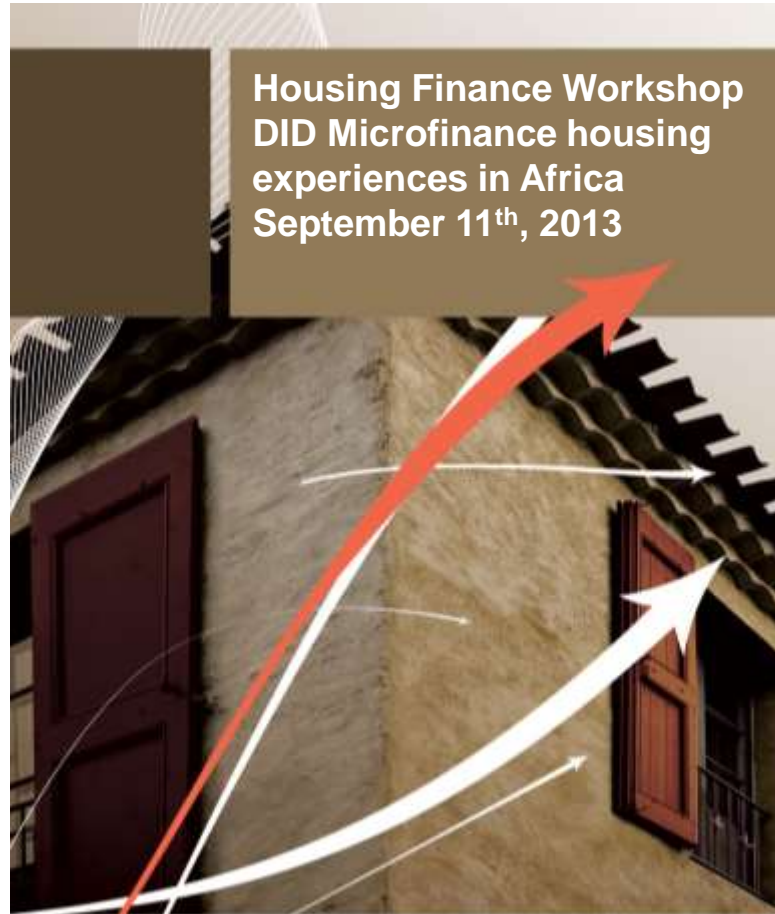




HOUSING FINANCE



Développement international Desjardins at a Glance

Active partnerships in more than 25 countries on four continents.

110 employees including nearly 30 positions abroad and 300 employees in four microfinance institutions operated by DID.

Three strategies to help improve access to financial services in developing countries

Technical Assistance

Since 1970

Project volume: 22M\$/year

- ✓ Over 500 long-term mandates completed, in 58 countries.
- ✓ "Proxfin", a network of 28 microfinance institutions totalling 3,5 billion in assets and serving nine million families and entrepreneurs worldwide through 2,700 points of service.



- ✓ Offering a wide range of specialized solutions in support of a professional financial sector with a diversified product offering.



Investments

Since 1998

Founding member of the Council of Microfinance Equity Funds

Partnerships with major microfinance investors

Funds under management:

Investment Fund for International Development **2,1 M\$**

Desjardins Fund for Inclusive Finance **10 M\$**

Partnership Fund **14,3 M\$**

Two credit lines with Export Development Canada (EDC) **8 M\$**

Operator

Since 2009

EFCs are nationwide institutions

EFC Zambia (2009)

Assets 17 M\$, 16,400 clients
11 branches, 188 employees
Average loan size: \$6,300

EFC Panama (2010)

Assets 15 M\$, 2,241 clients
8 branches, 85 employees
Average loan size: \$6,200

EFC Tanzania (2011)

Assets 5,8 M\$, 1,935 clients
5 branches, 65 employees
Average loan size: \$9,300

EFC Uganda (2012)

Assets 3,9 M\$, start-up phase
4 branches, 37 employees
Average loan size: \$7,900



Examples of DID Housing Mandates

- Burkina Faso Housing Finance Market Study (on behalf of IFC)
- Support to the Bank of Africa (BOA) (financed by FMO and BOA)
- Project to Support Housing Finance for mortgage guarantee funds (FGHM Mali) (financed by CIDA and World Bank)
- Russia Primary Mortgage Market Development Project (IFC)
- AFHAB Pilot project: Burkina Faso, Senegal, India, Zambia, Panama
- Training and support Banks in Algeria + advice re. policy making and broad parameters of national development plan for housing finance (CIDA)
- Design credit rating system for housing (CIDA and FMO)
- Study on mortgage guaranty offer in UEMOA countries (BOAD)



Principles and lessons acquired from those experiences

Housing finance

- *Enable family wealth to be built up, improving living conditions, security, self-confidence and inclusion*
- *Enable institution to make significant social contribution*
- *Is a very advantageous product for a financial institution as they represent a low to moderate risk*



Banks & MFIs, same approach?

Both share the same benefits:

- Expansion of its role, scope and accomplishment of its mission;
- Earning the loyalty of its customers; responding to one of people's priority needs;
- Strong potential for attracting new costumers;
- Diversification of the credit risk;
- Possibility of cross-selling other products;
- Long term loans that generate higher interest (lower loans rotation).



Advantages from MFIs

MFIs have already changed the paradigm of personal finance through innovation by offering poorer communities or non-salaried people accessible and viable services



Clear distinction in microfinance

- Traditional mortgage
- Micro-mortgage



For most of the population

- The cost of complete housing solution is prohibitive;
- Income is limited and uncertain over a long period;
- Prefer to take out smaller loans for shorter periods;
- Fear putting at risk a home that they have sometimes spent years to build and in which they have invested all of their savings.



House improvement loan

Approach based on a reality observed almost everywhere : low-income families build and improve their dwelling little by little when they have funds available.

Progressive self help construction

- Self-help construction of a first significant phase of a home;
- Completed later as funds flow in, which may be saved funds or a new loan in time and place;
- Middle-class employed borrower who already own a piece of land.

Addition and improvement of existing home

- Addition of a room or improvement of an existing house (example: addition of a bathroom facility)
- Existing debt-free house already owned by the client to be rented out or to house a business or a workshop.
- Built partially by the owner and hired employee.



Desjardins

Développement international

House improvement loan

	West Africa (UMOA)	East Africa (Zambia, Tanzania)
Credit amount	Max 12 000\$	1 000\$ à 60 000 \$ Average disbursement 6600\$
Annual interest rates (declining balance)	10% to 18%	Zambia 42 % Tanzania 36%
Term loan	Maximum 60 months	Maximum 60 months
Loan to value ratio	30% to 60%	
Collateral	Mortgage promises Saving – 20% of the amount of loan Third party	Mostly mortgages



Funding

MAIN ISSUE TO OPTIMIZE THE OUTREACH OF MICRO HOUSING

- Deposit and saving account : freezing the house saving product
- Local funds (from local banks and subsidiaries)
- Currency risk mitigation : hedging funds, local bank loan with liquidity as collateral
- Funds costs
 - Interest rate : 13% to 14% (west Africa)
14% to 20% (East Africa)
 - Maximum : 5 years



Networks profile

	Global portfolio			Housing portfolio		
	Nb loans	credit \$	Par 30 %	Nb loans	credit \$	Par 30 %
Nyesigiso - Mali	208 875	27 491	13,5	766	2 820	11,4
Pamecas Sénégal	590 406	89 727	10,7	760	2 025	3,5
FUCEC - Togo	291 910	122 401	9,9	635	3 219	1,7
EFC Zambia Owned and operated by DID	2 106	13 849	3,8	462	4 291	1,7
EFC Tanzania Owned and operated by DID	478	4 611	3,8	54	671	1,9



Lessons learned

Housing loans processed in a different way from other products

- *they are more complex to analyze, evaluate and disburse:*
- *a higher amount, a longer term,*
- *heavily influenced by the nation's economic context (real estate bubble, abrupt fall in value, etc.)..*

We need to accompany the demand

- There is not a spontaneous demand despite the needs and poor supply for housing loan
- Approach : « Market Maker » For instance (Zambia)

Devoting specialized staff to housing finance and managing them in a centralized fashion is recommended



Learned lessons

- The average loan is 4 to 5 times higher than all types average loan
- Longer loan term of 3 to 5 years

Higher loans and less loans rotation = improved productivity



Housing finance

Project Implementation Partners



NYÉSIGISO



Thank You
Questions ?

