

## Building Better Homes through Market Synergy in Peru



### CLIENT

Financiera Edyficar S.A. is a financial institution established by CARE Peru in 1997 with the mission of providing access and financial services to low-income individuals, especially microenterprise and small business owners. In 2009 it was acquired by Banco de Crédito del Perú (BCP), the country's largest financial institution. Edyficar has nationwide coverage, with a presence in 21 of Peru's 24 departments. Around 75% of Edyficar's clients are BOP with monthly per capita incomes under US\$198.



### IDB SUPPORT

With a loan of US\$20 million from the Inter-American Development Bank's Opportunities for the Majority (OMJ) initiative, Edyficar will greatly expand its Edyvivienda program, which provides access to finance for incremental housing construction, to thousands of low-income families and microentrepreneurs. Through syndication of a B loan for up to US\$30 million more, OMJ aims to attract new investors to the program.



### THE CHALLENGE

The housing deficit in Peru affects 72% of households. While most of the deficit is qualitative (79%), the quantitative shortage increases every year by about 118,000 homes. Incremental housing construction accounted for 60% of the home building market in 2013.

Low-income Peruvians have difficulty obtaining financing because they don't have the necessary credit histories or titles to their properties, and because financial institutions are limited to offering microcredit that does not factor in the need for expert advice and skilled labor. Financial institutions fail to make use of potential partnerships with hardware store chains that sell the supplies and have access to the large numbers of consumers fixing or building homes in increments.

Given these circumstances, BOP families end up building or improving their own homes using their scarce disposable income to buy construction materials. As a result, families take between 15-18 years to build their houses and on average end up spending 30% more in unnecessary construction materials.



### THE SOLUTION

Edyficar provides financing and coordinates with hardware stores (suppliers of materials) and construction foremen (labor), to offer its BOP clients a comprehensive construction alternative that involves access to finance, affordable building materials, and technical assistance. Based on a series of incentives—sales increase for stores and foremen, among others—Edyficar has been able to engage and strengthen its network throughout the country. Edyficar expects to engage 750 hardware stores and 1,500 foremen in the next five years. Loans offered range between US\$120 and US\$20,000.



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## INNOVATION MAKES THE DIFFERENCE

Edyficar breaks through the logjam in incremental housing construction by creating partnerships with construction foremen and hardware store chains—including wholesale centers that supply much smaller stores. They are the ones who are the first line of contact with Peruvians wishing to fix or build a home. By offering the stores and foremen incentives to refer their customers and the information they've gathered about them and their building project, Edyficar affordably identifies thousands of potential borrowers. Edyficar's loan officers have experience evaluating building projects. With branches throughout the country, it can send officers to meet the homeowner and look at the site.

Homeowners who are approved for a loan and buy supplies from participating hardware stores automatically receive on-site technical assistance from a qualified engineer or architect. By allowing borrowers to use their loan to pay the builder as well as buy supplies, Edyficar ensures that more homes are built well and quickly.



OMJ 2013 Portfolio



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