Supporting effective home improvements financed with housing microfinance:

*Tools, educational materials and links with suppliers*

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Poor people borrow to conduct home improvements and incrementally build their homes

Microfinance & consumer loans are the main sources of funds for home improvements/extensions

Up to 50% of MF & consumer loans are used for housing purposes

Housing Microfinance (HMF) loans -- loans specially designed to serve housing improvement / extension needs of poor people.

Consumer and MF loans can serve the same need
Clients choose between HMF or Consumer / MF loans.

Client goal: improve / extend / build home

Client need: Financial support to do it

Housing Micro loans
Alternative solutions
Consumer / MF loans

Client looks for the cheapest solution to reach his goal

Reason to chose HMF loan

It is cheaper and easier for the client to reach the goal with HMF loan than with MF or consumer loan.

How to make HMF financed Home improvements more efficient than financed by other types of loans

Financial Costs

Reduction of Financing Cost – Interest rate cut

Technical costs

Engineering costs
Materials costs
Labor costs
Housing microfinance – complex product

• Providing funding

But also providing NON-FINANCIAL SERVICES: Construction Technical Assistance (CTA) to reduce technical costs:

• Preparing list of materials needed, cost estimate, bill of quantities. (Engineer hired by lender)

• Discounts on construction materials (wholesale purchase by lender)

• Educate borrowers on how to conduct improvements on do-it-yourself basis saving on labor costs (Engineer hired by lender)

CTA can’t be free. Ultimately client pays for it

HMF product is sustainable only if CTA value for the client is much higher than the price it pays.

Develop an efficient HMF product means to create a cost efficient CTA model.
Sample of efficient CTA mechanism developed

• Automated calculation of bill of quantities- using pre-develop calculator. No need for an engineer to advice each client.
• Discounts from suppliers of construction materials based on the cooperation agreement. No need to arrange a whole sale purchase, storage and distribution.
• Pre-developed educational materials allowing to conduct improvements on do-it-yourself basis saving on labor costs rather than advice to each client from an engineer.

Calculator for the most demanded types of home improvements
Example of bill of quantities
CONSTRUCTION MATERIALS’ costs reduction

1. Identify a supplier of construction materials
2. Develop procedure for interaction
3. Negotiate with the supplier discounts for HMF borrowers
4. Develop procedures for FI, Client, and Materials supplier

Win-win situation

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<th>FI:</th>
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<td>• Risk reduction</td>
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<td>• Target use of funds ensured</td>
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<th>Supplier:</th>
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<td>• Inflow of clients increased</td>
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<th>Borrower:</th>
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<td>• Cost of materials reduced</td>
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LABOR costs reduction

1. Develop detailed technological procedures for each of the most demanded home improvement that
   a. Meet local building code
   b. Is easy to implement by non-professionals
2. Prepare video or comics type instructions for each of the home improvements outlining in details all steps necessary to conduct the selected home improvement
Annexes

1. Pictures from video tools:
   - Assembling of beams for the roofing
   - Heat insulation of walls
   - Roofing works

Assembling of beams for the roofing
Heat insulation of walls

Roofing works