

# Innovation, the World Bank and Housing Finance International

The World Bank has organised and hosted a series of Global Housing Finance Conferences geared for an international audience of housing finance professionals, policy makers and others. 2018 saw the Bank's 8<sup>th</sup> Global Housing Finance Conference, held in Washington DC from 29<sup>th</sup> May to 1<sup>st</sup> June 2018.

The theme of this year's conference was "New ideas for financing affordable housing" and the programme presented a tour de force of stimulating speakers across a range of sessions covering subjects as diverse as the use of technology in affordable housing finance, raising funds from pensions funds and the potential of big data. Judging by the reaction of delegates the conference was a real success.

One new feature for 2018 was a competition for the presentation of innovative ideas and/or projects from across the globe. Representatives of organisations were asked to submit articles describing innovations in the affordable housing field. These had to have made or have the potential to make a real impact in their own markets and to be replicable elsewhere. An expert panel was established to judge the quality of the proposals submitted.

It was agreed that the two articles judged the best by the expert panel would be presented at a special session of the Conference. They would then be published in the next issue of *Housing Finance International* [HFI], where they would reach a world-wide readership.

Listening to the Conference sessions and talking with delegates during breaks it was clear that the world of affordable housing continues to exhibit real contrasts between the developed and developing markets. Rightly, the principal focus of the conference was on developing countries, where key issues to be tackled include:

- Rapid urbanisation, usually combined with a steep rise in household numbers,
- large informal housing sectors beset by low standards of what is often incremental construction, plus problems over land tenure and registration of title.

These exist against a backdrop of real poverty, cash-strapped governments and underdeveloped primary and secondary mortgage finance markets. Much discussion is focussed on how to lever in sufficient housing finance to make worthwhile aspirational projects possible.

In contrast, in the (so called) developed countries the challenges tend to revolve around problems of affordability (in spite of comparatively affluent households) created by chronic undersupply of new homes both to rent and to buy. Such problems are often exacerbated by a tendency for states to reduce commitments to build sufficient social housing and homes for low-cost homeownership. Strong aspirations for homeownership amongst those on lower incomes often sit uneasily with a public sector that has narrowed its traditional role of comprehensively meeting welfare and housing needs.

In the event, each of the two winning articles, which won strong approval from delegates at the conference and which are published in this issue of HFI, reflect issues associated with either the developed or developing world.

The overall winner of the competition was an article by Andrew Mills of Homestart. Homestart is a lender wholly owned by the state of South Australia and dedicated to making homeownership affordable for those on lower incomes in that state. Generating a deposit in a market with high and rising prices has long been recognised as a key issue. In his article *Educational qualifications as a predictor of home loan success: 15 years of HomeStart's Graduate Loan*, Mr Mills describes how Homestart has developed a low-deposit loan targeted initially at Graduates but also more recently at those with a range of other qualifications. Mr Mills demonstrates how the graduate loan actually performs better than mainstream prime mortgage loans in terms of default and how it has enabled large numbers of households to gain a foothold on the homeownership ladder. Homestart has demonstrated that it is possible to produce a viable scheme that is not over-complex, and which does not require large subsidies; this is something that could well be applied in other markets.

Our other winning article; *The role of development banks in financing sustainable and affordable housing: The EcoCasa program*, focusses on the rapidly growing housing market of Mexico.

Mexico has a fast-growing population and a large housing deficit. Over 40% of its population live in poverty. It is in this context that Ernesto Infante Barbosa and colleagues describe the EcoCasa programme in their article. This programme, initiated by Sociedad Hipotecaria Federal [SHF], represents an innovative financing partnership with the German Development Bank [KfW] and the Inter-American Development Bank [IDB], plus funds and grants from the German Government, the European Union and the Clean Technology Fund. Using this funding EcoCasa has successfully promoted a project that is confident of completing 60,000 sustainable and energy efficient homes by 2023. Over 36,000 new homes had been completed by 2017. What is almost more impressive is that these new homes have been provided at a cost no higher than a conventional home. This exciting programme has demanded a range of innovative interventions with developers and others; altogether this is an article well worth studying.

Our third article in this issue; *Reducing the risks of mortgage default and possession in the UK; an international perspective*, tackles the difficult issue of mortgage safety nets; the provisions that exist to make default by mortgagor homeowners less likely and to assist those in difficulties in terms of paying their mortgage. Peter Williams, Steve Wilcox and Christine Whitehead contrast the mortgage safety net provisions existing in the UK with those in a range of other countries including Australia, Canada and several European states. They show how in the UK there has never been a fully coherent safety net but rather a set of measures than can be characterized as such. Elsewhere, assistance for mortgagors, where it exists, is often via measures primarily intended to address other issues.

Mortgage default is also the subject of our next article; *Defaulting tenants and mortgage debtors in South Africa should not be sheltered under the PIE Act<sup>1</sup> principles*. In this interesting

<sup>1</sup> The Prevention of Illegal Eviction from and Unlawful Occupation of Land Act 19 of 1998 [PIE Act].

piece, Vuyisani Moss examines the legal and regulatory framework for dealing with mortgage default in South Africa. He goes on to assert that the Prevention of Illegal Eviction from and Unlawful Occupation of Land Act 19 of 1998 [PIE Act] has been used inappropriately to deal with cases of mortgage default and non-payment of rent. Mr Moss believes that use of the Act in ways for which it was not designed have caused headaches for lawyers and can deter investors. In making his case he draws a fascinating picture of the South African housing and mortgage market.

Is a house a home or an investment? In what circumstances can investment in residential real estate have unacceptable consequences

in terms of rising prices and squeezed affordability? Alan Morris sets out to answer these and other questions in his analysis of the Sydney housing market; *The financialisation of housing and the housing affordability crisis in Sydney*. Morris analyses the profound impact of domestic and overseas investors on the Sydney property market and concludes that with the median house price now at over AU\$ 1 million accessing homeownership is now impossible for many households. In Australia as a whole it has been estimated that 27% of the housing stock is now owned by investors.

Sweden has had long-term problems with rising house prices and increasing household debt. In her article, *Regulation of the Swedish*

*housing market*, Alexandra Leonhard analyses the effectiveness of a series of measures brought in by the Swedish government with the aim of curbing excessive lending practices. Ms Leonhard concludes that the measures have had only limited success until recently.

The final article in this issue is a valuable report on the European Federation for Living [EFL] Spring Conference, which covered a range of subjects within the affordable housing field.

Enjoy!

**Andrew Heywood**

JUNE 2018

## Contributors' biographies

**Claudia Castillo**, M. Architect, has been awarded by the Abraham Zabludovsky Prize and the Architecture Biennale, and has extensive experience in sustainable building and participation in important Energy Efficiency projects for ICA, GIZ, and UNAM. She works as National Expert for KfW and SHF in the design and implementation of the EcoCasa Portfolio.

**José Cruz Triay** has extensive experience in project management for sustainability initiatives in the built environment. He is Director of the Architecture Program at Tecnológico de Monterrey Campus Estado de México, Professor at Tecnológico de Monterrey's School of Architecture, Art and Design, and advisor for sustainable architecture projects and programs.

**Claudia Magalhães Eloy** is a consultant on housing finance and subsidy policy in Brazil, who currently works for FIPE [Fundação Instituto de Pesquisas Econômicas] and has worked for the World Bank [TA] and for the Brazilian Ministry of Cities and Companhia de Desenvolvimento Urbano e Habitacional de São Paulo [CDHU]. Claudia has also participated in the development of the National Housing Plan, in the analysis of the Housing Finance System. She holds a PHD in Urban Planning at the University of São Paulo [USP], a Master in City Planning at the University of Pennsylvania, a Master in Public Administration

at Bahia's Federal University [UFBA] and a BA in Architecture and Urban Planning [UFBA], with a specialization in Real Estate Finance at the Brazilian Economists Order [OEB]. She also attended Wharton's International Housing Finance Program.

**Alix Goldstein** is the General Assistant at the European Federation for Living. She completed her Master's degree in Urban Geography at the University of Amsterdam. Alix was an organizer of the 2017 International Social Housing Festival and completed an internship with the Amsterdam Federation for Social Housing Associations [AFWC]. Alix has a background in social justice work and believes strongly in the right to affordable housing.

**Andrea Hernández** holds a Sustainable Development Engineering degree by the Tecnológico de Monterrey. She has important experience in generating sustainable urban development studies and public policy proposals for institutions such as the World Bank and the Interamerican Development Bank. Currently, she oversees the urban aspect of SHF's Sustainable Housing Programs.

**Andrew Heywood** is an independent consultant specialising in research and analysis of housing and mortgage markets, regulation and policy with both a UK and international focus. He is a visiting fellow of the Cambridge Centre

for Housing and Planning Research [CCHPR] and a research fellow with the Smith Institute. He is also Editor of the journal *Housing Finance International*. Andrew writes for a number of publications on housing and lending issues and publishes reports commissioned by a wide range of clients.

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**Alexandra Leonhard** has worked with the housing and mortgage market since 2011. She holds a Ph.D in economics and has worked at the National Board of Housing, Building and Planning. After 4 years at the ministry of Finance she has recently started to work at the Swedish Institute for European Policy Studies.

**Ernesto Infante Barbosa** is an economist with extensive experience in development and social policy issues. For the past 10 years Ernesto has been working on sustainable housing policy, rural/urban housing finance, macro-economic monitoring, education policy, public finance and criminal justice policy, both in Mexico and the United Kingdom. He is currently, Deputy Director for Multilateral Affairs and Sustainable Housing Market Development at Sociedad Hipotecaria Federal [SHF]. He is responsible for the management and promotion of the multilateral project portfolio in SHF, including sustainable housing projects: ECOCASA, New Housing NAMA Facility and the Passive House component of the ECOCASA program. He holds a Master of