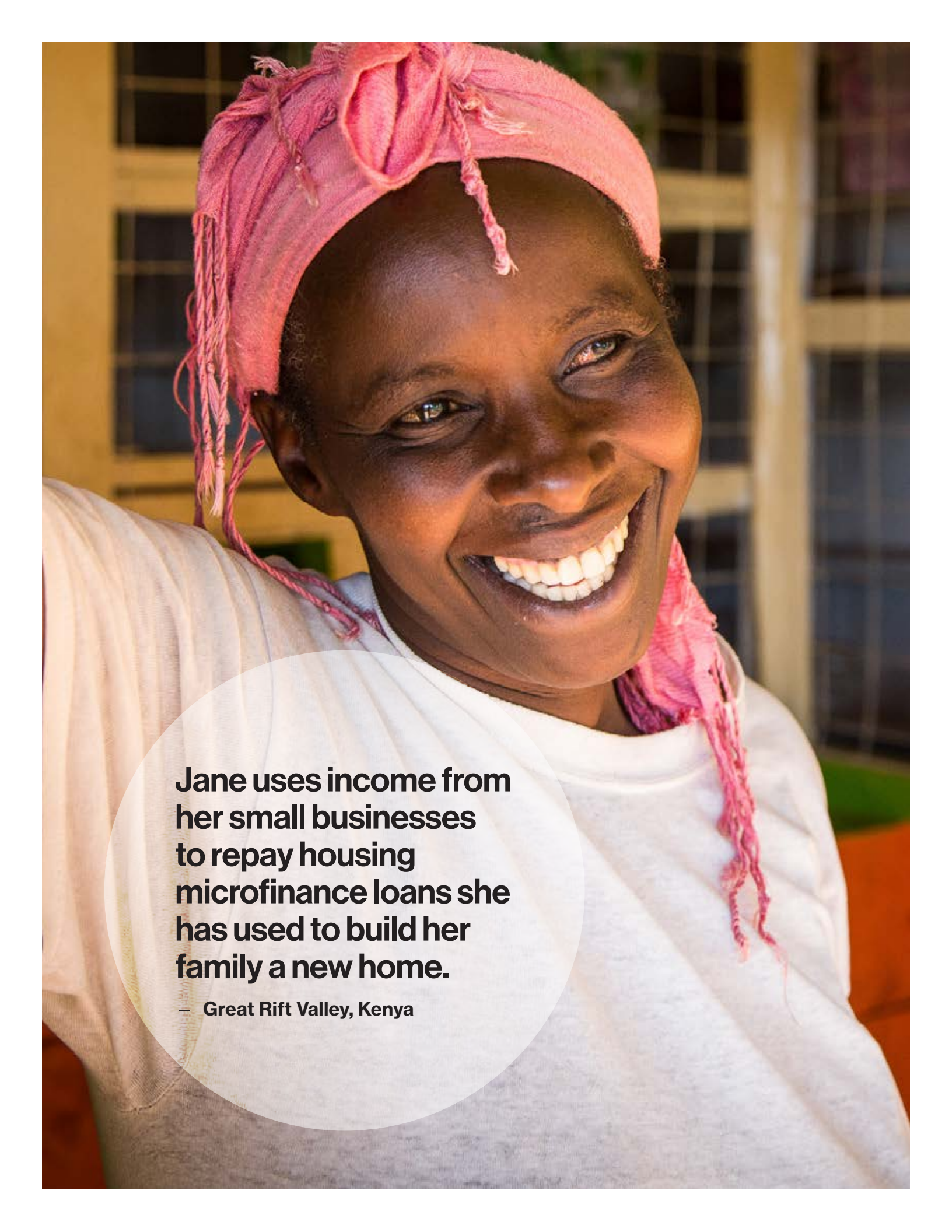




MicroBuild Fund

Annual Report FY2018



A close-up portrait of a woman with a joyful expression, wearing a white t-shirt and a pink headwrap with long, thin tassels. The background is slightly blurred, showing a building with windows. A semi-transparent white circle is overlaid on the lower-left portion of the image, containing text.

**Jane uses income from
her small businesses
to repay housing
microfinance loans she
has used to build her
family a new home.**

— Great Rift Valley, Kenya

Contents

Letter from Mike Carscaddon, Chairman of the MicroBuild Fund's Board of Directors	2
Letter from Ray W. Washburne, President and CEO of Overseas Private Investment Corp.	3
Letter from Steven Evers of Triple Jump, Fund Manager of the MicroBuild Fund	4
Presenting MicroBuild at a glance	6
Reaching new milestones each year	7
Tackling global affordable housing demands	8
Accomplishing goals and creating global change	9
Strategically managing an international portfolio	12
Navigating geographic challenges	15
Learning continually through pilots and studies	16
Looking at the year ahead	19
Investment profiles	
<i>Africa and the Middle East</i>	20
<i>Asia and the Pacific</i>	22
<i>Europe and Central Asia</i>	24
<i>Latin America and the Caribbean</i>	26
Client borrower experiences in their own words	28
How the Terwilliger Center facilitates more inclusive markets through supply and demand	29
MicroBuild's board and investment committee	30



Mike Carscaddon

Chairman

MicroBuild Fund Board of Directors

After more than five years of successful operations, the MicroBuild Fund continues to strive to encourage the financial sector serving low-income populations to include housing products as part of a suite of services. To this end, the fund reached a new milestone during the year, surpassing US\$100 million in disbursements to 49 financial institutions in 30 countries.

MicroBuild is a closed-end fund, and after approximately five years, we have reached the halfway mark. At this point, the capital and technical assistance provided by the fund have helped 116,000 households — 580,000 individuals — improve their housing conditions. Equally importantly, we have helped catalyze the sector by investing early, patient capital in developing housing portfolios that other investors have subsequently supported, growing those portfolios beyond what we could do ourselves.

To date, MicroBuild has invested in housing products that have attracted **US\$368 million in additional capital and has served 238,000 more households.** We believe this has been truly transformational and a step toward catalyzing a more vibrant market of financing for incremental housing — the way most of the world builds.

Habitat for Humanity's Terwilliger Center for Innovation in Shelter strives to facilitate affordable housing markets across the globe. Despite housing being the third-highest category of spending among the world's "base of the pyramid" population, the formal housing sector provides few, if any, reasonable solutions. Habitat's Terwilliger Center works toward a more inclusive housing market so that households can access products, services and financing appropriate for their needs, capacities and preferences.

Habitat's Terwilliger Center remains grateful to our partners the Omidyar Network, MetLife Foundation and Triple Jump, as well as to our key supporters the Hilti Foundation, IKEA Foundation, Overseas Private Investment Corp., Morgan Lewis, the Stanard Family Foundation, the and J. Ron Terwilliger Family Foundation. We also appreciate the many others who have supported the MicroBuild Fund and its mission to provide low-income families with access to affordable housing finance. ■



Ray W. Washburne

President and CEO

Overseas Private Investment Corp.

Before I was appointed to head the Overseas Private Investment Corp., I had a background working in the U.S. real estate sector, so I find it extremely rewarding to see a single OPIC partner help so many people around the world access quality housing.

To date, Habitat for Humanity's MicroBuild Fund has supported housing loans to almost 600,000 people in 30 countries.

Anywhere in the world, these numbers would indicate a staggering success.

The fact that MicroBuild has achieved such a broad reach across many of the world's poorest countries speaks to the skill and dedication of its team and its partners. OPIC is proud to work alongside them.

As the U.S. government's development finance institution, OPIC is committed to addressing the world's major challenges and empowering people who lack access to some of the things many of us take for granted, such as basic housing. It should come as no surprise that women are disproportionately challenged to access all sorts of financial services, including loans needed to buy a home or improve an existing one.

MicroBuild's commitment to reaching some of the most underserved communities is reflected in the fact that almost three-quarters of its housing loans benefited women. This success aligns with the first initiative I launched as OPIC's president, our 2X Women's Initiative, aimed at empowering women by closing the US\$300 billion global gender credit gap. And what better way to empower women than by helping them access a secure place to live, raise a family, perhaps start a small business and contribute to their community?

Investors in international development face a host of challenges, from raising capital in challenging markets to managing risk and ensuring that the project reaches those communities and individuals most in need of support. By assembling financing from multiple investors and partnering with the most effective local microfinance institutions around the world, MicroBuild has not only overcome those challenges but also offered a model for other investors focused on making a positive impact in the world.

That model is extremely valuable today as more of the support flowing to emerging economies is coming in the form of investment dollars.

As OPIC looks to expand its impact in the developing world in the coming years, we look forward to a continued partnership with Habitat's Terwilliger Center. ■



Steven Evers

Fund Manager

*Triple Jump Fund Manager
of the MicroBuild Fund*

HIGHLIGHTS AND FUND EVOLUTION: Overall, Triple Jump has been very happy with the progress and footprint of the MicroBuild Fund within the sector. The combination of specific capacity building and targeted, affordable-housing investments is still unique in the market and has catalyzed housing microfinance products across the globe. From a financial perspective, the fund is doing well and the risk profile of the portfolio is satisfactory. During the fiscal year ending in June 2018, the fund continued to follow the previous year's investment strategy to maintain a robust presence in Latin America and the Caribbean and Asia and the Pacific. Some countries in the Caucasus region experienced economic recovery after the 2016 crisis triggered by low oil prices and the Russian financial crisis. Hence, the fund prudently increased Caucasus region exposure to good-performing microfinance institutions with interesting returns. The regional allocation of the outstanding portfolio as of the end of June 2018 was 38 percent Latin America and the Caribbean; 25 percent Asia and the Pacific; 27 percent Eastern Europe, Caucasus and Central Asia; and 10 percent Middle East and Africa.

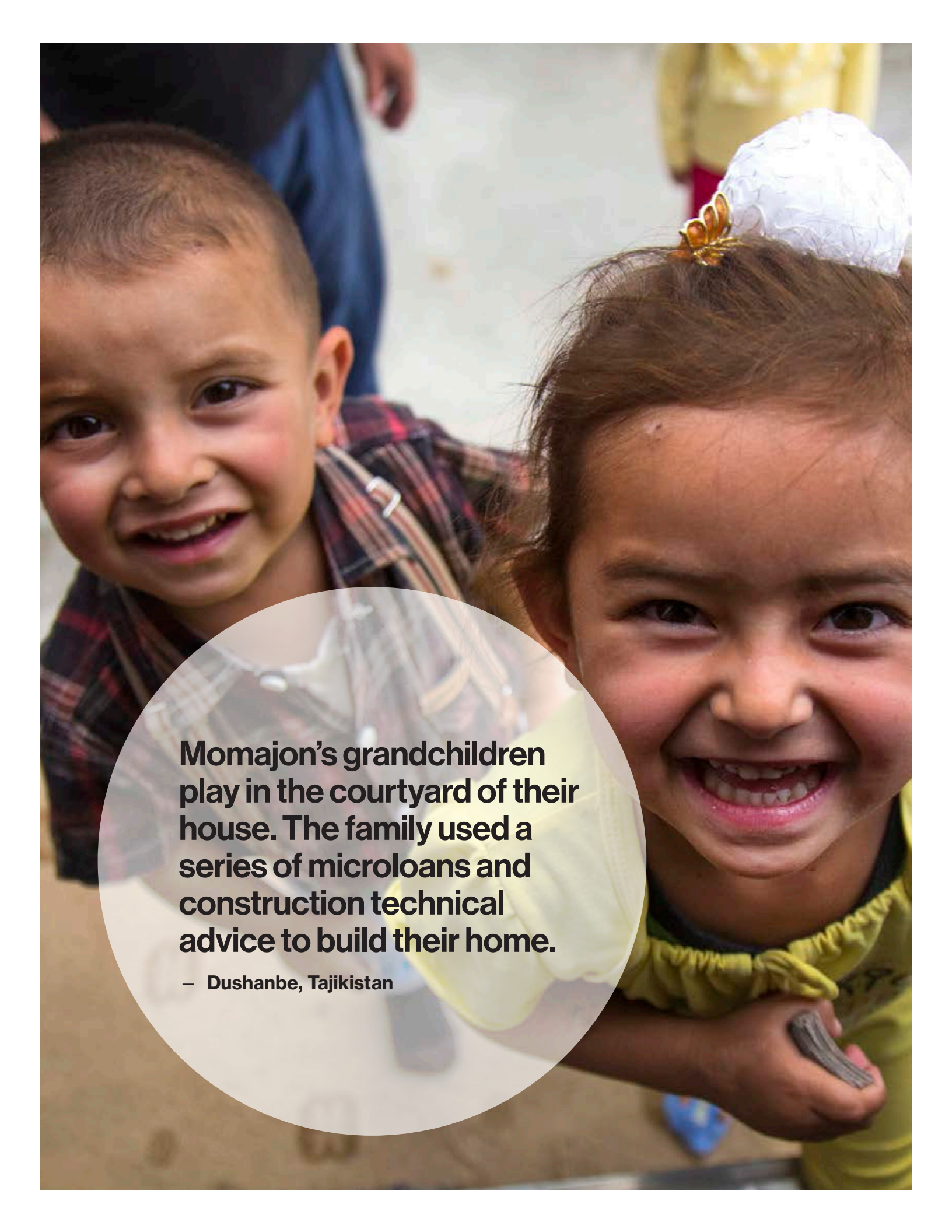
FOREIGN CURRENCY RISK MANAGEMENT: Keeping the interest of the end client as a priority, the MicroBuild Fund aims to reach clients through local-currency loans. Forty-five percent of the total portfolio is in local currency, and two-thirds of this local currency position is hedged. Thus, foreign currency risk for the fund remains within very prudent boundaries. Furthermore, the Hilti facility continues to be essential for foreign currency risk mitigation. As of June 2018, the Hilti portfolio amounted to US\$8.3 million invested in a group of diversified currencies.

PORTFOLIO EVENTS: Investees in Nicaragua experienced a sharp increase in risk after political crisis and social unrest broke out last April, triggered by changes to social security. The prolonged crisis disrupted regional cargo transit, domestic commerce and the tourist trade. Hence, it can be expected that Nicaragua's economic and fiscal performance will be hurt in 2018 and 2019. The Nicaraguan political and economic context resulted in deteriorated portfolio quality and performance for all of MicroBuild's investees (FAMA, FDL and Fundenuse). This will continue despite efforts from microfinance institutions and the regulator to limit it. The full fund exposure is now under close monitoring until the situation in Nicaragua improves.

HOUSING MICROFINANCE AND SOCIAL

PERFORMANCE: The housing microfinance portfolio outstanding of MicroBuild's partner institutions reached US\$880 million and enabled access to 342,000 households. The average housing microfinance loan size to investees stood at US\$2,574. Partner institutions have an impressive social performance, with 52 percent rated A-Excellent and 46 percent rated B-Good. As further evidence of the strong social impact of the MicroBuild Fund, outreach to rural areas and women reached 70 percent and 73 percent, respectively, as of June 2018.

OUTLOOK: Triple Jump's team is enthusiastic to keep working on MicroBuild throughout the year as we expect to have the fund fully invested by the end of the 2018-19 fiscal year. We expect to maintain a high exposure mainly in Latin America and the Caribbean and in Asia and the Pacific, as we believe these regions have conducive macroeconomic environments. We anticipate 12 months of solid portfolio growth and high social return. ■



**Momajon's grandchildren
play in the courtyard of their
house. The family used a
series of microloans and
construction technical
advice to build their home.**

— Dushanbe, Tajikistan

Presenting MicroBuild at a glance



Mission:

Address the global affordable housing shortage with sustainable, scalable, market-based solutions.



Goal of the MicroBuild Fund:

Catalyze thriving, inclusive housing markets around the world.

Habitat's Terwilliger Center for Innovation in Shelter created MicroBuild, the first housing-specific social investment vehicle, as its marquee program to demonstrate the financial viability and scalability of housing microfinance and to provide low-income families with access to capital.

Reaching new milestones each year

August 2012:

The MicroBuild Fund Phase I (US\$50 million) launches with US\$2 million investment in Imon International (Tajikistan).

October 2012:

First investment in Africa and the Middle East is made to Al Majmoua (Lebanon).

November 2012:

First investment in Latin America and the Caribbean is made to Fondeco (Bolivia).

January 2015:

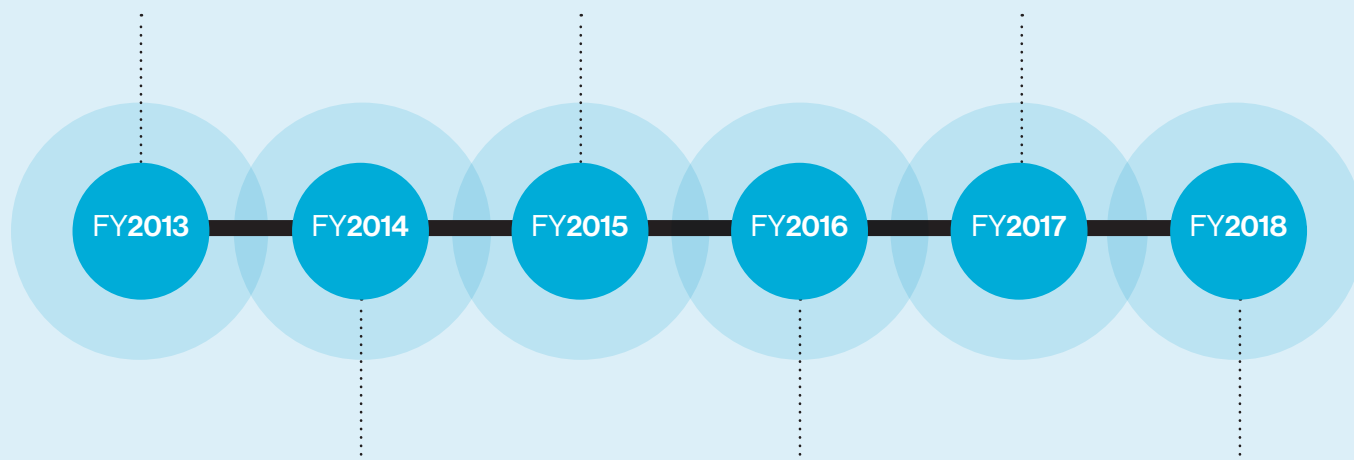
Oxfam Novib begins impact evaluations of the MicroBuild Fund institutions LOK (Bosnia-Herzegovina) and ENLACE (El Salvador) to measure long-term improvements in social well-being and health, as achieved through housing microfinance loans.

July 2016:

MicroBuild receives the OPIC Impact Award (2016).

June 2017:

MicroBuild becomes one of 10 winners of the Classy Award (2017).



January 2014:

First investment in Asia and the Pacific is made to HKL (Cambodia).

March 2014:

First local-currency loan is made to KMF (Kazakhstan).

December 2015:

MicroBuild B.V. is registered in India to buy nonconvertible debentures. First nonconvertible debenture loan is made to Annapurna (India).

May 2016:

The MicroBuild Fund Phase II closes to grow to US\$100 million. The fund is featured in *Harvard Business Review*'s article "How NGOs are Using Data to Transform Themselves."

August 2017:

MicroBuild celebrates its fifth anniversary.

March 2018:

Habitat's Terwilliger Center launches the pilot for its first micromortgage product in Ecuador with Jardin Azuayo, a MicroBuild investee.

June 2018:

MicroBuild reaches more than US\$100 million in disbursements across 30 countries.

Tackling global affordable housing demands



Program goals

By 2026, MicroBuild will improve shelter for 1 million low-income people via debt capital to institutions, and support shifting housing microfinance portfolios from 2 to 10 percent of total portfolio sizes (nationally) in countries where Habitat's Terwilliger Center operates.

◀ Globally, borrowers divert 10 to 20 percent of microenterprise loans to housing projects, yet only 2 percent of the overall lending portfolio of microfinance institutions is allocated to housing.

THE CHALLENGE

Approximately 1.6 billion people worldwide live in substandard housing.¹ For low-income families in the developing world, improving a home means relying on available market options within their communities, but these services can be expensive, of poor quality, or simply unable to serve their needs. Mortgages remain a privilege for the few. For the rest of the population, housing is a process of incremental upgrades and additions to meet their evolving family needs.

THE OPPORTUNITY

Microfinance is a tool to tackle the housing crisis and the lack of access to capital in developing markets. At present, the industry's allocation in housing products totals only 2 percent of the overall lending portfolio of microfinance institutions globally. Habitat for Humanity's Terwilliger Center for Innovation in Shelter seeks to increase the scale and impact of housing microfinance from 2 to 10 percent of the overall lending portfolio of microfinance institutions.

HOW MICROBUILD PROVIDES SOLUTIONS

MicroBuild provides capital to microfinance institutions to enable low-income families to build safe, durable homes in phases as their finances allow. Bundled with these investments, Habitat's Terwilliger Center offers technical assistance to institutions to develop or refine their housing products, then scale these offerings to clients. As loans disburse, Habitat's Terwilliger Center works to ensure that housing support services are available to borrowing clients in the form of financial education. These services are funded by donor grants and carried out by the center's area offices, Habitat's national offices, and consultants.

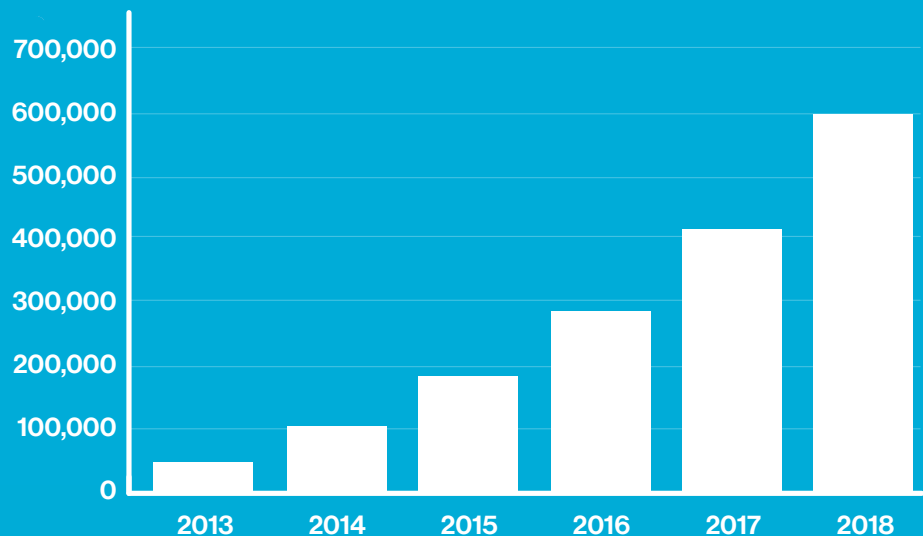
Solving the housing crisis will directly improve the lives of families who receive MicroBuild loans and will indirectly bolster the housing microfinance sector globally. ■

Accomplishing goals and creating global change

Where MicroBuild operates



Individuals impacted by the MicroBuild Fund



HOUSING MICROFINANCE PORTFOLIO TO DATE

Through FY2018, MicroBuild has approved nearly US\$121 million across 31 countries to 56 institutions. The disbursed amount totals US\$101 million across 30 countries to 49 institutions. This has resulted in a direct improvement in living conditions for more than 116,000 families globally, or more than 580,000 individuals.

STRONG GROWTH IN FY2018

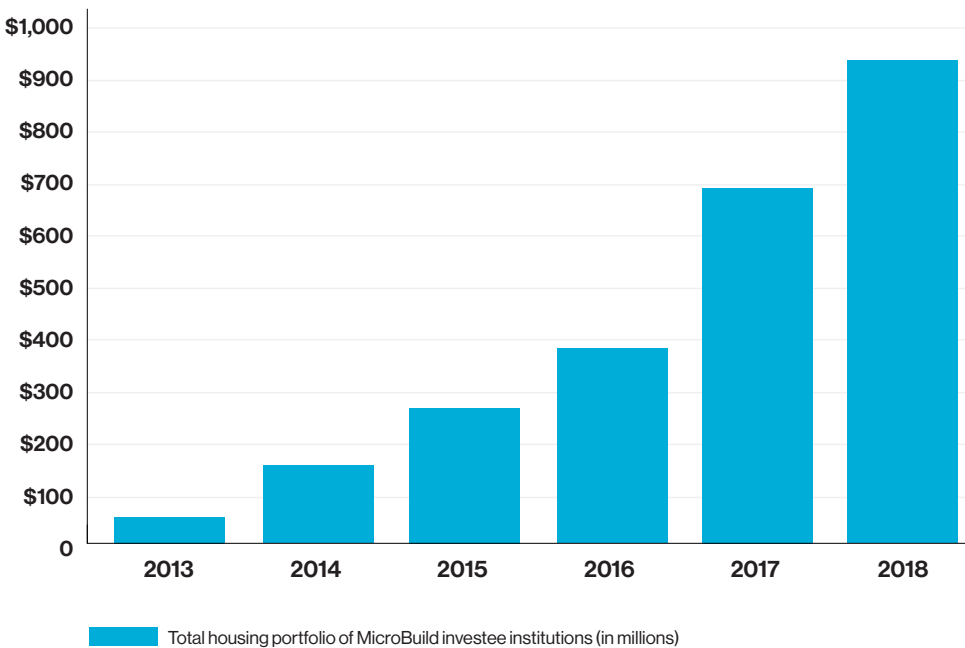
In FY2018, MicroBuild disbursed US\$26.8 million, the largest amount in a single year since the fund launched in FY2013. The fund added seven new institutions across five new countries to the disbursed portfolio: Timor-Leste, Jordan, Moldova, Mongolia and the West Bank. Overall, the total number of clients served increased by 36,000, which translates to nearly 170,000 individuals impacted during the fiscal year.

As of June 30, 2018, the housing portfolio of all disbursed MicroBuild investee institutions grew by 40 percent to US\$937 million, representing

14.1 percent of the total gross loan portfolio. Additionally, the housing microfinance portfolios of these investee institutions continued to perform stronger relative to their general portfolios. For the outstanding portfolio in FY2018, the average weighted portfolio at risk, or PAR, for all housing loans was 2.9 percent, compared with the average weighted PAR of 3.9 percent for the total portfolio. In other words, a well-designed and dedicated housing loan product enables microfinance institutions to experience better portfolio quality even as housing loan products tend to offer larger amounts over longer tenors compared with other microfinance products.

As evidence of scale, MicroBuild investee institutions have unlocked an additional US\$368.3 million to grow their housing portfolios, representing a leverage multiplier of 3.9x. The total housing microfinance portfolio has grown at a compound annual growth rate, or CAGR, of 28.2 percent, compared with a CAGR of 19.7 percent for the general portfolio.

Total housing portfolio of MicroBuild investee institutions (in millions)





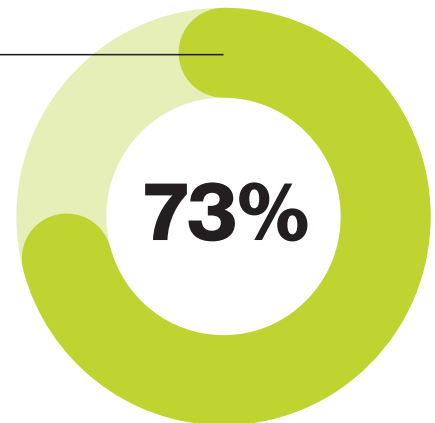
DEMOGRAPHIC INDICATORS OF SOCIAL IMPACT

Within the MicroBuild portfolio, two underserved demographics represent a high proportion of the overall portfolio investments: 73 percent of the borrowers are women, and 70 percent of the borrowers are rural clients. A snapshot of why these investments matter is included below.

Lending to women: Women statistically make better use of small loans and have higher repayment rates, yet they are often excluded from all financial services.² For these reasons, opening up capital to women borrowers is important for the MicroBuild Fund.

Lending to rural clients: Nearly 1 billion people live on less than US\$1 per day, and 75 percent of this population reside in rural areas. The majority of rural households (over 90 percent) do not have access to traditional commercial banks. Financial services play a crucial role in reducing poverty, so it is critical for MicroBuild to support institutions that provide financing to rural populations, in spite of the many challenges to reaching this population (e.g., higher costs to lend to a dispersed group and lack of collateral to secure loans).³ ■

women



rural



Strategically managing an international portfolio

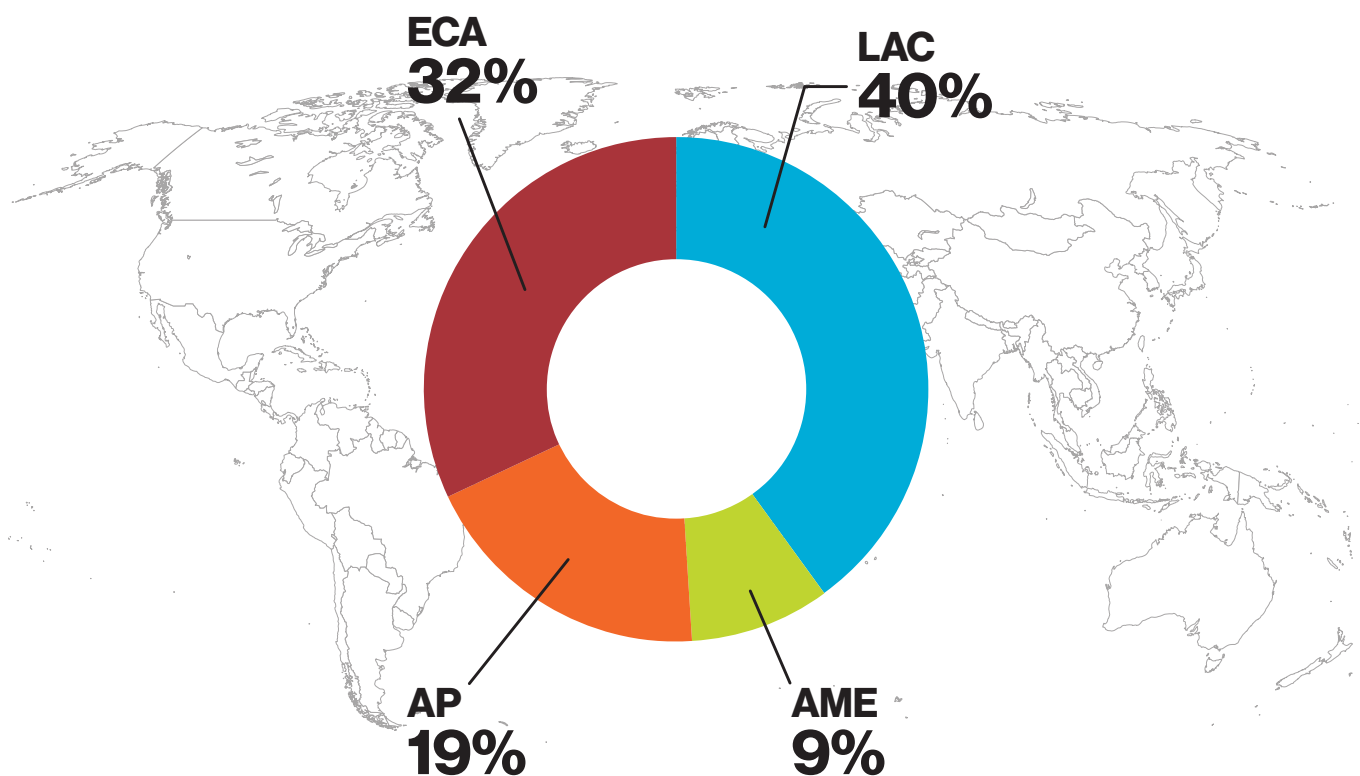
By region, MicroBuild's total disbursed portfolio is allocated as follows:

9% in Africa and the Middle East

32% in Europe and Central Asia

19% in Asia and the Pacific

40% in Latin America and the Caribbean



Regional highlights



INDIAN MICROFINANCE SECTOR STABILIZES AFTER DEMONETIZATION

In November 2016, Indian Prime Minister Narendra Modi declared that all 500 and 1,000 rupee notes would cease to be legal tender as a means of eliminating counterfeit money, curbing tax evasion, and facilitating the switch from cash to digital money. The demonetization harmed 86 percent of the value of all currency in circulation, and thereby individuals and businesses that relied on physical currency transactions, including microfinance institutions. Since most businesses in the microfinance sector are cash-based, loan repayments took a severe hit, as small borrowers in certain states delayed or discontinued loan payments.

As of June 2018, the effects of demonetization to the overall business environment had passed. Although it had a significant impact on the portfolio quality of microfinance institutions across the subcontinent, resulting in double-digit PAR levels; investors, regulators, banks and financiers have provided continuous sector support via debt and equity transactions. At present, the portfolios of microfinance institutions show stable growth and are poised to further grow in double digits for the remainder of 2018. PAR levels have returned to historical values, with PAR30 at less than 1 percent.⁴



SEEKING GOOD INSTITUTIONS IN HIGHER-RISK COUNTRIES

Investors consider Moldova to be a higher-risk country within Eastern Europe because of political uncertainties, the 2015 recession, and its position as one of the poorest countries in the continent. Despite these complexities, there is evidence that Moldova can withstand immediate to short-term shocks. The economy recovered from its recession and remains on track for sustained growth between 2017 and

2019. These factors gave MicroBuild the confidence to approve its first country-level investment to an institution in FY2018 (Microinvest). This institution demonstrated a strong recovery after the recession and sound general portfolio growth over the past two years. Moving ahead, MicroBuild will continue to invest in high-risk countries where strong institutions are present.

MACROECONOMIC FACTORS IMPACT EXPANSION IN AFRICA

MicroBuild has seen success growing its portfolio in the Middle East but has faced challenges investing in Africa. This is because of the region's volatile currencies and high hedging costs. Further, general institutional weaknesses, such as poor governance, low staff capacity, and low portfolio quality, have

encumbered growth of housing finance. In the coming year, MicroBuild expects to deploy additional technical assistance to African institutions that show promise and cover foreign exchange risk using an internal hedging facility. ■



**Eleven-year-old
Ashly has a safer,
healthier home
thanks to help from
Habitat for Humanity.**

— Ciudad Arce, El Salvador

Navigating geographic challenges



COUNTRY RISK IN NICARAGUA

Since April 2018, Nicaragua has experienced the worst political crisis in the country's history. The uprising started after pro-government groups crushed small demonstrations against reforms to the pension system proposed by President Daniel Ortega. The violence negatively impacted trade and business, including the microfinance sector, which subsequently faced a decline in portfolio quality. Microfinance institutions operating in urban areas were more affected because of their large portfolio exposure to the business sector compared with institutions operating in rural areas. The situation continues to be tenuous, but shareholders and lenders remain supportive of the microfinance sector as institutions return to a level of normalcy.⁵



EFFECTS OF TERMINATING TEMPORARY PROTECTED STATUS IN EL SALVADOR

The United States is the main destination of migrant workers from the region of Central America, Mexico and the Caribbean, including El Salvador. El Salvador's economy relies heavily on remittances from the U.S. immigrant population to support locally based family members. In 2017, remittances from Salvadoran workers accounted for 18.3 percent of the country's GDP. An estimated 200,000 Salvadorans are permitted to live and work in the United States under the Temporary Protected Status, or TPS, program. The TPS program is expected to be discontinued in 2019 by the U.S., which could result in a sharp drop in remittances. This would significantly increase poverty in El Salvador and impact the microfinance sector.⁶ ■

Learning continually through pilots and studies



SUB-SAHARAN AFRICA PROJECT SPANS SIX INSTITUTIONS

Habitat's Terwilliger Center and the Mastercard Foundation partnered on the Building Assets, Unlocking Access project, which supported the development of scalable housing microfinance products bundled with housing support services. The project engaged with six financial institutions in Kenya and Uganda.

SHOWCASING HOUSING MICROFINANCE

BENEFITS: Habitat's Terwilliger Center conducted a case study in 2017-18 to establish that housing microfinance can and should become a mainstream offering for financial service providers across Sub-Saharan Africa in response to the growing regional housing needs. Kenya and Uganda face high housing deficits and low levels of mortgage-loan penetration. This signals a critical demand for alternative financing options. Financial institutions are discovering that business opportunities exist in the developing world where low-income households tend to build incrementally within the realities of land tenure. In Sub-Saharan Africa, housing microfinance — small non-mortgage-backed loans for short to medium tenor — plays an important role in the absence of access to formal mortgage markets for nearly 99 percent of the population. Moreover, high land prices and the pressing need for urban housing continue to drive up demand for rental units. Thus, microfinance rental products for housing represent a growing opportunity.

SUPPORTING INSTITUTIONS WITH ADVISORY

SERVICES: Habitat's Terwilliger Center provided technical assistance to leading institutions, which paved the way for comprehensive and robust housing microfinance portfolios. As of June 30, 2018, the Building Assets, Unlocking Access project had reached over 62,000 households and mobilized more than US\$52.3 million in capital to benefit over 300,000 individuals. A detailed case study can be found here: "[Building the Business Case for Housing Microfinance.](#)"

COMPLETING EXTENSIVE IMPACT EVALUATION:

Genesis Analytics conducted a robust impact evaluation and concluded in Kenya for the Building Assets, Unlocking Access project in FY2018. The difference-in-difference study examined Kenya Women Microfinance Bank's Nyumba Smart Loan product to gauge the impact of housing microfinance across several dimensions: housing quality, family health, education, nutrition, and social/economic power. Habitat's Terwilliger Center expects to provide practitioners, policymakers and the broader community with evidence on the utility of housing microfinance to encourage the development and expansion of similar projects. Results of the impact evaluation can be found here: "[KWFT Housing Microfinance Impact Evaluation Report.](#)"



SPOTLIGHT ON A PEER-LEARNING EXCHANGE IN EL SALVADOR

Two institutions based in El Salvador, ENLACE and CrediCampo, hosted management personnel from Dominican Republic's CoopAspire as part of a peer-learning exchange.⁷ All three institutions are MicroBuild investees. The goal was to help CoopAspire learn about best practices in the area of capacity building. After the weeklong exchange, all participants, including the guest partners and two hosting institutions, considered the experience to be valuable and affirmed that they would recommend the opportunity to others.



LEAN DATA STUDY YIELDS INSIGHTS ON DEMAND FOR LAND DOCUMENTATION

In 2018, Omidyar Network and Habitat's Terwilliger Center partnered with Acumen to evaluate the level of interest among borrowing clients for land documentation, among other areas. The team conducted 299 phone interviews with clients of ASA Philippines that had received housing and general loans. The study found that more than 60 percent of clients had no documentation to support their claim of land ownership but only 33 percent reported being "worried" about keeping their land. Despite this low level of concern, 72 percent of clients expressed an interest in obtaining better land documentation for proof of ownership and a sense of security on future transactions.



INNOVATION THROUGH VIRTUAL TRAINING OF LOAN OFFICERS IN HONDURAS

MicroBuild designed a pilot to train credit officers in Honduras at Banco Popular and Fama Honduras via a new e-learning platform. The program has been piloted at two branches, Danli and Centro, with the goal of understanding whether basic salesforce training on housing microfinance products and services could be delivered virtually. The findings from the pilot will guide platform adjustments. The utility of virtual trainings appears promising and continues to move ahead. The e-learning program launched in August 2018, offering courses to interested institutions for a fee. ■



Looking at the year ahead

In FY2019, MicroBuild will undertake several research studies, as outlined below.

MULTIREGIONAL PROJECTS ON IMPROVED LAND RIGHTS

One of the expected outcomes of the MicroBuild Fund is to demonstrate that improved land rights can enhance the impact of housing microfinance loans. In Africa and the Middle East, Habitat's Terwilliger Center partnered with Meridia (formerly Landmapp), a company offering land documentation services through its technology platform. Meridia will work with a local financial institution in Ghana to offer residential homeowners a joint land security and lending product to acquire a land rights document, bundled with home improvement financing. In Latin America and the Caribbean, the Terwilliger Center is supporting Habitat's national organization in El Salvador to launch paralegal services and documentation loans for borrowing clients. If the

pilots in the two regions are successful, MicroBuild may elect to partner with Meridia to launch a similar bundled product in Indonesia.

MARKET CHANGE ANALYSIS

During FY2019, Habitat's Terwilliger Center will coordinate with a consulting firm to conduct a market sector study. The goal is to understand whether MicroBuild is moving the needle to increase the size of housing finance portfolios at a national level as a percentage of the total portfolio. The consultant will examine microfinance investment trends in four MicroBuild countries in Europe and the Middle East, including Georgia, Kazakhstan, Bosnia-Herzegovina and Lebanon. Based on the findings, two countries will be selected for an in-depth field visit to assess whether MicroBuild investments resulted in a demonstration effect and boosted portfolio allocation for housing finance, among microfinance institutions in countries where MicroBuild operates. ■



Africa and the Middle East



Supporting women borrowers in Jordan

COUNTRYWIDE CHALLENGES OF POVERTY, FINANCIAL INCLUSION AND HOUSING DEFICITS

Regional instability has affected Jordan for many years. An influx of over 1 million Syrian refugees has further strained the economy. Approximately 15 percent of citizens live below the national poverty line year-round, and almost one-third live in transient poverty (i.e., below the poverty line for a portion of the year). Only 25 percent of citizens are financially included and own a bank account.⁸ In the housing sector, the supply is not sufficient to meet the demand of low-income households, nor do the number of housing microfinance loans meet the countrywide demand.

MICROFUND FOR WOMEN, JORDAN

Branches: 54

Total portfolio: US\$81 million

Active borrowers: 140,000

Recognizing the need to address the housing deficit and close the microfinance capital gap, Microfund for Women partnered with Habitat's Terwilliger Center in 2016 to develop a tailored set of housing products. These loans targeted low-income people — the majority of whom are women — to improve their living conditions. Between the launch of Microfund for Women's housing products in May 2017 through June 2018, the institution disbursed nearly 3,200 housing loans. As a result, Microfund for Women's housing microfinance portfolio size has grown from US\$0 to approximately US\$3.3 million — nearly 4 percent of the institution's total loan portfolio.



Ahmad is a recipient of a Microfund for Women housing loan. He lives with his wife and three children in a single-room home that does not meet the minimum capacity standards for a family of his size. To improve his family's living conditions, he applied for a loan to build an add-on room for his children. Ahmad's family sees the positive effects of their investment and now feels more comfortable in their residence. After repaying the loan, Ahmad will apply for additional housing loans to continue with incremental upgrades. ■

Asia and the Pacific



Supporting a key government initiative in India



HOUSING FOR ALL BY 2022

Affordable housing remains a stark problem in India. In urban areas, the government estimates a shortage of 10 million to 12 million houses and an additional 26 million to 37 million informal housing units, which are often associated with poor living conditions. In rural areas, 40 million housing units are required to close the deficit. To address this challenge, the central government launched an ambitious Housing for All by 2022 initiative.

CHAITANYA INDIA FIN CREDIT LTD., INDIA

Branches: 145

Total portfolio: US\$51 million

Active borrowers: 229,000

Chaitanya India Fin Credit Ltd. is a leading microfinance institution in southern India that provides loans to low-income clients in rural areas. To help Chaitanya scale its housing portfolio, MicroBuild invested capital in November

2016, followed by an advisory services package administered by Habitat's Terwilliger Center to refine the institution's mortgage product, which was relatively new. Chaitanya hoped to better understand best practices for individual lending to low-income households. Habitat's Terwilliger Center helped the institution hone its mortgage product and update policies and procedures to administer more efficient loans. This technical assistance resulted in an increased uptake of the product. Since Habitat's Terwilliger Center first provided capital and advisory services, Chaitanya's housing microfinance portfolio grew from US\$2 million in December 2016 to US\$6.3 million in June 2018. The number of outstanding housing microfinance loans increased from nearly 3,000 to 30,500 over the same period.

Mrs. Gangamma lives with her husband and two children in a home for which they own the title to the land. Mrs. Gangamma borrowed US\$370 from Chaitanya to renovate her roof. Her family has been very satisfied with the loan and is keen to borrow a larger amount down the road to construct an additional room and boundary wall for the home. ■

Europe and Central Asia



Demonstrating solutions in Kosovo

HOUSING DEMANDS IN A DISPLACED COMMUNITY

Kosovo remains the poorest economy in the Balkans region and struggles with high levels of poverty,⁹ energy shortages, and massive unemployment.¹⁰ The country's weak government has led to political instability, corruption and a tenuous rule of law.

The 1999 conflict still influences the country's housing situation. Thousands of homes were damaged or destroyed, and 75,000 properties were abandoned. Many citizens lost access to their properties, and ownership records remain incomplete or unreliable. Vacated properties continue to be occupied illegally, and the Kosovo Property Agency is still processing 20,000 claims on illegally occupied properties.¹¹

FINCA KOSOVO, KOSOVO

Branches: 26

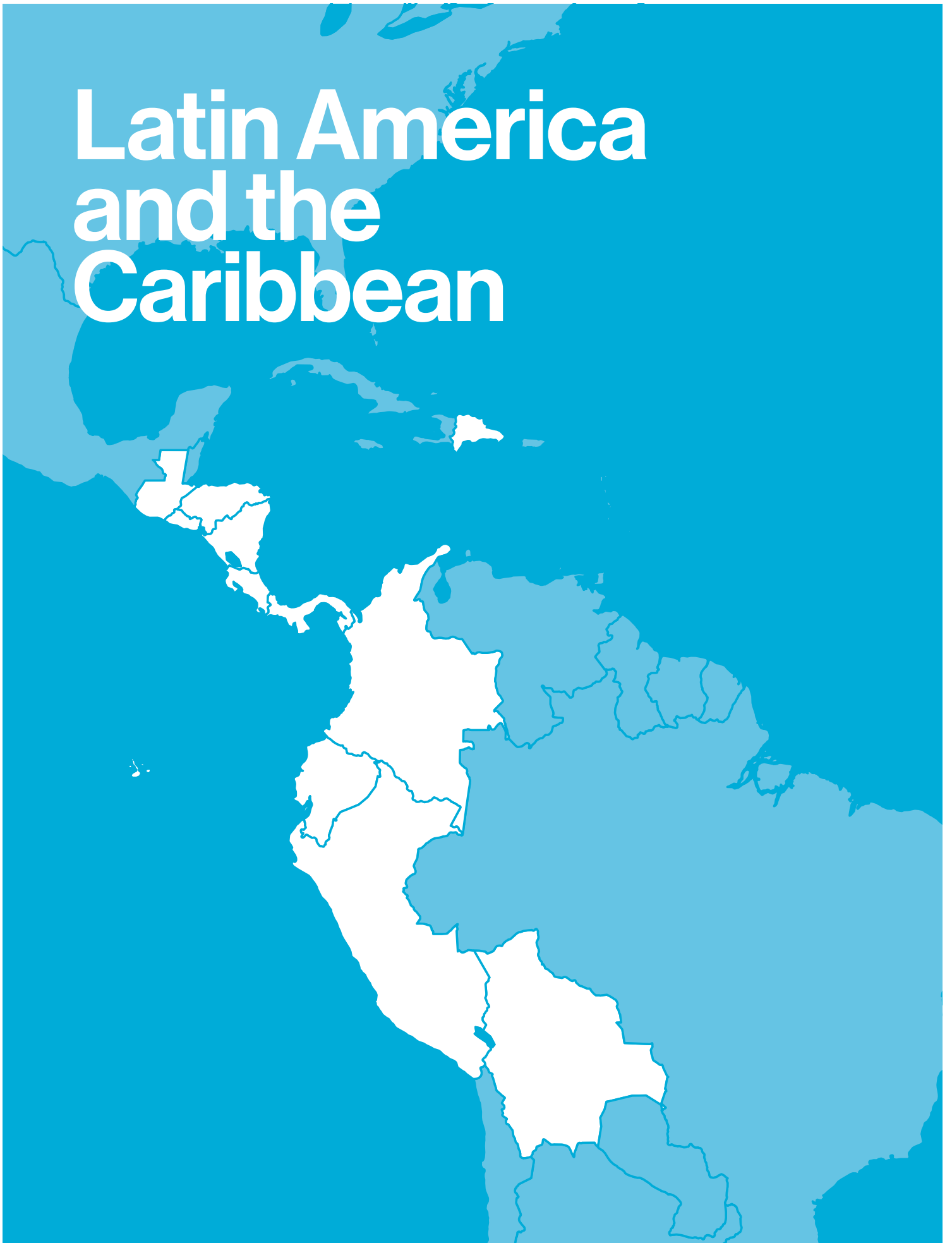
Total portfolio: US\$46 million

Active borrowers: 19,000

FINCA Kosovo, or FKO, part of the European FINCA International program, is one of the oldest microcredit providers in the country. The institution's home improvement loans make up a significant share of its total portfolio (24 percent). MicroBuild made its first loan to the institution in October 2016 and topped up in October 2017. Habitat's Terwilliger Center coupled these investments with technical assistance to help FKO improve its housing product. Since MicroBuild's initial investment and technical assistance support, FKO's housing portfolio has reached US\$10.9 million as of June 2018. ■



Latin America and the Caribbean



Tackling a housing deficit in extreme inequality in Honduras

MACROECONOMIC CHALLENGES FUELED BY INEQUALITY AND VIOLENCE

Honduras faces the highest level of economic inequality in Latin America, with nearly 70 percent of its population living in poverty and 45 percent of this group living in extreme poverty. Rampant crime and violence cause chaos across a country that continues to record the highest homicide rates globally.¹² The housing deficit has become another country challenge, reaching nearly 1.5 million homes or approximately 15 percent of the Honduran population in 2016. Of this number, over 400,000 families need new homes and over 1 million families live in inadequate shelter. The deficit is exacerbated by increased migration from rural to urban areas.¹³

BANCO POPULAR, HONDURAS

Branches: 28
Total portfolio: US\$77 million
Active borrowers: 57,000

Banco Popular, or BP, designed a housing microfinance product in 2014 to address countrywide housing demand and its internal growth targets. To ensure the success of this product, BP partnered with Habitat's Terwilliger Center in June 2017 to receive technical assistance coupled with a MicroBuild capital investment. In the subsequent 12 months, the institution increased its number of housing loans by over 60 percent, up to 2,900 housing loans as of June 2018.

Evelia is one beneficiary of a BP housing loan. She lives in Danli, Honduras, with her grandmother,

mother, and two children. She obtained a loan of approximately US\$300 to build a perimeter fence and wall. The project was completed in less than one year and greatly improved her family's feelings of security. "I feel calm and safe now," she says. "Before the construction, I felt like anyone would cross onto my property and cause damage." ■



Client borrower experiences in their own words

When the children were younger, they would fall ill quite often. Now it is much better because of this house.

- **Shivaputtramma** (*client of Chaitanya, India*), after upgrading her mud-floor home to concrete flooring.
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The loans from HKL have helped us a lot. ... It makes me feel prouder of the house that my wife and I have.

- **Kun** (*client of HKL, Cambodia*), after adding a room to elevate his home and adding a roof extension.
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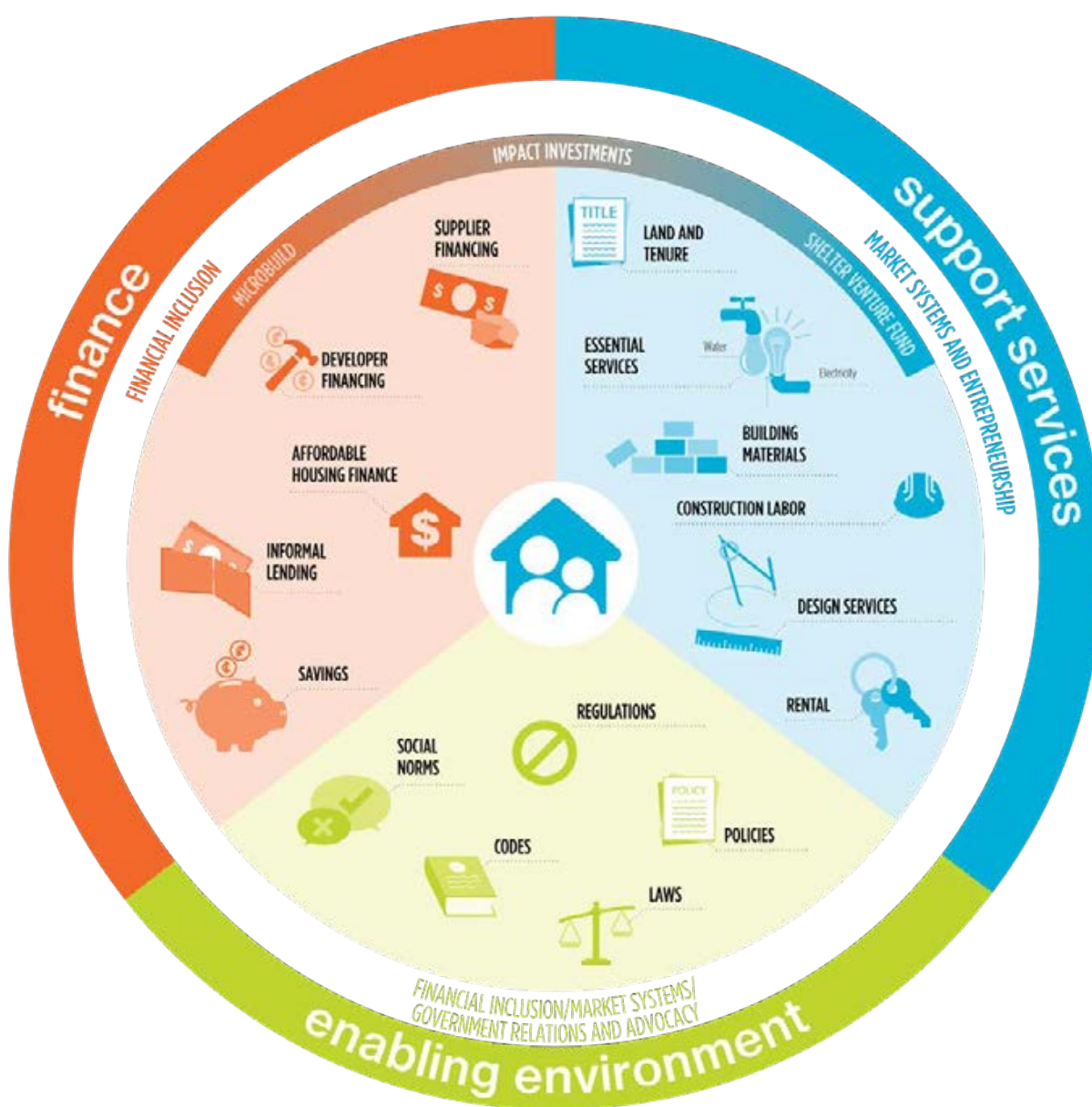
Before, people could have pushed through the old fence and broken in to steal something. ... Now [with our new perimeter wall], we can go out feeling that our home is safe.

- **Maribel** (*client of Fundenuse, Nicaragua*), after using a home improvement loan.
-

I'm quite satisfied with the loan conditions and the support I received during and after the loan application. With the loan, I have managed to create comfort in our home.

- **Halit** (*client of KEP Trust, Kosovo*), after enlarging his living space for his family of seven.

How the Terwilliger Center facilitates more inclusive markets through supply and demand





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Citations

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2. Katharine Esty, Ph.D., "5 Reasons Why Muhammad Yunus Focuses on Lending to Women," Bill & Melinda Gates foundation, impatientooptimists.org/Posts/2014/01/5-Reasons-Why-Muhammad-Yunus-Focuses-on-Lending-to-Women#.WaRBoVGgPcs, Jan. 10, 2014.
3. Lennart Båge, "Microfinance: A Lifeline for Poor Rural People," IFAD, ifad.org/who/president/archive/tags/1651524, February 2008.
4. MicroBuild has 8 percent of its total portfolio exposure in India.
5. MicroBuild has 6.6 percent of its total portfolio exposure in Nicaragua.
6. MicroBuild has 4 percent of its total portfolio exposure in El Salvador.
7. Habitat for Humanity Dominican Republic played a key role in coordinating the relationship and participated in the learning exchange.
8. "Hashemite Kingdom of Jordan, Promoting Poverty Reduction and Shared Prosperity, Systematic Country Diagnostic," World Bank, <http://documents.worldbank.org/curated/en/368161467992043090/pdf/103433-replacement.pdf>, February 2016.
9. An estimated one-third of citizens live below the national poverty line.
10. Forty-five percent of the country and 70 percent of the youth population were unemployed in 2018.
11. "The World Bank Group in Kosovo, Country Snapshot," World Bank, <http://www.worldbank.org/content/dam/Worldbank/document/eca/Kosovo-Snapshot.pdf>, April 2015.
12. According to the Observatory of Violence at the National Autonomous University of Honduras.
13. According to the study "The State of Housing in Central America" elaborated by Incae Business School and Habitat for Humanity in 2016.



Morgan Lewis



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KARNATAKA, INDIA ▶

Shivaputtramma used the microloan she received to make improvements to her home. She also helped other neighbors learn about the microfinance program.



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