



OPPORTUNITIES *for the* MAJORITY

New Tools for Housing Finance in Peru

Peru has one of the world's most sophisticated and effective systems of microfinance institutions in the world, serving many of the small businesses that constitute the economic lifeline for 70 percent of the country's population.

Yet this effective financing network, functioning throughout the country, has so far had only a minimum involvement in housing and mortgage lending for the low-income population, a US\$12 billion majority market with a housing deficiency of up to 2.1 million units.

An IDB project under the Opportunities for the Majority initiative is designed to unlock the investment potential of a network of close to 40 Peruvian microfinance institutions, enabling them to serve as a platform to provide a much greater number of mortgages and loans for home-improvement, major engines of economic development.

As a first phase, the IDB is providing a US\$10 million investment, supplemented by a US\$500,000 grant from the Multilateral Investment Fund for technical assistance, to enable Peru's microfinance institutions to either initiate or expand their housing finance operations. Peru's *Corporación Financiera de Desarrollo* will provide counterpart funding of an additional US\$10 million.

Support for Low-Income Homeowners

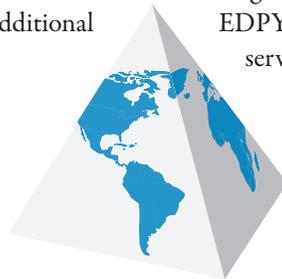
The microfinance institutions supported by IDB resources will work actively with the national housing fund, *Fondo Mivivienda*, to expand the number of low-income homeowners by helping them to participate in government subsidy programs.

The project is the first major IDB lending program in which the Bank resources, dedicated to housing solutions, flow directly to microfinance institutions. If the operation is successful in its initial scope of providing around 6,000 housing solutions, it will serve as a model for expanded investments that will benefit a much larger number of low-income homeowners.

In many cases, the financing solutions will not only enable a low-income borrower to purchase or upgrade an existing house, but they will also enhance the infrastructure of existing small businesses, many of which are operated from the home.

The program offers participating microfinance institutions three product lines: financing for mortgage loans, financing for home improvement loans, and loans to strengthen the lending institution's equity position. The MIF grant will support the design and application of standardized mortgage and home improvement loan products and the design of a securitization program, which has the potential of expanding housing finance opportunities in capital markets.

Among the institutions eligible to participate in the program are the *Cajas Municipales de Ahorro y Crédito* (Municipal Savings and Loan Banks), *Cajas Rurales* (Rural Banks), and EDPYMES, which are regulated financial institutions that serve microenterprise and small business.



For more information about the program
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