



IFC

Financial Institutions Group (FIG)

Housing Finance

Industry Context

Affordable housing remains a pressing global issue, especially in emerging markets and developing countries where more than 1.26 billion people lack adequate housing. Approximately 210 million additional housing units will have to be built by 2030 to accommodate growing populations and urbanization patterns. This represents a \$16 trillion financing gap.

World Bank Group Approach to Housing

The WBG's mission is to work across the housing value chain to enable and deepen the market. For more than 30 years, IFC has supported the expansion of residential mortgage lending and affordable housing in emerging markets.

To catalyze the development of sound and widely accessible housing finance markets, IFC:

- Invests in financial institutions and mobilizes capital across the globe, serving as a reliable source of long-term funding
- Works with funds to support construction of green residential buildings
- Provides upstream and advisory to strengthen financial institutions' capacity in housing finance
- Works with regulatory agencies to improve the enabling environment

IFC's approach to Housing Finance is to engage at market level through various initiatives including:

- Supporting financial institutions and Mortgage Refinancing Companies (MRCs) as vehicles for capital markets refinancing while working with policy makers to fast-track reforms, the banking sector, and housing developers
- Investment in Covered Bonds and Mortgage-backed Securities which unlock local currency capital
- Loans to mortgage real estate investment trusts traded on the Stock Exchange, which provide liquidity for mortgage originators
- Developing innovative Housing Finance products tailored for women, low-income, unbanked, and underserved clients

Examples of IFC's Strategic Interventions

CATALYZING THE MORTGAGE SECTOR IN WEST AFRICA

West Africa is facing massive housing deficits, estimated at about 11.5 million housing units. Caisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH), a regional mortgage refinancing player and key engine of support for affordable housing in the WAEMU zone is the only mortgage refinancing company in WAEMU. To date, CRHH has issued eight bonds, providing approximately \$400 million equivalent in refinancing to 37 banks spread across 7 countries, enabling 8,807 mortgages with an average size of \$30,890. Since 2017, IFC has supported CRHH with an investment of \$2 million equivalent in equity shares and a combined \$18 million in two long-dated local currency bonds in CRHH.

GREENING AFFORDABLE HOUSING IN INDIA

India's Ministry of Housing and Urban Affairs' demand-based assessment has pegged India's affordable housing shortfall at approximately 10 million houses (as of 2022). India's urbanization rate, currently at 34%, is expected to surpass 50% by 2050 (UN-Habitat, 2017), creating demand for 25 million additional affordable units and driving investment opportunities of \$620 billion by 2030.

In the past 8 years, IFC has invested more than \$1.9 billion, and has a current portfolio of \$1.2 billion with 10 clients, of which 35% is green housing. Expected outcomes include increasingly affordable homeownership for low-income populations, increasing green affordable units, and reducing GHG emissions.

RISK SHARING FACILITY IN CHILE

While Chile's mortgage market is relatively advanced compared to LAC counterparts, it remains relatively small when compared to advanced economies. The country faces a significant housing deficit, with subpar living conditions. Gender disaggregated data reveals a housing finance gender gap, despite women's better repayment histories. To address these disparities, IFC provided an unfunded risk sharing guarantee for up to \$400 million to Santander Chile enabling the bank to originate housing loans for women.

Upstream and Advisory Initiatives



GLOBAL RENT-TO-OWN

Global Rent-to-Own (RtO) is an innovative pathway to home ownership with a “go-to-market” framework which can be applied at the country level and includes a financial and operating model, architecture/ stakeholder mapping, legal and regulatory requirements, market conditions and target market segment. The team identified partners in multiple countries with an estimated total \$250 million investment over the next three years. Three projects have so far been identified in Mexico, Turkey and Senegal. RtO is a compelling example of a replicable approach in a priority area such as affordable housing.



EDGE AND GREENING OF SELF-CONSTRUCTED BUILDINGS

IFC created EDGE (Excellence in Design for Greater Efficiencies) to respond to the need for a measurable and credible solution to prove the business case for building green and to unlock financial investment. IFC has now piloted the first ever green building rating and certification process for self-constructed units.

The initiative has i) built technical and process capabilities for financial institutions; ii) developed the value proposition, business case, and business model for affordable housing finance companies; iii) designed a process for earmarking the green affordable housing portfolio for climate-tagged investments for IFC; iv) built a successful and standard model for replication in other geographies.



PILLAR

Pillar is a global housing advisory platform that supports continuous improvement of developers' business proficiency and helps them design affordable and socially sustainable communities rooted in an understanding of local conditions. Pillar helps financial institutions identify and build bankable projects through two advisory tools:

- Pillar Business Assessment: Assesses developers' overall proficiency through analysis across four key dimensions: Financial Management, Business Management, Project Operations, and Organization Management.
- Pillar Social Sustainability Assessment: Assesses a specific project's social sustainability across the four phases of development: Project Definition, Planning and Design, Construction, and Operations.



HOUSING MICROFINANCE

IFC since 2012 has provided an innovative Housing Microfinance (HMF) lending product to support incremental self-help construction that is more affordable, greener, and more resilient against natural disasters. In the Kyrgyz Republic, more than 57 thousand households with average incomes below \$400 received an HMF loan through IFC partners (as of July 2022). Nearly 300 thousand tons of CO₂ was saved as the houses became more energy efficient. Moreover, financial institutions saw an improvement in their performance as the rate of non-performing HMF loans was 3-4 times lower than that of other loans in their portfolios.



IFC's committed investments
in the housing sector
as of June 2024

\$4.4 billion across **84** active projects



(May 2024)