



# Public Housing Markets

## Policy and Financing Summary

May 2018

# Singapore Housing Market

# Housing Finance Policy in Singapore

## Central Provident Fund (“CPF”)

- CPF is essentially a fully-funded, pay-as-you-go social security scheme.
- Mandatory contributions by both employers and employees of a percentage of the employees’ monthly contractual wage toward his/her account in the fund
- Contribution rates are currently 20 per cent of wages for employees and 17% per cent of wages for employers.
- Contribution rates have varied depending on economic conditions
- These fairly substantial forced savings may be withdrawn at age 55 or earlier for various approved purposes.
- Between 1968 and 1981, CPF could only be

withdrawn for purposes of down payment, stamp duties, mortgage and interest payments incurred for the purchase of public-sector-built housing.

## Subsidized mortgage financing

- HDB provides subsidized mortgage financing to its flat buyers. The loan quantum is either 80 % or 90% of the price of the new flat and the maximum repayment period is 25 years.
- The HDB mortgage interest rate is pegged at 0.1 per cent above the CPF interest rate, which has been generally about 2 per cent below the housing mortgage interest rates of commercial banks.

# Public Housing Subsectors in Singapore

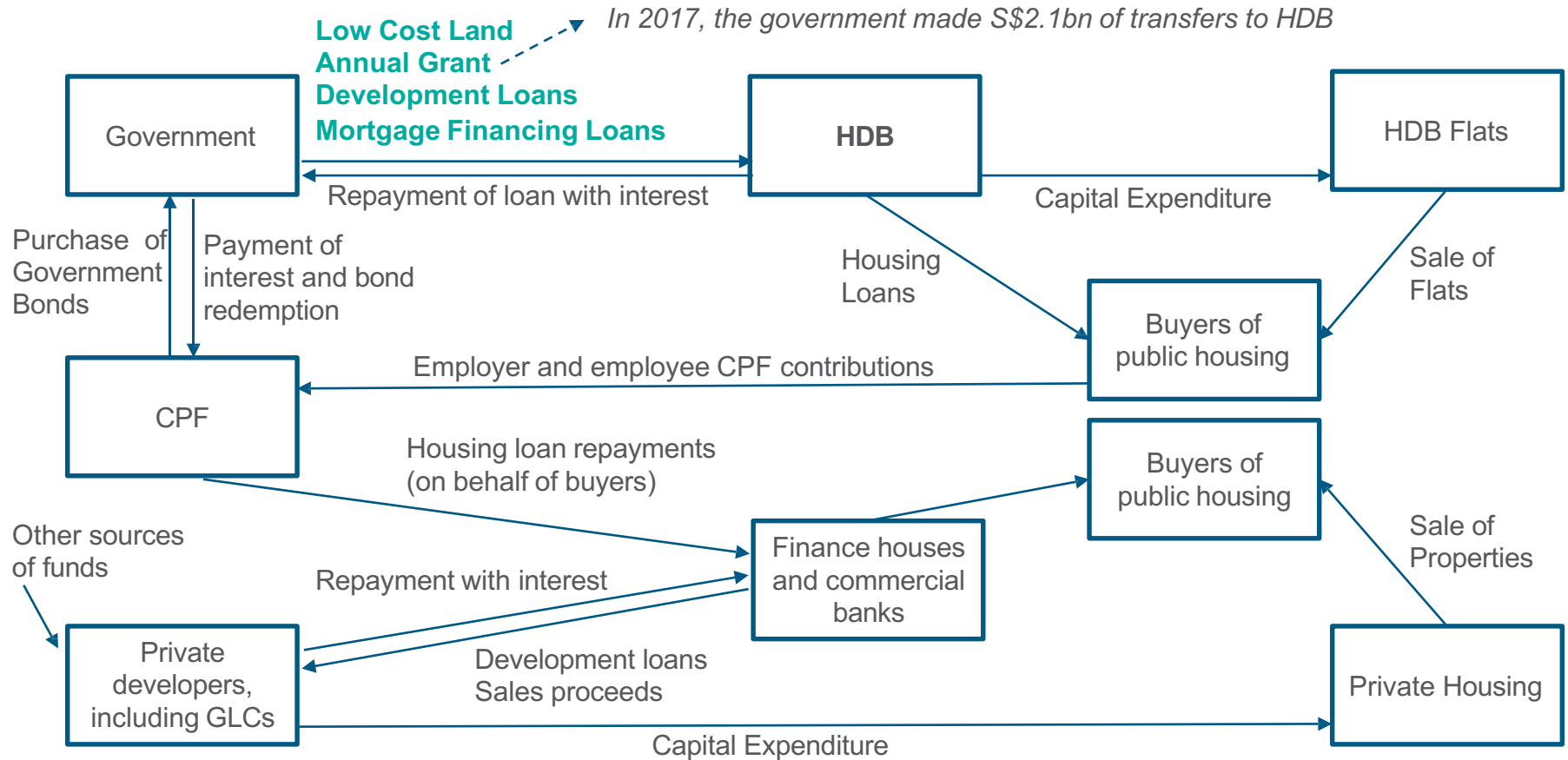
## Owner occupied public housing

- Largest of all Singapore housing subsectors.
- Demand is regulated by eligibility rules such as household income, non-ownership of private properties at the time of application and citizenship status
- At least two and a half years wait for a flat
- A mature resale (used) market for these flats has been established to allow transactions at prices determined by market forces, although the HDB continues to regulate eligibility and credit conditions.
- Various rules are in place to curb speculation

## Rental public housing

- The public housing rental sector represents the social housing sector in Singapore.
- It is completely regulated by the HDB and provides minimum standard housing for the lowest-income families.
- A proportion of rental units also cater to 'transitional' families waiting for their home ownership as well as to foreign workers in Singapore

# Housing Finance Market in Singapore



Source: PHANG, Sock-Yong. Housing Policy, Wealth Formation and the Singapore Economy. (2001). Housing Studies. 16, (4), 443-459. Research Collection School Of Economics. Available at: [http://ink.library.smu.edu.sg/soe\\_research/257](http://ink.library.smu.edu.sg/soe_research/257)

# Financing of Housing in Singapore

- Forced savings of workers are 'locked up' in the Central Provident Fund, could only be withdrawn for housing mortgage financing
- HDB provides mortgage loans to purchasers of its leasehold flats.
- Mortgage interest rate charged by the HDB is usually below the prime rate of commercial banks, the HDB itself being the recipient of cheap government loans for which it is charged prevailing CPF saving rates
- Mortgage loan rate charged by the HDB is higher than the rate that it is able to borrow from the government, thus ensuring the stability of the financing.
- Constraints on both the supply and demand side of the housing market is dealt with
- Private sector financial institutions considered mortgage financing for low-income housing to be an activity that was too risky to undertake
- Without financing, housing developers were understandably unwilling to venture into low cost housing activities
- Majority of the population at that time did not possess an adequate understanding of the mechanics of a housing mortgage
- At lower levels of income, the average household's voluntary saving rate was also likely to be lower than the CPF compulsory saving rate
- The CPF-HDB hybrid thus contributed significantly to correct the market failures associated with financing low-income housing then.

Source: PHANG, Sock-Yong. Housing Policy, Wealth Formation and the Singapore Economy. (2001). Housing Studies. 16, (4), 443-459. Research Collection School Of Economics. Available at: [http://ink.library.smu.edu.sg/soe\\_research/257](http://ink.library.smu.edu.sg/soe_research/257)

# Rental public housing in Singapore

## Public rental scheme

- Only 1-room and 2-room flats
- In 2011, the HDB received 23,900 applications and found 13,700 did not qualify.
- Waiting list for rental flats is 1,900 applicants.
- Average wait is 7.5 months for a unit
- In 2013, HDB declared that they are increasing the public rental stock from the current 50,000 units to 60,000 units, to assist more of such households
- Rental rates HDB charges are highly subsidized, starting from as low as \$26 a month
- Rates are also tiered according to household income, so that more help is extended to those in greater need

## Expansion of the scheme

- In 2018, the government propose expanding the public rental scheme to include 3-room flats
- The annual subsidy of each household ranges from S\$5,856 - S\$8,040, depending on each household's income
- The government transfer for this initiative over 5 years to the estimated 3,000 beneficiaries will be **S\$105 million**

Sources: Public Housing Budget Discussions: [www.singaporebudget.gov.sg/budget\\_2012/download/Category2/Verendum\\_Housing.pdf](http://www.singaporebudget.gov.sg/budget_2012/download/Category2/Verendum_Housing.pdf), How is HDB helping low-income households with a roof over their head: [www.gov.sg/factually/content/how-is-hdb-helping-low-income-households-with-a-roof-over-their-head](http://www.gov.sg/factually/content/how-is-hdb-helping-low-income-households-with-a-roof-over-their-head), HDB to supply another 10,000 rental flats by 2017: [www.straittimes.com/singapore/hdb-to-supply-another-10000-rental-flats-by-2017](http://www.straittimes.com/singapore/hdb-to-supply-another-10000-rental-flats-by-2017)

# India Housing Market

# The housing gap in India

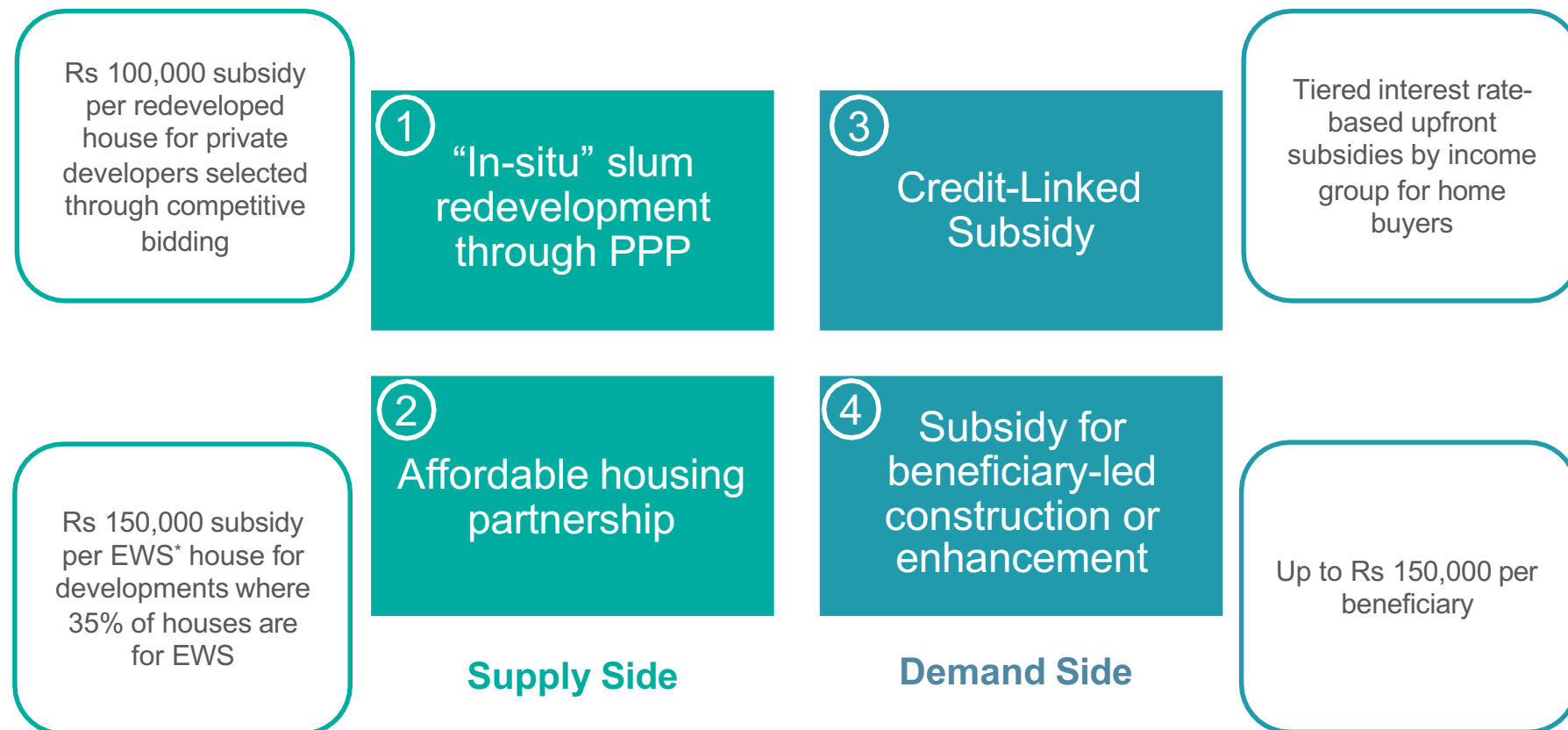
## Context

- In 2015, the “Housing for All by 2022” program was announced by Prime Minister Narendra Modi to address the affordable housing gap in India<sup>1</sup>
- The program targets to build a total of 20 million affordable housing units all over India by 2022<sup>1</sup>
- 2 components of the program<sup>2</sup>:
  - Pradhan Mantri Awas Yojana – Urban (**PMAY-U**) for the urban poor
  - **PMAY-G** for the rural poor

### Sources:

1. <http://www.thehindu.com/real-estate/affordable-housing-a-game-changer/article19401953.ece>
2. <http://nhb.org.in/wp-content/uploads/2017/06/RHIS-Guidelines-in-English.pdf>

# PMAY-Urban Scheme Components<sup>1</sup>



\* "Economically Weaker Section" (i.e., the lowest income group)

Sources:

1. [http://nhb.org.in/wp-content/uploads/2016/09/Housing\\_for\\_All\\_EnglishUrban.pdf](http://nhb.org.in/wp-content/uploads/2016/09/Housing_for_All_EnglishUrban.pdf)

# PMAY-Urban: Supply side interventions<sup>1</sup>

## 1) “In-situ” slum redevelopment through PPP

- Private partner is selected through open bidding
- Government provides a subsidy/grant of Rs 100,000 per house on average and if needed, provides additional land to the developer
- A rehabilitation project would thus be composed of a “slum rehabilitation component” which includes housing and basic infrastructure to eligible slum dwellers and a “free sale component” for developers to commercialize and to cross-subsidize the project

## 2) Affordable housing partnerships

- Central government provides subsidies at a rate of Rs 150,000 per EWS house for all EWS houses constructed in a development where there are at least 250 houses and at least 35% of houses is for EWS
- Subsidies can be given to project owners (either State agencies or state agencies partnered with private sector)
- Allotment of houses to be determined by the State government/local government or an authorized private partner
- Sales price is fixed by the State government on the basis of “no profit, no loss”

Sources:

1. <https://hudco.org/writereaddata/PMAY.pdf>
2. <https://scroll.in/article/841852/housing-for-all-by-2022-an-ambitious-scheme-in-india-is-showing-early-signs-of-success>

# PMAY-Urban: Demand side interventions<sup>1</sup>

## 3) Credit-Linked Subsidy Scheme<sup>2</sup>

- Government provides up-front, interest-rate based subsidies for home buyers:
  - Economically Weaker Section (EWS) and Lower Income Group (LIG) get an interest rate of 6.50% for loans up to Rs 600,000,
  - Middle income category 1 gets an interest rate of 4% for loans up to Rs 900,000
  - Middle income category 2 gets an interest rate of 3% for loans up to Rs 1,200,000
- These interest rates are significantly lower than market rates, which are all above 8%
- Maximum loan tenure is 20 years
- The NPV of the “interest subsidy” is credited upfront to the beneficiaries’ loan account, effectively reducing the loan principal and interest
- Scheme is implemented through the National

Housing Bank and the Housing and Urban Development Corp.

Classification	Annual Income	Loan Amount	Unit Size
Economically Weaker Section	<= 300,000	600,000	30 sqm
Low Income Group	300,001-600,000	600,000	60 sqm
Middle Income 1	600,001-1,200,000	900,000	120 sqm
Middle Income 2	1,200,001-1,800,000	1,200,000	150 sqm

- Beneficiaries should not already own a pucca house (i.e., an “all-weather”, permanent house)

Sources:

1. <https://hudco.org/writereaddata/PMAY.pdf>
2. <https://scroll.in/article/841852/housing-for-all-by-2022-an-ambitious-scheme-in-india-is-showing-early-signs-of-success>

# PMAY-Urban: Demand side interventions<sup>1</sup>

## 4) Beneficiary-led construction or enhancement

- Subsidies of up to Rs 150,000 can be provided to beneficiaries who undertake the construction / enhancement of their homes
- Subject to verification of the beneficiary's details, land ownership and economic data
- Central government releases funds to State government which will then release financial assistance in 3-4 installments based on the progress of construction
- Final installment will be released only upon completion of the house

Sources:

1. <https://hudco.org/writereaddata/PMAY.pdf>
2. <https://scroll.in/article/841852/housing-for-all-by-2022-an-ambitious-scheme-in-india-is-showing-early-signs-of-success>

# PMAY-G (Rural) Scheme

## Key features:

- Aim: to provide permanent housing to 10 million households living in dilapidated houses from 2016-2019
- Pucca houses should be at least 25 sqm with hygienic cooking space
- Assistance is from Rs 70,000 - 120,000 for houses in plain areas (60:40 share between Central and State governments) and Rs 75,000 - 130,000 for hilly areas (90:10 share between Central and State)
- Aside from the subsidies, Government also to provide 90-95 person days of unskilled labor wage for construction of the house
- Selection of beneficiaries is based on the 2011 Socio Economic and Caste Census

## Financing:

- Majority of the Central government's share of PMAY-G cost will be funded through the national budget and partially through loans from the National Bank for Agriculture and Rural Development, amortized through budgetary grants after 2022
- 95% of the annual budgetary grant for PMAY-G will be released to State governments/Union Territories for the construction of houses (the remaining 5% is kept by the Central government as a reserve fund for special projects)

Sources:

[http://pmayg.nic.in/netiay/english\\_book\\_final.pdf](http://pmayg.nic.in/netiay/english_book_final.pdf)

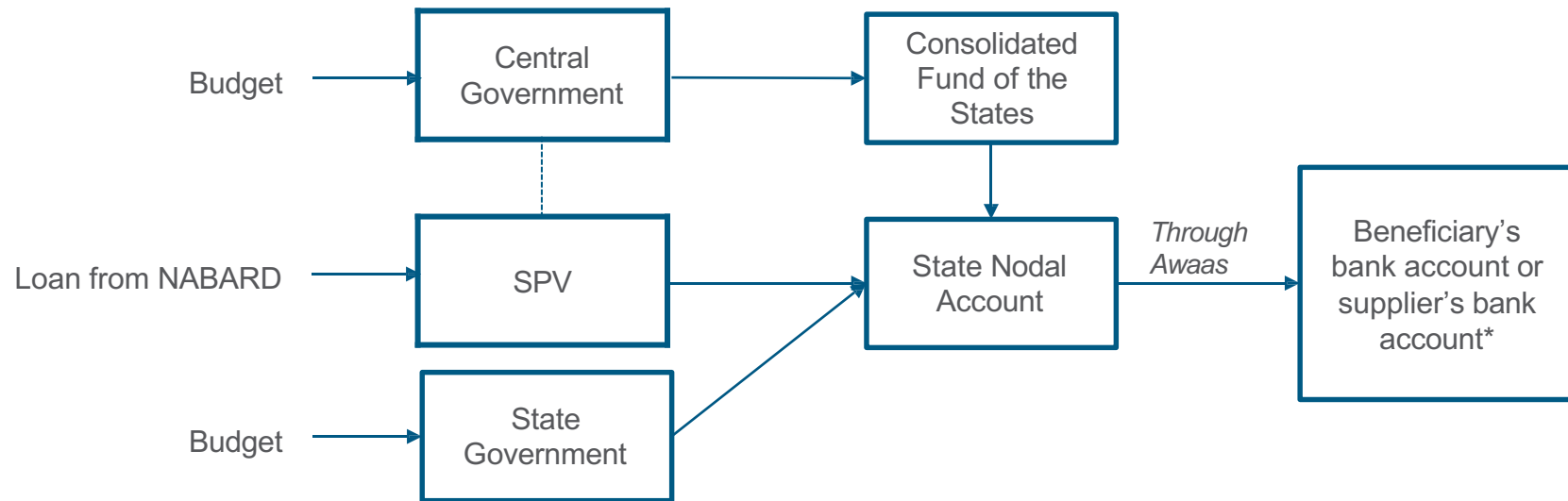
# PMAY-G (Rural) Construction and Subsidy Mechanics



- An authorized official of the State government will take (1) a geo-referenced photo of the beneficiary in front of the beneficiary's current house and (2) the land on which the beneficiary proposes to construct the house
- These are uploaded to **AwaasApp**, a mobile app developed by the Government of India for the monitoring and implementation of PMAY-G
- If beneficiary is landless, the State government will provide land
- Once the beneficiary is registered to the app and his bank account is validated, the first installment of the subsidy will be transferred to the beneficiary
- The construction of the house shall then be arranged by the beneficiary. The State does not engage any contractor for construction of the houses
- Construction must be completed in 12 months
- After the first installment, the State will map the timing of remaining installments based on construction milestones completed and monitored through the app
- Beneficiaries may opt for construction materials in lieu of financial assistance; suppliers will be selected by the State government

Sources:  
[http://pmayg.nic.in/netiy/english\\_book\\_final.pdf](http://pmayg.nic.in/netiy/english_book_final.pdf)

# PMAY-G Fund Management and Release



\*if beneficiary chose supplies over financial assistance

# Malaysia Housing Market

# Malaysian Housing Market

## Context:

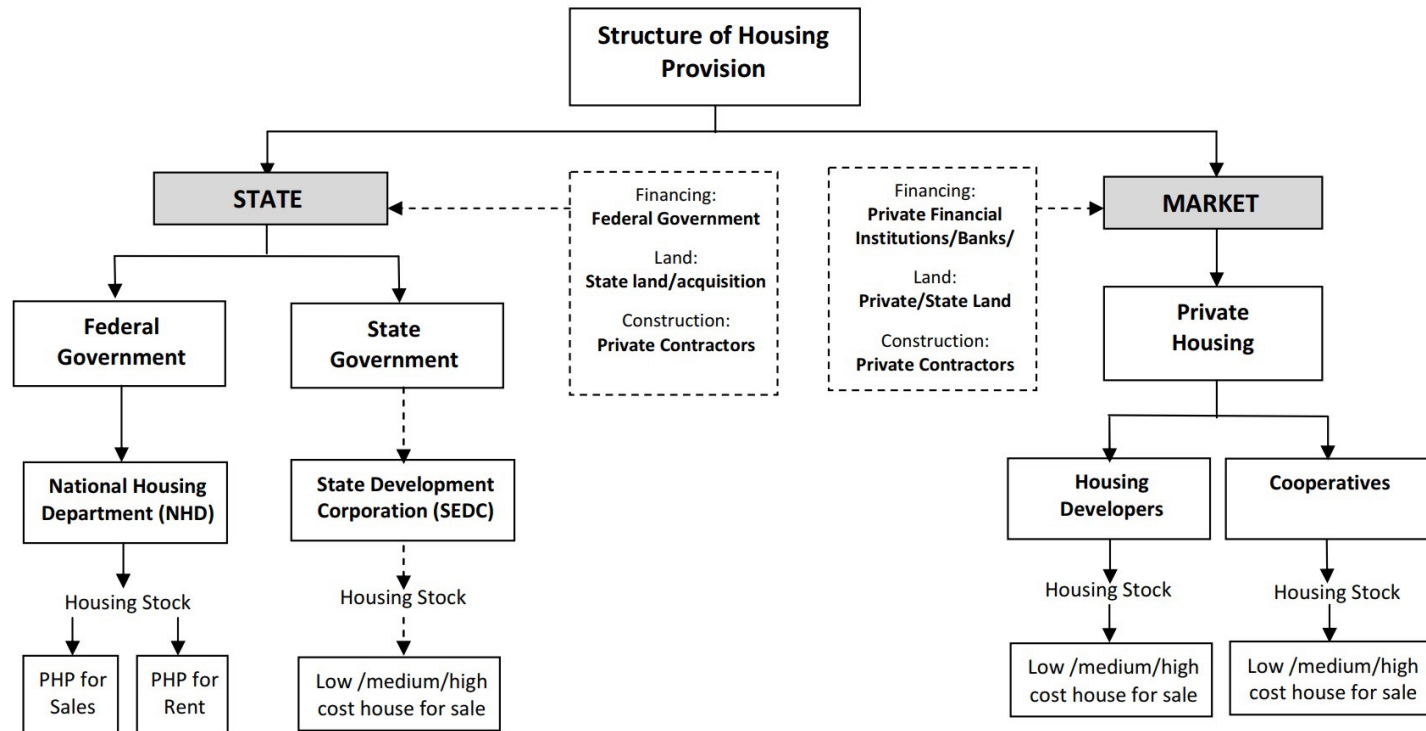
- Average housing price recorded at RM 330,694 in 2016
- Median home price was recorded to be 4.4 times the median income in 2014, signaling that households cannot afford to buy a house based on the UN Centre for Human Settlement's benchmark for home affordability, which is 3x a household's annual income
- Escalating home prices affect middle-income households severely, with middle-income households not being eligible to participate in government housing programs targeted for poor/low-income, but also not being able to afford market-priced homes

Source:

<http://www.jostip.org/index.php/jostip/article/view/49/25>

# Housing Provision in Malaysia

Figure 7: The Structure of Housing Provision in Malaysia After 1997



Source:  
[http://irep.iium.edu.my/3070/1/WS09\\_87\\_Shuid.pdf](http://irep.iium.edu.my/3070/1/WS09_87_Shuid.pdf)

# People's Housing Program

- The People's Housing Program (PHP) is the government initiative to relocate squatters and meet the housing needs of low-income earners
- Housing units are either sold or rented out to low-income earners
- Target group are those with household income < RM 2,500 (~USD 630) /month
- The Ministry of Urban Wellbeing, Housing and Local Government (“UHLG”) is responsible for:
  - Planning of project
  - Site selection and acquisition
  - Handover of completed project to state government / local authorities
  - Monitoring PHP management for rental and sales of PHP for ownership
  - Once completed, the PHP will be handed over to the State Secretary or Local Authority.
- Applications of end-users are made through the State Secretary or Local Authority.
- Eligibility requirements:
  - Household income < RM 2,500/month
  - Malaysian citizen above 18 years old
  - First-time home buyer
  - Married/family

## Sources:

1. [http://irep.iium.edu.my/3070/1/WS09\\_87\\_Shuid.pdf](http://irep.iium.edu.my/3070/1/WS09_87_Shuid.pdf)
2. <http://www.kpkt.gov.my/index.php/pages/view/256>

# Affordable Housing Schemes for Middle Class

## PR1MA Corp.

- Established under the PR1MA Act 2012 to plan, develop, construct and maintain high-quality housing with lifestyle concepts for middle-income households in key urban centres.
- Open to all Malaysians with a monthly household income between RM2,500 to RM15,000

## My First Home

- Launched in 2011 with the goal of providing affordable housing for middle-income households
- Provides 100% financing from banks for households earning < RM 5,000/month to purchase their first home

## PPA1M (1 Malaysia Civil Servants Housing)

- Launched in 2013; Established for civil servants to own quality and affordable housing
- Addresses the housing gap among 45% of the 1.5 million civil servants in Malaysia who cannot afford homes

## RUMAWIP

- Program that aims to provide 80,000 affordable housing units for middle income families in three federal territories: Kuala Lumpur, Putrajaya and Labuan, by 2020
- Open for Malaysians with monthly gross income < RM10,000 for singles and RM 15,000 for married couples

### Sources:

1. <http://www.jostip.org/index.php/jostip/article/view/49/25>
2. <https://rumawip.kwp.gov.my/>

## Other Housing Initiatives

- Local governments have imposed a 30% quota for low-cost housing to be built by developers in every residential development
- Local governments in Selangor, Melaka, and Johor have launched their own affordable housing schemes/programs

## Implementation Challenges

- The government has launched many housing programs but performance has not been on target, mainly due to low commercial viability of affordable housing developments (no incentives in place for private developers and sales prices are not high enough to recover costs)
- Lack of land banks and government's inability to provide land to developers

Source:  
<http://www.jostip.org/index.php/jostip/article/view/49/25>

# US Housing Market

# Fannie Mae, Freddie Mac and Ginnie Mae

## Fannie Mae and Freddie Mac

- Government-sponsored entities that act as links between banks and lenders, the federal government, and private investors.
- Mission: to provide easy access to funds/liquidity to thousands of banks, savings and loans entities, and other mortgage companies that lend to homebuyers
- How they do this: they purchase most of the home loans in the United States, then hold them as their own investments, or package them into mortgage-backed securities that are sold to investors on the secondary mortgage market
- Result:
  - Increased market stability, affordability, and liquidity
  - Lenders have less debt owed to them (also known as “on the books” or “on balance-sheet”), resulting in more funds to

originate new mortgages

- Fannie Mae and Freddie Mac have increased capital to buy more loans
- The investor makes a profit from the interest earned on the borrower’s monthly mortgage payments

## Ginnie Mae

- Government agency that guarantees timely payment of mortgage bonds. Fannie and Freddie guarantee loans to secondary market investors, while Ginnie Mae guarantees mortgage-bond payments.
- For example, if a borrower defaults on their mortgage, Fannie and Freddie are responsible for the losses on the loans they guarantee to investors; Ginnie Mae is responsible for the bond payments to the holders of Ginnie Mae securities.

Source:

<https://www.pennymacusa.com/blog/understanding-the-roles-of-fannie-mae-and-freddie-mac>

# Key lessons from the 2008 financial crisis

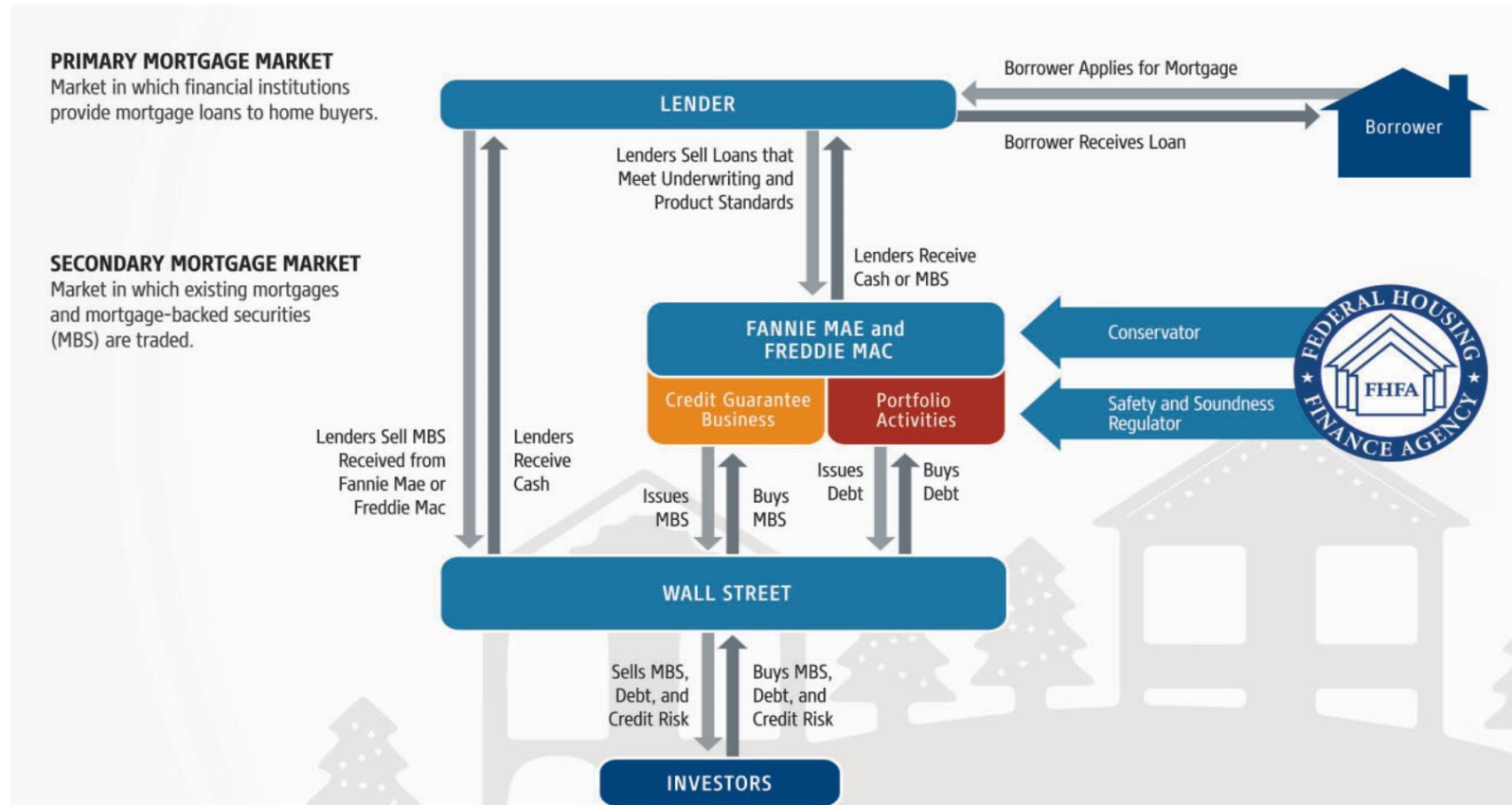
- Underwriting standards and the basic rules of safe lending must be in place and strictly enforced
- Regulators have a key role in ensuring the above
  - The Federal Housing Finance Agency (FHFA) was established by the Housing and Economic Recovery Act of 2008 (HERA) and is responsible for the effective supervision, regulation, and housing mission oversight of Fannie Mae, Freddie Mac and the Federal Home Loan Bank System, which includes the 11 Federal Home Loan Banks and the Office of Finance. Since 2008, FHFA has also served as conservator of Fannie Mae and Freddie Mac.



Sources:

1. <https://www.fhfa.gov/AboutUs>
2. <https://www.ft.com/content/e49dce3c-8d97-11e7-9084-d0c17942ba93>

# Housing Finance Market in the USA Today



Source:  
<https://www.fhfa.gov/AboutUs/PublishingImages/FannieFreddie.jpg>

# National Housing Trust Fund (NHTF)

- Dedicated fund intended to provide revenue to build, preserve, and rehabilitate housing for people with the lowest income
  - Extremely low income households (incomes of 30% of area median or less)
  - Very low income households (incomes of 50% of area median or less)
- Main source of fund is based on the annual assessment of 4.2 basis points (0.042%) of the volume of business of Freddie Mac and Fannie Mae, 65% of which is to go to the NHTF.
- NHTF can be funded by other dedicated sources of revenue, such as any appropriations, transfers, or credits that Congress may designate
- At least 90% of the funds be used for the production, preservation, rehabilitation, or operation of rental housing
- 10% may be used for the following homeownership activities for first-time homebuyers: production, preservation, and rehabilitation; down payment, closing cost, and interest rate buydown assistance
- NHTF-assisted units can be in a project that also contains non-NHTF-assisted units
- NHTF assistance can be in the form of a grant, loan, deferred payment loan, equity investment, or other forms
- One of the basic tenets of housing policy is the “Brooke rule,” which considers housing to be affordable only when assisted households use no more than 30% of their income for rent and utilities

Source:

1. [http://nlihc.org/sites/default/files/NHTF\\_FAQ.pdf](http://nlihc.org/sites/default/files/NHTF_FAQ.pdf)

# Australia Housing Market

# Australian Housing Market

## Context

- Population of 21 million housed in 9.1 million private dwellings (as of 2011 Census)
- Around 2/3 of Australians live in owner-occupied homes; 1/3 of Australians rent
- House price increases outpace increases in incomes; prices in Sydney and Melbourne have diverged sharply from the rest of the country since 2012
- Among low-income households who rent, housing costs account for ~35% of income; housing costs as a % of income is 26% for those buying homes with a mortgage and 6% for those owning their homes outright, respectively
- The proportion of low-income renters paying affordable rents (i.e., < 30% of incomes) was at 46% in 2011

## Public Housing

- Provision of public or community housing in Australia and the relevant funding policies and contracting arrangements are devolved to each state government / territory
- **A National Regulatory System for Community Housing (NRSCH)** was created to help provide a consistent regulatory environment to support the growth of the community housing sector across all states/territories in Australia; the NRSCH is mandated with the following:
  - Establishment of a national public register and a National Regulatory Code for community housing
  - The Code will set out performance requirements for: housing services, housing assets, community engagement, financial viability, probity, etc.

### Sources:

1. [Martin, Chris, Pawson, Hal and van den Nouwelant, Ryan. "Housing policy and the housing system in Australia: an overview." 2016. \(https://shapingfutures.gla.ac.uk/wp-content/uploads/2016/09/Shaping-Housing-Futures-Australia-background-paper.pdf\)](https://shapingfutures.gla.ac.uk/wp-content/uploads/2016/09/Shaping-Housing-Futures-Australia-background-paper.pdf)
2. [http://www.nrsch.gov.au/data/assets/file/0006/284604/Industry\\_Development\\_Framework.pdf](http://www.nrsch.gov.au/data/assets/file/0006/284604/Industry_Development_Framework.pdf)

# Public Housing Schemes

## National Rental Affordability Scheme

- Commenced in 2008, aims to increase the supply of new and affordable rental dwellings by providing an annual financial incentive for up to ten years
- Incentive is issued to housing providers to provide affordable rental dwellings at least 20 per cent below market rates
- Up to 38,000 NRAS properties will be delivered in the Scheme and will continue to be rented for up to 10 years provided they continue to meet eligibility requirements
- Individual private investors alThe scheme involves 133 housing providers, including property developers, not-for-profit organizations and community housing providers
- so participate in the Scheme either as part of a joint venture arrangement with an NRAS approved participant, or by purchasing NRAS dwellings from an approved participant.
- The target group for NRAS is low to moderate income Australians – people who may find it hard to pay market rental rates. Potential and existing NRAS tenants must meet income eligibility criteria and be assessed by the approved participant or the tenancy manager of a particular property, not by the Australian Government.

Source:

<https://www.dss.gov.au/our-responsibilities/housing-support/programmes-services/national-rental-affordability-scheme>

# Public Housing Schemes

## Social Housing Initiative

- Part of the the National Partnership Agreement on the Nation Building Jobs Plan. (Began in February 2009 and expired on 31 December 2012)
- 19,700 new social housing dwellings built at an average cost to the Australian Government of \$265,672 per dwelling (as at 31 January 2013)
- Approximately 80,000 existing social housing dwellings upgraded
- Aimed to stimulate the construction industry, increase the supply of social housing and provide long-term accommodation opportunities for homeless people (and people at risk of homelessness)
- Supported both the construction of new social

housing (\$5.2 billion) and the repair and upgrade of existing homes (\$400 million) across all states and territories

Source:  
[https://www.dss.gov.au/sites/default/.../social\\_housing\\_initiative\\_fact\\_sheet.pdf.docx](https://www.dss.gov.au/sites/default/.../social_housing_initiative_fact_sheet.pdf.docx)

# Other Housing Policies

## First Homeowner Grant (FHOG)

- Introduced in 2000 to offset the effect of the GST on home ownership. It is a national scheme funded by the states and territories and administered under their own legislation.
- Under the scheme, a one-off grant is payable to first home owners that satisfy all the eligibility criteria.
- The FHOG eligibility criteria and amount differ per state or territory in which the home buyer intends to purchase the home; FHOG amounts range from \$7,000 to \$26,000 depending on the state/territory.

## Rent Assistance

- A Federal social security payment to persons who receive social security payments and who live in non-government rental housing; acts as an important subsidy to tenants of community housing in Australia as well as Indigenous housing providers
- Structured as a co-payment of 75 cents to a dollar of rent payable by the tenant (subject to a maximum amount)

### Sources:

1. <http://www.firsthome.gov.au/>
2. [Martin, Chris, Pawson, Hal and van den Nouwelant, Ryan. "Housing policy and the housing system in Australia: an overview." 2016. \(https://shapingfutures.gla.ac.uk/wp-content/uploads/2016/09/Shaping-Housing-Futures-Australia-background-paper.pdf\)](https://shapingfutures.gla.ac.uk/wp-content/uploads/2016/09/Shaping-Housing-Futures-Australia-background-paper.pdf)

# Mexico Housing Market

# National Workers' Housing Fund Institute (INFONAVIT)

- A federal government housing assistance agency established in 1972 designed to help Mexican workers purchase homes
- Functioned as a housing bank
- Funded through:
  - (i) a compulsory **5% payroll tax** on affiliated formal-sector workers
  - (ii) loan payments, alternative funding sources and interest on financial products – include both housing finance and complementary retirement income
- Mexican employers have an obligation to register themselves and their workers with INFONAVIT and to contribute the equivalent of **5% of each worker's daily wage** to his or her account at the Institute.
- Registered workers become members of INFONAVIT and can get credit to:
  - Build a home
  - Purchase a home
  - Expand or remodel a dwelling
  - Pay an existing mortgage
  - Rent a home
- INFONAVIT currently makes credits of up to 850,000 pesos (or 65,000USD) available to low-income maquiladora, and other private sector, workers.
- Mortgage payments on sums borrowed are calculated to be proportional to workers' salaries, and are **deducted directly from their paychecks**
- Between January 2013 and September 2014, INFONAVIT granted about 74% of all housing loans in Mexico, for a total value of MXN 174 billion in 2010 prices (USD 12.9 billion)
- Over time, INFONAVIT became the **leading mortgage lender** in Mexico

#### Sources:

1. <https://www.justice.gov/sites/default/files/eoir/legacy/2013/11/07/MEX102738.E.pdf>
2. <https://www.tecma.com/worker-housing-credit-in-mexico-infonavit/>

3. OECD Urban Policy Reviews: Mexico – Transforming Urban Policy and Housing Finance

# Lessons from INFONAVIT

- Mexico's housing transition also hinged on the complete transformation of the country's construction industry: prior to the 1990s, most construction companies were small-scale operations, but by 2004, nine of the country's **largest developers controlled a quarter of the market share**
- INFONAVIT, for its part, played a pivotal role in the country's housing transition, thanks to its **market dominance in mortgage lending** and, in the early years, a close relationship with large-scale developers
- However, by concentrating lending on lower-income segments, INFONAVIT financed homes that were often **developed where land was least expensive**: in large land reserves far from city centers and disconnected from urban services and infrastructure.
- In the most egregious cases, contractual obligations with developers to build water pipelines and other **services were never fulfilled**, while promised transport infrastructure connecting the developments to urban centers was never built
- A large share of uninhabited homes has resulted in part from the **suboptimal location of some housing developments** and a lending model that provides affiliates with strong incentives to take out a loan

## Sources:

1. <https://www.justice.gov/sites/default/files/eoir/legacy/2013/11/07/MEX102738.E.pdf>
2. <https://www.tecma.com/worker-housing-credit-in-mexico-infonavit/>

3. OECD Urban Policy Reviews: Mexico – Transforming Urban Policy and Housing Finance