



## OPPORTUNITIES *for the* MAJORITY

# Public-Private Partnership for Low-Cost Housing Investments

### **FONAVIPO combines subsidies with solid business practices**

El Salvador has developed a unique and sustainable financial business model that enables low-income consumers to improve and expand their homes by mobilizing resources from both the public and private sectors, including commercial banks and multilateral institutions. These resources are subsequently channeled to microfinance institutions around the country, serving a market of low-income borrowers and homeowners who otherwise would be without access to credit.

Central to this financing model is FONAVIPO, the state-owned National Low-Income Housing Fund. It acts as a second-tier financial lender to 55 microfinance institutions, including cooperatives and other nongovernmental organizations, which operate under a different set of rules compared with regulated, commercial banks. FONAVIPO also administers a government subsidy program that provides homeowners with grants of up to \$3,000 to enable less affluent consumers to participate in the housing market.

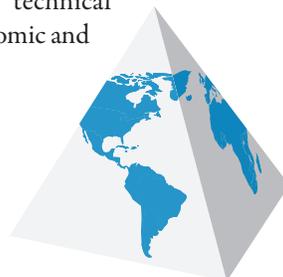
FONAVIPO, which operates 150 agencies throughout the country, has earned a reputation for combining rigorous financial practices, including an innovative risk assessment model and sustainable lending policies, with technical assistance for consumers at the bottom of the economic and social pyramid.

A \$7 million IDB loan for a five-year term, from its Opportunities for the Majority facility, will enable FONAVIPO to provide new financing to microfinance institutions, which in turn will provide loans to 2,300 low-income families. These customers will be empowered to buy a lot or progressively construct, expand or improve an existing structure. The average loan will be about \$3,000.

The program will be strengthened by technical assistance, including the establishment of an information and advisory center and mobile administrative units, which will help low-income homeowners or potential homeowners submit the proper documents and complete the required paperwork to qualify for loans and subsidies. Training also will be offered to personnel of the participating microfinance institutions to improve customer service and lending methods and to expand the client base.

Lessons learned from the project will be applied to additional expansion of FONAVIPO's low-income housing program, which has already demonstrated a sustainable capacity to invest in the low end of the housing market, a sector that traditionally has been ignored by large, formal and regulated banks. The low-cost housing market remains underserved and accounts for an important part of the national housing deficit.

The Opportunities for the Majority financing is part of a much bigger national lending program for El Salvador's housing sector that will be supported by an additional loan from the IDB and by resources from other international organizations. El Salvador's President Mauricio Funes described the government's inclusive housing investment plan, known as *Casa para Todos* (A House for All), as fundamental to achieving "universal social protection" and to combating a cyclical economic slowdown.



For more information about the program  
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