



INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP



Housing Finance in Emerging Economies Southeastern Europe

EFSE Annual Meeting 2007

Budva, Montenegro

Outline

- **Housing Finance Fundamentals**
- **Regional State**
- **How to Expand Housing Finance**
- **IFC Strategy, Approach, Products**
- **Challenges for the Region**

Housing Finance Fundamentals

Key driver for sustainable economic growth

- Positive impact on employment rates and labor markets
- Key for investment, household wealth, savings, consumption
- Impact growth in economic activities (SME's) activating higher tax revenues
- Enabler for collateralized financing venue
- Unlocking dead capital vested in home equity and enabling new economic investments

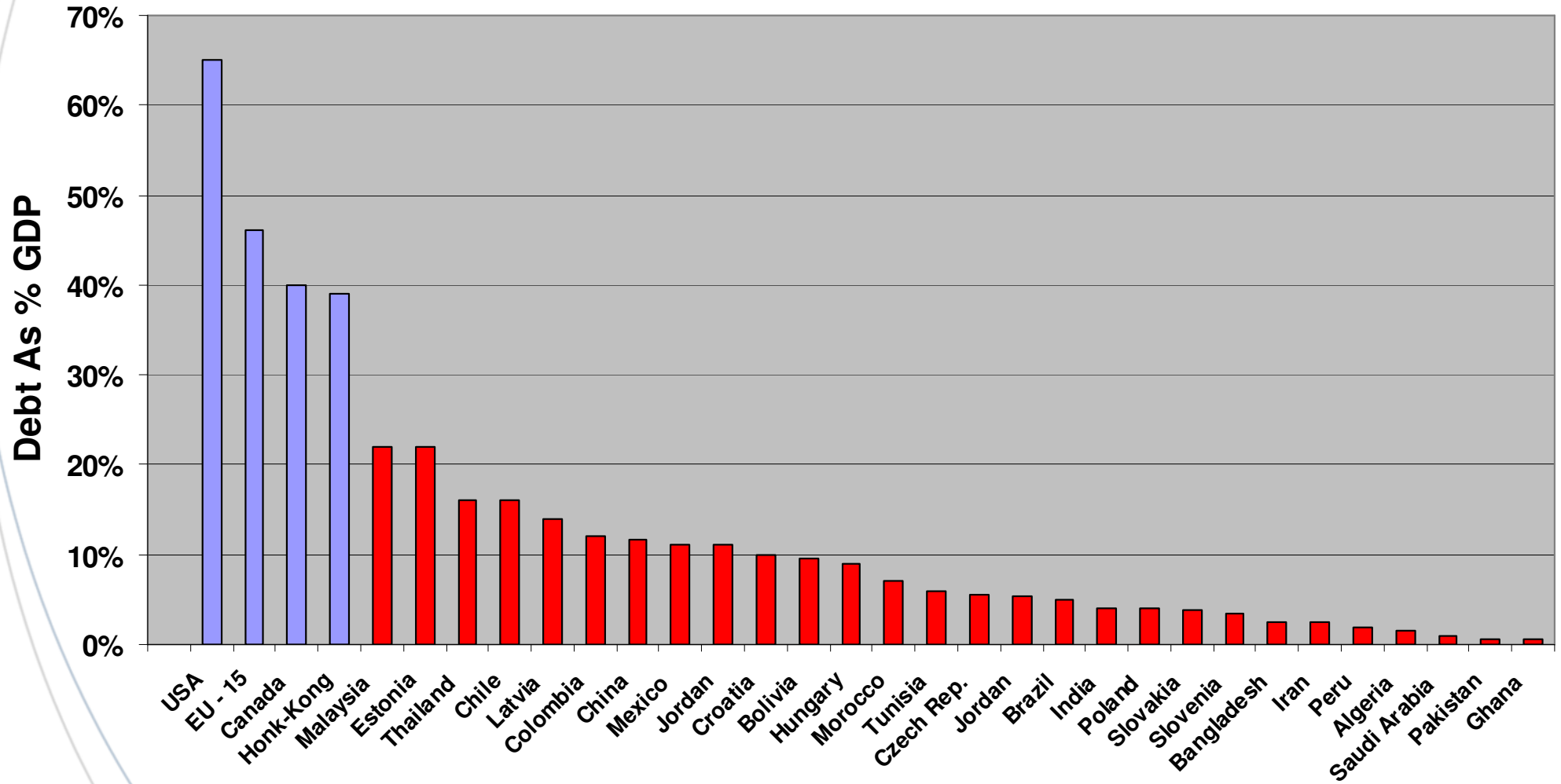
Key driver for improved living conditions

- Poverty reduction & social stability
- Equal distribution of social wealth
- Reduced crime rates / Hybrid Societies

Regional State

- Poor quality and decaying housing stock
- High utility and maintenance costs per household
- Deficient registration of immovable property
- Deficient procedures dealing with foreclosure
- Lack of / deficient condominium legislation
- Lack of standardization in underwriting criteria
- Lack of / deficient credit bureau
- Lack of long-term & local currency funding
- Lack of institutional investors

Depth Residential Mortgage Markets



How to Expand Housing Finance

- **Products and processes**

- Affordable credit products supported by broader credit distribution channels
- Mortgage credit insurance for lenders
- Introduction of predictable and sustainable Housing Saving Schemes
- Construction, infrastructure and rental finance
- Standardized risk management and funding tools
- Competing and innovating private lenders

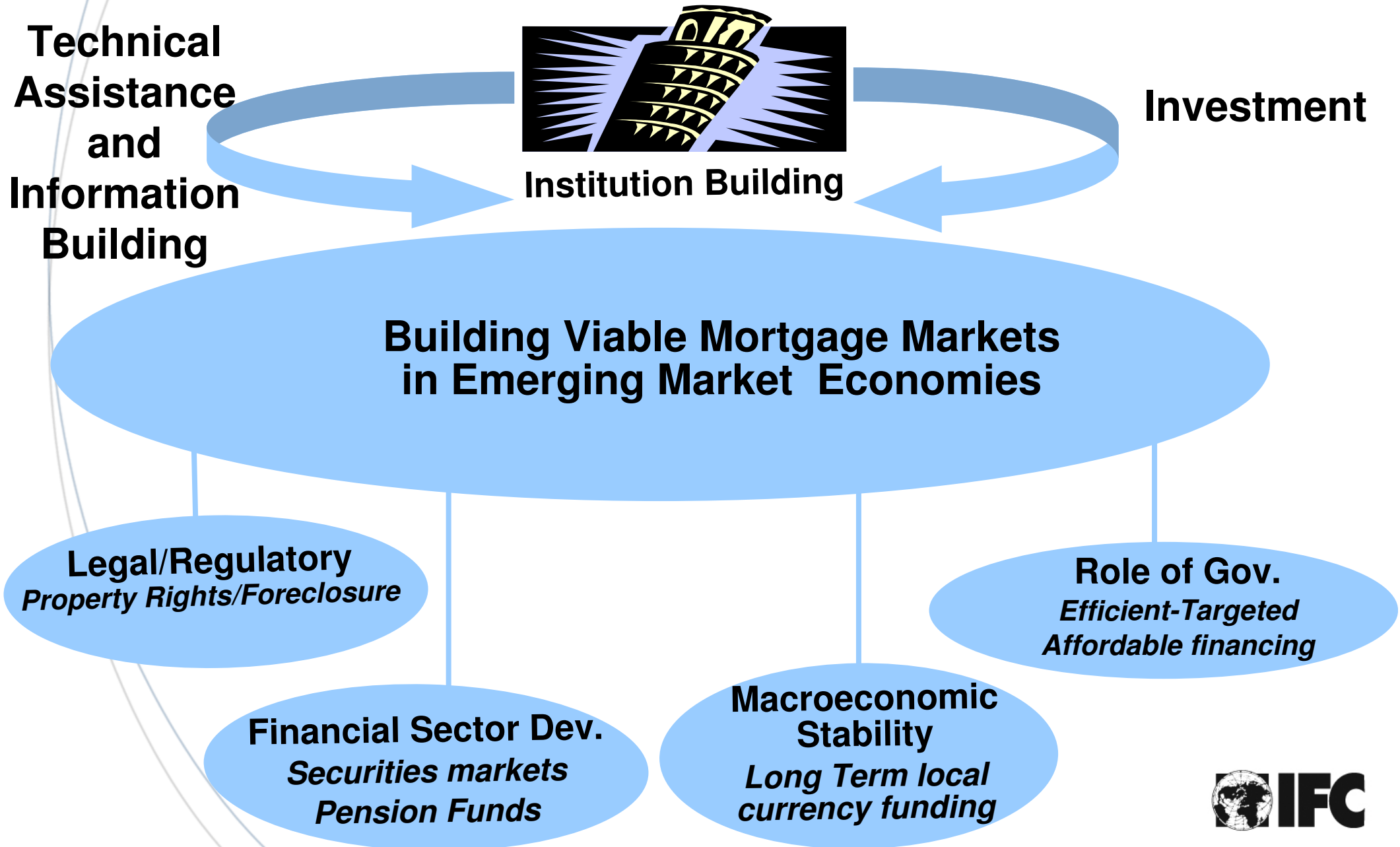
- **Policy**

- Efficient and targeted HF-related subsidies
- Affordable land use & urban development regulations
- Efficient registration of property titles & liens & foreclosure systems
- Enabling the Capital Markets environment for long-term refinancing of mortgages

IFC Role

- **Develop housing finance markets**
 - Enabler in setting up infrastructure, legal and regulatory framework for markets & securing property rights
 - Making housing markets more affordable
 - Developing framework for standardized risk management and funding tools
 - Support private sector transactions with long term local currency financing

IFC Programmatic Approach



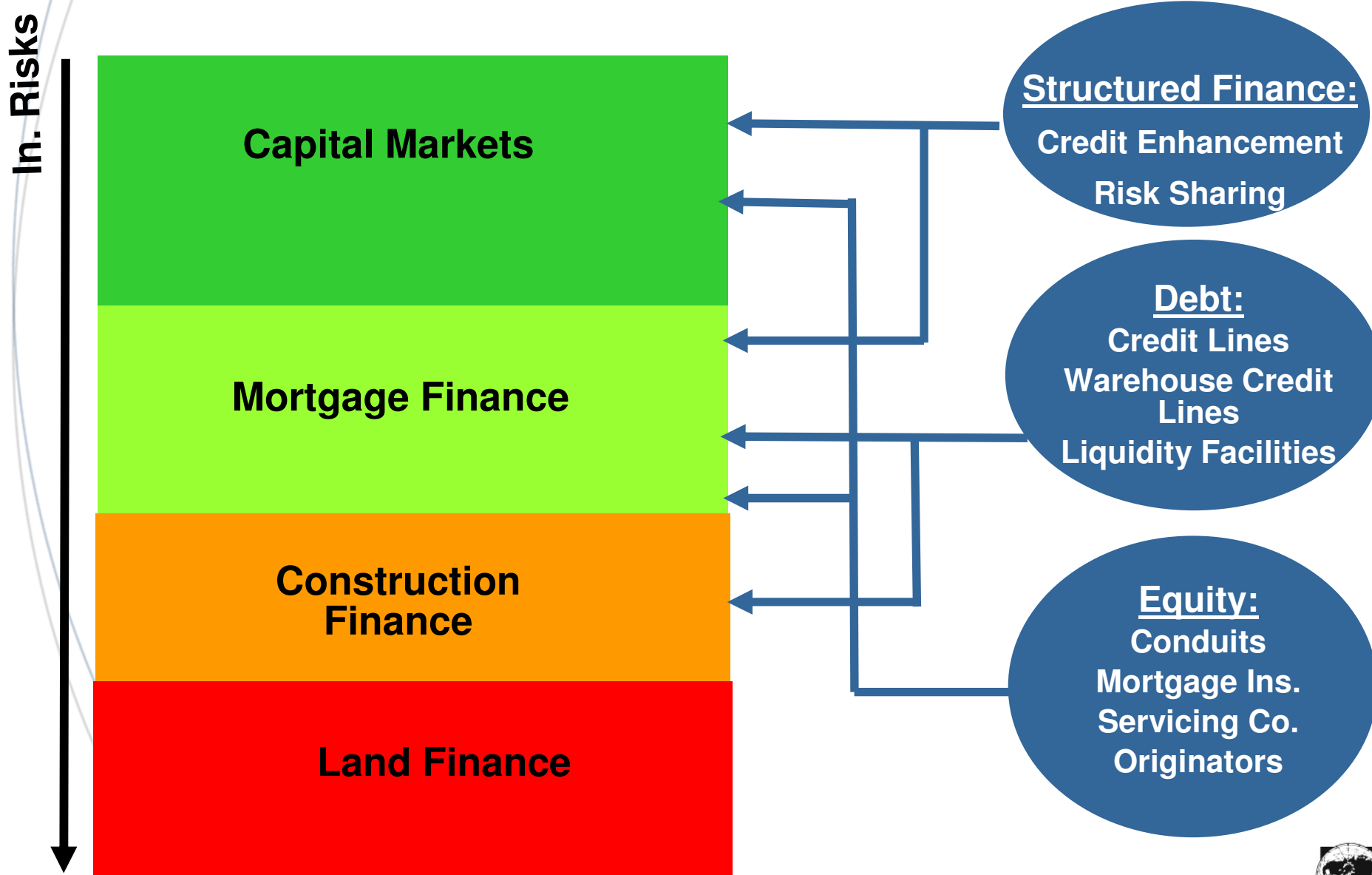
IFC: TA Products for Housing Finance

... our regional facilities give us a comparative advantage to deliver focused TA

MARKET	TA Products/Beneficiaries (in close coordination with project development facilities)	
	SECTORAL	INSTITUTION
PRIMARY	Registries Legal Drafting/ Implementation Market Diagnostics/Needs Assessment Affordable Housing Mechanisms	Standardization Servicing Training
SECONDARY	MBS Laws Market Diagnostics	Launch of MBS Market Feasibility Training

IFC Investment Products

... investments at different levels in the value chain given the risks



Challenges for the Future

How to get to true poor?

Impact the Supply side

- Increase house production via developer financing
- Ensure affordability with directed, monitored and targeted subsidy mechanisms
- Energy efficiency products – affordable finance for home refurbishment
- Create access to long term local currency funding
- Creation of Private Public Partnerships to induce credit affordability gains
- Encourage Remittance Mortgages

Opportunities (Loans, Guarantees, TA)

ENVIRONMENT/ INFRASTRUCTURE

- Land use, urban development and housing policy
- Property title registration
- Infrastructure, construction, real estate professionals
- Residential rental markets
- Smarter subsidies (leveraging markets, targeted)

PRIMARY MARKET

- Lower income housing finance
- Safe lending regulations & standards & consumer info
- Risk management instruments (collateral, insurance)
- Micro finance, housing savings, Islamic finance
- Capacity building and funding of lenders, insurers

SECONDARY MARKET

- Choice of proper model (s)
- Legal and regulatory framework (complex)
- Access to longer-term and currency matched funding
- Take off funding support or guarantees



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THANK YOU