and consultants of financial and housing institutions who are interested in developing or refining housing microfinance products and services that respond to the needs, capacities and preferences of their clients.

### How is the content of this toolkit organized?

The toolkit is divided into six chapters.

**The first chapter** is a brief introduction to housing microfinance, highlighting its importance and the challenges it faces in reaching scale with HMF products and services.

**The second chapter** presents the two main questions that must be answered by MR&PD, as well as the eight characteristics or attributes of a HMF product (the 8 Ps).

**The third chapter** describes the four main stages of the MR&PD process: a) institutional evaluation and preparation for the MR&PD project, b) market research, c) prototype design of the microfinance product and housing support services, and d) the pilot test.

**The fourth chapter** describes each of these stages including what you will learn, key questions, steps, lessons identified by the CISF and tools.

**The fifth chapter** focuses on *Housing Support Services* and responds to these questions: What is adequate housing? What are housing support services? What kinds of services are there, who offers them, and what is needed to offer them? Lastly, what is construction technical assistance (CTA), and how can it help MFIs and their clients?

**The last chapter** recaps the lessons identified by the CISF up to this date.

*This toolkit is a work in progress. We thank your comments and suggestions to continue enhancing it.*



# Chapter 1.

# Housing microfinance

## What is Housing Microfinance?

Housing microfinance (HMF) is a subset of microfinance services designed to meet the housing needs and preferences of low-income families, especially those with little or no access to the banking sector and formal mortgages loans<sup>2</sup>. HMF is designed for low-income households who wish to build, improve or expand their dwellings in progressive steps, relying on consecutive small loans. In this way HMF is able to fill part of the gap created by formal housing financing for this sector of the population. It includes the whole range of financial services that support informal shelter improvements (i.e. home repair and expansions, and the addition of services such as water, sanitation and energy efficient tools. These less formal financial systems work where lien-based mortgages do not work. Housing microfinance shows promise both as a nimble tool to address substandard housing as well as a viable financial product for institutions serving the “base of the pyramid.”

HMF helps speed up the construction of adequate housing, fitting in with the population’s traditional construction approach, be that in stages or progressively. (Chapter 5 *Housing Support Services* describes the characteristics of adequate housing.)

Despite evidence that up to 20% of microenterprise loans are often diverted to shelter needs, housing microfinance remains a nascent product in an industry that emerged emphasizing working capital loans. HMF shows promise to meet the swelling demands for shelter and housing solutions.

HMF also enables financial institutions to design products and services that are economically viable and affordable for their target population, also, in line with microfinance sector standards.

HMF includes loans, savings and insurance products. The lending methodologies in place are based on these **principles** (Daphnis 2006):

1. **Progressive building, expansion, renovation and repair of housing** are more appropriate activities to finance rather than the purchase of land, existing or new houses. Créditos por montos relativamente pequeños.
2. **Relatively small loan amounts.**

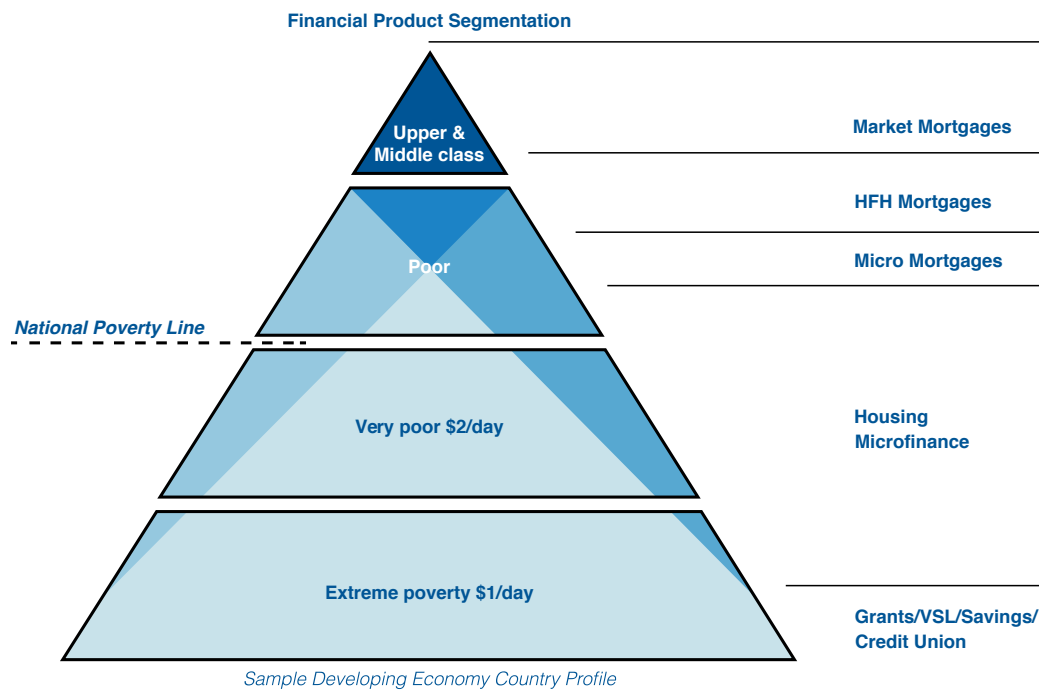
<sup>2</sup>. Merrill, Sally and Nino Mesarina. Expanding Microfinance for Housing. MicroNote 26. USAID publication. [www.microlinks.org](http://www.microlinks.org). March 2007

3. **Mortgages are generally not suitable instruments** for housing microfinance. In many developing countries, mortgage laws are either non-existent or weak, the fees associated with taking mortgages are often prohibitive for clients, and liens do not offer significantly added security to the loan as foreclosure procedures are lengthy and difficult. Standard approaches based on the principles of microfinance for soft collateral and guarantees suffice in most cases.
4. **Land title issues require a flexible approach.** Land title is unclear or non-existent in many countries in which HFHI operates, but this should not be a barrier to accessing housing finance as long as the client has sufficient land security, i.e. has been residing on the land for several years and is not living on high value land that may be arbitrarily seized by governments or developers (i.e. land immediately adjacent to industrial parks which are slated for expansion).
5. **Relatively short loan terms as compared to mortgage loans.** However, housing microfinance requires **longer loan maturities** than microenterprise loans. The repayment terms should be adjusted to the families' repayment capacity.
6. Housing finance products typically leverage **client savings**. Incremental saving prior to the disbursement of the housing loan should simulate post-loan cash flow conditions for the family.
7. **Revolving loans** allowing progressive home improvements.
8. While housing finance is primarily delivered to individuals, it can also be **extended to small neighborhood groups** or cooperative housing schemes for simple infrastructure projects such as collective water and sanitation systems or other shared resources.
9. In most cases, institutions require a **life insurance component** for housing finance clients, in part because of the longer maturities and the importance of the loan for the well-being of the family. In addition, this could be combined with a **construction completion scheme** that would ensure that the project is completed even if the head of the household dies; it could, for example, provide additional funds to hire workers to complete the work.
10. The loan price (value) covers the costs of offering the service.
11. Generally, there is no use of mortgages as a guarantee for the loans.
12. **Housing Support Services (HSS).** At the CISF we recommend and promote combining HMF products with housing support services to guarantee better quality and lower construction costs. These services include construction technical assistance, group training workshops, distribution of informational printed materials, and discounts at hardware and home improvement supply stores (Chapter 5 *Housing Support Services* describes these services in greater detail).

### What is the difference between HMF and formal mortgages?

“HMF differs from formal mortgage loans in a few key ways: the loans are smaller and for shorter terms; most important, they are usually not collateralized by the property. HMF clients generally cannot qualify for formal mortgage loans for a variety of reasons, including low income, informal sources of income, lack of land title, and inability to meet formal building standards. In many ways HMF loans are similar to microenterprise loans: underwriting (loan approval) is generally based on assessment of the applicant’s ability to pay (cash flow) and assumed willingness to pay (character assessment). However, in some cases, housing and microenterprise loans may be indistinguishable; many microbusinesses are conducted in whole or in part from the home, and in some cases micro lenders have learned that some of their loans are being used for home improvements.”<sup>3</sup>

The diagram below shows the financial product segmentation for housing amongst the base of the pyramid.



<sup>3</sup> Merrill, Sally and Nino Mesarina. Expanding Microfinance for Housing. MicroNote 26. USAID publication. www.microlinks.org. March 2007

### What is the difference between HMF and microenterprise credit?

Table 1 shows a comparison between HMF and microenterprise loans.

Table 1. Comparison of housing microcredit and microenterprise loans

Attribute	Housing micro-credit	Microenterprise loans
Amount	Relatively higher (approx. three times the amount of productive microcredit).	Lower
Loan term	6 - 36 months	3 - 12 months
Guarantee	Guarantor or collateral. Title documents as ethical guarantee.	Fiduciary, loan collateral or joint guarantee (group).
Frequency of Payments	Monthly	Weekly, bi-weekly, monthly.
Interest	Equal or lower than microenterprise loans; higher than mortgage loan.	Equal or higher than housing microcredit.

### Why is HMF important?

HMF enables low-income families to:

1. Achieve housing, which is a basic need and provides decency and privacy.
2. Benefit from the positive effects on the health, self-esteem and, which comes from adequate housing, among other benefits.
3. Progressively build better quality housing at a lower cost, especially when microfinance products are supplied along with Housing Support Services.
4. Reduce construction times.
5. Have access to financial products designed specifically for progressive housing needs, as opposed to diverting short-term microenterprise loans for longer-term needs.
6. Invest in their personal assets. Housing, in general, is a family's main asset that provides financial security.
7. Increase their income – for those families that execute productive activities in the home (productive housing).
8. Improve the social status of the family (or extended family) through improved housing.



HMF enables financial institutions to:

1. Improve the quality of life of their target population.
2. Diversify their portfolio of products and services As well as funding sources.
3. Strengthen existing client loyalty.
4. Attract new clients.
5. Enhance their social performance and contribute to the achievement of the Millennium Development Goals on alleviating poverty, sickness, and reducing child mortality

### When is HMF inappropriate?

HMF is not always appropriate. For example:

- In crisis or war zones, or areas at risk from natural disasters where affected populations might need significant housing subsidies.
- In areas of extreme poverty where very low-income families are too poor to pay the required amounts for progressive housing (over-indebted or lack eligibility criteria); these families might need partial or total subsidies to improve their housing.
- In areas lacking basic community infrastructure (drinking water, electricity and sewage).

### What is required to reach scale in HMF?

Generally, financial institutions providing housing microcredit manage small portfolios for this product line. In many cases, these institutions use HMF products to help solidify client loyalty and don't explicitly measure the positive impact on the standard of living of their existing clients.

These are key aspects that an institution must consider in order to reach scale with HMF products and services:

1. Involve and convince its senior management on the importance of HMF to fulfill their mission.
2. Commit to HMF for their clients' integral development.
3. Be open to new market segments, including new types of clients (such as salaried workers).
4. Provide HMF products and housing support services that respond to the needs, capacities and preferences of the target population it aims to serve.
5. Have adequate funding. If the organization works with borrowed funds, the repayment term should be in line with the product's life cycle, and preferably with a lower interest rate than that of microenterprise loans.
6. Provide training for field staff on HMF products and services, and offer incentives to promote and extend them.

7. Define and implement a promotional plan for HMF products and services.
8. Visualize housing support services as complementary elements to the financial product that stimulate consecutive housing micro-loans and encourage a better use of financing.

## Chapter 2.

# Objectives of market research and design of HMF products and services

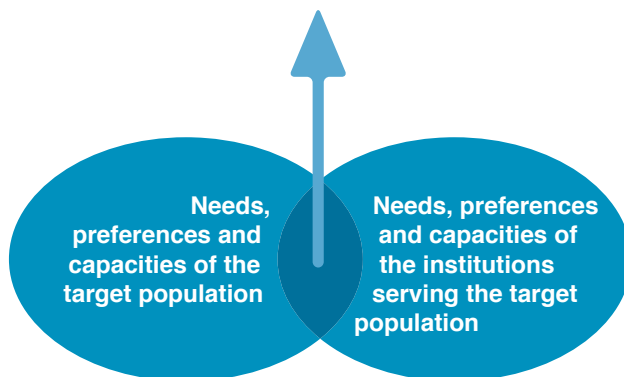
When carrying out market research and product design (MR&PD) two main questions should be answered:

- Which financial products and housing support services fill the gaps between our clients' demands and available supply in the market?
- What changes should our institution make to be able to offer housing microfinance products and housing support services?

The MR&PD project objective is to design HMF products and services that meet the needs, preferences and capacities of, both, the target population and the institution serving it. This convergence is necessary to guarantee the sustainability and affordability of the products and services. (See Figure 1)

*Figure 1. Position of sustainable products and services*

### Sustainable and affordable products and services



Taking into account the two big questions concerning MR&PD, a successful MR&PD project must define the eight key attributes of a product and service as shown in Table 2.

Table 2. The Eight Ps of marketing (MicroSave 2000)

1.	<b>Population:</b> target population segment at which the product and service is aimed.
2.	<b>Product:</b> amounts, terms, guarantees, payments, among other elements.
3.	<b>Price:</b> interest rates, commissions, fines, incentives for clients.
4.	<b>Promotion:</b> strategies to promote the products and services, including media campaigns and slogans, among others.
5.	<b>Place:</b> physical location where the product is offered, , appearance of the office, including office furnishing etc.
6.	<b>Positioning:</b> perception to be cultivated in the minds of the target population (for example, service delivery speed and low monthly payments)
7.	<b>Personnel:</b> the profile of those offering the product and service, as well as the job description of their role.
8.	<b>Process:</b> the organizational structure and process to deliver the product and service.

Table 3 shows an example of the Eight Ps of a housing microfinance product and housing support services

Attribute	Attribute definition
Population	Families from suburban neighborhoods in San Juan with a monthly income of US \$200-\$600.
Product and service	Credit for all types of home improvements with construction technical assistance (CTA), offered to families at their homes, and discounts to buy building materials in partner hardware stores. Three types of CTA are offered depending on the complexity of the construction work: <ol style="list-style-type: none"> <li>1. Brief visit to calculate budget to change roof and ceiling, plastering walls, installing doors and windows, and painting.</li> <li>2. Visit to draw up a plan of improvements and budget for initial improvement with follow-up visit during construction. This modality is used for the construction of latrines, bathrooms, corridors, and floor installation.</li> <li>3. Same as #2, with an additional visit during construction work. Applies to construction of bedrooms, kitchens, and boundary walls.</li> </ol>
Amount	US \$500 - \$2000
Term	12 - 36 months
Payments	Monthly or bi-weekly; acceptance of anticipated payment.

Attribute	Attribute definition
Guarantee	Guarantor, collateral or mortgage.
Price	
Interest rate	19-22%
Commission	3% to cover CTA service
Payment	\$40 - \$60 monthly
Place	Suburban branch offices in San Juan
Promotion	Flyers in branch offices and affiliated hardware stores. Phone calls or visits to current microenterprise loans clients. Workshops on financial education for home improvements.
Personnel	In each branch, a job position was formed for one person to work, both, as a Construction Technician and as a Loan <i>Officer</i> . The quality of client service is the same as is being provided for existing products.
Process	See Appendix 30 <i>Sample flowchart of lending process for home improvement and CTA</i> .
Positioning	Take advantage of the institution's positive image to approve loans quickly.

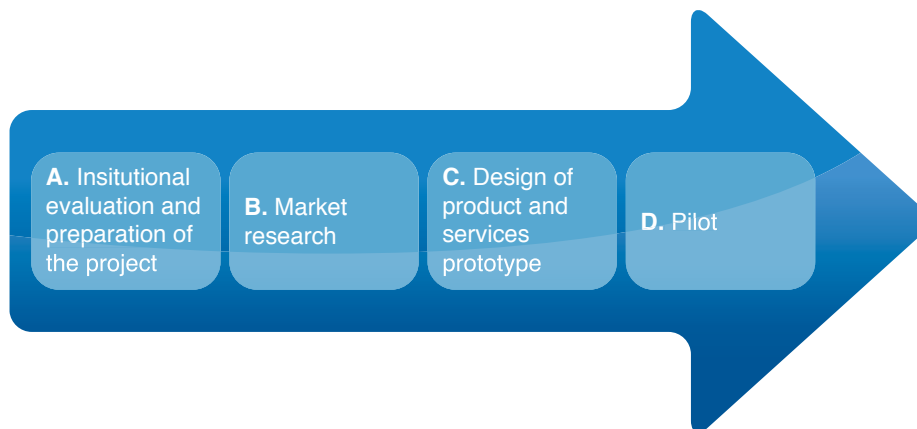


## Chapter 3.

# A four-stage project

The HMF market research and product and services design (MR&PD) is designed to be implemented as a complete project. MR&PD needs to have a clear objective, as well as a well-defined beginning and end. Furthermore, its human, financial and technological resources must be clearly assigned. In the CISF methodology, the HMF MR&PD projects follow a **systematic step-by-step process** which comprises four stages (adapted from Wright et al. 2002), as described in Figure 2.

*Figure 2. The stages of the HMF Market Research and Product Design and Services*



The key questions of these stages are summarized in Table 4.

*Table 4. Objectives and key questions at each HMF MR&PD stage*

Stage	Key questions
A. Institutional evaluation and project preparation	<ol style="list-style-type: none"> <li>1. Why carry out HMF market research and product and services design?</li> <li>2. What resources are needed and available for the project, including institutional commitment, partnerships with other institutions, and human, financial and technological resources?</li> </ol>
B. Market research	<ol style="list-style-type: none"> <li>3. What HMF products and services are currently in the market, and what contextual factors affect them?</li> <li>4. What segment of the target population are the new products and services aimed at? Where is this population located at?</li> <li>5. What are the needs, preferences and capacities of the target families to improve their housing?</li> </ol>
C. Design of product and services prototype	<ol style="list-style-type: none"> <li>6. What HMF products and services will the institution offer to satisfy the demands of the target families? What are its competitive/differentiating advantages compared to what other institutions offer?</li> <li>7. Is there the institutional capacity to offer these products and services?</li> <li>8. How great is the potential demand for the designed prototype of HMF products and services?</li> </ol>
D. Pilot test	<ol style="list-style-type: none"> <li>9. Do HMF products and services satisfy the unmet demands of the target population?</li> <li>10. What changes should the institution make to scale up the products and services in a sustainable way?</li> </ol>



## Chapter 4.

# Detailed description covering the stages of the market research and HMF product and services development

This chapter describes the project's four main stages for market research and product design (MR&PD) for HMF products and services: a) institutional evaluation and preparation for the project, b) market research, c) design of a prototype for microfinance products and housing support services, and d) pilot test.

Below is a step-by-step explanation of each of the MR&PD stages. Each stage includes a description of the key aspects you will learn, key questions, steps to take, examples, lessons identified by the CISF, and tools.

## Stage A.

### Institutional evaluation and preparation for the MR&PD project

During this stage, the institution or organization will build a solid base to guarantee the project's success.

#### In this section, you will learn how to:

1. Evaluate the level of commitment and capacity of the MFI to add HMF products and services.
2. Decide whether market research is needed to design the HMF product and services.
3. Define the target population segment that will receive the HMF product and services, and its geographic location.
4. Put together the multi-disciplinary MR&PD team in your organization and assign a project leader.
5. Train the multi-disciplinary team in CISF methodology.
6. Establish alliances with other actors that can complement the institution's capacities to do MR&PD, and offer the developed product and services.
7. Define the work plan and necessary resources to design a HMF product and services.

#### Key questions for this stage

1. Why should your organization develop HMF products and services?
2. What does the MR&PD seek to achieve (objectives and approach)?
3. What resources are needed, and available, for the project, including institutional commitment, and human, financial, and technological resources?
4. What segment of the target population will receive the new HMF products and services? Where is this population located at?
5. Who in the organization should participate? Who will be the leader of this group?
6. What new capacities will the team in charge of MR&PD need and how will they be trained?
7. What research techniques should be used?
8. Should other organizations or consultants be involved? What would their roles and responsibilities be?

Use the steps in the following pages to respond to these questions.

## Step 1.

### Determine whether your institution needs to do MR&PD

Ensure that designing HMF products and services is **aligned** to your institutional objectives. Ask yourself, why is it viable for your institution to design HMF products and services? The affirmations below can help you establish the viability of designing HMF products and services in your institution (Wright et al. 2001):

- Your institution wants to respond directly to the needs of the target population by helping improve the standard of living of that population and your institution's social performance.
- Your institution needs to find new clients or retain current clients.
- Your institution wants to make better use of existing infrastructure.

## Step 2.

### Establish whether there is an institutional commitment to MR&PD

A focused, intensive product design process is the most effective and efficient investment an organization can make in designing a new product. However, this process can seem complex, time-consuming, and resource-intensive for organizations that are not convinced of the importance of responding better to the needs of its clients. To use the CISF methodology, the institution must be convinced of the importance of developing new products and services that meet their client's needs.

To ensure that there is commitment within the organization, identify the key actors in your organization who must support and commit to the MR&PD project for it to move forward without major obstacles. Negotiate with them and get their approval.

#### Lessons

Among other resources, a MR&PD project needs a **multi-disciplinary team** with sufficient time available to ensure that it is implemented according to the project's schedule.

A MR&PD needs **capital funds** to carry out a pilot test of the new microfinance product and housing support services. Before starting a project of this kind, your institution must establish the availability of these resources. Few funders are willing to contribute funds for a pilot, and it might be necessary to use your own funds.



## Step 3.

### Define the MR&PD objective

To establish the MR&PD objective, make a brief analysis of your current market segments, your clients (current or potential) needs that have not been met, existing HMF products and services in the market, and the results your institution hopes to achieve after the outcomes of MR&PD.

When defining your MR&PD objective, determine:

- The target population **segment** you aim to serve. Be as specific as possible when describing this segment.
- The **geographic location** of the population.

**Example from Vietnam:**

- **Research Objectives from Habitat Vietnam:** *The research group focused on researching the demand of BinhMinh clients in Dong Anh province in order to develop loan products for housing. Details are as follows:*
  - *Housing renovation activity of clients*
  - *Demand for housing renovation*
  - *Expectation of loan characteristics: loan size, loan term, repayment method, loan purpose, repayment capacity*

**Example from El Salvador:** *“Design housing microfinance products and services that respond to the needs, capacities and preferences of low-income families (between two to five minimum wages) living in peri-urban settlements with a high concentration of housing needing improvements in El Salvador”.*



#### Lessons:

The **target population segment** for MR&PD must be sufficiently large to implement the pilot, and make a scaled-up launch of the HMF product and services.

A key factor for the pilot’s success and its scaled-up launch is to select communities with a **high concentration of families** who have the capacities and needs to improve their homes. Geographic concentration of a credit portfolio not only helps improve the lives of each family, it also has a positive impact on the community. Furthermore, a concentrated portfolio reduces the time and transport costs of staff working on promoting and providing the HMF product and services, especially construction technical assistance.

## Step 4.

Establish whether your institution has the necessary institutional capacities

Your institution must be able to draw on the following capacities to develop new microfinance products (Wright et al.):

1. **Financial and operative sustainability** based on clear information about the cost of the products and services. Frametool is a tool to evaluate your institution's level of financial sustainability. This tool was developed by the SEEP (Small Enterprise Education and Promotion) network and is available in Spanish at <http://www.seepnetwork.org>.
2. **Organizational structure and philosophy** innovative, client oriented with effective internal communications systems at all levels of the institution.
3. **Staff** with available time, willingness, and enough experience to work with the new product and service. Moreover, the institution must have enough resources available to train the team in the areas that the new product and service require.
4. **Marketing and monitoring**, having the capacity to monitor your products and services, and to evaluate the external context, and your strengths and weaknesses with respect to the context. The institution must have a basic system to periodically measure the level of client satisfaction, and compare its performance with other institutions offering similar products and services.
5. **Internal systems** that generate precise and relevant information for decision making. This information must be gathered in timely fashion and be user friendly. The systems must be sufficiently flexible to enable new products to be incorporated.

### Lessons:

To face the challenges of introducing a new HMF product and services, your institution must have **a solid base for the products and services you already offer**. Make a brief institutional evaluation to determine whether your institution meets the necessary conditions to offer new products and services.

It is not advisable that your organization starts a MR&PD project if it is going through a **major organizational transformation** (for example, going from a non-regulated to a regulated institution), or if it is changing existing products to improve the financial performance of its portfolio.



## Step 5.

### Form a team and name a leader

Establish multi-disciplinary team whose members have experience in marketing, human resources, finance, management information systems, legal matters, operations, research and design of products and services (MicroSave 2000). In addition, since this involves the design of HMF products and services, the team must also include people with knowledge and experience with housing support services. From the start, establish the time each person will dedicate to the project

Select the leader of the MR&PD project. For that, determine:

- The **capacities** required to fulfill the responsibilities
- The **time commitment**
- Areas that require **support from** other members of the staff

#### Example

- *Juana Sosa, the Head of Operations, will be the project leader and champion; she will be dedicated to the project half-time for six months. Juana has project management experience, and is familiar with the microfinance industry and basic aspects of social housing.*



#### Lessons

The **multi-disciplinary team** must have sufficient time available to ensure the MR&PD is implemented according to the project's schedule. This team must participate in the key phases of the MR&PD project, including project planning, prototype design, setting up the pilot test, and monitoring the pilot implementation. The participation of this team reflects the support and commitment given to the project by your institution's senior management. If the senior management does not form part of this team, other ways must be found to keep them informed, and involved in the project. Assigning goals, realistic deadlines to achieve their goals, and establishing regular meetings contributes to the success of this team.

The right choice of a MR&PD **project leader** in your institution is crucial to guaranteeing the project's success. This person must: a) understand the institution's operations, b) have sufficient time available to dedicate to the project, c) include the project in his/her work plan objectives (and as such, the project leader must be evaluated in terms of the project's progress), d) be sufficiently influential and powerful to convene meetings to facilitate prompt decision making during the process, and d) be highly motivated regarding the project.

The introduction of housing support services in a financial institution is challenging. Assign a **leader within the institution to offer the housing support services**. (This could be the same person who is leading the whole MR&PD project.) If the service is provided by a third party, your institution must have someone who is conversant in the theme and can act as the internal leader of these services. This person would work, in this case, as the link with the partner organization and provide follow-up on the housing support services offered by that organization.

Once the team has been established, and the leader has been selected, identify the areas that cannot be handled internally, and make brief profiles of these positions outlining the skills and experience required. In this way, you can recruit the right people or establish alliances with other organizations (See Step 6) to cover these positions. Next, define the tasks and responsibilities of each team member to work out the time each person must dedicate to the project.

#### Example

*To complete our team we may require:*

- *An assistant for logistic and administrative duties (data entry and quality assurance).*
- *An expert researcher and product design consultant.*
- *An expert construction technical assistance consultant.*

Set out clear terms of reference for any consultant who is contracted. The appendix 2 shows an example of Terms of Reference for MR&PD consultants.

#### Lessons

**If hiring consultants**, particularly, if this is your first time using market research to design products and services, hire a company specialized in this area. Ideally, this company should: a) have research experience with populations similar to your target population, b) be familiar with the geographic zone where the research is to be conducted, c) have experience in designing microfinance products; and d) be familiar with social housing.

If you cannot find one company that meets all the required criteria, consider hiring two. One can help you design the market research methodology and provide support at key points, such as when analyzing the implications of the product-design results. The second company can help organize and conduct the field work. Ideally, the latter company will have staff with in-depth knowledge of the geographical zone where the research will be conducted. If you decide to use two companies, be aware that information gaps will inevitably arise and work to minimize them.

Clearly define the consulting company's terms of reference (TOR) and contract. The TOR should clearly establish who in the leading organization will manage the relationship with this company.

If you need MR&PD experts, the CISF can provide you with consultancy services. For more information go to [www.habitat.org/cisf](http://www.habitat.org/cisf).



## Step 6.

### Form partnerships with other organizations

Based on the completed institutional self-evaluation and job profiles, determine whether other organizations need to be invited to form part of the project to complement the institution's capacities to do MR&PD and offer the developed products and services. The partner organizations must comply with at least three characteristics:

- Interest in participating.
- Capacities that complement those of your organization.
- Values compatible with your organization.

#### Example

*To fill the need for experts in housing support services, a financial institution decided to form an alliance with an organization expert in housing for low-income families.*

Define, along with your partner organization, the roles and responsibilities of each organization. Also choose which organization will be leading the MR&PD.

#### Example

*In a series of meetings, our institutions jointly defined the following roles:*

- *Our institution: will lead the MR&PD and the pilot project, including process planning, monitoring and evaluation.*
- *Our partner: will participate at key points in the MR&PD process, particularly in designing CTA; and will help implement the pilot program*



#### Lessons

**The offer of housing support services and the loan product must be highly synchronized.** In the event that your organization decides to partner with another institution to offer HSS:

- Try to incorporate the other organization into the project as soon as possible to promote such synchronization.
- Ensure that the partner organization has a strong commitment to the MR&PD process and can invest the required institutional resources.
- Establish, in writing, the roles and responsibilities of each organization.
- Carry out periodic meetings to monitor the relationship.



## Step 7.

### Train the multi-disciplinary team in the CISF method

Although the team in charge of carrying out the project may have implemented similar projects, it is important to train all the multi-disciplinary team members in the CISF method to unify concepts and techniques. Table 5 provides elements to consider when planning the training.

For information on workshops offered by the CISF on this method, contact [cisf@habitat.org](mailto:cisf@habitat.org)

Table 5. Elements for planning multi-disciplinary training events

Key Questions	Elements to Consider
What and who?	<ul style="list-style-type: none"> <li>Determine the training needs of each team member.</li> <li>Define the training topics, content and required materials.</li> </ul>
Who will facilitate?	<ul style="list-style-type: none"> <li>Choose a facilitator for the training sessions in accordance with the defined needs and content.</li> <li>Establish clear terms of reference for the facilitator(s).</li> </ul>
When? Where?	<ul style="list-style-type: none"> <li>Set dates and times; make sure every participant can attend the entire session.</li> <li>Choose a place conducive to concentration and participation.</li> </ul>

*This chart has been adapted from MicroSave*

#### Lesson

Offer **training in the CISF method** to the multi-disciplinary team in charge of the project. This training encourages the organization's commitment to the project, gives greater clarity concerning the process, provides tools to implement it, and helps visualize their responsibilities. Once your institution fully understands the CISF process and tools, this reduces the need to contract consultants, thus reducing implementation costs.



## Step 8.

### Visit the Areas of interest

Visit the areas where the selected target population segment lives to determine whether the conditions of the area and their families make it possible to improve their homes through HMF products and services.

In many communities where housing is in a very bad state and the population has a very low repayment capacity, a different kind of intervention might be necessary, such as state subsidies.



#### Lessons

In some instances, in order to attend families with incomes of one to two minimum wages levels, the housing loan has to team up with **public or private subsidies**, given the low repayment capacity of this population. In other cases, the families can only be helped with subsidies.

When making a field visit, the team in charge must examine:

1. The condition of the homes and access to basic services.
2. The level of security of tenure of dwellings.
3. The geographic concentration of dwellings. The concentration of houses in need of improvement is a key factor to facilitate the provision of housing support services. (See Chapter 5 for more information about these services.)
4. Topography of the terrain and vulnerability to natural disasters.
5. Accessibility (type of access roads and vehicles that can traverse them).
6. Presence of community-based organizations.
7. Availability of labor to carry out home improvements.
8. Availability of building materials.
9. Socio-economic level of the population.
10. Capacity of each agency or branch of your institution to attend each zone. Ask yourself if the agency or branch could carry out the MR&PD project with the current staff and infrastructure, and, subsequently, take it to scale.
11. Growth capacity of the agencies or branches of your institution with the new products and services.

12. Interest of agencies or branches in implementing the project of MR&PD.
13. Current state of the portfolio of your institution's agencies or branches.

Appendix 3 gives a sample form for gathering information that could be useful during the visit.

Such visits will prevent future efforts being spent on zones that are not viable for HMF projects.

#### Example from Bolivia

*If a zone does not have sufficient building materials and is not easy accessible for vehicles bringing materials from elsewhere, construction costs in that area could be very high, making a project for credit for home improvement not viable in this case.*

#### Lessons

To select the MR&PD zones, a **field visit** must be carried out to evaluate the feasibility of implementing the project in this zone. The MR&PD team must include a construction expert who, as well as evaluating the project's feasibility in that zone, can also gather information for designing the housing support services, including an estimate of the costs of construction in the selected area. This evaluation should provide information, as well, for the loan product design.

In the areas where the project is implemented, your organizations must have **offices** that have favorable conditions to implement the project, with capable and motivated staff to implement new projects, and a healthy well developed credit portfolio.



## Step 9.

### Plan the MR&PD

The following steps must be followed when planning the MR&PD according to your objective, as defined in Step 3:

1. Choose the **type of research** to be carried out: preliminary and qualitative market research, and qualitative or quantitative validation of the designed product and services prototype. Go over stages B and C in this chapter to make an informed decision.
2. Pre-select the **tools** to use. (Appendixes 7-12) contain examples of the tools you might consider using). You could use different tools so as to cross-reference (or triangulate) gathered information.

3. Develop a detailed **plan** (Appendix 4) and a **budget** for the MR&PD. The budget must show each partner's contributions (financial, human or in kind). Fine tune the budget when planning the qualitative market research.
4. Calculate the **capital funds** needed for Stage D. Pilot and define the funding source.



### Lessons

Start fundraising before carrying out market research or early in the market research process, so that there will be funds available for the pilot. Otherwise, you will lose the momentum of the market research and the teams will disintegrate while you are looking for funds. Preemptively secure adequate commitments for product roll-out, once pilot is evaluated as successful

*List of tools given in the Appendixes for Stage A, institutional evaluation and preparation for the MR&PD project*

- Financial institutions' criteria for carrying out MR&PD
- Sample of terms of reference for contracting consultants for market research and prototype design
- Model guideline for field visits
- Example of MR&PD work plan
- Template: Country level assessment .
- **Institutional Assessment Tool:** Authored by Catholic Relief Services and funded by USAID. It was developed for MFIs as part of MAGI (Microfinance Alliance for Global Impact). In order to request a copy of this methodology, write to CISF@habitat.org

## Stage B.

### Market Research

#### In this section, you will learn how to:

1. Get an overview of the demand and current supply of HMF products and services for the target population, and the intersection between supply and demand.
2. Identify possibilities to address the needs and preferences of the target population.

#### Lessons

The market research is not an exhaustive academic research of the social housing and microfinance sectors of your country or region; rather it is a brief study that will help you design or redesign a prototype of a microfinance product and housing support services



#### Key questions of the stage

1. What are the main trends in microfinance and housing sectors?
2. What are the main gaps in the market between the demand and supply? What factors have an impact on these gaps?
3. Who are the actors who provide products and services of HMF? What products and services do they offer?
4. What implications does this information have for our research?
5. What specific information do we need in order to design our products?
6. According to the target population, ¿what needs, capacities and preferences do they have to improve their homes?
7. What ideas and experiences does this population have that could help address these needs and preferences?
8. According to other key actors, ¿what needs, capacities and preferences does the target population have to improve their homes?
9. According to other key actors, what should be taken into account when designing HMF products and services for the target population?

Use the steps that you will find in the following pages to answer the above questions.

## Step 1.

### Preliminary investigation of the market

In this step, your institution must respond to the following questions about the demand and supply of HMF products and services, and their relationship among themselves:

#### On Demand:

- What are the general characteristics of the target population?
- What are the main features of the dwellings of the target population?
- What is the current problem of the dwellings of the target population?
- What are the preferences and capacities of the target population to improve their homes?
- Which financial products and housing support services are required to meet the needs of the target population?

#### On Supply:

- What are the general characteristics of the main institutions that offer HMF products and services oriented to the target population?
- Which products do these institutions offer? What are the differentiating advantages of their products? What is the level of market penetration of these products in that population?

#### On the intersection of supply and demand:

- What is the level of development of the microfinance and social housing market?
- What environmental factors facilitate or hinder the possibilities of investment of this population to improve their homes? What is the impact of policies, laws and regulations on both markets?
- What are the major gaps (including pricing, distribution and scale) between the needs and preferences of the target population, and current products and services?

It is suggested to take the following actions to respond to the above questions:

- **Gather secondary information:** review information on the supply and demand of HMF products and services that has been documented by other people or organizations. Locate basic nationwide information as well as specific information about the geographic area where the research is being focused. (Institutes of statistics and census of the country are a good source for this information). Pay attention to policies, regulations and government programs that affect the access of the target population to housing and microfinance products. Appendix 5 provides a Template with relevant information, at a Country Level, that would be pertinent to gather for a HMF product development.
- **Gather primary information:** to fill gaps in your research that may exist from secondary information, gather information directly from experts in housing and microfinance. You can use a semi-structured interview format for this purpose.
- **Prepare a report:** write a brief summary (1 to 2 pages) stating the most important results from your research based on primary and secondary

information. Remember to try to respond to questions about the demand and supply, and their interaction. Appendix 6 shows an example of a summary of the results.

### Recommendations

Ensure use of secondary information to design primary information gathering tools.

Leave the door open with interviewees for phone or e-mail follow-up in case you need to clarify or complete some information.

When consolidating and analyzing the information, maintain focus on answering the research questions associated with the main research topics (supply, demand and their interaction).

Preliminary research must be guided by people with **previous experience in conducting research** (collection and analysis), using primary and secondary information.

Remember that the **target population** refers to the **segment** of the population that is intended to meet with HMF products and services. In preliminary research, keep your focus on collecting information related to **the target population**. If you are unable to obtain specific information, try to acquire information about a segment of the similar population or information on the wider population where the segment of interest is located.

## Step 2.

### Qualitative market research

These are the key questions to be answered in this step:

#### According to the target population:

- ¿What products do the target population need or prefer to improve their homes?
- ¿What capacities and experience does the population have to meet their own needs and preferences?

#### According to the loan officers of your institution, building materials and service providers of the area, and representatives of local government:

- ¿What are the needs or preferences of the target population to improve their homes?
- ¿What capacities and experience do the target population have to address these needs and preferences?
- ¿What should be taken into account in the design of financial products and housing support services for the target population?

To answer these questions, take the following actions:

- a. **Planning:** during the meetings of the multi-disciplinary team, define:

What are the specific objectives of the research to be carried out?	Establish clear objectives enable you to select an adequate sample, as well as to choose the appropriate tools to collect the desired information. Appendices 6-11 shows the objectives of each researching tool so that they may serve as a guide. These tools were designed to gather information from target families, loan officers, suppliers of building materials, and foremen and construction workers.
How is the sample made?	Specify the characteristics of the individuals that comprise the sample. For the target population, specify the type of relationship with the institution (for example, current clients and non-clients), its geographical location and socio-economic level. For example, the sample will be comprised of: a) productive credit clients in the neighborhoods of Las Palmeras and Los Cedros, in San Salvador, with monthly family incomes between one to four minimum wages, and b) suppliers of building materials of these neighborhoods.
What tools should be used?	Select the tools according to the objectives of the research, the selected sample and its method of application (individual or group) <sup>4</sup> (See examples in appendices 7-12). For example, there will be conducted: A) group interviews (or focus group discussions) of productive credit clients in the Las Palmeras and Los Cedros of San Salvador neighborhoods with monthly income of one to four minimum wages, b) individual interviews with suppliers of building materials of these neighborhoods.
How many people must comprise the sample?	Determine the number of people who will participate in the research, according to each type of participant. For example: A) Four group interviews will be conducted with productive credit clients in the Las Palmeras and Los Cedros of San Salvador neighborhoods, with monthly income of one to four minimum wages. (Each group must be made-up of 8-10 individuals). B) Three individual interviews to building materials suppliers of the area. Convene more people than needed in your sample, because some will not show up for the interviews. There is no a precise rule for selecting the number of interviews to be held. The number depends on what you want to know, what is considered to have credibility, and financial resources as well as the available time (Patton 2002). In the case of group interviews, consider having a minimum of two interviews by type of participant.

<sup>4</sup> Although this guide refers, primarily, group and individual interviews, it may be that your organization is using another type of tool, as a participatory exercise in prioritization of attributes (appendix 9).



When will the research be performed?	Make sure that the dates and times chosen will facilitate the participation of the sample selected. (For example, on a holiday some of the selected individuals may not be available).
How to contact the individuals of your sample?	It is important to ensure the participation of the majority of the persons constituting the sample selected, so it will be necessary to have contact details for each one. Each person must be contacted in advance, using strategies to promote their participation (for example, giving them an invitation (appendix 14), visiting their homes, providing an incentive for their participation).
Where will the interviews be conducted?	Locate suitable locations for administering the group or individual tools. These locations must have some minimum requirements to apply the tools successfully. For example, for a group interview, the room must be furnished with chairs and have a space on the walls for posting pieces of paper, and should be organized in such a manner that a group being interviewed will not interfere with other groups that are simultaneously being interviewed in the same room. The room must have an outlet for connecting computers or other electronic equipment. If interviewing current clients of your institution, the interview could be conducted at the same institution. However, it is preferable to meet potential clients in a place outside the institution.
What resources are available?	Staff must set aside time to participate as part of the team. Vehicles are also required; consultants specialized in qualitative research, and money for logistics (including funds for refreshments for the participants in group interviews). Consultants can be in charge of preparing the interviews formats, facilitate the interviews and write the report with the results.

- b. **Assemble the team:** assign people to perform the following functions: logistics, recruiting participants, training of field team, make application of each tool, take notes during the application of the tools, process and analyze the information collected, and write the report which summarize the main findings.  
People who will apply the tools must have experience facilitating group and one-on-one interviews, preferably with population segments similar to those participating in the field work sessions.<sup>5</sup>
- c. **Training of field staff:** the field staff must know the purpose of the research and the tools to be used. Make sure that each person applying the tools: a) knows the reason why each question is included, what questions are the most important, and have been trained in their application; b) understands and is able to describe, in detail, the types of housing support services, to participants in the interviews. People taking notes should have as well, a clear understanding of each question and the reason why is being asked.

<sup>5</sup>Work session refers to an interview (group or individual) and any other qualitative exercise to collect information in the field.

### Recommendations

- Even if the field work team has experience in carrying out qualitative research, it is essential to hold a training session to synchronize criteria and concepts.

- Ensure that facilitators have experience in microfinance, facilitating exercises with low-income population, and are familiar with the concept of housing support services.

**d. Prepare the logistics:** This could involve:

1. Prepare a recruitment plan for individuals who are going to participate in the research, and identify incentives to promote their participation.
2. Prepare a packet of materials for each facilitator or interviewer, with all the tools they are going to use.
3. Elaborate a detailed calendar for their assignments, for each day of field work. (Make sure to include in the calendar the address of the designated place for the interviews).
4. Prepare a list with the participants contact information, and make sure to confirm their attendance

**e. Develop the tools:** adjust the tools presented in appendices 7-12 according to your objectives and context (including adapting the language to the geographical area where the market research will be conducted). If you don't find in this toolkit any of the tools that you need, you can search for other existing market research materials created by *Microsave* or other organizations.

Prepare record sheets of the participants in the group sessions. These will help you to: a) verify the attendance of those invited to participate; (b) confirm that they meet the profile defined for their recruitment; (c) collect confidential information that the participants may not feel comfortable sharing in front of the group (for example, income information). Appendix 13 presents an example of these sheets.

**f. Validate the tools:** Perform test sessions for the tools and adjust them based on the test results. These sessions must be conducted under the same conditions of the market research, in the same geographical area, and with the same segment of the target population.

**g. Conduct the sessions and apply the tools:** at the beginning of each work session, take attendance of the individuals present and verify that they meet the profile to participate.  
Remember to take notes and, if possible, tape record the work sessions to ensure not to lose valuable information. The recordings may fail and the notes may get lost

**h. Process the information:** identify and write down the main findings:

- At the end of each work session ask yourself: what findings were different from the findings of the previous sessions? If there are few different findings, assess whether it is worth to apply the same tool in the following sessions, or if it is better to use a complementary tool.
- At the end of each work day, summarize the main findings. This will

help determine if adjustments should be made to the qualitative research work plan. These summaries will, also, be very useful to prepare the final report of the results.

- i. **Write the report:** draw up a report containing the main findings of the qualitative research. The report should be as brief as possible. Ask those individuals who participated in the field work to read the report and provide their feedback.

### Recommendations

- Work in teams of at least two people—one to facilitate and one to observe and record the details of the session.
- Use the notes to summarize the information gathered and use the recordings to clarify specific doubts.
- It is more effective to review the information daily than to let it build up for several days. To facilitate reading, the report should be clear and concise and have an executive summary.
- Ask staff and consultants who participated in the field work to provide feedback on the report.

### Lessons

After each group interview, identify the main findings, note them down and ask yourself the following: what findings are different from the findings of previous interviews? At the end of each work day, consolidate the main findings of that day. The lists of the key findings will be very useful when drafting the market research report.

If you already have sufficient up-to-date preliminary information and experience in the design of products and services for the target population, you can override the qualitative research and proceed directly to the design of the prototype (phase C). In this case, the preliminary information should include specific information about the selected segment of the target population. During the quantitative validation of phase C fill any gap of information



List of tools presented in the appendices to the B stage, market research

- Template Country Level Assessment MR
- Example of summary of preliminary information
- Guide model for group interview with active client
- Guide model for group interviews with people who are not clients
- Guide model for participatory exercise on prioritization of attributes of home improvement financial products
- Guide model for group interviews with loan officers from a microfinance institution that provides housing credit
- Guide model for individual interview with suppliers of building materials
- Guide model for individual interview with foremen and construction workers
- Model of an invitation to participate in the group interviews
- Example of list of participants in a group interview

## Stage C.

### Design of microfinance product and housing support services prototype

#### In this section, you will learn how to:

1. Design a microfinance product and housing support services prototype that will fill the gaps between available supply and demand of clients for this product.
2. Validate the prototype of the product and service designed, and make the necessary adjustments based on the validation.
3. Identify *significant changes* that your institution must make in order to offer new products and services, and assess the feasibility of making these changes.

#### Key questions of the stage:

##### On the prototype design:

1. Based on your experience and the information gathered during the qualitative and preliminary research, ¿What microfinance product and housing support services cannot, currently, be found in the market to meet the needs and preferences of the target population?
2. Is there the institutional capacity to offer this product and service? What significant changes must be made in order to offer them?

##### On the quantitative validation:

3. What is the target population's level of acceptance for the developed prototype?
4. Based on the quantitative validation, What is the size of the potential demand for the prototype taking as reference the target population size? What changes to the prototype are needed to increase its level of acceptance among the target population?

Following are the steps of this stage. These will help you answer the above questions.

## Step 1.

### Creation of the prototype

The actions to create a prototype are:<sup>6</sup>

- a. **Review the available information** gathered during the preliminary and qualitative research (*see Stage B. market research*). Analyze the following specific topics:
  - Key trends in microfinance and housing sectors.
  - Key actors, their roles, and HMF products and services that they offer.
  - Government policies, regulations and programs that have an impact on the access of the target population to adequate housing and microfinance products.
  - Financial products and housing support services required by the target population. Classify the needs, preferences and capacities, found, according to the type of improvement. for example:
    - housing repairs.
    - housing extensions
    - community infrastructure, such as drinking water and drainage system.
  - The attributes the families are looking for in the microfinance products and housing support services, especially the term, payments, frequency of payments, and type of guarantee.

*Upon reviewing the available information, if your institution determines that there is no sufficient demand or there are no favorable conditions to develop a microfinance product and housing support services, it is recommended to stop the design of the prototype.*

**For example,** *if the target population is over indebted, and has no capacity to acquire an additional credit, it is better not to continue with the project.*

- b. **Define the Eight Ps of Marketing** for the prototype of the microfinance product and housing support services (*see Table 3. “Example of the Eight Ps of a housing microfinance product and housing support services” of the Chapter 2*). This exercise is carried out in a workshop to develop the prototype involving members of the multi-disciplinary team and other key actors that might, significantly, contribute to its development. The participation of loan officers, loan officer supervisors, and office or branch managers, who will be responsible for the pilot implementation, is essential. The workshop is an opportunity for participants contribute their ideas and clarify concerns. In addition, this is one of the best ways to promote ownership, among the participants, on the prototype that is being designed. During the workshop, you should use **participatory techniques**, such as concentric circles. In this technique, loan officers form the first circle, being responsible for developing the first draft of the prototype. Then, a second circle, composed of the middle managers of the organization, provides its thoughts on the draft of the first circle. Finally, a third circle, made up of consultants who participated in the research along with staff of the senior management of the organization, provides its thoughts on the results of the second circle.

<sup>6</sup> Appendix 16 presents an example of the agenda for a workshop on this step.

### Lessons

Design the prototype in a workshop with the members of the multi-disciplinary team and other key actors who can contribute significantly to the prototype design. The participation of **Field staff** responsible for implementing the pilot is very important, since as well as contributing their ideas and clearing up any doubts; they will take ownership of the designed prototype



### Recommendation

During the design of HSS, take a moment to review the Chapter 5, *housing support services* that include a guide to help you design this type of service

During the design, identify if there are a significant number of homes in the target population that require the same type of improvement, in order to carry out promotional campaigns of specific HMF products and services to meet these needs.

#### For example:

*in a neighborhood that is missing connections for drinking water, your institution could organize a promotional campaign that offers credit and construction technical assistance<sup>7</sup> to connect the dwellings to the municipal water network. Another example might be to promote a product for repair or replace the roofs of the houses in preparation for the rainy season*

### Lessons

Think about designing an **incentive scheme** for the loan officers that encourages them to promote the housing support services, and **set a goal of a minimum monthly HMF lending amount** for loan officers who manage a multi-product credit portfolio.

Unless there are legal restrictions in your country, consider not charging a commission for CTA, rather **include your costs within the interest rate** of the loan. The market researches facilitated by the CISF have shown that families prefer the CTA costs to be integrated into the repayment interest rate as long as it is affordable and the service adds value to the construction process.

Promotion through **grassroots organization leaders** can speed up the positioning of HMF product and services. These leaders include school teachers, members of community committee boards of directors, and religious group leaders, among others. These leaders can, for example, help spread the message among families on the possibility of obtaining consecutive loans to build in stages (progressively)



<sup>7</sup> For more information about CTA, see Chapter 5. Housing Support Services.

- c. **Internal viability of the prototype:** analyze if the offer of the prototype requires changes in the policies, systems and procedures of their organization or its partners, and if the organization is capable of executing.



#### Lessons

Manage **tensions** that arise between the target population's needs and those of your institution. If there is a serious imbalance, the prototype might respond to the needs and preferences of the target population but it might not be viable for your institution, and vice versa

- d. **Cost of the product:** calculate all the costs to offer the prototype, including:
- personnel (loan officers, managers, construction technical assistance consultants, and accountants, among others)
  - available funding
  - physical space, office equipment and vehicles
  - promotional materials

Afterwards, using a **financial projection tool** to calculate the financial sustainability of the prototype, which is reached when the microfinance product and the housing support services: a) generate enough income to cover its direct and indirect costs, including inflation and financial costs, b) generates a margin of utility that allows the product and service to continue to be offered and to expand its coverage. The CISF developed a tool for this purpose that can be found in [www.habitat.org/cisf](http://www.habitat.org/cisf).



#### Lessons

You must consider **staff costs and travel time** to the target family households, in the design to promote and offer housing support services. The selection of **zones** with **high concentration of clients** and the assignment of sub-zones among the loan officers helps reduce costs.

- e. **Review the prototype:**
- Verify that the designed prototype has sufficiently differentiated elements that do not **cannibalize** other products of your institution.
  - Make sure that the designed prototype is **competitive** and offer advantages to the target population not offered by products of other organizations. While other products have similar benefits, the products offered by your institution should be higher and sufficiently attractive for the target population.
  - Verify that the **interest rate** is within the market rates. Try a financial margin for your institution. Products and housing support services for a pilot project that have subsidized interest rates. Rather, interest rates for mass products and services, without affecting the affordability of the product and services for the target population must be used



**Example:**
*UGAFODE Flexible Housing Loan*

This shows the flexible housing loan prototype developed by HFH Uganda, in partnership with an MFI called UGAFODE.

Criteria	Individual clients: Current and new. Both as unique credits or additional credits. The payment of only one loan or both credits must not exceed 40% of the monthly available income.
Purpose:	House improvements by phases: repairs, remodeling and services such as water access, water pipes, electricity, latrines/toilets/washrooms/kitchen/repairs/work completion.
Cost: Interest rate: Application charge: Administrative charge: Insurance:	3% to start, subject to the confirmation that the credit it is going to be invested for the correct purpose (housing). From then on discounted to a monthly rate of 2%. This is to avoid any deviation of funds and cannibalization of the current portfolio. UGX10,000= 2% of the approved amount of the credit 1% of the approved amount of the credit
Credit amount:	Minimum: UGX 200,000= Maximum: UGX 3,000,000=
Credit term:	Minimum: 4 months Maximum: 24 months Extra-time given: 1 month
Payment mode/ Frequency of payment	Monthly payment
Disbursement	Cash/check
Recovery mode	For business individual credits given by UGAFODE.
Guarantee/ collateral	A combination of guarantees: land/house/equipment/ spousal consent

### Habitat Vietnam and Binhminh Community Development Consulting Company Prototype

Based on the current client responses regarding housing demand (purpose of using loan), borrowing method, loan size, repayment method, repayment term, and capability of clients, Binhminh expects to develop a loan product with the following characteristics:

Loan purpose:	For new home building or kitchen repairs, toilet (these demands account for 58%).
Borrowing method:	Guarantee group without collateral (88% clients prefer this form as it is easy and the borrowing procedure is simple and friendly).
Loan Term:	24 months (clients prefer long term borrowing and small repayment amounts, making it easy for periodical repayments).
Repayment method and term:	54% of clients expect to repay by monthly installments. According to clients, monthly repayment is better as it provides enough time for savings and performing second-jobs to raise income. Moreover, they wish to use this loan in conjunction with weekly repayments of existing loans.
Loan size:	Maximum is VND10 million. Based on client needs, most expected loans of VND 10 to 15 million (accounting for 60% of clients). However, based on the objective of targeting poor clients and the initial product prototype, we should focus on a loan size that is a bit lower. However, this may result in a potential reduction of clients (as 41% of clients requested loan sizes of more than VND10 million).
Construction support:	Habitat would assist with this.
Consultation with loans:	Consulting will be carried out on how to build, what material for construction, necessary equipment, processes, technical standards and architecture needed for construction projects to assure a good quality with the minimum expenses. Apart from loan borrowing documents, it is required to make a construction document for implementation of the building project.

Supervising:	Carrying out regular checks from when loans are distributed until the building project is finished. This is to ensure that the loan is used for the correct purpose and allows monitoring of repayments and ability to provide assistance as needed.
Materials and equipment	It is important to check the market so as to advise the borrower on appropriate construction materials and required equipment. This often helps clients obtain high-quality building materials less expensively.

### Lessons

Check that the prototype **does not cannibalize** other products of your institution. Be **competitive regarding the products and services offered by other institutions**, and offer a **rate of interest** sustainable that can be used when scaling-up the products and services.



## Step 2.

### Quantitative validation of the prototype

Quantitative tools serve to validate and adjust the microfinance product and housing support services prototype. Moreover, help to estimate the demand among the target population. The validation tool most commonly used is a *survey*. Other tools include semi-structured interviews (either group or individual), but these are not capable of estimating the demand size.

**For example**, a HMF product prototype has been designed to install roofs in the homes of families, located, in peri-urban areas of Santo Domingo. The average credit loan is \$700 USD and monthly payments of \$40 USD. The credit is extended along with construction technical assistance, and discounts at partner hardware and construction material supply stores. Through a survey the institution was able to estimate the percentage of the target population that has intention of accessing this type of loan, as well as the changes that are required for the product to increase its levels of acceptance among the target population.

In addition, these surveys can be used to validate other findings of qualitative research, such as trends associated with the source of income of a population (for example, the use of remittances<sup>8</sup> to pay for credit), which could strengthen or weaken the product's performance.

The following actions are necessary to carry out a quantitative validation<sup>9</sup>:

- a. **Validation planning:** during team meetings, it is important to define:
  - *What* is going to be validated? The most common research questions, directed at the target population are:

<sup>8</sup> Money sent to a family from another town. Many shipments are sent to their country of origin by relatives, who live temporarily or permanently, in another country.

<sup>9</sup> Some of the steps could be applicable to qualitative validation as well

- What are the main characteristics of the surveyed population? These characteristics include age, income and expenditure, educational level and other socio-demographic information that helps strengthen the prototype or other complementary services.
- What improvements do they prefer to make to their homes?
- What is their level of acceptance of the prototype and other complementary services (for example, financial education)?
- Do they have the capacity to pay for these products and services?

Based on these questions, develop specific questions of the survey.

- *How* people participating in the survey will be contacted?
  - *When must* the survey be administered and when the results should be delivered?
  - *What resources are needed?* These resources include time of the staff, consultants, survey specialists and interviewers; and money for logistics, among others. It is very useful to have a person on your team who has basic knowledge of quantitative research. This person can coordinate work with an external consultant with experience in the subject.
  - *How precise should be the information gathered?* Remember that the more precise we want to be with the information the more resources we need to achieve such precision. Based on the decision, ask a person skilled in statistics to propose:
    - the sample size for each population
    - the sampling method.
  - *How to analyze the data?* This refers to the statistical tools used to analyze the gathered information. For this type of research, it is usually sufficient to use averages and frequencies.
  - *What software* should be used for the analysis? There are several packages in the market, including Microsoft Excel, SPSS and SAS. If the institution has no experience in the use of the selected software, it is recommended to contract a third party to process and analyze the information
- b. **Survey design:** starting with the most common questions presented above, prepare specific questions in your survey, using as an example the survey of appendix 15.

Define frames of outputs from the very beginning to help you visualize the type of information you need to focus on obtaining. This will help you eliminate unnecessary questions in the design of the prototype, and add missing questions. In addition, output formats facilitate the processing of the survey. In each box, indicate the number of the question where the data comes from to avoid confusion when processing and analyzing the results.

- c. **Appoint the field team:** assign people to perform the following functions: train the team, coordinate the logistics of field work, administer surveys, review the quality of the information gathered, process data and prepare the report. It is recommended for the people assigned to each function to have prior experience in the implementation of this type of activities, preferably with low income populations.
- d. **Training the field staff:** such personnel will be in charge of administering surveys and they must know:
  - the objective of the validation,
  - the reason for asking each question and,
  - the key questions in the survey that must be answered.
- e. **Preparing the logistics:** according to the sampling plan, assign working areas to the supervisors and their team of interviewers. Prepare the packet of materials that must be given to each interviewer.
- f. **Validation of the survey:** test the survey with a group of people (the person skilled in statistics could suggest the group size for this test) and adjust the survey based on the results of the validation test
- g. **Administer of the survey:** throughout each day, the person in charge of validating the quality of the information collected should review the surveys.
- h. **Processing of survey data:** use the software previously selected for this purpose.
- i. **Write the Report:** prepare a clear and concise report with the most important findings. Request feedback from staff and consultants who participated in the field work.

### Lessons

If you have high-quality preliminary information and a good qualitative research, and your institution lacks sufficient economic resources to carry out a quantitative validation, think about a **qualitative validation** using semi-structured (group or individual) interviews. This is possible when the findings of the qualitative research show a very marked trend <sup>10</sup>.



<sup>10</sup> In this case, the characteristics of the population that is used for validation must correspond to the characteristics of the target population that has been chosen for the pilot phase. For this validation, can, for example, use Appendix 9 (Guide model: participatory exercise of prioritization of attributes of financial products for housing improvements), making the necessary adjustments.

## Step 3.

### Refinement of prototype

During a meeting of the MR&PD team, adjust the designed prototype according to the results of the quantitative validation or any other alternate technique used.

If the prototype had very low acceptance level, there are several options, depending on the reasons for which it did not receive a good level of acceptance:

- a. Create a new prototype (taking into account the results of the validation) and make a second validation.
- b. Take a look at preliminary research in greater detail and/or repeat part of the market research. In the second case, carry out group interviews (two or three) to explore, in depth, about the attributes of the prototype which obtained very low acceptance in the survey.
- c. Stop the plan for offering the product prototype in the area originally selected if, definitely, the acceptance levels were too low for that geographic area. (If a good market research was conducted, this situation should have been identified before reaching this point in the validation stage).



#### Lesson

Do not be surprised if the results of the validation show that the families believe the **loan amount** is too low. The families in general wish to improve their homes *at once*. When offering the financial product, the families must be made aware of the importance of planning progressive home improvements, so as to align financing with their repayment capacity.

*List of tools presented in the appendices of the stage(C), Design of prototype of microfinance products and housing support services*

- Example of a validation survey for a HMF prototype
- Example of meeting agenda for designing prototypes of products and services
- Example of guide of attributes of products and services (such as tool for validation of the HMF prototype)

## Stage D.

### Pilot

**In this section, you will learn how to:**

1. Determine the viability of the product prototype, in the field, under controlled implementation conditions.
2. Identify the changes needed to take the product to scale in a sustainable manner.

**Key questions:**

**Before starting the pilot:**

1. Is the institution ready for launching the pilot?
2. What is the sequence of activities required for implementing the pilot? Who is responsible for each activity? By what date should each activity end?
3. What monitoring system is required during the implementation of the pilot?

**Based on the results of the pilot:**

4. Does our product satisfy an unmet demand among the target population? Does it take into account their preferences and capacities? What changes does the prototype require to meet the needs and preferences of the target families, while taking into account their capacities?
5. Will the financial products and housing support services be able to be taken to scale? What changes are required to offer the product to scale in a sustainable manner?

Use the steps in the following pages to respond to these questions.

## Step 1.

Determine whether your institution is ready to implement the pilot

Use the tool of Appendix 17 to verify if your institution is ready to launch the pilot. This tool will help you to establish whether there are:

1. Support from Senior Management and Board of Directors.
2. A clear model to offer housing support services.
3. Adequate Capital funds.
4. Administrative and operational skills.
5. Appropriately skilled and trained staff
6. Understanding of the approach of the products and services being offered, and their special requirements.
7. Capacity for making adjustments to your information systems to monitor the performance of the prototype during the pilot.

## Paso 2.

Planning the pilot

The information in this section has been adapted from MicroSave's<sup>11</sup> Prototype Testing, Pilot Testing and Planning for microfinance products. During a meeting the MR&PD team must prepare a plan for the implementation of the pilot using the template in appendix 18 as a base, which includes ten areas:

1. Pilot test team composition.
2. Pilot test objectives.
3. Implementation protocol.
4. Adjustment of management information systems
5. Financial projections (if these were not made in the *stage C. design of microfinance product and housing support services prototype*).
6. Definition of policies, systems, processes, and procedures.
7. Training the implementation team.
8. Marketing and promotion (strategy and materials).

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<sup>11</sup> For more information go to: [www.microsave.org](http://www.microsave.org)



9. Monitoring and Evaluation System. (Include in your budget for the pilot, the cost of the activities of monitoring and evaluation). Appendix 19 includes an example of a quarterly report to monitor HMF products and services that there are examples of indicators for monitoring, etc.
10. Launching Date.

### Example

#### HABITAT VIETNAM: PLAN OF ACTION

##### Develop Prototype Testing Project

- Discuss with HFHI the final product characteristics and required technical processes.
- Sign contract phase 2 with HFHI to make finance sources available for implementing the pilot lending program.

##### Product Testing

- Implement the pilot lending program in 01 branch in Dong Anh starting from Quarter 1 or the beginning of Quarter 2/2008.
- The number of clients planned for piloting is 100- 200 people with required loan capital from USD \$44,000 to USD \$88,000.
- The assessment and expansion of the product will be implemented after 1 year of the pilot (year 2009).

### Lessons

Choose at least two **pilot areas** comprising a target population with similar characteristics to help determine the reason for the success or failure of the prototype. For example, if it is related to the branch office providing the service to each zone, or to other factors. This can promote healthy competition among branch offices. Remember, too, that it is not wise to place all your eggs in one basket.

The **pilot team** should preferably include the same people who participated in the earlier stages, with the option to add other people if necessary. This will help the team have a good understanding of the designed product and services. The participation of the **field staff** in planning the pilot will also help them take ownership of it, which is very important for the success of the pilot test.

The **duration** of the pilot test must be long enough to prevent the results being affected by seasonal differences regarding the portfolio. A minimum of twelve months will give a clear idea of how the loan product and housing support services perform during different seasons.



## Step 3.

### Preparation for the pilot

Take the time to prepare according to the plan defined in the previous step. To avoid losing the momentum, such preparation should not be extended more than three months. To prepare the housing support services, see the chapter corresponding to this topic.



#### Lessons

to train the loan officers is essential to ensure their understanding of the HMF product and housing support services that complement it.

## Step 4.

### Pilot Test Implementation and monitoring

During the first three to six months, collect monthly information for selected indicators. Then, reduce the frequency of the monitoring and do it every three months.

Conduct regular meetings to review the results of the monitoring and generate **recommendations to refine the prototype and pilot**. Make sure that the recommendations are implemented as soon as possible, after they have been approved.

Prepare a **photo album** of homes, with photographs of the houses before and after the improvements.

As part of the monitoring, consider **case studies with some families who are receiving the HMF products and services**. This allows you to identify changes necessary to increase the success of the products and services offered, as well as concrete evidence to promote your institution.



#### Lessons

During the **first three to six months of the pilot**, gather information on a monthly basis, for the designed indicators, to monitor the advances of the pilot implementation. Use the monitoring results to make and implement recommendations for refining the prototype and pilot. During this critical phase of the project your organization must make most of the adjustments to the prototype of the product. Afterwards, the monitoring frequency can be reduced.

The **pilot follow-up reports** must be, wherever possible, based on information that your institution currently processes, periodically, to avoid the extra work of gathering new information.

If your institution has a high rotation of field staff, you need a **continuous training** system on the new product and services offered. As part of this system, consider preparing a training manual for loan officers. The manual should be updated periodically to reflect changes that are made to the product and services.

## Step 5.

### Evaluation

Towards the middle and end of the pilot, conduct an evaluation of the pilot with the support of an external person, to answer the following questions:

- Does our product satisfy an unmet demand among the target population? Does the product take into account the preferences and capacities of the target population?
- What adjustments should be made to the product during the second half of the pilot? (This question applies only to the mid-term evaluation).
- What parts of the pilot were successful? Why?
- What aspects of the pilot partially worked or did not work at all? Why?
- What changes should be made to the product to take it to scale in a sustainable manner?

Unless your institution considers it necessary and has the resources available, you **should not try to evaluate all aspects of the pilot**. Try to concentrate on the most relevant aspects.

Immediately after the mid-term evaluation, convene a meeting with the MR&DP team, to define changes for the pilot and a plan to implement them.

Each evaluation **report** should include the steps to be taken based on the findings. It is better to be brief and concise, highlighting the best practices and the ones that must change.

After the final evaluation, define if the financial product and housing support services will be taken to scale, and the way in which it should be achieved it.

#### Lessons

When making the final evaluation of the pilot, define a **strategy to expand the housing product portfolio with HSS** where it is feasible and viable for your institution. The strategy could be an *extended pilot* that incorporates more zones into the project before proposing a scaled-up launch of the product and services



*List of tools presented in the appendices to D. pilot stage*

- Assessment of the level of preparation of the institution for the launch of the pilot product of microfinance for housing
- Planning of the launch of the pilot product of microfinance for housing
- Example of quarterly report for the monitoring of the pilot of the product

# Chapter 5.

## Housing support services

### In this section, you will,

1. Become familiarized with the basic elements of adequate housing.
2. Learn about the Housing Support Services that team with housing microfinance products.
3. Learn about the various types of housing support services, specifically construction technical assistance (CTA).
4. Become familiarized with tools for offering CTA.

### Key questions:

1. What is adequate housing?
2. What are housing support services? What types are there? Who offers them? What is needed to offer them?
3. What is CTA? What is the CTA cycle? What are the steps for designing and getting ready to offer it? What are the key points when offering it?

Use the information on the following pages to respond to these questions.

## A. Adequate housing

According to the United Nations, adequate housing must be comprised of seven elements (Calderón-Steck 2010):

1. **Secure tenure:** legal protection against forced eviction, harassment and other threats, but not necessarily legal title.
2. **Availability of services, materials, facilities and infrastructure:** permanent access to natural and community resources, potable water, electricity, heat and lighting, sanitary installations, sewage and emergency services.
3. **Affordable costs:** housing expenses should not impede nor compete with the satisfaction of other basic necessities.
4. **Habitability:** adequate space for its occupants and protection from cold, humidity, heat, rain, wind and other health threats, structural risks and communicable illnesses.
5. **Accessibility:** housing should be physically accessible for all people, with priority to groups in situations of disadvantage (physical or mental handicap, old age, youth, victims of disaster, etc.).
6. **Location:** access to employment options, health services, childcare, schools and other social services. Outside of areas of environmental contamination.
7. **Cultural suitability:** the expression of cultural identity and diversity.

## B. Housing Support Services

### What are housing support services?

In developing countries, most families progressively build their own houses (step by step). These households buy or illegally settle land where they build their houses, little by little over five to fifteen years. They receive little support from government entities or other institutions (Ferguson 2006).

In this context, **housing support services (HSS) are a set of activities, that combined with the financial product are designed to encourage, orientate, and support clients when constructing adequate housing through the progressive building process in stages.**

HSS seek to:

1. Help families define their housing goals.
2. Improve housing quality, mainly in terms of security and functionality.
3. Increase family satisfaction with the quality of improvements carried out.

4. Reduce construction costs and time.
5. Increase families' capacities to carry out progressive improvements to their housing.

The housing support services that team, along with the housing microfinance products, must focus on helping the target families construct their housing progressively, without being detrimental to the quality of their housing. These services aim to help families make the right decisions when improving their homes, and to acquire the basic knowledge to provide follow-up on home improvements.

HSS benefits from your institution's point of view include:

1. **Reducing risk when granting loans** by increasing client satisfaction with the improvements carried out on their housing, which are of a higher quality, lower cost, and completed in less time.
2. **Positioning of your institution above other institutions** by having value added financial products.
3. **Increasing your social performance** by having an impact on your clients' quality of life.
4. **Generating successive loans** by establishing a progressive home improvement plan, developed with the family through construction technical assistance.

### What types of housing support services are there?

At the CISF we have identified six types of housing support services:

1. **Training in planning improvements:** offered as group workshops or individual sessions, to help families plan the sequence of improvements to be made on their homes. These workshops cover the following themes: prioritization of the improvements, adequate budgeting, finding lending options, and criteria to choose a good builder and construction materials supplier. Training in these topics might encourage the target families to obtain successive loans to carry out progressive improvements instead of a single large loan which they cannot repay.  
The CISF has a method for implementing this kind of training which is available to your organization. Appendix 20 contains a summary of the workshop components.
2. **Construction technical assistance (CTA):** a construction technical assistant works with the families giving recommendations on how to use their resources to carry out home improvements. Generally this assistance is provided during visits to each family's house. Further on in this chapter, more information will be given on this type of housing support service.
3. **Training in construction** involves training the target population families through teaching sessions. The courses are given by a construction technician and the objective is to improve the families' knowledge regarding home improvements. Training can also be given to: a) construction workers to

teach them about new building technologies, and b) loan officers who should receive training and tools to assist their clients. This service can be provided by your institution or building material suppliers in coordination with your institution.

4. **Printed information:** distribution of teaching materials (i.e. brochures) with useful advice for families who will carry out home improvements. These information sheets can help the client in negotiating, planning and supervising the works undertaken by the foreman or builder.  
Go to our Website [www.habitat.org/cisf](http://www.habitat.org/cisf) to download copies of construction brochures produced by CISF. The brochures include information for the families on the kind of materials needed for the different types of improvements to their homes, construction steps, and special considerations during and after construction.
5. **Negotiation- by your institution- with building material suppliers** to obtain good prices, guarantee the quality of the materials, and negotiate deals on transport and delivery to the families.
6. **Negotiation by your institution with the municipality** to speed up building permits and reduce their cost. The institution might also lobby the municipality to build community works to help mitigate the risk from natural disasters and improve basic services for the target population.
7. **Direct build** is a service offered by a builder in charge of the whole, or part of the construction process, upon completion of which they deliver the work to the families.

### Who offers housing support services?

Housing support services may be offered by your institution (internally) or through partners (externally), or a combination of both. Here are two examples:

- An institution contracts various construction technicians to train them in two areas: promoting loans and CTA. As well as receiving incentives for each loan granted, they also receive an additional incentive for offering CTA. The institution's clients receive assistance from these technicians and brochures with advice on construction.
- A finance institution partners with a chain of building material suppliers to provide training to families who have loans for home improvement. The institution coordinates with the suppliers to design a training workshop. The workshop takes place once a week in the building materials supplier outlet and is given by a construction technician. The institution assigns a training expert to monitor the quality of the workshops.



### Lesson

If your institution creates a partnership with an institution offering housing support services, there must be someone in your institution to act a link with the partner. This person will be responsible for guaranteeing that the families receive a top quality service.



### What is needed to offer housing support services?

Your organization and your partner organizations must address the following points in order to offer housing support services:

1. **Design an affordable service** for the target population that is financially and institutionally **sustainable** for your organization.
2. Design and apply **policies, procedures, and technical tools** to guide the services provided. For example, your organization must: a) define what to do when the house of a family requesting a loan is in a high-risk disaster zone and, b) in the case of CTA, draw up a loan contract with clauses specifying who is responsible for the quality of construction improvements.
3. **Designate a leader in the institution to offer housing support services.** If the service is provided by third parties, it is vital to designate a leader within your institution who understands them and can provide leadership. This person could negotiate with the partner organization providing these services and provide follow-up on the housing support services.
4. **Capacity building** for your staff, especially the leader: During the training, include the elements of adequate housing.
5. Assign sufficient **human and financial resources.**
6. **Position the housing support services** within your organization, and with target families, as a value added to the housing microfinance products. It could be very useful to use appropriate promotional materials for each target population.

## C. Construction technical assistance

### What is construction technical assistance (CTA)?

CTA is a complementary service for the target families, carried out by a construction technician who gives recommendations on the use of resources for home improvements. This parallel service is generally offered during visits to the houses. The expertise of the building technician or officer depends largely on the complexity of the improvements.



#### Lesson

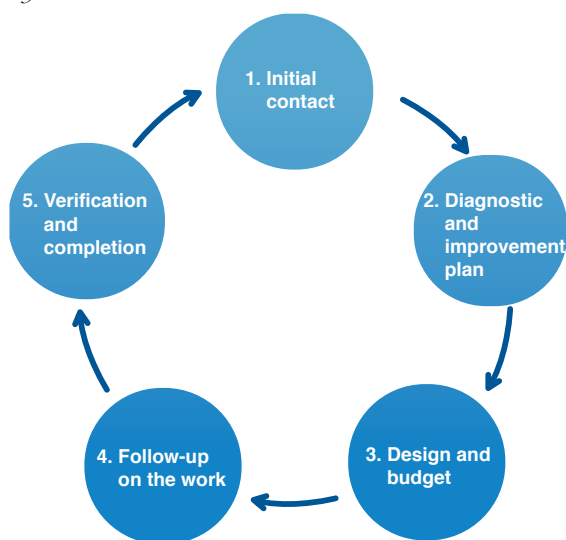
The CTA must be incorporated into the provision of a housing loan in the same way that technical assistance is incorporated into microenterprise loans. **CTA is an integral part of a loan.**

Your institution does not have any **civil liability** for the construction process. It is the families themselves who must decide to apply (or not) any offered recommendations. The families are ultimately responsible for contracting and providing follow-up on the builder carrying out the improvements. *Look at local laws regarding liabilities for these services.*

### What is the CTA cycle?

The CTA cycle has five steps as shown in the following figure.

Figure 3. CTA cycle



Following is a detailed explanation of each step. (Table 4 below provides a summary of these steps.)

## Step 1.

### Initial contact

The first contact with the families interested in your institution's products and services is an opportunity to **highlight their benefits and promote the financial product and CTA**. Hand out promotional flyers to the families.

This initial contact can be made by a loan officer, construction officer, or housing technician (These last two positions are described in greater detail further on in this chapter.) If this contact is made in the families' house, carry out Steps 2 and 3 of the CTA during the same visit.

The following information should be noted in **Form F1** (Appendix 21)

1. Basic profile of the potential client including contact information and economic capacity to carry out the improvements.
2. Preliminary inventory of the clients' needs and preferences regarding home improvements.

This information helps decide which support officer to send for the Step 2 visit. For **minor improvements** (painting, changing roofing sheets, etc.), this could be a loan officer trained in CTA. For **major improvements** such as wall construction, a construction officer could be sent. (Appendix 22 includes a list of minor and major improvements.)

Recommendations for support officers:

3. Empathize with the families.
4. Explain to the family that your institution will provide CTA, which includes guidance in helping them build better quality housing at a lower cost. It must be made clear that each family is responsible for making any final decision on the improvements to be made, not your institution.

## Step 2.

### Visit the family to carry out the diagnostic and improvement plan

The visit to the family's house enables you to: a) discover first hand, their needs and preferences regarding home improvement, b) help them visualize their progressive-build improvement plan for adequate housing, and the sequence of improvements, and c) help them choose which improvement to carry out first. If the family has no budget, recommend they request two or three estimates from builders experienced in the kind of improvement they want to make. (Budget revision is in Step 3.)



### Lesson

The clients must be clear about the proposed **home improvement plan** (or investment plan), which not only incorporates technical construction aspects but also lets them visualize a long-term relationship with your organization. With the improvement plan, your organization could think about offering a credit line or pre-approved loans for stages after the first loan depending on repayment history

In this step, use **Form F2** (Appendix 23). Once this form is complete you will have a base line of the housing conditions (before making the improvements) and the sequence of the improvements. This form includes space for a plan and photo of the house. (The plan is drawn in Step 3).

#### Recommendations:

- From the start of the interview, be prepared to listen. The client must be able to express their wishes regarding their house. Show respect for these wishes. Keep your questions brief.
- Make a thorough observation of the house to help the family identify their needs.
- Make sure you understand what the priority improvements are for the family.
- Help the family visualize adequate housing, and the necessary steps to achieve this dream. Analyze the implications of each step with the family, including approximate costs, the design, and the time the family must invest to provide follow-up on the construction project.
- Help the family define the first improvement to be made with the loan from your institution. Analyze the feasibility of carrying out this improvement with the family. Discuss with the family the approximate loan they might obtain and the approximate cost of the improvement.
- Check to see if the housing is in a high-risk zone and take adequate measures in such cases according to your institution's policies. For example, your institution might have a policy to not grant loans for home improvement in areas at high risk from earthquakes or flooding.
- Reiterate the CTA objective with the family: familiarize the families on the improvements they could make to their housing, so that they implement better quality work at a lower cost. Make sure the families understand they have the final word and will decide on the improvements to be made – not the organization.

- When completing Form2:
  - Check that the client data agree with the data given in Form F1.
  - Note all necessary improvements, even though it may not be possible to finance them all with a first loan.
  - Take photos of the house. These will provide a base line to compare the house before and after the improvements

## Step 3.

### Housing design and budget

This step can be carried out during the Step 2 visit using Form F2 (Appendix 23). This step has three parts: a) drawing a sketch plan with the house's general design, b) review the checklist of materials and estimates of the builders who the family consulted, and c) offer technical recommendations for the family.

- a. During the visit to the family's house, make a sketch of the **general design** of the improvements to be made. This design should reflect the family's dream for adequate housing. The design should include these elements:
  - **Architectural:** establish the house's room distribution, their use and appearance. Define ventilation and light sources in terms of doors and windows.
 

Planning the building sequence helps avoid unnecessary expenses. For example, if the family is thinking of installing a cement floor first, then a bathroom, fresh water and waste pipes must be laid for the bathroom before installing the floor. In this way, the floor won't have to be dug up when installing the bathroom.
  - **Structural:** make sure the house structure is safe (i.e.-it won't collapse in an earthquake) and built at the lowest possible cost. Pay special attention to the position and building materials used for beams and support pillars.
  - **Electrical:** review the condition of each electrical circuit and cabling in the house.
  - **Sanitary:** check where the potable water and sewage network run and their condition. The pipes must allow for the rapid disposal of sewage or waste water, prevent gases or rodents passing from the public network into the house, and prevent any contamination of potable water.
- b. Check the **list of materials** and the **budget** for the first improvement prepared by the builders that the family consulted. The budgets should take into account:
  - The price and quantity of **building materials** and also consider:
    - the quality of the materials.
    - transport costs of the materials (if there is no agreement with the building material supplier to assume this expense)

- **Labor costs:** determine whether the client will do the work or whether they will contract a third party. If a third party, your organization could advise the families about selecting, contracting and supervising the builders. Appendix 25 includes a list of characteristics of a good builder.
- **Indirect expenses:** such as food and drinks for the builders during construction, if this is customary.
- **Unforeseen expenses:** it is recommended to designate at least 10% of the total budget to cover unforeseen expenses. A good budget has a lower percentage of unforeseen expenses.

Use a **table of construction costs** to check the family's budget. (This table should contain information of the most common building costs.) Appendix 26 shows an example of this table. Your organization might prepare a similar table with current costs in the zone where the client families live.

### Recommendations:

- Draw up a *simple building plan* during the diagnostic and improvement plan visit. It is not cost effective to return to the office to make a plan with computer software to later go back and deliver it to the family. A complicated plan might only confuse the family and their builder.
- When delivering the house design drawing, respond to any questions from the family. If the family doesn't understand the plan, it will be difficult for them to provide follow-up on the work done by the construction worker or foreman.
- Include low-cost **aesthetic elements** in the plan. Just because this is progressive build for a low-income family, does not imply designing a house with no aesthetic consideration.
- When delivering the drawing to the family, also give them details of **discounts** that your organization has negotiated with **materials building suppliers**. (Appendix 25 includes a list of characteristics for a good construction materials supplier, which you can share with the client family. *The family must understand that it is under no obligation to buy supplies from the materials building suppliers offering discounts. Make it clear that the client family is responsible for establishing their own business relationship and negotiations with the suppliers. Your institution only facilitates information about available discounts.*)
- Advise the family on details of the purchase, control and care of building materials. You might suggest the following:
  - Buy all materials at the same time to negotiate a greater discount and reduce transport costs.
  - Upon delivery, check the quality and quantity of materials received. These must comply with the quote specifications.
  - Store the materials where they are protected from the elements and from theft. Help the family find somewhere suitable.
  - Monitor the use of the materials during the construction to avoid waste and other losses.

- If your organization has designed **brochures with building tips**, this is a good time to give them to the family.
- Update the **construction costs table** at least every three months. The table must be updated by a building professional. Another alternative is to adjust the construction costs table according to the construction cost index covering construction prices in your country.
- Use the improvement combinations (“combos”) included in the costs table, for example. Don’t pressure the family to accept them as they stand.

## Step 4.

### Follow-up on the work

Do one, or several, of these actions:

- Visit the house to identify any construction work that needs to be corrected. The construction officer should make this visit, especially if major construction is involved. Visit the house to ensure that the family really is investing the money in home improvements. This visit can be made by the loan or construction officer.
- Phone or visit to determine the level of client satisfaction with the loan and CTA, and identify opportunities to improve your product and services.

Use **Form F3** (Appendix 24) to record each visit’s results. The form includes this information:

- The state or stage of construction.
- The level of the family’s satisfaction with the loan and CTA.
- Recommendations for the family and your organization.

### Recommendations:

- If only minor improvements are being made that do not require follow-up, consider not making a follow-up visit and only make a final visit instead.
- Listen to your client. If you need to clarify something, wait until the end of the discussion to intervene.
- Take Forms F1 and F2 to the visit so you can have the original agreements made with the family. During the visit, compare what was agreed with what was done, and note any differences found. Verify that the family data in Form F3 agree with the data in Forms F1 and F2.
- Thank the family for their opinions regarding the quality of services offered by your organization.
- After gathering the information on the level of client satisfaction, report this information to the rest of the project team to make any changes to their policies, processes, procedures, and way of working with the families.
- Take photos of the completed construction work

## Step 5.

### Verification and completion

Make a final visit to the family's house to verify that the work was completed and take photos of the improvement. This is a good moment to ask the family for their comments on the product and services received so as to improve them. *Take advantage of this visit to discuss new loans with the family.*

In this step, use **Form F3** (Appendix 24) to document the results of your visit.

#### Recommendations:

- Take Forms F1 and F2 on the visit as reference of the original agreements with the family and recommendations given. If a follow-up visit was made, take Form F3 that was used during that visit.
- In Form F3 record any recommendations concisely and fully so as to be clear about its content.
- The photo should clearly show the work done and serve as a point of comparison with the photo from before the improvement.

Below is a summary of the CTA steps:

Figure 4. Summary of the CTA steps

Step	Main parts	Tools
1. Initial contact	Promote the financial product and CTA. Make a client profile. Make preliminary inventory of client's housing needs and preferences.	Promotional flyer of product.
2. Diagnostic and improvement plan	In the families' houses: Check clients' needs and preferences. Help clients prepare their progressive improvement housing plan. Help them select the first improvement.	Form F1 with client data.
3. Design of the house and budget	Make a sketch drawing with the house design. Review list of materials and estimates from different construction workers or foremen.. Offer technical recommendations.	Form F2 with space for sketch. List of characteristics of a good builder. List of characteristics of a good building supplier. Table of construction costs. Information brochures for different building improvements.



4. Follow-up on the work	Highlight any aspects to be corrected during construction. Make sure the family has invested its resources in the house. Determine the level of client satisfaction.	Form F3
5. Verification and completion	Verify that the work was completed. Photograph the improvement. Determine the level of client satisfaction. Discuss any further loans.	Form F3

## What are the steps to design and prepare CTA?

### Step 1.

#### Definition of the CTA model

Bearing in mind the results of the market research and contributions from your institution's staff, define the CTA model that your institution can offer, specifying:

- Policies of the service offered. Include a policy to attend to families with housing in zones prone to natural disasters.
- The role of the loan officer when providing CTA and the tools to be used.
- The role of the construction officer and the tools to be used.
- Whether the construction officer is on the staff of the financial institution or partner organization specializing in construction. From the point of view of the financial institution, will the service be offered internally or externally?
- The cost of the service. This can be recovered by including it in the interest or as a commission. The CISF designed an Excel sheet to calculate the cost of CTA. Ask for a copy of this tool from [lac-civf@habitat.org](mailto:lac-civf@habitat.org). You can adjust it to your own needs.

To design a CTA model, Appendix 27 gives **three sample models with variations in the role of the loan officer and construction officer depending on the level of complexity of the service: basic, intermediate or advanced**. In the same Appendix, characteristics are given of each model, which will help to understand their advantages and disadvantages.

The three models can include the delivery of brochures with simple construction tips for the family. These brochures are particularly important if the loan officer is providing the CTA service.

The following considerations should be taken into account when defining your model:

- To help promote lending, think about contracting a technical demand manager to identify families interested in applying for a housing loan. The manager can take on some of the construction officer's functions such as helping the families when making a diagnostic of their housing needs and progressive improvement plan. Once the needs of the different families have been identified, the manager can see if there are any common needs within the community, such as water tanks.
- These managers might be specialized construction experts or technicians. (Their profile is very similar to the technical construction officer given in Appendix 25.)
- If your model recommends builders to the target families, these families could criticize you for any problems arising from the construction. If your model does not make any recommendations, instruct your field staff not to do so. However, it is a good idea to suggest that the family consult more than one builder to compare prices, quality, and references to choose the best option.
- The model must fall in line with local construction laws and regulations, especially regarding each party's liability (family, financial institution, builder or foreman) during the construction process.

## Step 2.

### Profile, contracting and orientation of the technical construction officer

Appendix 28 gives an example of a technical officer's profile with measures on how to verify that candidates meet that profile. Once contracted, familiarize the officer on the characteristics of the designed HMF product according to the corresponding model. The technical officer must participate in adjusting the CTA tools.

## Step 3.

### Preparing the tools

Adjust the tools given in this chapter (found in the Appendices) to your needs with the construction officer. Also, define the tools the loan officer, construction officer, or both, should use.

## Step 4.

### Drawing up a flowchart of the processes

Prepare a flow chart of the CTA processes using the following options:

- Make a diagram where only CTA tasks are given, as shown in Appendix 29. In this example, the division of labor between the loan officer, technical construction officer, and the construction worker or foreman is highlighted.
- Make a diagram integrating the loan process and the CTA as shown in Appendix 30.

If more than one person is dealing with a family, **communication problems** can commonly arise if the necessary measures are not taken. Communication problems might increase the time to process a loan, for example. This is why loan and construction officers must receive training on the **integrated process of offering loans and CTA** to provide a streamlined service for the families.

## Step 5.

### CTA monitoring and evaluation system

Design a simple system to monitor and evaluate the CTA service offered. Some indicators to consider include:

- the number of families served by each construction officer
- the time between the initial contact with the family and preparing the home improvement plan
- the time between the initial contact with the family and the loan
- the general level of the family's satisfaction with the CTA
- the main usefulness of CTA for the families

Appendix 19 gives an example chart of loans and CTA indicators where several indicators are given that could be used to monitor a pilot.

## Step 6.

### Staff training

The field staff must be skilled and knowledgeable on CTA so as to promote and offer the service. All staff involved must be trained in:

- elements of adequate housing
- promoting CTA, highlighting its added value for target families
- CTA model designed by their organization

- CTA tools to be used
- integrated process of loans and CTA
- monitoring and evaluation system

The following considerations must be taken into account regarding field staff:

- Training must include a **practice in the field** with visits to the families to make a diagnostic of their needs, prepare an improvement plan, draw up the housing design, and review budgets.
- If there is a **high turnover of loan officers** in your organization, you will need an agile system to train new officers in CTA.
- After initial training, **reinforce the staff's know-how** in offering CTA every three months. Think about having field staff visit the families with a construction expert, so that they can receive feedback from the expert.

Habitat for Humanity has a **training method for loan and construction officers** who offer CTA that is available to you. For more information, email [lac-civf@habitat.org](mailto:lac-civf@habitat.org).

### What are the key points to offering CTA?

- In general, home improvement loans are offered successively. Improvements are made “little by little”, increasing the consecutive loan amount according to the clients' capacity to repay the loans. The CTA must support progressive build.
- Making a plan for progressive home improvement with the first loan may stimulate demand and save time in processing future loans.
- The CTA is a consulting service that carries no civil liability for the organization in terms of quality or costs of construction carried out by the families. (Make sure this point is in line with the laws of your country.)
- Strictly follow the procedure established by your organization to offer CTA and ensure it contributes to the quality of the service. This procedure must include the completion of forms selected and adapted by your organization.
- For improvements that involve major structural alterations, clients must consult a construction professional and ask for architectural, structural, electrical, and sanitation designs if relevant. The designs must be sufficiently clear so the families can easily understand them.
- Field staff must be skilled and knowledgeable about CTA to promote and offer the service. This skill and knowledge must be periodically reinforced

*List of tools given in the Appendices on housing support services*

- Form F1: interest of potential clients
- Form F2: basic information on the housing
- Form F3: follow-up on the improvements
- Characteristics of a good builder and building materials supplier
- Example of table of construction costs and improvement combinations "combos"
- Examples of CTA models
- Example of technical construction officer profile
- Example of process flowchart to offer CTA
- Example of process flowchart to offer home improvement loans and CTA



## Chapter 6. Key lessons from the CISF

This chapter summarizes the main lessons learned by the CISF over four years. These findings are the result of support given to financial institutions implementing MR&PD projects. In this chapter, contributions from the FOMIN-Habitat project intermediate evaluation are also included, carried out by FOMIN (Multi-lateral Investment Fund) in March, 2011.

## Stage A.

### Institutional evaluation and project preparation

1. Among other resources, a MR&PD project needs a **multi-disciplinary team** with sufficient time available to ensure that it is implemented smoothly.
2. The multi-disciplinary team **must participate in the key phases** of the MR&PD project, including project planning, prototype design, setting up the pilot test, and monitoring its implementation. This team's participation reflects the support given by your institution's senior management for the project and encourages their commitment. If senior management does not form part of this team, other ways must be found to keep them informed, and involved in the project.
3. The right choice of a MR&PD **project leader** in your institution is crucial to guaranteeing the project's success. This person must: a) **understand** the institution's operations, b) **have sufficient time** available to dedicate to the project, c) **include the project in his/her work plan objectives** (and as such, the project leader must be evaluated in terms of the project's progress), d) be **sufficiently influential** and powerful to convene meetings to facilitate prompt decision making during the process, and d) be highly motivated regarding the project.
4. The introduction of housing support services in a financial institution is challenging. Assign a **leader within the institution to offer the housing support services**. (This could be the same person who is leading the whole MR&PD project.) If the service is provided by a third party, your institution must have someone who is conversant in the theme and can act as the internal leader of these services. This person would work, in this case, as the link with the partner organization and provide follow-up on the housing support services offered by that organization.
5. **Offer training** in the CISF method for the multi-disciplinary team in charge of the project. This training encourages the organization's commitment to the project, gives greater clarity concerning the process, provides tools to implement it and helps visualize their responsibilities. Once your institution fully understands the CISF process and tools, this reduces the need to contract outside consultants, thus reducing implementation costs.
6. A MR&PD needs **capital funds** to carry out a pilot test of the new microfinance product and housing support services. Before starting a project of this kind, your institution must establish the availability of these resources. Few funders are willing to contribute funds for a pilot, and it might be necessary to use your own funds.



7. Target population segmentation:
  - a. The target population segment for MR&PD must be **sufficiently large** to implement the pilot, and make a scaled-up launch of the HMF product and services.
  - b. The selection of communities with a **high geographic concentration of families** who have the capacities and needs to improve their homes, is a factor governing the success of the pilot and the scaled-up launch of a HMF product combined with housing support services. By concentrating a credit portfolio into a geographic zone, not only are the lives of each family improved, but this also has a positive impact on the community. Furthermore, concentrating the portfolio reduces the time and transport costs of staff working on promoting and providing the product and services, especially construction technical assistance.
  - c. In some instances, in order to attend to families with incomes of one to two minimum wage levels, the housing loan has to team up with **public or private subsidies**, given the low repayment capacity of this population. In other cases, the families can only be helped with subsidies.
  - d. To select the MR&PD zones, a **field visit** must be carried out to evaluate the feasibility of implementing the project in this zone. (The list of evaluation criteria is included in Step 8 of Stage A). The MR&PD team must include a construction expert who, as well as evaluating the project's feasibility in that zone, can also gather input for developing the housing support services.
8. To face the challenges of introducing a new HMF product and services, your institution must have a **solid base for the products and services you already offer**. Make a brief institutional evaluation to determine whether your institution meets the necessary conditions to offer new products and services.
9. It is not advisable that your organization start a MR&PD project if it is going through a **major organizational transformation** (for example, going from a non-regulated to a regulated institution), or if it is changing existing products to improve the financial performance of its portfolio.
10. **Your organization must have offices** in the zones where the project is implemented, making sure they have favorable conditions to implement the project, with capable and motivated staff to implement new projects and a healthy, well developed credit portfolio.

## Stage B.

### Market research

11. The market research is **not an exhaustive academic study** of the social housing and microfinance sectors of your country or region; rather it is a brief study that will help you design a prototype microfinance product and housing support services.
12. Qualitative research:
  - a. After each group interview, **identify the main findings**, note them down and ask yourself the following: what findings are different from the findings of previous interviews? At the end of each work day, consolidate the main findings of that day. The lists of the key findings will be very useful when drafting the market research report.
  - b. If you have sufficient preliminary and current information, and previous experience in developing products and services for your target population, you can omit the qualitative study and pass directly onto designing the prototype (Stage C). In this case, the preliminary information must include precise details of the selected target population segment. The quantitative validation of Stage C can help fill in any gaps in the information.

## Stage C.

### Design of the microfinance and housing support services prototype

13. Design the prototype in a workshop with the multi-disciplinary team members and other key actors who can contribute significantly to the prototype design. The participation of **field staff** responsible for implementing the pilot is very important, since as well as contributing their ideas and clearing up any doubts; they will take ownership of the designed prototype.
14. Make sure that the designed prototype has enough differentiating elements to **avoid other products** of your institution **be cannibalized**.
15. Make sure that the **designed prototype is competitive**. The product must offer advantages for your target population not offered by other organizations. Although other products might have similar advantages, your products must be superior and more attractive for the target population.
16. Confirm that the **interest rate** falls within market rates. Work out a financial margin for your institution. Financial products and housing support services should not be developed for a pilot with interest subsidies. Rather, these should be the rates that will be used when scaling-up the products and services without affecting their availability to the target population.

17. Manage **tensions** that arise between the target population's needs and those of your institution. If there is a serious imbalance, the prototype might respond to the needs and preferences of the target population but it might not be viable for your institution, and vice versa.
18. **Validation of the prototype:**
  - a. For the quantitative validation, **visualize the information** you will gather before carrying out the survey. To do this, set up the output format of the information to be gathered in the survey. This will let you eliminate questions that are irrelevant to designing the prototype, and add missing questions.
  - b. If you have high-quality preliminary information and a good qualitative study, and your institution lacks sufficient economic resources to carry out a quantitative validation, think about a **qualitative validation** using semi-structured (group or individual) interviews. This is possible when the findings of the qualitative research show a very marked trend.
  - c. Do not be surprised if the results of the validation show that the families believe the **loan amount** is too low. The families in general wish to improve their homes at once. When offering the financial product, the families must be made aware of the importance of planning progressive home improvements, so as to align financing with their repayment capacity.
19. **Loan officers:**
  - a. The **participation** of loan officers in **developing the financial product and housing support services** helps them take ownership of the product.
  - b. Think about designing an **incentive scheme** for the loan officers that encourages them to promote the housing support services, and set a **goal of a minimum monthly HMF lending amount** for loan officers who manage various products.
  - c. Consider options to **assign loan officers** to the new loan product. For example: a) contract new staff if you think it is difficult for existing staff to identify with the new product, b) assign experienced loan officers who are enthusiastic about the new HMF product and who have a large client portfolio to whom they can grant new loans, and c) assign loan officers exclusively to the HMF product.
20. **Construction technical assistance:**
  - a. The CTA must be incorporated into a housing loan in the same way technical assistance is incorporated into product loans. **The CTA is an integral part of lending.**
  - b. Clients must be clear about the proposal of the **home improvement plan** (or investment plan), which not only incorporates technical construction aspects, but also enables them to visualize a long-term relationship with your organization. With the improvements plan, your organization might consider offering a credit line or pre-approved loans for stages after the first loan based on successful loan repayments.

- c. A **first housing loan** for a family is more complex and takes more time than a product loan, since it needs a plan of improvements to be made. However, as mentioned in the previous paragraph, the initial investment could lead to a long-term relationship with your clients.
- d. The **geographic concentration of your portfolio** can help you identify specific recommendations in each work zone (for example, special attention with construction because of the terrain).
- e. Unless there are legal restrictions in your country, consider not charging a commission for CTA, rather **include your costs within the interest rate** of the loan. The market research facilitated by the CISF showed that families prefer the CTA costs to be integrated into the repayment interest rate as long as it is affordable and the service adds value to the construction process.
- f. The CTA model must be aligned to the **local construction laws and regulations**, especially the liability assumed by each party (family, financial institution, construction worker or foreman) during the construction process.
- g. **Strictly following the procedure established** by your organization to offer CTA helps ensure the quality of the service. This procedure must include the completion of the forms selected and adapted by your organization
- h. To better promote your product and housing support services, think about contracting **technical demand managers** (who could be specialized construction foremen) to: i) identify families interested in housing loans, ii) offer CTA including diagnostics of housing needs and, iii) draft progressive improvement plans. Using this option, develop incentives and processes to promote the work in alliance with the demand manager and the loan officer. In the beginning, think about subsidizing the expenses of the demand manager.

#### 21. Promotion

- a. In the design to promote and offer housing support services, you must consider **staff costs and travel time** to the target family households. The selection of **high concentration client zones** and the assignation of sub-zones among the loan officers helps reduce costs.
- b. Promotion through **grassroots organization leaders** can speed up HMF product and services lending. These leaders include school teachers, members of community committee boards of directors, and religious group leaders. These leaders can, for example, help spread the message among families on the possibility of obtaining incremental loans to build in stages.
- c. Consider whether the new housing product needs **different promotion strategies** than other products currently supplied by your institution. For example, for families with fixed incomes, obtaining a housing loan must take into the account Christmas bonus payments and other income.

## Stage D.

### Pilot test

22. Choose at least **two pilot areas** comprising a target population with similar characteristics to help determine whether the success or failure of the prototype is related to the branch office providing the service to each zone, or to other factors. This assignation can encourage healthy competition among branch offices. Remember, too, that it is not wise to place all your eggs in one basket.
23. The **pilot team** should preferably include the same people who participated in the earlier stages, with the option to add other people if necessary. This will help the team have a good understanding of the designed product and services. The participation of the **field staff** in planning the pilot will also help them take ownership of it, which is key to the success of the pilot test.
24. **To train** the loan officer is key to their understanding the product and corresponding housing support services.
25. If your institution has a high turnover of field staff, you will need a **system of continuous training** regarding the offer of the new product and services. As part of this system, think about preparing a training manual for the officers. The manual must be periodically updated to reflect any changes made to the product and services.
26. The **duration** of the pilot test must be long enough to prevent the results being affected by seasonal differences regarding the portfolio. A minimum of twelve months will give a clear idea of how the loan product and housing support services behave during the various seasons.
27. During the **first three to six months of the pilot**, carry out monthly or bi-weekly monitoring to see how it is progressing. During this critical phase of the project your organization must make most of the adjustments to the product prototype.
28. The **follow-up reports on the pilot** must be, wherever possible, based on information that your institution currently processes periodically to avoid the extra work of gathering new information.
29. **The offer of HSS and the loan product must be highly synchronized.** Should your organization decide to partner with another institution to offer HSS, try to incorporate them into the project as soon as possible to promote this synchronization.
30. When making the final evaluation of the pilot, define a **strategy to expand the housing product portfolio with HSS** where it is feasible and viable for your institution. The strategy could be an extended pilot that incorporates more zones into the project before proposing a scaled-up launch of the product and services.

## Stage E.

### Lessons Learned

31. After the Pilot Project, it is important to coordinate a **Lessons Learned Systematization Process** that includes all the stages of the pilot. The methodology recommended of this process is the one from the German Technical Cooperation –GTZ – now GIZ (by the German Acronym), in which are highlighted the main successes of the pilot and the corresponding success factors; the difficulties presented and how they were overcome, and the critical challenges of the pilot (adapted from the section of mistakes found and mistakes causes, according to what it is described in the methodology).
32. The Lessons Learned Systematization Process includes not only the documentary information of the pilot (market research, monitoring reports, etc.), but also the field visit, in which –through qualitative interviews and/or workshops, as well as visit to selected families, the main lessons learned identified by key actors of the pilot can be highlighted.

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# Glossary

Construction Technical Assistance (CTA)	CTA is a complementary service for the target families, carried out by a construction technician who gives recommendations on the use of resources for home improvements. This parallel service is generally offered during visits to the houses.
Primary information	Information gathered directly in the field, by the researchers. The tools include interviews, surveys, and observation.
	Información recolectada y publicada por otras personas.
Secondary Information	Information gathered that has been documented and published by other people or organizations.
Home improvements	Renovation, repair, expansion and addition to housing.
Product prototype	Model of the credit product and construction services based on the results of the preliminary and qualitative research, and tuned with the information collected in the quantitative validation or by other means. The prototype is put to test during the pilot implementation (phase D).
Housing support services	Housing support services (HSS) are a set of activities, that combined with the financial product are designed to encourage, orientate, and support clients when constructing adequate housing through the progressive building process in stages. These services include construction technical assistance, group training workshops, distribution of informational printed materials, and discounts at hardware and home improvement supply stores.





Center for Innovation  
in Shelter and Finance

# Housing Microfinance: Product Development Toolkit



Financed by:

Citi Foundation



***A toolkit for Practitioners***  
*May, 2012*

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## Annex 1. Criteria to define the feasibility of carrying out a Marketing Study and Product Design

Below is a list of criteria to determine whether it is feasible for your institution to carry out a marketing study and a product design project for microfinance housing products and services.

### 1. Statistics and financial history

- Portfolio exceeds \$4.0 million US dollars.
- Number of active clients exceeds 15.000.
- PAR (portfolio at risk) over 30 days is within the limits set forth by the Microfinance Bulletin of 2006 for entities in Latin America and the Caribbean, or within the limits required by the country's banking superintendence or government agency responsible for overseeing the sector.
- Positive growth of total assets over the past three years.
- A positive ROA, ROE and FSS over the past three years and preferably growing.
- Updated and reliable financial reports.

### 2. Sales force

- A sales unit with clear processes and defined incentives.
- Preferably with experience in placing individual loans.
- Access to a main verification office to assess the client's level of indebtedness.
- Short term availability to make adjustments to their incentives, sales targets and training for field staff.

### 3. Services for low income populations <sup>1</sup>

- Percentage of female clients of the institution exceeds 40%.
- Preferably, offers group loan products (community banks, solidarity groups, etc.) within its portfolio.
- Upper management emphasizes an interest in and is committed to designing strategies to address low-income populations.
- Strategic management directed towards low-income populations.
- Offers non-financial services (such as technical assistance and training).
- Supports CGAP client protection principles.
- The average loan indicates that it caters to the low-income populations <sup>2</sup>.

### 4. Governance and Management

- A clearly expressed vision and mission.
- Leadership at the different levels within the organization.
- Stability and energy of management and field personnel.
- A clear and functional organizational structure.
- Board members represent a variety of professions, areas of expertise and gender.
- A legal standing that facilitates and boosts the implementation of a housing program.

### 5. Interest in HMF

- A mission that supports housing products.
- A strategic plan, vision or plan for the next three years that includes the implementation of or subsequent growth of housing products.
- The commitment and conviction of upper management, the board of directors and operational staff regarding the importance of HMF for their clients.
- Availability to link services to access housing to a housing microfinance product.
- Availability, in the short term, to adjust policies, procedures and systems in order to reach a wider scale and to maintain the validity of the housing product.

### 6. Fondo

- Self-funded or access to sources to implement a pilot project to offer new products and services on a wider scale.

<sup>1</sup> These criteria apply to financial institutions seeking to design HMF products for families with incomes equivalent to one to four minimum salaries.

<sup>2</sup> We are unable to provide a reference amount because it varies from country to country.

## Annex 2. Example of Terms of Reference for Hiring Market Research and Product Development Design Consultants

### a. General Objective

Coordinate and perform a housing market research and microfinance product design project that including construction services. Part of the product design comprises the planning of a pilot for testing the designed product as well as the design of the pilot monitoring system.

Specific parameters for marketing research and product design:

2. The market research must be exploratory and provide information that facilitates the design of new housing microfinance products and services.
3. The target population includes individuals with incomes that range from two to five minimum salaries.
4. Potential customers do live in the urban or peri-urban areas of San Juan.
5. The designed products and services must be aligned with the mission and organizational values of [name of the organization]. In addition, products and services must provide sustainability, scale and impact with regards to the quality and durability of housing solutions offered.

### b. Specific Objectives

1. Design a market research and housing microcredit (MFV) products and services design plan.
2. Design a rapid study analyzing the supply and demand of MFV products and services (preliminary research).
3. Perform a qualitative market study.
4. Asses and facilitate the design of a MFV product prototype.
5. Administer a quantitative tool (survey) to validate the designed prototype.
6. Assess the design of the final prototype, once it has been validated.
7. Assess and coordinate the plan for the designed prototype pilot.
8. Design a pilot monitoring system.

The main contact for this assessment is [name and position of the person].

### c. Activities

The consultant is responsible for executing the following activities:

1. Facilitate a work session with [name of the organization] to design a work plan for the project.
2. Research and prepare a report about the supply and demand of MFV products and services in San Juan (preliminary research) that includes the main trends and actors in the housing microfinance sector. The consultant must refer to secondary sources and interview five experts in the field.
3. Plan and perform qualitative market research using five to six group interviews with low-income families, a group interview with credit advisors from our institution and four one-on-one interviews with contractors and construction materials suppliers. In addition, draft a report stating and analyzing the main findings of the research.
4. Plan, facilitate and document a workshop for designing a prototype of a housing microfinance product with construction services, based on the results of the qualitative research, the preliminary study and analysis of the institutional capacity of the MFI.
5. Validate the prototype by administering a survey to, at least, xx participants.
6. Refine the prototype using the results of the survey as a baseline.
7. Design and facilitate a pilot planning workshop in order to test the designed prototype and design the pilot monitoring system.
8. Follow-up preparation of the MFI for implementing the pilot. This includes adapting the procedures of the institutions to the requirements of the designed prototype.

#### **d. Products Expected from Consultants**

The consultant will deliver both a hard and electronic copy of the following documents:

1. Plan and methodology of the work to be executed.
2. Preliminary research report.
3. Report on the results of the market research (qualitative research).
4. Report of the prototype validation results.
5. The designed prototype (initial and final).
6. Pilot implementation plan for the designed prototype.
7. The designed monitoring system.

In addition, the consultant will formally present each of the documents to the staff of the institution.

## Annex 3. Field Trip Form: example

Municipality: \_\_\_\_\_ Neighborhood: \_\_\_\_\_ Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

### I. NEIGHBORHOOD CHARACTERISTICS

#### 1. Population

Number of families in neighborhood or area \_\_\_\_\_ Number of lots in the neighborhood \_\_\_\_\_

#### 2. Geographic location

Latitude: \_\_\_\_° \_\_\_\_' \_\_\_\_" Longitude: \_\_\_\_° \_\_\_\_' \_\_\_\_" Altitude: \_\_\_\_\_ masl

 Neighborhoods and lots have documents proving ownership rights? Yes  No 

 Are there lands for new settlements? Yes  No 

#### 3. Geographical dispersion of dwellings

 The neighborhoods have homes: Concentrated  Semi-dispersed  Dispersed 

Observations: \_\_\_\_\_

##### Definitions:

- **Concentrated:** dwellings are contiguous.
- **Semi-dispersed:** dwellings are at a distance less than 100 meters apart.
- **Dispersed:** dwellings are at a distance more than 100 meters apart.

#### 4. Accessibility

 4.1. Accessibility road to neighborhood: Asphalt  Stone road  Dirt road 

Observations: \_\_\_\_\_

 4.2. Type of road: Dirt  Gravel  Sand  Asphalt  Tar  Stone 

Road average width: \_\_\_\_\_ mts

 4.3. Vehicle access: Light duty  Medium tonnage  High tonnage 

 4.4. Vehicular Access season: Dry  What months?: \_\_\_\_\_

 Any Season  Comments: \_\_\_\_\_

4.5. Distance from \_\_\_\_\_ To populated center: \_\_\_\_\_ Km. Estimated travel time: \_\_\_\_\_ Hrs

#### 5. Basic Services

##### 5.1. Water sources

 The water source is from: Spring  Well  River  Dam 

 Availability is: Permanent  Temporal  In which months is there shortage?: \_\_\_\_\_

 Water quality is: Good  Bad  Observations: \_\_\_\_\_

Quality: verify by observations.

**5.2. Water**

¿Does it have a pipe water system?: Yes  No

If "Yes": Is the service permanent: Yes  No  In which months is there shortage?: \_\_\_\_\_

The service is rendered by basins: Community  Family

How many families benefit?: \_\_\_\_\_

**5.3. Electric Power.**

Do they have electricity service?: Yes  No

If "Yes": How many families benefit?: \_\_\_\_\_

If "No": Do they know of any electrification project to be executed?: \_\_\_\_\_

**5.4. Sewerage Service**

¿Do they have sewerage service? Yes  No

If "Yes": How many families benefit? \_\_\_\_\_

If "No": Do they know of any sewerage service project to be executed?: \_\_\_\_\_

The sewerage system in the area or municipality, does it have a wastewater treatment system? Yes  No

**5.5. Service and access to public telephone**

In the area, do they have public telephone service? Yes  No

Is there a telephone network to the houses? Yes  No

Is there a cell phone network? Yes  No

**5.6. Road and Transport Service**

Are there any public transportation services? Yes  No

If "Yes", What kind of transportation is available in the area? Bus  Mini bus  Shuttle  Other \_\_\_\_\_

The streets are passable All year  In the dry season  Other \_\_\_\_\_

**6. Urban Environment**

What kind of community organization does it have? \_\_\_\_\_

On what date does it normally have its regular meetings? \_\_\_\_\_

Is there a code of urban regulations in the municipality? Yes  No

Are there suppliers of building materials in the area? Yes  No

Do providers recommend labor? Yes  No

Are there institutions in the neighborhood or municipality that provide constructive technical assistance? Yes  No

**7. Physical hazards of the Environment**

Are there records or data of natural disasters in the area? Yes  No

Events that may occur: flooding  Quakes  landslides

Volcanic Eruptions  Cyclones

Available evidence data: Imminent risk  Moderate risk  Minimal risk

Possible impact of disasters: Life hazard  Severe Damage  Partial Damage  Minimal Damage

Recommendations for prevention and mitigation of hazards: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



## II. GENERAL CHARACTERISTICS OF DWELLINGS

1. Indicate the predominant materials (percentage) in the homes of the neighborhood or community:

Wall: Adobe \_\_\_\_\_ Brick \_\_\_\_\_  
 Cement Block \_\_\_\_\_ Partition \_\_\_\_\_  
 Wood \_\_\_\_\_ Other: \_\_\_\_\_

Floor: Dirt \_\_\_\_\_ Brick \_\_\_\_\_  
 Cement \_\_\_\_\_ Wood \_\_\_\_\_  
 Other: \_\_\_\_\_

Roof: Mud and straw \_\_\_\_\_  
 Palm \_\_\_\_\_ Cement tile \_\_\_\_\_  
 Ceramic Tile \_\_\_\_\_ Fiber cement board \_\_\_\_\_  
 Slab \_\_\_\_\_ Lightened slab \_\_\_\_\_  
 Other: \_\_\_\_\_

2. Available rooms in the homes

Kitchen outside the homes \_\_\_\_\_ Kitchen inside the homes \_\_\_\_\_ No kitchen \_\_\_\_\_

Bathrooms outside the homes \_\_\_\_\_ Bathrooms inside the homes \_\_\_\_\_ No bathrooms \_\_\_\_\_

One bedroom dwellings \_\_\_\_\_ Two bedroom dwellings \_\_\_\_\_

Three bedroom dwellings \_\_\_\_\_ Four bedroom dwellings \_\_\_\_\_

Other \_\_\_\_\_

Living room outside the homes \_\_\_\_\_ Living room inside the homes \_\_\_\_\_ No Living room \_\_\_\_\_

Dining room outside the homes \_\_\_\_\_ Dining room inside the homes \_\_\_\_\_ No dining room \_\_\_\_\_

3. Housing tenure.

Rented Houses \_\_\_\_\_

Assigned houses \_\_\_\_\_

Home ownership \_\_\_\_\_

Persons responsible for obtaining the information

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

## Annex 4. Work Plan for EMyDP: example

A continuación, se presenta un cuadro con un plan general de trabajo por etapa del EMyDP. Más adelante, se Below is a table with an overall plan for EMyDP by stages. Later, the plan for the qualitative market study stage will be presented in greater detail.

Stage / step	Activity	Date	Responsible
<b>Stage B. Market Study</b>			
Step 1: Preliminary Investigation	Collection of secondary information on microfinance and housing.		
	Secondary data analysis and identification of gaps.		
	Development of interviews format with experts.		
	Administration of expert interviews.		
	Analysis of information provided by experts.		
	Preparation of preliminary investigation report.		
Step 2: Qualitative Investigation	Fieldwork plan preparation (see plan below after this table).		
	Preparation of report with results and data analysis.		
<b>Stage C. Design of products and services prototype</b>			
Step 1: Creation of the prototype	Workshop with the interdisciplinary team: <ul style="list-style-type: none"> <li>Analysis of the findings of the preliminary and qualitative investigation.</li> <li>Creation of the prototypes.</li> </ul>		
	Preparation of cost information of the prototypes, based on the cost data for similar products.		
	Preparation of financial projections for prototypes.		
Step 2: Quantitative Validation of Prototype	Development of survey.		
	Preparation of detailed fieldwork plan.		
	Survey Administration.		
	Preparation of a report on the results of the survey.		
Step 3: Adjustment of Prototype	Adjustment workshop for the designed prototype.		
<b>Stage D. Pilot</b>			
Step 2. Planning Pilot	Workshop: <ul style="list-style-type: none"> <li>Development of pilot plan which includes the selection of indicators to be used to monitor it.</li> </ul>		

## Qualitative Investigation Plan

Following are details of a qualitative investigation, including the location of the market study, description of the tools to use, stratification of the sample, equipment fieldwork dates of market research and a list of preparations.

### 1. Location of the market study

Qualitative research will be conducted in Guatemala, in the community of San Jorge, in the Department of Guatemala. The reasons for its selection were:

- The presence of an office of the institution in this area for a year and a half.
- San Jorge features make it possible for the results of the study to be applied to other areas where they could replicate an MFV product.
- A significant portion of the population belongs to the D and E socioeconomic strata, the lower socio-economic strata of the population, whom the study is addressed to.
- The organization has plans to strengthen its presence in the area because it has not been saturated by other financial institutions.

### 2. Tools

Specific tools to be used are:

- Group interviews
- Participatory rapid appraisal tools (PRA)
- Semi-structured individual interviews

### 3. Sample stratification

For purposes of market research, the sample will consist of a maximum of 70 people (men and women) without setting a minimum or maximum participation by gender. Each group interview must have a minimum of 7 participants and a maximum of 10.

The following table lists the sample stratification:

Type of interview	Characteristics of participants
3 group interviews with clients	<ul style="list-style-type: none"> <li>• Current clients of individual lending methodology.</li> <li>• They have socioeconomic characteristics of the strata D and E population.</li> </ul>
3 group interviews with non-clients	<ul style="list-style-type: none"> <li>• There are not clients and have never been clients of the financial institution (FI) in the past.</li> <li>• They have no credit history with other financial institutions.</li> <li>• They have socioeconomic characteristics of the strata D and E population.</li> </ul>
4 interviews with active individual credit methodology clients.	<ul style="list-style-type: none"> <li>• Clients of the individual lending methodology that have outstanding balances with the IF.</li> <li>• They have socioeconomic characteristics of the strata D and E population.</li> </ul>
4 interviews with former clients	<ul style="list-style-type: none"> <li>• Must be former IF clients in any credit methodology.</li> <li>• They have socioeconomic characteristics of the strata D and E population.</li> </ul>
3 interviews with builders or foremen	<ul style="list-style-type: none"> <li>• They have done work for local families.</li> </ul>
2 interviews with representatives of hardware stores	<ul style="list-style-type: none"> <li>• Hardware stores must be located in San Jorge.</li> <li>• Preferably they must be of different sizes (one large and one small and one medium and one small).</li> <li>• The business must have at least one year of being established in the area.</li> </ul>

#### 4. Dates and schedules for fieldwork

- Market research will take place between June 21<sup>st</sup> and 23<sup>rd</sup>.
- The schedule for the study is as follows:
  - Group interviews: starting from 5:00 pm. Each group will have a duration of two hours.
  - Individual interviews: between 9:00 a.m. and 3:00 p.m. Each group will have a duration of one hour.

#### 5. Fieldwork Team

- Three facilitators and three recorders.
- Group interviews should be planned so as to be performed simultaneously according the number of available facilitators.

#### 6. Preparations

The following chart details the preparations required for fieldwork.

Activity	Deadline	Responsible
Preparation of budget for fieldwork that includes the following: materials for interviews, giveaways and refreshments for participants, accommodation and travel allowance of the facilitators and recorders.		
Preparation of draft guidelines for group and individual interviews.		
Review and adaptation of the guidelines to the local context.		
Validation of the guidelines.		
Final preparation of guidelines.		
Acquisition of materials for group interviews.		
Convening of the sample according to the stratification of the same.		
Development of interview schedule.		
Obtaining the premises for group interviews. <i>Note: with customers, the interview can be conducted in the IF office or the customers' own homes. With non-customers, it is necessary to use a neutral site, such as community halls, or similar.</i>		
Obtaining transportation to move to the field workers to communities.		
Obtaining gifts and refreshments for participants of group and individual interviews.		

## Annex 5. Template: Country Level Assessment

**Outline:**

1. Key findings and recommendations of assessment team
2. Livelihood indicators
3. Structural indicators
4. Process and policy indicators
5. Programs of other donors and international organizations
6. Findings and recommendations of other studies
7. Sources

### 1. KEY FINDINGS AND RECOMMENDATIONS OF ASSESSMENT TEAM:

### 2. LIVELIHOOD INDICATORS

#### 2.1 Human capital

	Urban	Rural
<b>1. Educational level:</b> <ul style="list-style-type: none"> <li>• Percentage of population with primary, secondary advanced education               <ul style="list-style-type: none"> <li>◦ General</li> <li>◦ In informal settlements</li> </ul> </li> </ul>		
<b>2. Degree of knowledge about family financial and asset management:</b> <ul style="list-style-type: none"> <li>• Are there programs in the community that teach budgeting?</li> <li>• How accessible are they?</li> </ul>		

<b>3. Degree of knowledge about housing, government programs, policies and rights:</b> <ul style="list-style-type: none"> <li>• ¿Sabe el público de los cambios en las políticas de vivienda?</li> <li>• ¿Se puede obtener la información fácilmente?</li> <li>• ¿Hay asistencia del gobierno?</li> <li>• ¿Hay asistencia de las ONG?</li> </ul>		
<b>4. Access to information services on housing:</b> <ul style="list-style-type: none"> <li>• Internet availability?</li> <li>• Availability of real estate agents and brokers (formal/informal sector)?</li> </ul>		
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>		

## 2.2 Social capital

	Urban	Rural
<b>1. Existence of local organizations:</b> <ul style="list-style-type: none"> <li>• What types of community organizations provide housing services (detail in B.3 below)</li> </ul>		
<b>2. Degree of formal organization:</b> <ul style="list-style-type: none"> <li>• Are community organizations legally incorporated?</li> </ul>		
<b>3. Organizational credibility and recognition:</b> <ul style="list-style-type: none"> <li>• Are community organizations providing housing assistance licensed or certified?</li> <li>• Do communities recognize them as credible?</li> </ul>		
<b>4. Involvement in local organizations:</b> <ul style="list-style-type: none"> <li>• Participation in organizations?</li> <li>• Participation in programs?</li> </ul>		
<b>5. Cooperation between community organizations and other stakeholders:</b> <ul style="list-style-type: none"> <li>• Between organizations?</li> <li>• With government?</li> </ul>		
<b>6. Leadership style:</b> <ul style="list-style-type: none"> <li>• Are leaders elected?</li> <li>• Are there public meetings to discuss needs, concerns, plans?</li> <li>• Is there public comment on plans?</li> </ul>		
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>		

## 2.3 Natural capital: land

	Urban	Rural
Access to land for housing: <ul style="list-style-type: none"> <li>• Population living in legal/illegal settlements               <ul style="list-style-type: none"> <li>◦ Growth</li> <li>◦ Density</li> </ul> </li> <li>• Availability of legal land/lots</li> <li>• Cost of land               <ul style="list-style-type: none"> <li>◦ With registered title</li> <li>◦ With uncertain title</li> <li>◦ Illegally occupied</li> </ul> </li> </ul>		
Quality of land: <ul style="list-style-type: none"> <li>• Population living in planned/unplanned settlements</li> <li>• Population living in settlements with high environmental risk</li> <li>• Accessibility of available land to:               <ul style="list-style-type: none"> <li>◦ Transportation</li> <li>◦ Employment</li> <li>◦ Services</li> <li>◦ Parks and recreation</li> </ul> </li> </ul>		
Land rights and tenure: <ul style="list-style-type: none"> <li>• Types of tenure               <ul style="list-style-type: none"> <li>◦ Titled</li> <li>◦ Occupancy</li> <li>◦ Communal</li> </ul> </li> <li>• Adequacy of land registry system?</li> <li>• Adequacy of dispute resolution?</li> <li>• Adequacy of landlord tenant laws?</li> </ul>		
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>		

## 2.4 Physical capital: housing supply and demand

### 2.4.1 Current housing stock

	Urban	Rural	Total
Total population (state year)			
Average household size			
Total number of households			
Annual growth rate			
New households formed per year			
Quantitative housing shortage as defined by government			
Quantitative housing shortage estimated by others			
Qualitative housing shortage			

Qualitative shortage as defined by:			
a. Population living in slums (as defined in MDG)			
b. Percentage of total households lacking:			
• Access to clean water			
• Access to sanitation			
• Secure tenure			
• Durable materials			
• Adequate size			
c. Population in settlements with high environmental risk			

**Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):**

[EXAMPLE]

**Housing shortage by income (from Habitat for Humanity [7] based on Olivas, 2006)**

Family income	Need for new housing	Need for expansion	Need for improvement	Sources of financing
Over US\$ 1,200/month	3,000			Commercial bank loans
US\$ 700-1,200/month	21,000		7,000	Commercial bank loans
US\$ 350-700/month	36,000	29,000	34,000	Commercial bank loans and microfinance
US\$ 150-350/month	58,000	95,000	107,000	Microfinance, cooperatives and government
Under US\$2/day	184,000	211,000	261,000	Government programs and subsidies
Total	302,000 units	335,000 units	406,000 units	

**Income distribution and access to finance [6] based on INVUR**

Family income	Percentage of the total	Affordability and sources of financing
Over US\$ 700/month	5.8%	Housing produced by private developers and financed with mortgage loans through banking system.
US\$ 350-700/month	13.0%	Difficulty affording costs of credit through banking system and housing produced by private developers; some can afford microloans though “terms are short and interest rates are high.” Most have their home built over time using small formal and informal sector builders.
US\$ 155-350/month	33.7%	Cannot afford costs of credit through banking system or housing produced by private developers; can afford microloans though “terms are short and interest rates are high.” Most build their homes themselves, contracting for skilled labor. Social organizations are providing a small amount of combined assistance with building and finance. International development assistance funds—and recently government subsidies—have financed housing programs reaching this income group, “so far with little impact, but great potential.



US\$ 58-155/month	35.8%	Cannot access credit, either through the banking system, which does not consider this income group creditworthy, or through microfinance with “short terms and high interest rates.” In recent years, there has been an increase in programs of social organizations and municipalities providing some combined assistance with building and finance, but with the deep need in this income group, most tend to build their homes themselves, sometimes contracting for skilled labor, sometimes doing the work themselves and with members of the family.
Under US\$2/day	11.7%	Indigent families who cannot afford any debt. Social organizations have been providing some social housing with a high level of self-help. There has also been some help from municipalities and public subsidies after pressure from native groups and local tensions. Historically, there has also been a flow of grant-funded international assistance after disasters, but the majority of this income group builds themselves with very low-cost materials, often in deteriorating condition resulting in precarious homes (chozas, or in rural areas, champas).
total	100.0%	

#### 2.4.2 Production

	Urban	Rural	Total
Housing units built or improved per year by:			
• Government organizations			
• For-profit private sector companies			
• Not-for-profit organizations			
• Self-built by households			
Water/sanitation connections per year by:			
• National authorities			
• Local authorities			
• Community organizations			
Homes in slums or informal settlements upgraded by:			
• National authorities			
• Local authorities			
• Civic and community organizations			
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>			

## 2.5 Financial capital:

### 2.5.2 Income

	Male	Female
Average income (annual) of:		
• Mid-level employee		
• Low-level employee		
• Day laborer		
• Street vendor		
• Informal sector entrepreneur		
	Urban	Rural
Median household income (annual)		
Other sources, including remittances		
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>		

### 2.5.3 Cost of housing

	Urban	Rural
Typical cost per square meter		
• Legally subdivided lot with secure tenure and services		
• Lot in unplanned area with unclear tenure and poor services		
• New home built by contractor		
• Materials for new home built by owner or volunteers		
• Informal shelter of nondurable materials		
• New walk-up apartment		
Typical rent		
• House in planned neighborhood		
• House in informal neighborhood		
• House in informal neighborhood		
Typical monthly cost for four-person household		
• Piped and metered water		
• Trucked or standpipe water from private supplier		
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>		

## 2.5.4 Rates of interest on savings and loans

	<b>High</b>	<b>Low</b>
Rate of inflation		
Range of interest rates on:		
• Long-term bonds or Treasuries		
• Short-term savings and money markets		
Range of interest rates on loans from:		
• Government banks		
• For-profit private sector banks	U.S. Dollar denominated	
• Not-for-profit organizations		
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>		

### 3. STRUCTURAL INDICATORS

#### 3.1 Public sector housing

		Land	Housing	Improvements
3.1.1 Governmental bodies that make or enforce legislation/regulations on housing:				
Governmental institution	Roles and authorities	√	√	√
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>				

#### 3.1.2 Government programs that support housing or residential land development and infrastructure:

Government program	Programs, funding and populations served			
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>				

#### 3.1.3 Public sector institutions that finance or produce housing, develop land or provide infrastructure:

Institutions	Programs, funding and populations served			
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>				

### 3.2 Private sector housing

#### 3.2.1 For-profit builders and developers of moderate or low-cost housing:

Companies	Products, volume and populations served	Land	Housing	Improvements
		√	√	√
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>				

#### 3.2.2 Not-for-profit developers of moderate or low-cost housing:

Organizations	Programs, funding and populations served			
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>				

#### 3.2.3 Financial institutions providing credit for moderate or low-cost housing or improvements:

Institutions	Loans, terms and populations served			
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b> Mortgage lenders have focused on the upper-middle/upper class and expatriate markets (see section 5.c)				

### 3.3 Informal sector housing

#### 3.3.1 Organizations supporting self-help homebuilding, home improvement, slum improvement or land tenure:

		Land	Housing	Improvements
Organizations	Programs, funding and populations served	√	√	√
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>				

#### 3.3.2 Forms of community organization used by households in slums or informal settlements to address needs for land, housing and community services:

Forms of organization	Typical approach			
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>				

#### 3.3.3 Organizations providing microcredit or credit to households in slums or informal settlements:

Institutions	Loans, number, average size, terms, and populations served			
<b>Gaps, vulnerabilities, opportunities or cases of unusual success (positive deviance):</b>				

## 4. PROCESS AND POLICY INDICATORS

### 4.1 Property rights

	Law	What happens in practice
1. What types of property or land possession are recognized?		
2. Can individuals buying or building a home obtain clear title to the property?		
3. Can liens be recorded on a title as security for a mortgage loan?		
4. Can residents of squatter communities obtain security of tenure?		
5. Can squatter communities be cleared, and are residents compensated?		
6. Do women have equitable property rights and access to tenure?		
7. Do tenants have rights?		

### 4.2 Housing finance

	Banking policy	What happens in practice
1. Are mortgage loans available to households below median income?		
2. Are home improvement loans available to households below median income?		
3. Are loans available to female heads of household?		

### 4.3 Housing and subsidies

	Government policy	What happens in practice
1. Is there a national housing plan, and what are priorities?		
2. Are there plans for improvement (or clearance) of informal settlements?		
3. Is there support for rural housing?		
4. Are government subsidies available, and what populations are served?		

### 4.4 Land and residential infrastructure

	National and local standards	What happens in practice
1. Are local land-use plans complete, and are they enforced?		
2. Is the planning process transparent, and do the communities involved participate?		
3. Is land served by primary infrastructure available to housing developers?		

4. Are buildable lots available with connection to water and sanitation?		
5. Does the water supply extend to informal and peri-urban settlements?		
6. Do sanitation systems extend to informal and peri-urban settlements?		

#### 4.5 Regulatory regime

	National and local standards	What happens in practice
1. Do lot sizes and standards in zoning ordinances support affordable housing?		
2. Do construction standards in building codes support affordable housing?		
3. Is incremental development of housing and infrastructure permitted?		
4. Are environmental assessments required?		
5. Are there policies and programs addressing settlements with high environmental risk?		
6. Are home-based businesses permitted in residential communities?		
7. Are rents controlled?		

## 5. PROGRAMS OF OTHER DONORS AND INTERNATIONAL ORGANIZATIONS

5.1 Programs of major donors

5.2 Programs of major international nongovernmental organizations

## 6. Findings and recommendations of other studies

## 7. SOURCES

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## Annex 6. Summary of preliminary information: Example

Main findings of the preliminary investigation in El Salvador:

- Demand and supply of housing improvements nationwide:** in 2004, 1.626 million households in the country had 1.595 million homes, of which 512,000 needed improvement. (VVDU 2005, p. 11) In 2003, they needed \$ 270 million to solve the national qualitative deficit.<sup>3</sup> In 2000, 86% of the qualitative deficit in urban areas was concentrated in households with incomes of up to three minimum wages (PNUD y FUSAI 2003, p.21). (Sorto Rivas (2004) provides extensive information qualitative deficit by income quintile). In El Salvador, the housing deficit reduction seems to be more related to the migration of people to other countries than to public investments (Arriagada Luco 2003, p. 24).<sup>4</sup> Moreover, “the construction of housing does not solve the problem of overcrowding in many homes because the construction area does not correspond with the number of members that comprise them”. “Popular housing construction does not solve the problem of overcrowding in many homes because the construction area does not correspond with the number of members that comprise them” (Sorto Rivas 2004). According to interviews with experts, medium and large companies that provide construction services to improve social housing have little or no involvement in this market. Some microfinance institutions (MFI) provide technical assistance in this field (see below). Moreover, most of the nongovernmental organizations working in social housing focus on complete housing construction especially after a disaster (eg Habitat Foundation, Caritas of El Salvador and REDES).
- Demand and supply of financial products nationwide:**<sup>5</sup> the Salvadorian financial system apparently is stable and solid, and is in the process of growth. Currently, financial institutions are looking for new market niches. Most of the mortgage credit market, targets the population of greater purchasing power. Although participation of MFI in financing social housing has increased in the last five years, they have not developed specific products for improvements. These MFI include FUNDASAL and members of ASOMI (ACCOVI<sup>6</sup>, AMC, Apoyo Integral, Fundación Campo, FUSALDE and Fundación Duarte). Families using credit from MFI to improve their homes use consumer credit, production and housing. There are no clear figures of the amount allocated to the housing sector. According to informal estimates, 20% (\$ 14 million) of MFI portfolios is invested in housing. Very few MFIs offer credit products specifically for social housing improvement. In early 2007, the interest rate for these products ranged between 15 and 24% (in USD), which is lower than the interest rates for other purposes. An MFI verifies that the improved budget matches the requested loan amount, and that the amount is used for the intended purpose. Another MFI provides technical assistance for construction that goes beyond the supervision. Several respondents felt that the service is expensive, or that its customers do not need it or do not want to acquire it. An MFI indicated that its customers did not find useful to receive a list of suggested constructors, preferring their own contacts. Finally, there seems to be limitations in getting funding directed credit to projects for improvements that reach scale.

Quoted Literature:

Arriagada Luco, Camilo. 2003. *Latin America: sociodemographic information and tools to analyze and address the housing shortage*. Regional Project CEPAL/CELADE-UNFPA. Serie Población y Desarrollo 45. <http://www.eclac.org/cgi-bin/getProd.asp?xml=/publicaciones/xml/4/13874/P13874.xml&cxsl=/celade/tpl/p9f.xsl&base=/tpl/top-bottom.xslt>. Consulta: diciembre 2007.

PNUD y FUSAI. 2003. Financing Options for a popular housing policy in El Salvador. Papers on Human Development, December 2003 (2).

Sorto Rivas, Francisco. 2004. *The housing shortage situation in El Salvador: Final Report*. MECOVI Program.

ViceMinisterio de Vivenda y Desarrollo Urbano. 2005. *National Housing Policy*. <http://www.mop.gob.sv/principal.aspx?idi=3&idm=4>. Consulta: diciembre 2007.

<sup>3</sup> This calculation took into account improvements to roofs, floors, walls, electricity, water and sanitation. Sorto Rivas (2004) believes that this amount is undervalued.

<sup>4</sup> Migration can reduce the housing deficit, given that most migrants are youth old enough to form their own home (Arriagada Luco).

<sup>5</sup> This information was obtained through interviews with experts in microfinance.

<sup>6</sup> Primarily finances the complete home purchase, whether new or used.

## Annex 7. Model Guide for Group Interviews: with Active Customers

Developed by the Center for Innovation in Shelter and Finance  
for Latin America and the Caribbean  
Habitat for Humanity International  
June 2009

**Objective of the Guide:** Gather information about the needs, preferences, capacities, experiences and opportunities of an institution's customers to improve their homes. This information will complement the design of a home improvement credit product and will include technical construction assistance.

**Notes:** a) This guide must be validated in the field and adjusted based on the results of the validation; b) ) Questions marked in red are key questions; c) Before starting the **group interview**, an **individual interview** must carry on previously to the participants, in the respective order as they arrive to the activity. A similar chart as presented in Annex 12 can be used to write the results obtained.

One-on-One Interview 7	
<b>Residence in the Community</b>	
1. How long have you lived in the community?	
<b>Legal Aspects and Characteristics of the House</b>	
2. Who owns the current house where you live? If the respondent is not the homeowner, ask who owns the home.	
3. What type of legal document do you have for your land?	
4. What type of material is your house built from?	
5. What types of utilities does your home have (drinking water, electric power, bathrooms/toilets)?	
6. How many rooms are in the home?	
<b>Family Structure and Family Income</b>	
7. What is the composition of the family in your household (number of family members that live at home, ages and relationship to each other)?	
8. What are the sources of income?	
9. Who are the main family providers?	
10. Do you have any outstanding debts?	

<sup>7</sup> The interview is done as each of the participants arrives for the group interview.

<b>Start of Group Interview</b>	
<p>Welcome</p> <ul style="list-style-type: none"> <li>• Thank you for coming – We are very grateful for taking the time out to help us.</li> <li>• On behalf of [name of institution] we have organized these discussion groups to try to understand and comprehend your needs, experiences, preferences and opportunities with regards to obtaining credit for improving your home.</li> <li>• We would like to ask if we could tape the discussion so that we won't miss any details or ideas that you provide. These recordings will not be shared with anyone outside of the people involved in this study. So don't worry and feel free to state your opinions regarding what we will be doing.</li> <li>• Now we will introduce ourselves and ask you to introduce yourselves.</li> </ul>	
Main Questions	Complementary Questions <sup>8</sup>
<b>Background Questions</b>	
1. What improvements have there been in your community in the past 12 to 24 months?	<ul style="list-style-type: none"> <li>• What is the reason for these improvements?</li> <li>• How have these improvements benefited you?</li> <li>• How have you become involved in helping improve your community?</li> </ul>
2. What other people or institutions have made contributions or supported activities to improve your community?	<ul style="list-style-type: none"> <li>• What is your opinion regarding the participation of these institutions or companies?</li> <li>• What other improvement plans do you know will be made to your community?</li> </ul>
3. What other improvement does your community need?	
4. Have you ever thought of moving to another community?	<ul style="list-style-type: none"> <li>• If the response is affirmative, ask: What has caused you to think about moving?</li> </ul>
<b>Credit History with [institution]</b>	
5. How long have you been a customer of [institution]?	
6. What motivates you in continuing to be a customer of [institution]?	Ask about aspects involving image and loyalty strategies used by the [institution].
7. What have you liked the most about your relationship with the [institution] and the services it offers?	Ask about key positioning factors.
8. What have you liked the least about your relationship with the [institution] and the services it offers?	Ask about key positioning factors.
9. What have been some positive or negative results of your relationship with the [institution]?	For your business? For your house? Other?
10. How do you think that [institution] could improve the services it offers?	

<sup>8</sup> These complementary questions are made if the interviewer wishes to have more detail about the topic.

Home Improvements	
<p>11. Improvements made in the past: What types of improvements, renovations or expansions have you made to your home in the past two years? (Some examples of responses may include: roofs, ceilings, floors, bathrooms, electricity, drinking water, walls, doors and windows, security windows, room expansion).</p>	<p><b>Please answer if you have made improvements:</b></p> <ul style="list-style-type: none"> <li>• Have these improvements been made in stages or all at the same time?</li> <li>• What type of support or direction have you received for carrying out the improvement(s)? Examples of responses include: support with the design, budget and hiring of contractors and labor.</li> <li>• Who provided you with this support or direction?</li> <li>• What materials did you use to make the improvements?</li> <li>• Why did you select these materials?</li> <li>• What construction material suppliers did you use?</li> <li>• Who helped you make the improvements?</li> <li>• What was the cost of these improvements?</li> <li>• What time of year did you make the improvements?</li> </ul> <p><b>For those who have not made any home improvements:</b></p> <ul style="list-style-type: none"> <li>• Why haven't you made any improvements to your house? What have been the main obstacles or limitations?</li> <li>• What would you be willing to do to improve your house?</li> </ul>
<p>12. Financial Resources: How did you finance your home improvements, repairs or expansions?</p>	<p>What resources did you use for financing your house improvements? Examples of responses: Savings, Christmas bonus, loan from a friend, credit card, credit from a finance company, lender, remittances, government aid, donation, and construction materials accumulated through time.</p> <p><b>For those who have applied for credit in the past:</b></p> <ul style="list-style-type: none"> <li>• Who extended the credit? Examples of responses: institution, relative, informal lender, friend.</li> <li>• What was the process you had to follow in order to apply for credit?</li> <li>• What was the most difficult aspect of the entire process?</li> <li>• What was the amount?</li> <li>• What was the term?</li> <li>• What requirements and guarantees were requested?</li> <li>• What are/were your home improvement credit pay-off amounts? How frequent?</li> <li>• What were or have been difficulties that you have faced in paying-off your home improvement credit on time and or other parallel credits, such as credit extended by [institution]?</li> <li>• What other family members (children or spouse) help you pay your house improvement credit? Why and how are they helping you?</li> <li>• In addition to credit, what other service or support would you have liked to receive from the financial institution for your house improvement?</li> <li>• If you applied for credit at another institution, why didn't you apply for credit at [institution]?</li> </ul> <p><b>For those people who did not apply for credit:</b></p> <ul style="list-style-type: none"> <li>• Why didn't you apply for home improvement credit?</li> </ul>

<p>13. Future Improvements and Financing: What improvement, repairs or expansions do you plan to do to your house in the next two years? <sup>9</sup></p>	<ul style="list-style-type: none"> <li>• Why would you like to make those improvements?</li> <li>• What legal requirements must be met before executing the improvements? Examples of responses: Construction permits.</li> <li>• What resources do you have or have access to in order to improve your house?</li> <li>• If you had the money to make improvements to your house, what would be the main improvements that you would do?</li> <li>• What would be the order for executing the improvements? What is the first improvement that you would like to see in your house? Why?</li> <li>• What would be the cost for the first improvement that you would like to do?</li> <li>• What type of materials would you use for this improvement? Why would you use those materials?</li> <li>• Would you be willing to other types of materials that do not jeopardize the quality and safety of your home? Why?</li> <li>• Where and how do you generally purchase your construction materials?</li> <li>• During what time of year would you prefer to carry out your house improvement?</li> </ul>
<b>Home Improvement Credit Product</b>	
<p>14. How do you plan to finance your house improvement, repair or expansion?</p>	<ul style="list-style-type: none"> <li>• What resources do you have for making improvements to your house? Response examples: Materials, savings, family support.</li> </ul> <p><b>If you are thinking about financing with credit:</b></p> <ul style="list-style-type: none"> <li>• What requirements are you willing to meet for requesting credit?</li> <li>• What are you willing to use as collateral to back your credit?</li> <li>• What is your preferred minimum and maximum payment time for paying off the credit?</li> <li>• How much of your current annual income can you spare from your current income to pay back this credit without compromising other expenses and debts that you currently owe?</li> <li>• How would you like your house improvement credit to be disbursed? Examples of responses include: As the construction advances, a one-time cash payment, in kind (construction materials), direct payments or directly to the materials supplier. Why?</li> <li>• What other family members (children, spouse) are willing to help you pay off your house improvement credit? Why and how?</li> <li>• Are you able to make additional bonus payments? Why? During what time of the year?</li> <li>• What would motivate you to apply at [institution] for a house improvement credit?</li> <li>• What concerns or limitations do you have in applying for credit at [institution] for improving your house?</li> <li>• Where would you prefer to make the credit payments? Examples of responses: At the bank or offices of [institution].</li> </ul> <p><b>For those individuals who are not interested in a home improvement credit:</b></p> <ul style="list-style-type: none"> <li>• Why aren't you interested in obtaining a house improvement credit?</li> </ul>

<sup>9</sup> The questions in red are extremely important.

Technical Assistance in Construction	
15. What type of direction/ advice do you need or would you like to receive for making the improvements, repairs or expansion to your house? (Here, the organization must make a brief introduction of the different types of assistance which can be found at the end of this guide)	<ul style="list-style-type: none"> <li>• Who would make the improvement?</li> <li>• What type of support or direction would you expect from this person?</li> <li>• What type of training would you like to receive to be better prepared to negotiate or follow-up on the improvements to be made?</li> <li>• In what areas and when would you like to receive direction from specialized staff? Why?</li> <li>• Are you willing to pay for that direction or advice? Why?</li> </ul>
16. If an institution would like to communicate with you, what is the best way? Examples of responses: radio, leave message on your cell phone, TV, newspaper, hold meetings with the community.	<ul style="list-style-type: none"> <li>• By radio: What time? What station? What program?</li> </ul>
Close	
17. What type of maintenance do you generally do to your current house?	<ul style="list-style-type: none"> <li>• Mention the different types of home maintenance that you regularly do.</li> <li>• Why don't you do maintenance on your house?</li> </ul>
18. If an institution would like to communicate with you, what is the best way? Examples of responses: radio, leave message on your cell phone, TV, newspaper, hold meetings with the community.	<ul style="list-style-type: none"> <li>• What do you do?</li> <li>• What improvements are there still left to do on your house? Examples of responses include: adequate disposal of garbage, sewage and waste water.</li> </ul>
Thank you for your time, responses and comments. They have been extremely useful and informative. We are truly grateful for the information you have provided us. Do you have any other questions or suggestions?	

### Modalities in Construction Technical Assistance

Budget Calculation	The initial cost estimate of a construction project. Costs may be divided into four types: Materials, labor, contracts with suppliers (gates and windows, for example) and indirect costs. Indirect costs include supervision, management, construction permits, food and beverage for contractors.
Improvements Design	Define living spaces, structural aspects (especially columns and beams), electric power elements (circuits and cables), drinking water network, and sewage network. The design proposal can be presented as a sketch or plan.
Selecting the type and quality of the construction materials	Procedure for identifying materials that are best adapted for the construction. Description of the types of material and the minimum quality standards for purchasing them.
Supply of materials	Estimates, request, purchase and transportation of materials to the construction site
Support for hiring labor	Assistance provided for hiring contractors which includes defining the type of labor required, method for hiring labor, cost estimate and follow-up.
Supervision during construction	On-site inspection of quality and extent of the work in progress.
Final inspection of the improvement	Last visit to the construction site to verify that the work was completed as was originally planned and defined.

## Annex 8. Model Guide for Group Interviews with Non-Customers

Developed by the Center for Innovation in Shelter and Finance  
 for Latin America and the Caribbean  
 Habitat for Humanity International  
 June 2009

Use the Group Interview Guide presented in Annex 6 and substitute the questions referring to Credit history with [institution] with the following questions:

Main Questions	Complementary Questions <sup>10</sup>
<b>Credit history with Financial Institutions</b>	
Have you ever heard of [name of your institution]?	What have you heard about it? What is your opinion of [name of your institution]?
What financial institution(s) are you or have you been affiliated with?	If you have received credit from another institution: What was the credit used for? In addition to credit, were any other services offered?
What have you liked the most about your relationship with the financial institutions you have worked with in the past?	(Ask about key positioning factors).
What have been some of the positive or negative results of your relationship with the financial institutions you have credit or have had credit with?	At your business, home, other?
What have you liked the least about your relationship with the financial institutions that you have worked with in the past?	(Ask about key positioning factors).
If you would need credit, what would motivate you for starting a credit relationship with [name of your institution]?	<ul style="list-style-type: none"> <li>• What type of credit (productive, housing or other) would you be interested in? Why?</li> <li>• What other options or institutions would you consider? Why?</li> </ul>

Afterwards, continue to use the rest of the guide as directed in Annex 6.

<sup>10</sup> Estas indagaciones se realizan si el entrevistador desea más detalle sobre el tema.

## Annex 9. Model Guide: Group Activity for Prioritizing Financial Product Attributes for Home Improvements

Developed by Microfinance Opportunities  
Adapted by the Center for Innovation in Shelter and Finance  
for Latin America and the Caribbean  
Habitat for Humanity International  
September 2007

### Objective

Prioritizing of product attributes allows us to see how current and/or potential customers perceive the components of the financial services and which of these elements are important for them. This tool allows us to know the preferences of our potential customers and why they have such preferences.

### Procedure

1. Presentation of participants
2. Presentation of meeting objectives
3. Explanation of the activity
4. Activity:
  - a. Encourage the participants to brainstorm about credit characteristics.
  - b. Write all of the components on cards – one for each component. Present other characteristics to the group that have not been already mentioned by them, such as interest rates, easy access, quotes, security, payment period, disbursements, technical assistance in construction, office hours, customer service and distance. Place the cards randomly on a flip chart.
  - c. Make sure that the meaning of each card is clear and the same for all of the group participants. Do this while you ask the participants the meaning of each card. If necessary, clarify any doubts regarding the meaning of each.
  - d. Tell the participants that they have to place the cards in order of most important to least important characteristics. During this activity, make sure that the participants are not considering if they like the characteristic or not; rather, they should consider which one is the most important and the least important when deciding to use credit.
  - e. Encourage all of the participants to participate in this activity and order the cards. Clarify that whoever decides to move a card must say, out loud, why he or she is changing the order of the card. The participants do not have to select all of the cards.
  - f. Allow the participants to start ordering the cards freely and spontaneously. Make sure that each time a card is moved, that the person moving the card explains why that particular characteristic is important, less important or more important than the other. On the other hand, the participants can also question why a person moved a card in a particular manner. In other words, the participant does not have to move a card to state an opinion.
  - g. Do not state your own opinion about the cards during this activity. Allow the participants to order and state their own opinions. Resist the temptation of participating in ordering the cards.
  - h. Listen, listen, listen and learn from the participants during the exercise. Take notes on relevant comments or explanations.



5. Document the results of the exercise: Use this table to list the results of the exercise:

**Design of Financial Products for Home Improvement**

Facilitator: \_\_\_\_\_.

Note Taker: \_\_\_\_\_.

Place and Date \_\_\_\_\_.

Attribute	Group Priority	Reasons for Prioritizing this Attribute and Comments

## Annex 10. Model Guide for Group Interviews with Credit Advisors from a Microfinance Institution that Offers Housing Credit

Developed by the Center for Innovation in Shelter and Finance  
 for Latin America and the Caribbean  
 Habitat for Humanity International  
 September 2007

**Objective of the guide:** Know and understand the experiences, challenges and suggestions of officers / advisors / credit promoters of microfinance institutions for offering a home improvement product with technical assistance in construction that responds to the needs, preferences and capacities of the target population and, is aligned with the capacity and strategy of the organization.

**Nota:** This guide must be validated in the field and adapted based on the results obtained.

<b>Welcome</b> <ul style="list-style-type: none"> <li>Thank you for coming. We are very grateful for spending time with us.</li> <li>We are part of an organization called [name of institution]. Our organization specializes in [objective of the institution].</li> <li>On behalf of [name of institution] we have organized these discussion groups to try to understand and comprehend your needs, experiences, preferences and opportunities with regards to credit for improving your home.</li> <li>We would like to ask if we could tape the discussion so that we won't miss any details or ideas that you provide. These recordings will not be shared with anyone outside of the people who are involved in this study. So don't worry and feel free to state your opinions regarding what we are doing.</li> <li>Now we will introduce ourselves and ask you to introduce yourselves.</li> </ul>	
<b>Questions</b>	<b>Complementary Questions <sup>11</sup></b>

### Background Questions

1. How long have you been working for [name of the institution]?	
2. What do you like most about extending home improvement credit?	
<b>General Questions</b>	
3. <b>Demand:</b> In the past two years, what type of home credit have families most frequently applied for?	<ul style="list-style-type: none"> <li>During what time of the year do families generally apply for home improvement credit?</li> <li>During what months of the year is there an increase in people that default on their credit payments? What do you think is the reason for this?</li> <li>In your opinion and in order of priority, what are the home improvement credit characteristics offered by your organizations that are most important for customers?</li> </ul>
4. What are the main challenges that you face in extending home improvement credit?	<ul style="list-style-type: none"> <li>Were these services offered? If not, why?</li> <li>What changes or adjustments to the policies or procedures would be required to offer them?</li> <li>What resources would you need?</li> </ul>
5. ¿Cuáles son los principales desafíos que ustedes enfrentan para otorgar créditos para mejoramiento de vivienda?	<ul style="list-style-type: none"> <li>What causes these challenges?</li> <li>What have you done to counteract them or convert them into strengths?</li> <li>What else could you do?</li> </ul>

<sup>11</sup> These complementary questions are made if the interviewer wishes to have more detail about the subject.

<p>6. Policies and Procedures: What policies or procedures must be modified and/or added to strengthen house improvement credit?</p>	<ul style="list-style-type: none"> <li>• What factors are considered for completely denying someone credit?</li> <li>• What factors are considered for approving a credit application in which the original requested amount has been modified?</li> <li>• What types of improvement credits have been rejected the most? Why?</li> <li>• If you could calculate as a percentage: How many applications are approved without modifying the requested credit amounts? How many credit applications are approved with a modification to the original amount? Why?</li> <li>• Were the loans disbursed in installments, stages, as the construction advanced or all at once?</li> </ul>
<p>7. Competence: In what other way do families finance their improvements, repairs or expansions?</p>	<ul style="list-style-type: none"> <li>• How can you take advantage of other ways of financing house improvements to offer new credit products?</li> </ul> <p>Individuals who applied for credit at other institutions:</p> <ul style="list-style-type: none"> <li>• What were those institutions?</li> <li>• What was the interest rate?</li> <li>• What was required as guarantee?</li> </ul>
<p>8. What other institutions offer this product in your work area?</p>	<ul style="list-style-type: none"> <li>• ¿Cómo han reaccionado estas organizaciones frente a la presencia de la organización / institución que ustedes representan?</li> <li>• ¿Cuál es la competencia(s) o la característica(s) que distingue a su institución de las demás?</li> <li>• ¿Qué le falta a su institución con respecto a las demás?</li> </ul>
<p>9. What improvements have been made or observed in the past two years at the organization/institution you represent?</p>	<ul style="list-style-type: none"> <li>• ¿Cómo han participado ustedes en que estas mejoras se den?</li> <li>• ¿De qué manera han incidido las mejoras en aumentar el volumen de clientes?</li> <li>• ¿Qué mejoras son necesarias aún para aumentar la competitividad?</li> </ul>
<p>10. What do you think is the image (positive or negative) that your customers have of your organization/institution?</p>	
<p>11. Technical Assistance What type of technical assistance in construction is provided to families? (Examples of responses: Calculating the budget, selecting the type and quality of the construction materials, supply of construction materials, support for hiring contractors, and supervision during the construction project, final review of the improvement.</p>	<ul style="list-style-type: none"> <li>• What other type of assistance do they require?</li> <li>• What are the current challenges to the current technical assistance in construction?</li> <li>• What can be done to make this service more effective and efficient?</li> </ul>

12. Why do you think it is important to offer technical assistance in construction to customers?	<ul style="list-style-type: none"> <li>• If you were a customer, what type of technical assistance in construction would you like to receive?</li> <li>• How do you feel about the additional costs associated with technical assistance in construction offered to customers?</li> </ul>
<b>Questions about Remittances</b>	
13. How could remittances received by the families be included with a house improvement credit product?	<ul style="list-style-type: none"> <li>• What are the mechanisms for channeling remittances for this product?</li> <li>• What improvements or changes would have to be made to the current product?</li> <li>• What would be some worries or concerns?</li> <li>• What would be challenges to consider? What would be the advantages?</li> <li>• Do you know any institutions that link remittances with some of its products? What have you heard or observed? What has been your experience?</li> <li>• Do you know any people who have used these types of institutions that link their products to remittances?</li> </ul>
14. What experience have you had with customers who receive remittances?	<ul style="list-style-type: none"> <li>• How has this situation influenced (if it, in fact, has influenced) how you make payments or manage your credit?</li> <li>• Do you think that the relatives of those customers who live abroad are willing to send money so they can improve their homes? If the answer is yes - Why? What would be the conditions?</li> </ul>
<b>Close</b>	
15. What is the safest and most effective way to communicate with customers or potential customers? (Examples of responses: radio, cell phone message, TV, newspaper, community meetings).	<ul style="list-style-type: none"> <li>• How can house improvement credit be promoted?</li> <li>• What have been the results of these types of promotions?</li> <li>• What strategies or plans are there for strengthening this area? What is missing?</li> </ul>
Thank you for your time, responses and comments. They have been very useful and informative. We are very grateful for all of the information you provided us. Do you have any questions or suggestions?	

## Annex 11. Model Guide for One-on-One Interview with Construction Material Suppliers

Developed by the Center for Innovation in Shelter and Finance  
 for Latin America and the Caribbean  
 Habitat for Humanity International  
 February 2008

**Objective of the Interview:** To learn about the products and services offered by construction material suppliers in the community where the target population of the market research resides. In addition, to identify needs not met by this type of business.

**Note:** This guide must be validated in the field and adjusted based on the findings.

<b>Good....</b> <ul style="list-style-type: none"> <li>• I am _____ and you are? _____ Name of business (hardware store): _____</li> <li>• Thank you for coming. We are very grateful for the time that you have taken to meet with us.</li> <li>• We belong to an organization called [<i>name of the organization</i>]. Our organization specializes in [<i>objective of the organization</i>].</li> <li>• We are currently in the process of interviewing suppliers in the area to get to know and understand the services that they offer the community they serve with regards to the sale and distribution of home improvement construction materials.</li> <li>• We would like to ask if we could tape the discussion so that we won't miss any details or ideas that you provide. These recordings will not be shared with anyone outside of the people who are involved in this study. So don't worry and feel free to state your opinions regarding what we are doing.</li> </ul>	
<b>Background Questions</b>	
1. How long have you been located in the area?	
2. How long have you been in business?	
3. What motivated you to open this type of business?	
<b>Questions Related to Demand</b>	
4. Where are most of your customers from – the same neighborhood/ community or other areas? What areas?	
5. Who usually buys the construction materials? The families who make the improvements to their houses or the contractors/foremen?	
6. How often do you purchase materials? Do you buy all materials at once to finish the construction or do you buy it in stages?	
<b>Materials and Types of Improvements</b>	
7. In the past year, what materials have the people from the community purchased the most?	
8. Do you know what the materials are used for (construction of a business or house)?	
9. What are the most common types of improvements (include repairs and expansions)?	

Purchase of Materials and Home Improvement Seasonality	
10. During what time of year do construction supplies sell the most? Why do you think that sales increase during this time?	
11. What time of year are sales low or practically non-existent? What do you think is the reason for this?	
Technical Assistance in Construction	
12. Given what you know about home improvements carried out by families, who usually advises them?	
13. Do you know what type of direction or technical assistance are required by families when they initiate a home improvement project (please refer to the list at the end of this guide which shows the different types of assistance offered). Why do they receive or require this service?	
14. Do you provide any type of technical assistance or direction to families/foremen or contractors? What type of person/customer asks for TAC?	
15. Do you know who they hire or who actually does the improvements (mention who is most frequently in first place)?	
Funding for Improvements	
16. In order of importance, how do most families pay for those materials? Possible responses include: Check, credit card, cash, or monthly payments with credit extended by your organization or another institution.	
Questions Related to Supply	
17. How have you distributed materials to your customers; or, rather how do customers usually take the materials to the construction site?	
18. What incentives do you offer your customers to make their construction material purchases?	Discounts: Transportation: Reduced prices: Better quality materials Credit: Other:
19. For those cases in which you extend credit:: <ul style="list-style-type: none"> <li>• What are the established conditions and requirements?</li> <li>• Do you charge interests?</li> <li>• How often do customers have to make payments?</li> <li>• What is the term?</li> <li>• What is the maximum and minimum amount?</li> <li>• How often are payments made?</li> </ul>	Requirements: Interests: Terms: Guarantee: Term: Amounts: Payment Frequency:
20. In addition to selling construction supplies, what other services do you offer your customers (Ask about labor for construction, contact with financial services providers, be they formal or informal).	
21. Are there any formal or informal agreements with the contractors of foremen in the area? If the response is affirmative, what types of agreements do you have with contractors?	

22. Do you belong to a network or are you associated with a chain or group of distributors of construction materials. If you answered yes: Which one(s)? What advantages are there in belonging to these networks (Ask about any credits received by the hardware/construction supply store)?	
23. Why do you think people prefer you to other construction materials suppliers in the area?	
24. What are other construction materials suppliers in the area who you know customers also go to?	
25. What advantages do these materials suppliers offer the community?	
26. What improvements are needed for you to better serve your customers?	
<b>Home Improvement Needs</b>	
27. What do you think are the main home improvement needs in the community?	
28. What would have to be done for families to quickly improve their homes and, thus, purchase construction supplies?	
<b>Questions about Credit</b>	
29. Do you know about any organizations that extend home improvement credit in the community?  If the response is affirmative, can you mention some of the ones that are most well-known?	
30. Do you have any other comments or suggestions?	
Thank you for your time, responses and comments. They have been very useful and informative. We are truly grateful for the information you have provided us.	

#### Modalities in Construction Technical Assistance

Budget Estimate	The initial cost estimate for a construction project. Costs may be divided into four types: Materials, labor, contracts with suppliers (gates and windows, for example) and indirect costs. Indirect costs include supervision, management, construction permits, food and beverage for contractors.
Improvements Design	Define living spaces, structural aspects (especially columns and beams), electric power elements (circuits and cables), drinking water network, and sewage network. The design proposal can be presented as a sketch or plan.
Selecting the type and quality of the construction materials	Process to identify materials recommended for the construction. Description of the types of material and the minimum quality standards for purchasing them.
Supply of materials	Estimates, request, purchase and transportation of materials to the construction site
Support for hiring labor	Assistance provided for hiring contractors which includes defining the type of labor required, method for hiring labor, cost estimate and follow-up.
Supervision during construction	On-site inspection of quality and extent of the work in progress.
Final inspection of the improvement	Last visit to the construction site to verify that the work was completed according based on how it was originally planned and defined.

## Annex 12. Model Guide for One-on-One Interviews with Contractors or Foremen

Developed by the Center for Innovation in Shelter and Finance  
 for Latin America and the Caribbean  
 Habitat for Humanity International  
 February 2008

**Note:** This guide must undergo a pilot test and will be adjusted based on the results of the pilot.

<b>Good....</b> <ul style="list-style-type: none"> <li>• I am _____ and you are?: _____</li> <li>• Thank you. We are very grateful for taking the time to meet us.</li> <li>• We are part of an organization calleda [<i>name of the organization</i>]. ]. Our organization specializes in [<i>objetivo de la organización</i>].</li> <li>• We are interviewing foremen and contractors in order to learn about and understand their experiences and the construction services that they can offer the communities.</li> <li>• We would like to ask if we could tape the discussion so that we won't miss any details or ideas that you provide. These recordings will not be shared with anyone outside of the people who are involved in this study. So don't worry and feel free to state your opinions regarding what we are doing.</li> </ul>	
<b>Background Questions</b>	
1. How long have you been a foreman or contractor?	
2. What do you like most about what you do?	
3. How did you learn your trade?	
4. How could you improve your skills?	
5. Have you recently had training opportunities? If the answer is yes, where and for how long?	
<b>Questions about Supply and Demand</b>	
6. What types of clients do you have? Possible responses: Construction companies, low-income families.	
7. What do you estimate to be the income for the majority of the families to whom you have provided your services in the communities [ <i>name of the communities</i> ]?	
8. In the past year, what construction projects have you worked on in these communities? Possible responses: floors, roofs, expansions.	
9. What construction materials are most frequently used for by people for house improvements? Why do you think that they use those materials? Do these materials cause any problems?	
10. 10. During what months of the year do families usually make house improvements? Why do you think people make home improvements during those months?	
11. During what months of the year do you have less work, since families make few or almost no house improvements? What do you think is the reason for this?	
12. What house improvement services do you provide families? What services are requested the most?	



13. Would you mind telling us the approximate cost for these services?	
14. Why do you think families need or seek support from people, such as yourself, for improving their houses?	
15. In order of importance, how do families usually pay for services? Possible responses include: At the beginning of construction, at the end of construction, in stages.	
16. Based on what you have heard or seen in the following communities [name of communities], what would have to be done for families to improve their houses there and hire or use your services more?	
17. How would you like to participate or could participate in making this possible. In other words, for more families to improve their houses?	
18. What people or organizations related to house improvement that are present in the communities, do you think could or should be involved for more families to improve their houses?	
19. Currently, what are the main problems/difficulties/challenges that you have faced in offering your services?	
20. What do you think are the cause for these problems? What have you done to counteract them?	
21. Currently, what do you think is the image (either positive or negative) that your customers have of you? Why? What distinguishes you from other businesses that offer the same services? What would you like to improve in order to better serve your customers?	
22. How do you promote your products and services?	
23. How else can you promote your products and services among low-income groups?	
24. Do you have any comments or questions??	
Thank you for your time, responses and comments. They have been very useful and informative. We are truly grateful for the information you have provided us.	

#### Modalities for Construction Technical Assistance

Budget Estimate	The initial cost estimate of a construction project. Costs may be divided into four types: Materials, labor, contracts with suppliers (gates and windows, for example) and indirect costs. Indirect costs include supervision, administration, construction permits, food and beverage for contractors.
Improvements Design	Define living spaces, structural aspects (especially columns and beams), electric power elements (circuits and cables), drinking water network, and sewage network. The design proposal can be presented as a drawing on a plan.
Selecting the type and quality of the construction materials	Identify materials that are most recommended for executing the work. Describe the type of material and the minimum quality standards for purchasing it.
Supply of materials	Estimates, request, purchase and transportation of materials to the construction site
Support for hiring labor	Advisory services for hiring contractors which includes defining the type of labor, how to hire labor, estimate of costs and follow-up.
Supervision during construction	Verify the quality and size of the construction during execution onsite.
Final inspection of the improvement	Last visit to the construction site to verify that the construction conforms to the original planned design.

## Annex 13. Example of List of Participants in a Group Interview

This list is used for taking note of the information of the people participating in the group interview that was just presented in Annex 6. The list must be filled out as each participant arrives before beginning the group interview.

Name	Age	Sex	Years living in the community	Housing Tenure		Housing Characteristics				People Living in the Home			Family Income			
				Home Owner	Legal Document	Material of which the house is built	Water	Electric	Bathrooms	No. Rooms	No. People	Ages	Family Relationship	How many family members contribute to the family income?	Monthly Income	
1.																
2.																
3.																
4.																
5.																
6.																
7.																
8.																
9.																
10.																

## Annex 14. Model Invitation to Group Interview Participants

San Juan, August 20, 2010

Dear Sir,

[Name of the organization] cordially invites you to participate in an important housing study. We would like to speak with you about your preferences, experiences, ideas and needs for improving your house and the type of credit that you need for this. The information that you contribute will help us develop solutions to help your family and other families in San Juan.

We invite you to participate in this study. We will be delivering XXXX as a token of our gratitude for your important collaboration during the study. If you are interested in participating, please contact us at the following phone number: \_\_\_\_\_ to confirm your assistance.

Sincerely,

xxxxx

[Name of organization]

## Annex 15. Validation Survey for MFV Prototype

This survey is designed for current MFI customers that would like to implement a MFV product. However, if a MFI decides to validate the prototype with NON CUSTOMERS, you could use it as a base format, provided that you adjust the content beginning with the questions used for screening purposes. The survey must be adapted to the cultural context and language of the area where it is executed

No.
-----

*“Identify the subject that provides the following information (head of household, preferably accompanied by spouse). Introduce yourself appropriately. Greet them cordially. Identify yourself with DNI, your badge and a cover letter. State that a study is taking place to validate a home improvement credit design product that will soon be launched in the area. State that this activity will not last longer than 30 minutes”.*

### A. SCREENING

1. Are you currently a customer of [name of the organization]? 1 Yes 2 No

(If the response to question 1 was 2=No, thank the respondent and conclude the interview)

2. How long have you been a customer? \_\_\_\_\_ years \_\_\_\_\_ months

(If the response to question 2 was less than 1 year or less than 12 months, thank the respondent and conclude the interview)

3. During this time, what loans have you completed? \_\_\_\_\_ loans

4. What is the current status of the house you live in?

1 Own → 4a. What document do you have to prove that the property for your home is yours?

1 Land Title 2 No document available 3 Other document \_\_\_\_\_

2. Rental

3. Loan

4. Other \_\_\_\_\_

(If the response to question 4 was 2=Rented, 3=Loan or 4=Other, thank the respondent and conclude the interview)

### B. RESPONDENT PROFILE

5. Address \_\_\_\_\_

6. First and Last Names \_\_\_\_\_

7. Sex 1 Masculino 2 Femenino 8. Age \_\_\_\_\_ (años)

9. Civil Status 1 Single 2 Married 3 Common Law 4 Divorced 5 Widower

10. Educational Level

1 None	5 High School Graduate	9 College/University Degree
2 Elementary School Incomplete	6 Technical/Vocational School Incomplete	10 Other: _____
3 Completed Elementary School	7 Completed Technical/Vocational School	
4 High School Incomplete	8 College or University Incomplete	

### C. PROFILE OF HOUSEHOLD INCOME

11. Number of family members living at home \_\_\_\_\_ people

**12. Sources of regular family income** (You may select more than one response)

- 1 Business
- 2 Other Income → **12a. ¿Cuáles?** 1 One or more family members receive(s) salary on freelance basis  
 (You may select more than one response) 2 One or more family members receive(s) regular salary as permanent employees  
 3 One or more family members receive(s) money for odd jobs (freelance basis)  
 4 Receive money from relatives in other cities in your own country or abroad  
 5 Other \_\_\_\_\_

Continue if your response to question 12 was 1: Business. If not, go to question 15)

**13. Economic sector of business** 1 Commercial 2 Service 3 Production 13a. Type of Business \_\_\_\_\_

**14. Is the business located in your house?** 1 Yes 2 No →

**14a. The business site is?** 1 Self-owned 2 Rented 3 Loaned 4 Other \_\_\_\_\_

**15. Considering all of the sources of income mentioned, can you tell us what would be the approximate amount of your total family income?** \_\_\_\_\_ pesos per month

**16. Your family income is?**

- 1 Practically the same year-round
- 2 Income is higher during some months and lower during other months →

**16a. During what months is your income higher?** 01 02 03 04 05 06 07 08 09 10 11 12

**16a.1 Why?** \_\_\_\_\_

**16b. During what months is your income lower?** 01 02 03 04 05 06 07 08 09 10 11 12

**17. What do you consider to be the three main risk factors that could negatively affect your family income?**

- 1 Drop in business sales (because customers buy less or due to competition)
- 2 Lack of work capital for the business or agricultural production/trade
- 3 Family member loses his/her job
- 4 Cut-backs in the amount of remittances sent from relatives in other cities in your country or abroad.
- 5 Sickness
- 6 Accidents
- 7 Emergency situations that may affect the business (fire, earthquake, theft, etc.)
- 8 Other \_\_\_\_\_

**18. Can you give us an approximate amount of your daily expenses?** \_\_\_\_\_ pesos

**19. Does your family save money?** 1 Yes 2 No → ¿Why not? \_\_\_\_\_

- 19a. Do you save money in kind?** 1 No 3 Food  
 2 Construction materials 4 Animals  
 Otros \_\_\_\_\_

(Go to question 22)

**20. How does your family save money?**

- 1 At home, "under the mattress" 3 At a financial institution → **20a. Which one?** \_\_\_\_\_  
 2 In a ROSCA (Rotating Savings Association) 4 Other \_\_\_\_\_

**21. What do you plan to do with the money you are saving?**

- 1 Invest it in business 3 Children's educations 6 Other \_\_\_\_\_  
 2 Home improvements 4 Healthcare emergency

**D. THE HOUSE**
**22. Characteristics of the neighborhood**

- |             |                       |                           |                     |
|-------------|-----------------------|---------------------------|---------------------|
| 1 Roads     | 4 Public Street Lamps | 7 Delinquency/Gangs       | 10 Telephone Booths |
| 2 Sidewalks | 5 Public Telephones   | 8 Community Organizations |                     |
| 3 Parks     | 6 Garbage Collection  | 9 Internet Cafes          |                     |

23. How long have you lived in this house? \_\_\_\_\_ Years

24. Do you plan to continue living in this house? 1 Yes, for a long time 2 No, I am thinking of moving soon

25. . How many rooms are in your house? \_\_\_\_\_ rooms

**26. Does your house have?**

1 Electricity Do you have a meter? 1 Yes 2 No → What is your average monthly payment? \_\_\_\_\_ pesos

2 Access to drinking water

Do you have a meter? 1 Yes 2 No → What is your average monthly payment? \_\_\_\_\_ pesos

3 Sewer

4 Landline phone What is your average monthly payment? \_\_\_\_\_ pesos

5 Cable TV What is your average monthly payment? \_\_\_\_\_ pesos

6 Internet What is your average monthly payment? \_\_\_\_\_ pesos

7 Bathroom What type? 1 Connected to a sewer 2 Silo/Latrine

8 Are the floors in good state? 1 Yes 2 No → What are they made of? 1 Tile 2 Vinyl 3 Cement 4 Other \_\_\_\_\_

9 Is the roof in good state? 1 Yes 2 No →

What is it made of? 1 Hard 2 Clay Tiles 3 Calamine 4 Wood 5 Thatched 6 Other \_\_\_\_\_

10 Are the walls in good state?

1 Yes 2 No → What are they made of? 1 Brick 2 Adobe 3 Wooden 4 Thatched 5 Other \_\_\_\_\_

27. In the past 2 years, have you made any improvements to your house? 1 Yes 2 No (go to question 30)

28. What type of improvements have you made? (You can select more than one answer)

Concept	Repairs	Expansions	Construction
01 Roof	1	2	3
02 Paint	1	2	3
03 Windows	1	2	3
04 Doors	1	2	3
05 Electric Installations	1	2	3
06 Walls	1	2	3
07 Floors	1	2	3
08 Water installations	1	2	3
09 Rooms	1	2	3
10 Bathrooms	1	2	3

11 Living Room	1	2	3
12 Kitchen	1	2	3
13 Porch	1	2	3
14 Laundry	1	2	3
15 Protective Wall	1	2	3
16 Second Floor	1	2	3
17 Basic Housing Module (Individual Roof)	1	2	3

**29. Where does the money come from?** (You may select more than one response).

- |                                      |                                                                |
|--------------------------------------|----------------------------------------------------------------|
| 1 Self-employed (business or salary) | 4 Loans from relatives or friends                              |
| 2 Savings                            | 5 From relatives in other cities in your own country or abroad |
| 3 Loans from institutions            | 6 Other _____                                                  |

**30. ¿What type of home improvement are you interested in and how much do you think it costs?** (You may select more than one response)

	Repairs	Cost (S/.)	Expansions	Cost (S/.)	Construction	Cost (S/.)
01 Roof	1		2		3	
02 Paint	1		2		3	
03 Windows	1		2		3	
04 Doors	1		2		3	
05 Electric installations	1		2		3	
06 Walls	1		2		3	
07 Floors	1		2		3	
08 Water installations	1		2		3	
09 Rooms	1		2		3	
10 Bathrooms	1		2		3	
11 Living Room	1		2		3	
12 Kitchen	1		2		3	
13 Porch	1		2		3	
14 Laundry	1		2		3	
15 Protective Wall	1		2		3	
16 Second Floor	1		2		3	
17 Basic Housing Module (Individual Roof)	1		2		3	

If the respondent answered more than one option, ask:

**30.a Out of all the improvements mentioned, which is the most urgent or which would you like to begin as soon as possible?** \_\_\_\_\_ (add code).

**31. How do you plan to cover the cost for these improvements?** (You may select more than one response)

- |                                      |                                                                |
|--------------------------------------|----------------------------------------------------------------|
| 1 Self-employed (business or salary) | 4 Loans from relatives or friends                              |
| 2 Savings                            | 5 From relatives in other cities in your own country or abroad |
| 3 Loans from institutions            | 6 Other _____                                                  |

32. Many times a person is not able to immediately cover the total cost of their house improvements. If this were the case, what would you do?

- 1 Wait until you save up the entire cost for the improvement.
- 2 Execute the home improvements in stages (gradually) based on what I can afford.
- 3 Find other ways of covering the cost and do the entire improvement.

32a. How would you accomplish that?

- |                                |                                                                           |
|--------------------------------|---------------------------------------------------------------------------|
| 1 Loans from institutions      | 3 Money sent from relatives in other cities in your own country or abroad |
| 2 Loans from friends or family | 4 Other _____                                                             |

33. Are you or a family member willing to help in the construction as labor (without receiving any payment)?

- 1 Yes 2 No

34. If you were to receive assessment/training or recommendations for your home improvements, repairs or expansion, what would you like to know more about? (list in order of priority)

- Priority 1: \_\_\_\_\_ Priority 2: \_\_\_\_\_
- |                                 |                                                |
|---------------------------------|------------------------------------------------|
| 1 Budget and costs              | 4 Negotiation with contractors                 |
| 2 Design                        | 5 Supervision during construction              |
| 3 Type and quality of materials | 6 Final assessment of the construction project |

35. Are you willing to pay for required assessment, advice or training? 1 Yes 2 No (go to question 38)

36. What reasons motivated you to pay for the required assessment/advice/training?

- |                             |               |
|-----------------------------|---------------|
| 1 Usefulness                | 3 Low cost    |
| 2 Services provided quickly | 4 Other _____ |

37. Considering your entire monthly income and expenses, how much do you think you can set aside for paying back your credit installment for a progressive improvement to your house? \_\_\_\_\_ pesos

38. If you had to sell everything you currently own, how much do you think you would be paid? \_\_\_\_\_ pesos (EVERYTHING includes all family and business real estate and other assets).

39. On average, how much money would you need for monthly payments to cover all of your current debts?

\_\_\_\_\_ pesos  
 (Including family and business debts).

40. Have you ever applied for a (housing credit)? 1 Yes 2 No (go to question 43)

41. Were you approved for the credit that you applied for? 1 Yes 2 No →

41a. Why do you think you weren't approved?

- |                                             |                                              |
|---------------------------------------------|----------------------------------------------|
| 1 I did not have enough income              | 3 I was not able to obtain a credit approval |
| 2 I did not have the required documentation | 4 I had other outstanding debts              |
|                                             | 5 Other _____                                |

## E. MICROCREDIT PROTOTYPE FOR HOUSING FINANCING

42. Are you and your family interested in applying for credit according to the following credit requirements?



Characteristics	Conditions	Accept		Comments
		Yes	No	
<b>01 Definition</b>	<b>Progressive credit</b> (The amounts can be gradually increased) <b>and Recurrent Credit</b> (after paying back the credit, you can apply for more credit) <b>for gradually improving, repairing, expanding and finishing an adequate home</b>	1	2	
<b>02 Type of credit</b>	<b>Parallel and Individual for current customers based on the Community Banking methodology of [Name of MFI]</b>	1	2	
<b>03 Average amount</b>	_____ pesos (Maximum Cost Value referenced in Table No.1, based on improvement mentioned by respondent in question 30 or 30a. <u>If this value exceeds S/.2, 500 =&gt; write S/.2,500 and ask if this amount is adequate for them to “progressively initiate” the desired improvement)</u> )	1	2	
<b>04 Average term period</b>	15 months	1	2	
<b>05 Average installment amount</b>	_____ monthly pesos (Payback installment referenced in Table No.1 based on improvements mentioned by respondents in question 30 or 30a. <u>If the installment exceeds S/.212 =&gt; write S/.212 and ask if it is possible for them to pay a higher installment in order to increase the loan amount. You can show the respondent Table No.1 to give them an idea of what the installments would be based on the improvements and how much it would cost).</u> )	1	2	
<b>06 Payment frequency</b>	Monthly	1	2	
<b>07 Interest rate</b>	38.4% annual o 2.74% monthly	1	2	
<b>08 Possibility of automatic renewal</b>	<b>If the previous credit was completely paid off</b>	1	2	
<b>09 Compulsory savings fund</b>	<b>09.1 As monthly installments (based on the same payment frequency as the credit installments)</b>	1	2	
	<b>09.2 For the term of the loan</b>	1	2	
	<b>09.3 To save a minimum of 10% of the disbursed amount</b>	1	2	

	<b>09.4 To be used EXCLUSIVELY FOR home improvement, repair, expansion or completion (not as a loan for an internal account)</b>	1	2	
<b>10 Increase in disbursed amounts</b>	<b>10.1 Provided that customer fulfills the compulsory savings fund requirement</b>	1	2	
	<b>10.2 Maximum increase equivalent to 10% of the previous credit</b>			
<b>11 Requirements</b>	<b>11.1 To have been a customer at the [name of institution] for at least one continuous year</b>	1	2	
	<b>11.2 DNI</b>	1	2	
	<b>11.3 Utilities (water, electricity) bill</b>	1	2	
	<b>11.4 Document which proves secure tenancy of the area where the construction will be executed (Land title, document proving secure tenure or community possession)</b>	1	2	
	<b>11.5 Proof of income (through receipts reflecting payments from salary, business, family members, etc.)</b>	1	2	
	<b>11.6 Good credit score</b>			
	<b>11.7 No outstanding debts in more than 3 financial institutions (including FINCA)</b>	1	2	
	<b>11.8 Signature of spouse (if customer has a spouse) who will also be held responsible for the credit loan</b>	1	2	
<b>12 Guarantees</b>	<b>12.1 Property title deed</b>	1	2	
	<b>12.2 Collateral (fixed asset valued at the market price)</b>	1	2	
	<b>12.3 Signature of the homeowner [in the event that the Community Bank partner is not the homeowner] who will also be held responsible for the credit loan</b>	1	2	
	<b>12.4 Loan note</b>	1	2	
	<b>12.5 Approval</b>	1	2	
<b>13 Technical assistance</b>	<b>The housing credit advisor will provide basic direction on home improvement projects and will help design your “PROGRESSIVE HOME IMPROVEMENT PLAN”.</b>	1	2	
<b>14 Legal assistance</b>	<b>For providing support in legalizing tenancy for the homes</b>	1	2	

<b>15 Annual lotteries for free home improvements</b>	For customers with excellent credit payment history, free home improvements will be raffled for up to S/.1,000.	1	2	
<b>16 Discounts and/or special services for purchasing construction materials.</b>	Through agreements with supplier chains	1	2	

44. Which aforementioned characteristics do you consider most important for you to make the decision to apply for a loan such as the one described (List code in order of priority)? \_\_\_\_\_

45. Which do you think is the best way of finding out about the loan just described?

- 1 Informational flyers and posters at the offices of [name of the organization].
- 2 Delivery of letters to people's homes.
- 3 Talks about the product at community banks.
- 4 "Door-to-door" promotion of the product by credit advisors.
- 5 Direct promotions at hardware stores and construction material supply stores.
- 6 Other \_\_\_\_\_

*"Say goodbye to your customer and thank him/her for taking time out of their day for this interview (s)."*

**Table No.1**  
**Referential Costs for Housing Improvement and**  
**Monthly Referential Payments for 15-Month Term Loans**

Desired Repair/Expansion/Construction	Referential Cost of the Construction (P/.)	Monthly Referential Installment (P/.) 1/
14 Laundry	<b>Less than 500</b>	<b>41</b>
02 Paint 04 Doors	<b>500 - 1,000</b>	<b>82</b>
08 Water installation/drains	<b>1,000 - 1,500</b>	<b>123</b>
03 Windows 07 Floors	<b>1,500 - 2,000</b>	<b>164</b>
05 Electric installations	<b>2,000 - 2,500</b>	<b>205</b>
06 Walls 09 Rooms 10 Bathroom 11 Living Room 12 Kitchen 13 Porch 15 Walls 16 Second Floor	<b>3,500 - 4,000</b>	<b>329</b>
01 Roof	<b>6,000 - 6,500</b>	<b>534</b>

1/ Calculated based on a TEA of 38.4% and a term of 15 months.

## Annex 16. Example of a Meeting Agenda for Designing Product and Service Prototypes

### Meeting Agenda: Design of Products and Service Prototypes for Low-Income Families in San Juan Monday, September 3, 2010

**Objectives of This Meeting:**

- Analyze preliminary research findings on a national level and in San Juan.
- Analyze qualitative research findings in San Juan.
- Design product and service prototypes for improving the houses of these families, based on those findings.

**Activities:**

Time	Activity	Work Modality	Materials	Person Responsible
8:00	Presentation of participants and agenda.	Plenary session	Agenda	
8:15	Presentation of preliminary and qualitative research findings.	Presentation at plenary session.	Power Point document	
8:45	Analysis of the implications of the findings.	Discussion at plenary session		
10:00	Based on the research results, defining the eight Ps: Population, Product, Price, Term, Personnel, Promotion, Positioning and Process.	Work in two groups using the Concentric Circle Technique <sup>12</sup>	Cards and markers	
11:00	Presentation and discussion of prototypes	Discussion at plenary session		
12:00	Lunch			
13:00	Selecting the prototype	Discussion at plenary session	Cards and markers	
14:00	Internal policies and systems: - What policies and systems must be changed in order to offer these products? - What authorization must be obtained?	Discussion at plenary session		
15:00	Defining the next steps, including: -Refining the cost of the prototype. -Designing and administering the survey in San (quantitative validation). - Follow-up with potential sources of capital (funding) for the pilot.	Plenary session		
16:00	Close			

<sup>12</sup>Through this technique, a first circle which is comprised by credit advisors, contributes their ideas on the prototype(s). Afterwards, a second circle, comprised by the organization's middle management, provides feedback on the work of the first circle. Finally, a third circle, comprised by consultants who have participated in the research and senior management staff of the organization, contribute their ideas on the results of the second circle.

## Annex 17. Assessment of Preparedness Level of the Institution for Launching the Housing Microfinance Product Pilot

The following questions seek to evaluate how prepared is the institution for implementing the MFV product pilot. Please, take a few minutes to respond to each of the questions.

Question	Yes/No	Explain Your Response
Is the new MFV product backed by the leaders and board of directors of the institution?		
Is the institution aligned with regards to the construction services model that it will offer?		
Are the funding sources and additional fund requirements confirmed for adequately implementing the MFV product pilot?		
Does the institution have appropriate administrative and operative skills for this product to be successful?		
Does the institution have an adequate staff (number and capacity) to implement the MFV Pilot? This staff includes those individuals involved with the credit and construction services components. <sup>13</sup>		
Has a training plan for the new MFV product been organized for all key personnel before the implementation of the pilot?		
Is there an understanding regarding the focus and special requirements of the new MFV product by each of the areas that will directly or indirectly handle it.		
Does the institution have the capacity to make timely adjustments for managing and following-up the MFV product with regards to other microfinance products offered by the institution (this includes establishing software parameters to incorporate the new product)?		

<sup>13</sup>It is assumed that the institution has already selected the type of construction service that it will offer. The response to this question will depend on that selection.

Question	Yes/No	Explain Your Response
Have you evaluated and analyzed the risks and implications of the new MFV product with regards to:		
<ul style="list-style-type: none"> <li>o Institutional strategy</li> </ul>		
<ul style="list-style-type: none"> <li>o Financial viability</li> </ul>		
<ul style="list-style-type: none"> <li>o Organizational structure</li> </ul>		
<ul style="list-style-type: none"> <li>o Human Resources</li> </ul>		
<ul style="list-style-type: none"> <li>o Marketing</li> </ul>		
<ul style="list-style-type: none"> <li>o Information Systems</li> </ul>		
<ul style="list-style-type: none"> <li>o Credit, processes and procedures policies</li> </ul>		

## Annex 18. Planning the Launch of a Housing Microfinance Product

The following section shows the ten steps that the institution must execute before the Workshop for Planning the Product Pilot. This will allow the completion of certain activities and set the foundation for the execution of other activities during the workshop.

	Step	Responsible	Deadline
1	Establish the HMF product pilot execution team.	•	
2	Define objectives of the HMF product pilot implementation.	•	
3	Elaborate the protocol for the pilot execution plan.	•	
4	Adjust Management Information Systems (MIS) with parameters necessary for incorporating the new HMF product.	•	
5	Elaborate financial projections for the new HMF product.	•	
6	Define policies, processes and procedures of the new HMF product.	•	
7	Train the entire team involved in managing, implementing and following-up the HMF product.	•	
8	Elaborate marketing strategy and preparation of materials for HMF product	•	
9	Design the pilot monitoring and assessment system.	•	
10	Select launch date for the HMF product pilot.	•	

**STEP No. 1**
**Establish the HMF Product Pilot Implementation Team**

**Responsible:**                      **Deadline:**

**Purpose:** This team is responsible to provide follow-up to the implementation of the HMF product. For this purpose, the team must be comprised of members from various areas of the institution who will interact during the HMF product implementation and, thereby, contribute to its success. The participation of each of the members requires that the institution initially determine the percentage of time necessary for the team to achieve its objectives. This last aspect is emphasized since each member has their own regular work activities and their participation in this team will require that they allot additional time for this purpose.

**Recommendation:** Appoint the same team responsible for the market research and prototype design and add other individuals that are considered necessary. In this manner, the team will have a good understanding of the prototype for the pilot. It is preferable that each team be small and comprised of key individuals.

**ACTIVITIES**

- Establish who will comprise the team members and who will be the team leader.
- Establish the responsibilities of each team member.
- Determine the percentage of time that each person will dedicate to the team.
- Appoint a supervisor for the implementation team who is not a member of the pilot team.

The following two tables include information about the pilot implementation team<sup>14</sup>:

Table No. 1. Team Members, Department, Name, Responsibility and Percentage of Time.

Department	Name and Responsibility	Number of Days/Hours Spent by each Team Member

Table No. 2. Activities by Area

Department	Activities

Las tablas anteriores ayudarán a que cada integrante del equipo sepa las actividades y el número de horas, por semana, que cada uno deberá dedicar al cumplimiento de. The preceding tables will help each team member to know what activities and how many hours per week each will allot for fulfilling each of the activities they are responsible for during the pilot planning and implementation phase.

<sup>14</sup>Please add as many rows as you may require.



<b>STEP No. 2</b>	
<b>Define Objectives of the HMF Product Pilot Implementation</b>	
<b>Responsible:</b>	<b>Deadline:</b>
<p><b>Purpose:</b> Help the team quickly determine the action steps for the pilot implementation and provide criteria for the pilot implementation team to use as a baseline to interpret the periodic and final results of the pilot.</p>	
<b>ACTIVITIES</b>	
<ul style="list-style-type: none"> <li>• Establish general and specific objectives for the following areas:               <ul style="list-style-type: none"> <li>&gt; Sustainability of the HMF product</li> <li>&gt; Growth (Number of credits and the portfolio value they represent)</li> <li>&gt; Effectiveness of the promotion and marketing efforts of the HMF product</li> <li>&gt; Customer satisfaction (credit and construction services)</li> <li>&gt; Other.....</li> </ul> </li> </ul>	

<b>STEP No. 3</b>	
<b>Elaborate the Protocol for the Pilot Execution Plan</b>	
<b>Responsible:</b>	<b>Deadline:</b>
<p><b>Purpose:</b> Elaborate a draft or guide for the implementation of the pilot comprising all details of the activities to be executed for obtaining results. The protocol defines what will be done, who will do it and when.</p>	
<b>ACTIVITIES</b>	
<p>As a minimum, the protocol must include:</p> <ul style="list-style-type: none"> <li>• Number of customers that are expected to be attained during the product pilot implementation.</li> <li>• Location where the product pilot implementation will take place.</li> <li>• Duration of the product pilot implementation (date of beginning and end).</li> <li>• Data that must be analyzed, how and when it must be analyzed.</li> <li>• Format for presenting reports showing the advances made in the product pilot implementation.</li> <li>• Presentation dates of the reports that show the advances made in the product pilot implementation.</li> <li>• Parameters for results or situations that may lead to final suspension or cancelation of the product pilot implementation.</li> </ul>	

<b>STEP No. 4</b>	
<b>Adjust the Management Information Systems (MIS) with Parameters Necessary for Incorporating the New HMF Product</b>	
<b>Responsible:</b>	<b>Deadline:</b>
<p><b>Purpose:</b> Establish parameters and adjust the current portfolio and accounting software for managing the new product so that it will be ready to operate as part of the normal routine of the branch offices and agencies before the pilot launch date; in addition, guarantee that the staff responsible for managing it clearly knows the parameters and adjustments executed for the HMF product.</p>	
<b>ACTIVITIES</b>	
<ul style="list-style-type: none"> <li>• Assess if the current software can incorporate the HMF product.</li> <li>• Make the necessary adjustments to the MIS to incorporate the HMF product.</li> <li>• Define the type of reports that will be generated for the HMF product.</li> <li>• Establish if they can be generated as part of the reports issued by the current system or if new reports will be created that will interface with the current system.</li> <li>• Train relevant staff in systematized management of the new HMF.</li> </ul>	

<b>STEP No. 5</b>	
<b>Elaborate Financial Projections for the New HMF Product</b>	
<b>Responsible:</b>	<b>Deadline:</b>
<p><b>Purpose:</b> To prepare a financial map for the institution to understand when and under what conditions- with regards to the volume of loans extended portfolio recovery and amount – will the product reach its break-even point and become sustainable. This will help the team execute an informed follow-up of the state of the HMF product portfolio.</p>	
<b>ACTIVITIES</b>	
<ul style="list-style-type: none"> <li>• Learn about credit processes and procedures of the institution for other microfinance products.</li> <li>• Learn about the cost structure of the institution.</li> <li>• Make financial projections for the new product.</li> <li>• Make adjustments to the financial projections after validating the prototype.</li> <li>• Elaborate final financial projections for the pilot phase of the HMF product.</li> <li>• Generate an economic indicator summary table to be reviewed periodically by the institution. It will also serve as a basis for reports.</li> <li>• Elaborate the implementation budget for the HMF product pilot plan.</li> </ul>	

<b>STEP No. 6</b>	
<b>Define Policies, Processes and Procedures for the New HMF product</b>	
<b>Responsible:</b> Pilot plan team, construction and financial services consultants	<b>Deadline:</b>
<p><b>Purpose:</b> To create conditions for standardizing the product implementation. It will serve as a work guide for all people involved in the implementation and follow-up of the HMF product.</p>	
<b>ACTIVITIES</b>	
<ul style="list-style-type: none"> <li>• Establish the policies and procedures of the new HMF product, taking into account:               <ul style="list-style-type: none"> <li>&gt; Credit advisors/officers and their supervisors</li> <li>&gt; Marketing and promotion of the product</li> <li>&gt; Technical operations:                   <ul style="list-style-type: none"> <li>o Portfolio and accounting</li> <li>o Computerized management information systems</li> </ul> </li> </ul> </li>   <li>• Develop a draft based on the format used by the institution for the policies and procedures of other financial products. This document must include:               <ul style="list-style-type: none"> <li>&gt; Detailed instructions for filling-out forms (from application to credit follow-up).</li> <li>&gt; Detailed documentation of the procedures for each HMF product process and a corresponding roadmap.</li> </ul> </li> </ul>	
<p><u>Note:</u> This document is a draft. The final version will be available at the end of the pilot. Some adjustments may be made to the document as the HMF product pilot is implemented.</p>	

<b>STEP No. 7</b>	
<b>Train the Team Involved in Managing, Implementing and Following-Up the HMF Product</b>	
<b>People Responsible:</b>	<b>Deadline:</b>
<p><b>Purpose:</b> To guarantee that everyone involved in the implementation, follow-up and direct or indirect management of the HMF product knows the policies, processes and procedures of the product implementation. This will help everyone, based on the degree of involvement, to speak the same language and facilitates follow-up during the HMF product pilot implementation.</p>	
<b>ACTIVITIES</b>	
<ul style="list-style-type: none"> <li>• Select the team to be trained. We suggest that you include:               <ul style="list-style-type: none"> <li>&gt; HMF product credit advisors/officers</li> <li>&gt; Credit supervisors</li> <li>&gt; Office or branch heads</li> <li>&gt; Accounting and portfolio personnel</li> <li>&gt; Computerized management information systems personnel</li> <li>&gt; Marketing personnel</li> <li>&gt; Training and other non-financial services personnel</li> </ul> </li>   <li>• Determine the training areas. We suggest that you include:               <ul style="list-style-type: none"> <li>&gt; Product characteristics</li> <li>&gt; Product policies and procedures</li> <li>&gt; Construction Technical Assistance (CTA) for the product</li> <li>&gt; Product marketing</li> <li>&gt; Computerized management information systems (MIS)</li> </ul> </li> </ul>	

- Establish the training level required by each team member. The following table suggests the level of training for each team member depending on their area.

TEAM	Policies and Procedures	CTA	MARKETING	IS
> HMF credit advisors /officers	In-depth	In-depth	In-depth	In-depth
> Credit supervisors	In-depth	In-depth	In-depth	In-depth
> Office or branch supervisors	In-depth	In-depth	In-depth	In-depth
> Accounting and portfolio personnel	In-depth	N/A	N/A	In-depth
> Computerized management information systems personnel	In-depth	N/A	N/A	In-depth
> Marketing personnel	In-depth	In-depth	In-depth	N/A
> Training and other non-financial services personnel	In-depth	In-depth	In-depth	N/A

- Elaborate training materials:
  - > Policies and Procedures
  - > CTA
  - > Marketing
  - > IS (Information Systems)
  - > Other...

<b>STEP No. 8</b>	
<b>Elaborate Marketing Strategy and Materials for the HMF product</b>	
<b>Responsible:</b>	<b>Deadline:</b>
<b>Purpose:</b> To have a positioning strategy ready on an internal level (for the institution) and external (for potential demand) before the launch of the HMF product pilot.	
<b>ACTIVITIES</b>	
<ul style="list-style-type: none"> <li>• Establish strategic marketing objectives.</li> <li>• Establish marketing strategies and activities.</li> <li>• Elaborate materials to support marketing strategies and activities.</li> <li>• Define indicators and verification methods for monitoring HMF product marketing strategies.</li> </ul>	

<b>STEP No. 9</b>	
<b>Design of the Monitoring and Evaluation System for the HMF Product Pilot</b>	
<b>Responsible:</b>	<b>Deadline:</b>
<b>Purpose:</b> To develop a tool that facilitates monitoring and evaluation of the HMF product pilot implementation in order to maintain the status quo or adjust the product, as may be required. This will be a tool for making operative, management and investment decisions about the pilot implementation.	
<b>ACTIVITIES</b>	
<ul style="list-style-type: none"> <li>• Establish monitoring indicators by specifically incorporating:             <ul style="list-style-type: none"> <li>o Financial tendencies</li> <li>o Home improvements and CTA</li> <li>o Marketing</li> <li>o Other, to be defined by the team.</li> </ul> </li> <li>• Establish sources of information, verification methods and frequency for measuring the established indicators.</li> <li>• Establish formats for filing reports.</li> </ul>	

<b>STEP No. 10</b>	
<b>Select Product Launch Date</b>	
<b>Responsible:</b>	<b>Deadline:</b>
<b>Purpose:</b> Guarantee that all the previous steps are in place to meet the pilot launch date.	
<b>ACTIVITIES</b>	
<ul style="list-style-type: none"> <li>• Verify that all the previous steps have been completed.</li> <li>• Organize and activity that will commemorate the implementation plan for the HMF product pilot.</li> </ul>	

## Annex 19. Example of a Quarterly Report for Monitoring the Product Pilot

Indicators	Planned Pilot Goal	1st Quarter		
		Goal	Executed	% Target Reached vs. Executed
		Number/ Amount	Number/ Amount	
<b>Financial and Operative</b>				
Percentage of operational sustainability of HMF product				
Number of loans extended each month				
Total number of loans extended (accumulated)				
Portfolio extended per month (\$ dollars)				
Total portfolio extended (accumulated) (\$ dollars)				
Average loan amount (\$ dollars)				
Portfolio balance to date (\$ dollars)				
Past-due portfolio (> 30 days) (\$ dollars)				
Past-due portfolio (%)				
<b>Technical Assistance in Construction</b>				
Number of families that carried out the original project financed by the credit loan.				
Number of families (on a scale from 1-5) satisfied with CTA received.				
Number and type of improvements executed:				
<ul style="list-style-type: none"> <li>• <u>Security</u>: (outside door, fences, windows, enclosure)</li> </ul>				
<ul style="list-style-type: none"> <li>• <u>Finishings</u>: rendering, paint, ceramic floors, false ceiling, bathroom tiles, internal walls, internal doors, other</li> </ul>				
<ul style="list-style-type: none"> <li>• <u>Structural</u>: Expansion of bedrooms, walls, roof, ground retention walls, floors, bathrooms, kitchen, store or other business within the house</li> </ul>				
<ul style="list-style-type: none"> <li>• <u>Services</u>: Electric installations, potable drinking water connections, sanitary installations, electric connections, sanitary connections</li> </ul>				
<ul style="list-style-type: none"> <li>• <u>Sanitation</u>: Septic tank, bathroom sink, toilet, showers, laundry sink</li> </ul>				
<b>Socio-economic Level</b>				
Percentage of socio-economic level E customers				
Percentage of socio-economic level D customers				
Percentage of socio-economic level C customers				



## Annex 20. Housing Improvements Planning Workshop

Below, the CISF method themes that are part of the planning workshop for housing improvements are presented.

### Onset

- Development of housing improvement plan, according to family priorities
- Identification of the steps to implement the plan

### Budgeting for housing improvements

- Prepare a Budget
- How to plan for unexpected expenses
- How to meet the budget

### Borrowing wisely to improve housing

- Identification of risks and responsibilities of taking out loans
- Calculation of ability to pay, based on income and running costs

### Finding the best loan and pay your home improvement

- Identification of the conditions of the loan
- Comparing Loan Costs
- Decision on how to repay the loan, taking the financing options into account

### Saving for housing improvement

- Identification of obstacles to save and how to overcome them
- Identification of the benefits of saving to meet unforeseen expenses

### Use of consignments in housing

- Identify the uses that the family has for consignments
- Discussion of the benefits of using a consignment for home improvements

### Choosing the best manufacturer and supplier of building materials

- Define the characteristics of a good builder and materials supplier
- Identify steps to find and choose a good builder and a good supplier of building materials.
- Review of a sample contract of execution of the work

## Annex 21. Interest from Potential Customers (Form F1)

General Data	
Name:	
Telephone Number:	Branch:
Address:	
Neighborhood:	Municipality:
Total Income:	Sources of income:
Savings:	
Other interesting data:	
Interest in Improvements	
Improvements desired (Circle the preferences of the client).	
Observations	
Requested by:	Date:

## Annex 22. List of minor and major improvements

### Minor improvements (non structural and maintenance)

- o Floors
- o Plastering (veneers)
- o Doors and windows
- o Ceiling
- o Replacement of roof covering sheet
- o Sheet roofing structures
- o Light partitions
- o Water and sewage networks
- o Electrical installation

### Major improvements (structural and extensions)

- o Walls or structural reinforcement
- o Walls
- o Internal storm drains
- o Concrete roofs
- o Extending existing environment (eg., New bedroom and bathroom)

## Annex 23. Basic Information about the House (Form F2)

Name:										Home Characteristics (B-R-M)										Improvement Plan									
Address:					Area of the house m <sup>2</sup> :					Walls																			
Zone:					District:					Living Areas/Rooms																			
Reference:					Living Areas/Rooms					Bedrooms					Dining Room														
People living in the house					# Ages					Living Room					Bathroom					Roof									
Men					Sons					Business					Porch					Sink (laundry)									
Women					Daughters					Walls:					Garage														
Educational level of household head/spouse					Physician's office					Brick					Adobe					Prefabricated									
No schooling					Physician at private clinic					Other:										Rendering									
Elementary School Incomplete					Other:					Roof																			
Completed Elementary School					Universidad completa					Hard					Clay tile					Lamina									
Completed High School					Where does head of household go for medical attention?					Otro:										Floors									
Healthcare Center					Physician's office					Electrical System										Paint									
Hospital					Physician at private clinic					Internal wiring					Only cables (exposed)														
Social Security Clinic					Other:					Floors										Bathroom									
What are the Assets?					Color TV					Concrete					Ceramic					Brick									
Computer					Refrigerator					Wooden					Earthen					Other					Electrical System				
Washing Machine					Kitchen					Doors															Other expansions				
Telephone					Loan					Wood					Metal					Cardboard									
Legal Ownership Status					No document available					Other:															Doors				
Self-owned					Other:					Window Panes															Windows				
Other					Drain					Iron					Aluminum					Wooden									
Basic Utilities Available					Septic tank					Other:															Drinking water system				
Drinking water					Septic tank					Sewage System															Drinking water connection				
Electricity					Other:					Septic tank					Sewer														
Telephone					Other:					Drains					Latrine														
Type of House					Other house details:					Directly to river					Other:														
Independent					Other:																				Sewage/Waste Water Systems				
Characteristics of the Land					Topography																				Other:				
Area					Other																								
Form																													

Score: G= Good, R= Regular, B= Bad

Stages for Executing the Improvements:	
Proposed Solutions:	Stage 1
Customer Signature:	Stage 2
	Stage 3

Area reserved for sketches or taking notes of measurements	F2
Space for photograph	
Observations and Recommendations	

## Annex 24. Follow-up of Improvements and Closing (Form F3)

Improvement Verification & Closing			
General Data			
Name:	Date of Visit:		
Telephone:	Zone:		
District:	Region:		
Address:			
Description of the Improvement:			
Verification of Improvement	G-R-B	Quality of Service Satisfaction	G-R-B
1. Advancement of the construction of the improvement –as originally planned.		Satisfaction with credit service:	
2. Construction time –as planned		Satisfaction with CTA service:	
3. Cost similar to budget and credit amount			
4. Quality of construction: materials and labor			
5. Needs additional contribution from the customer (For this case, good would be not having to make any additional contributions).			
Photograph of the Improvement			

1.	Recommendations to the Family for Continuing the Construction	Recommendations from the Family for the Organization
1.		
2.		
3.		
4.		
General Observations:		
Recommendations by: Customer Signature:		
<b>G: Good</b> <b>R: Regular</b> <b>B: Bad</b>		

## **Annex 25. Characteristics of a Good Contractor and a Good Construction Materials Supplier**

### **Characteristics of a Good Contractor**

1. Proven experience.
2. Good performance: effective and efficient.
3. Responsible and honest.
4. Careful with the quality of construction.
5. Charges a fair price.
6. Has the necessary tools to do the work.
7. Capacity to direct their team of workers.

### **Characteristics of a Good Construction Materials Supplier**

1. Has a variety of products in stock.
2. Offers competitive prices.
3. Delivers construction materials to the house. Alternatively, the business is located near the houses of the target families.
4. Provides technical assistance in construction.
5. Guarantees the quality of its products.
6. Accepts surplus materials or, rather, materials purchased but not used for the construction.
7. Meets the deadline for delivery of materials.



## Annex 26. Example of Construction and “Combos” Cost Table

Improvement Costs						
Date Updated 9/6/2010						
Activity	Unit	Unit Cost (Soles)*	Module Value Small (36 m <sup>2</sup> )		Module Value Medium (60m <sup>2</sup> )	
			Quantity	Cost (Soles)	Quantity	Cost (Soles)
<b>Structural Improvements</b>						
Basic house	m <sup>2</sup>	500	36	18.000	60	30.000
Additional bedroom	m <sup>2</sup>	400	9	3.600	12	4.800
Roof	m <sup>2</sup>	84	36	3.024	70	5.880
Exterior walls	m <sup>2</sup>	150	36	5.400	60	9.000
Floor without ceramic	m <sup>2</sup>	40	20	800	56	2.240
<b>Finishes</b>						
Interior walls	ml	50	9	450	12	600
Ceramic floor	m <sup>2</sup>	40	36	1.440	60	2.400
Interior door	unidad	300	1	300	4	1.200
Rendering	m <sup>2</sup>	20	65	1.300	110	2.200
Exterior paint	m <sup>2</sup>	6	72	432	84	504
Interior paint	m <sup>2</sup>	5	90	450	110	550
Bathroom tile	m <sup>3</sup>	45	11	495	12	540
<b>Security</b>						
Exterior wall	unidad	400	2	800	2	800
Enclosure	ml	100	16	1.600	20	2.000
Window installation	unidad	400	6	2.200	7	2.600
Window grille	unidad	150	4	600	5	750
<b>Sanitation</b>						
Bathroom	m <sup>2</sup>	600	5	3.150	7	3.900
Sink	unidad	200	1	200	1	200
Septic tank	unidad	1.200	1	1.200	1	1.200
<b>Services</b>						
Electrical installations	m <sup>2</sup>	35	36	1.260	60	2.100
Bathroom installations	m <sup>2</sup>	25	36	900	60	1.500
Drinking water connections	unidad	1.000	1	1.000	1	1.000
Bathroom connections	unidad	1.300	1	1.300	1	1.300

<b>Improvement Combos</b>			
Date Updated		9/6/2010	
Combos 36 m <sup>2</sup>	S/1500	Combos 60 m <sup>2</sup>	S/1500
Rendering and laundry sink	1.500	Lavadero y 3 Puertas	1.500
Laundry sink and doors	1.500	Ventanas 3 unid	1.500
Windows 3 units	1.500	Piso 60%	500
Ceramic floor	1.440	Tarrajeado (75%)	1.500
Floor without ceramic tile and bathroom tiles	1.295	Piso sin cerámica (75%)	1.500
Half-roof	1.500	Pintura y enchape	1.000
Electrical installations and laundry sink	1.460	Rejas y enchape de baño	1.290
Sanitary installations and bathroom tile	1.395	Instalac. sanitarias y enchape de baño	1.393
Sanitary installations and internal walls	1.350	Instalac. sanitarias	1.500
Paint, fence, tiling	1.527	Pintura, verjas, enchape	0
Sanitary/bathroom connections	1.300	Pintura y puerta exterior	1.500
Drinking water connections	1.000	Conexiones sanitarias	1.300
Combos 36 m <sup>2</sup>	S/3500	Combos 60 m <sup>2</sup>	S/3500
Additional bedroom	3.500	Half-roof	3.150
Roof	3.240	External walls (35%)	3.500
Exterior walls (65%)	3.500	Floor, internal walls	2.840
Ceramic floors, internal walls	2.690	Floor, internal walls	3.290
Rendering, interior and exterior paint	2.400	Ceramic floor, internal doors and paint	3.500
Rendering, Ceramic tile floor, paint	3.622	Rendering, paint for exterior and interior	3.254
Enclosure and grille	3.800	Ceramic floor, exterior and interior paint	3.454
Windows, grille and exterior door	3.600	Ceramic tile floor, interior door	3.600
Bathroom and Laundry sink	3.350	Exterior door and window installations	3.400
Electrical installations, sanitary installations and sanitary connections	3.460	Enclosure, exterior door and grille	3.550
Sanitary and drinking water installations and connections	3.200	Bathroom	3.900
Exterior door, rendering, paint	2.982	Laundry sink, septic tank and toilet installation	2.900

## Annex 27. CTA Models: examples

Chart A presents three examples of CTA models that can serve as a reference for designing the model that your organization will offer. Your model may be a combination of these models. The chart presents the person responsible for each CTA step, as well as some observations. (Please refer to the CTA steps found in the What is the CTA cycle? section in Chapter 5 of the main document). Chart B presents the features each model has in order to help understand their advantages and disadvantages.

*Chart A. Three examples of CTA models*

CTA Model	Pasos de la ATC				
	Initial contact	Diagnosis and improvement plan	Design and budget	Follow up	Verification and closure
Basic	Credit officer, for major and minor construction	Credit officer, for major and minor construction	Credit officer draws a basic sketch and verifies that the amount budgeted for the construction matches the type of improvement desired	None	Credit officer, for major and minor construction
Intermediate	Credit officer or construction advisor*, for major and minor construction	Credit officer or construction advisor, for major and minor construction	Credit officer provides basic service* for minor construction; construction advisor for major construction	Construction advisor for major construction, in complex cases	Credit officer, for minor construction, and construction technician, for major construction
Advanced	Credit officer, for major and minor construction ***	Construction advisor, for major and minor construction	Construction specialist provides basic service and designs budget for major and minor construction	Construction advisor, for major and minor construction	Construction advisor, for major and minor construction

\* Basic service refers to the services offered in the basic TAC model. In other words, it does not include the budget planning .  
 Note: the construction advisor can be a skilled construction foreman, a construction technician, an architect or an engineer.

The Local Development Fund (LDF) in Nicaragua carried out a variation of the advanced level. The organization hired construction technicians with experience in managing small businesses and trained them as credit officers. With this, they were able to ensure that the entire loan process, including the CTA component, was handled by the same person, thus avoiding any communication gaps.

*Chart B. Features of the three CTA levels*

Feature	Basic	Intermediate	Advanced
The family receives the loan and the CTA from the same person, eliminating gaps in communication	Yes	Yes, for minor construction; no, for major construction	No
Requires recruiting personnel that is specialized in construction	No	Yes, for major improvements	Yes

Feature	Basic	Intermediate	Advanced
Relative depth of the CTA component	Minor	Less with minor improvements; intermediate or higher with major improvements *	Intermediate or major
Relative cost	Minor	Less with minor improvements; intermediate or higher with major improvements *	Major
Achieves financial stability	At an average level	At an average to high level	At a very high level
Relative potential for claims by families, in the event of problems arising with the construction	Low	Less with minor improvements; higher with major improvements.	High
Positioning of the financial institution in the market, based on their experience with technical assistance in construction	Minor	Less with minor improvements; intermediate or higher with major improvements *	Intermediate or major*

\* This depends on whether assistance is provided by a construction technician or by an architect or engineer.

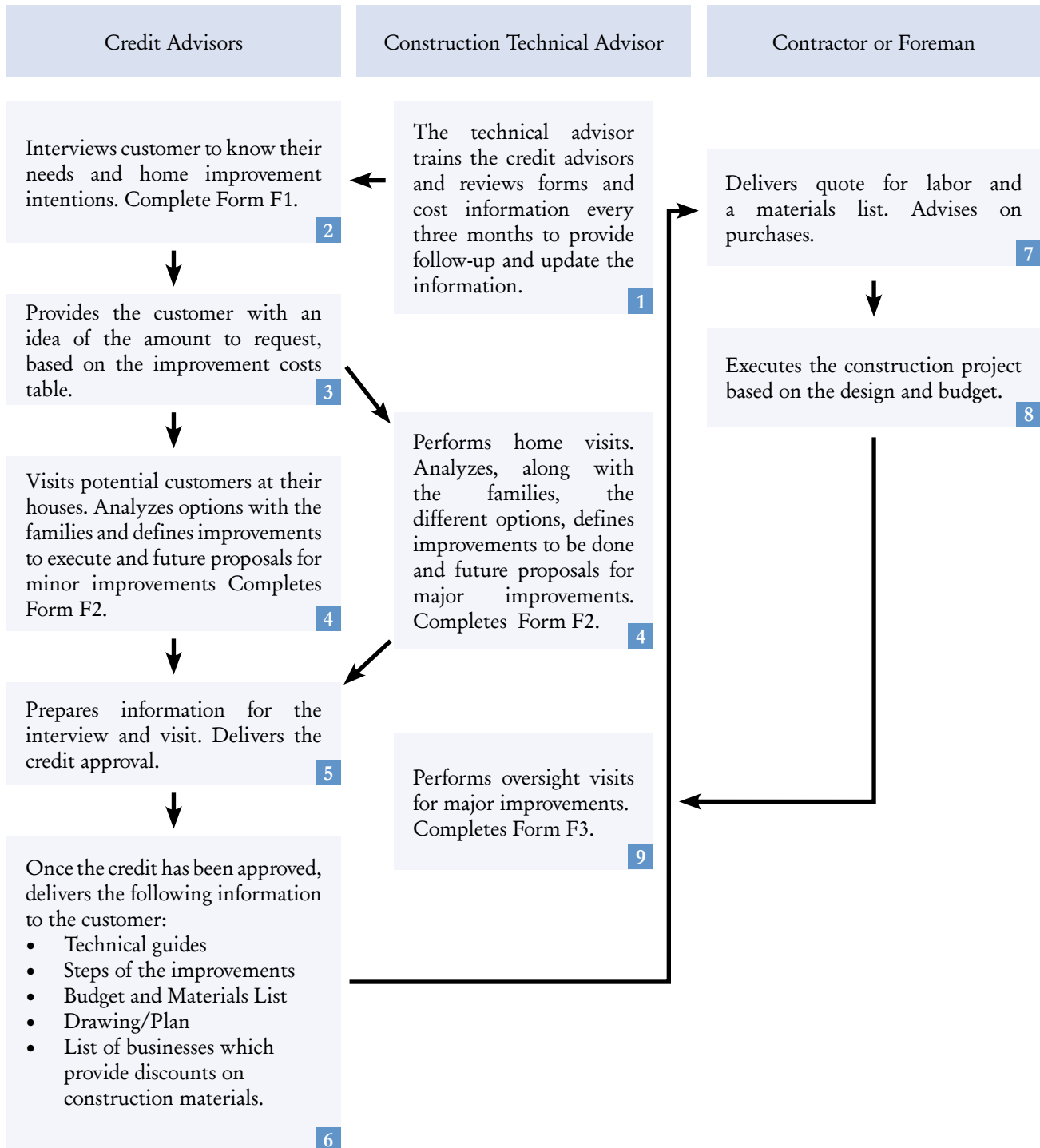
Some comments regarding the features presented in the chart above:

- At the basic and intermediate level of CTA, **training loan officers in construction** could take a day to reach a level that is adequate to promote and offer the service.
- Regarding **CTA quality**: for minor construction, a well-trained loan officer can provide a good quality service to the target families. For major construction, a construction specialist has a greater capacity to offer advice to improve the quality of the construction and to reduce construction costs.
- At the intermediate level, the families may expect a visit from a construction specialist for any type of construction or improvement.

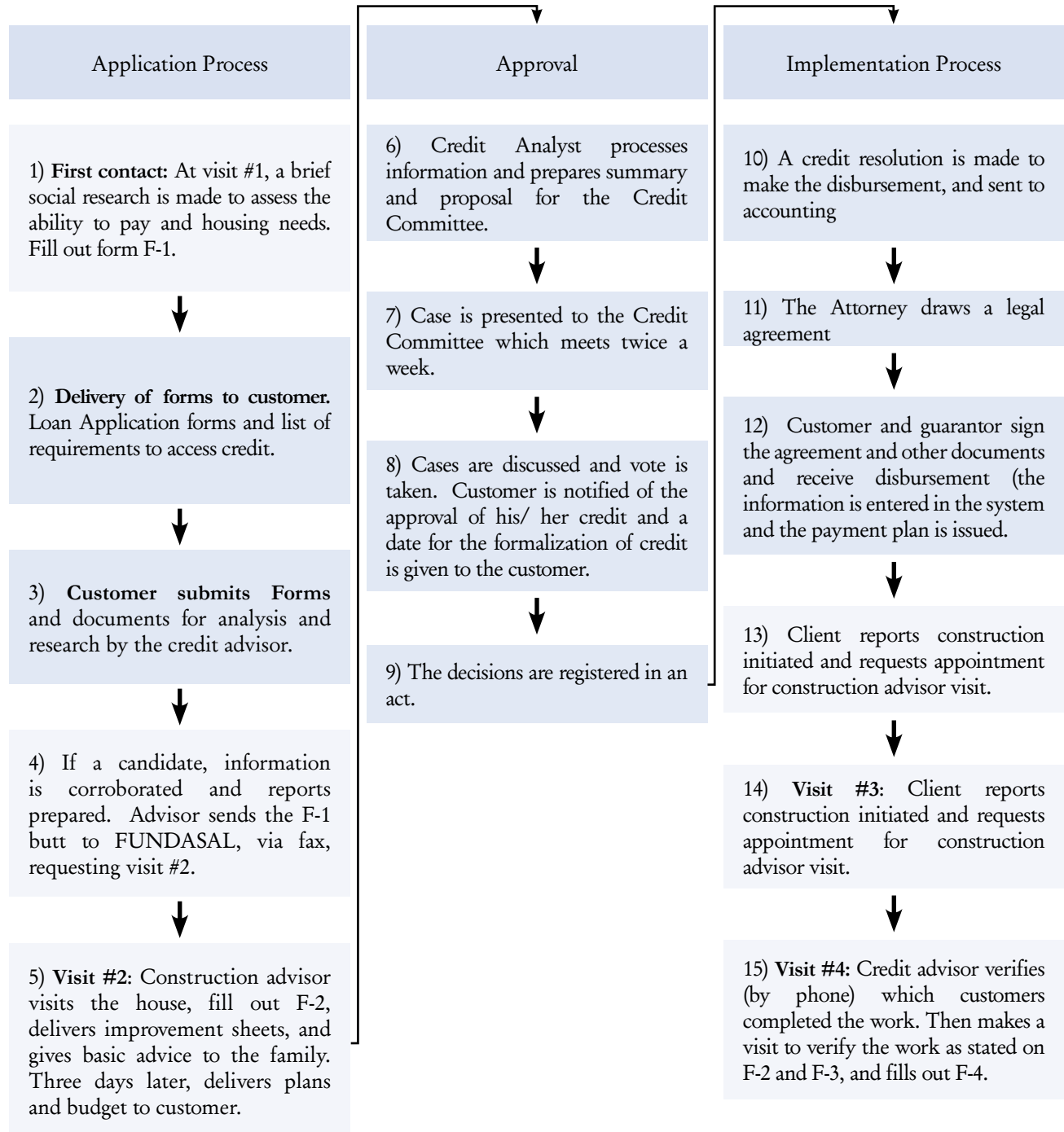
## Annex 28. Example of a Technical Construction Advisor Profile

Area	Requirement	Assessment Method
Prior experience in similar positions.	At least 4 years experience.	Request CV and confirm prior work references.
Knowledge in elaborating budgets for construction projects.	Ability to calculate quantity of construction materials needed for a project and use a price list for the materials.	Give a written test where the person estimates the cost of the improvement based on a price list.
Elaboration of technical reports.	Capacity to draft and prepare reports.	Request a brief technical report no longer than one page.
Capacity to train credit advisors on construction topics.	Experience in facilitating training sessions.	Perform a test, such as role play, to assess the person's capacity and vocation for teaching. In addition ask for references from prior jobs.
Uses Word, Excel and other packages	Experience in using packages from prior jobs.	To execute brief practice tests for using the <i>software</i> .
Gives the customer direction	Capacity to listen to the needs of the customer and general service attitude.	Ask for references. Assess the person's communication skills and perform a field test where the contractor must interact with customers or potential customers.
Promotes partnerships with construction materials suppliers, labor and other interested parties.	Capacity to make proposals and convince others as well as fluid verbal communication.	Assess their personal presentation, communication skills and capacity to relate with other people. Administer a field test that includes meetings with construction materials suppliers from the area, for example.
Technical studies in construction	Took construction courses at a technical institute.	Request certificates of technical courses.

## Annex 29. Example of Process Flow Diagram for Offering Construction Technical Assistance



## Annex 30. Process Flow Diagram for offering credit for home improvement and CTA: example



## Annex 31. Lessons Learned<sup>15</sup>

One of the key objectives in the execution of pilot project is to extract (positive or negative) that provide recommendations to improve or maximize the possibilities of success in next phases or future projects.

The GTZ methodology for the systematization of experiences presents a very simple and practicing manner to document the lessons learned that consists in analyzing difficulties and problems faced and the way they were overcome; identify the success situations and their causes and highlight the mistakes made, in order to avoid them in the future.

Tip: It is suggested that difficulties, success factors and mistakes made in each phase of the experience lived be analyzed, and to document this in a summary form.

### Difficulties overcome

Phase	Difficulties presented	How they were overcome (strategies and results)	Suggestions to prevent difficulties

### Success situations

Phase	Successes acknowledged	Success factors (external and internal)	Recommendations for future phases/processes

### Mistakes found

Phase	Mistakes identified	Mistakes causes	Recommendations for future phases/processes

Note: From the experiences regarding the systematizations of lessons learned, the Center of Innovation in Shelter and Finance –CISF recommends to use “critical challenges” instead of “mistakes found” in case that the list of mistakes identified is wide (more than 10). However, the person in charge of coordinating the systematization is free to decide the more appropriate concept.

It is also important to highlight that the way in which the results of systematization are presented will be based on the criteria or preferences of the ones interested in such results. Moreover, they can be presented in a formal report, slides presentation, reportage, etc.

In order to exemplify a systematization process of lessons learned, the following annex of the pilot project of housing microfinance in Dominican Republic is attached.

<sup>15</sup> Lessons learned. GTZ Systematization Guide.  
 Available at: <http://www.gtz.de/en/documente/sp-sl-guia-de-sistematizacion-documento-completo.pdf>



## Example: Lessons Learned/Project: Housing Improvement with MFI in Dominican Republic

### Success – Financial Product

- Attractive products, growing and healthy portfolio
- Good use of credit
- High motivation of the credit officers
- Clients with very low income
- Factors that support or impede growing

### Success - CTA

- CTA provided by the credit advisors
  - Progressive construction
  - Budget
  - Basic construction orientation
- Specialized advice
- Alliances with hardwares

## Challenges - Growth

- VISION
  - Desire/intention of have the product grow
  - There is a sense of appropriation regarding the product
- CHALLENGES
  - Financing (+ \$12 millions?)
  - Expansion Plan:
    - The geographic prioritization,
    - Staff training,
    - Promotion strategy ; and
    - Follow-up provided from the main office
- Aliances with providers of materiales

## Challenges – Habitat 's role

### Challenges and recommendations

1. Funding
2. Aliances with providers of materials
3. 2nd tier loans
4. Dynamics of the relationship
5. CTA services