

Venezuela enacts new housing policy law

By Eric Carlson

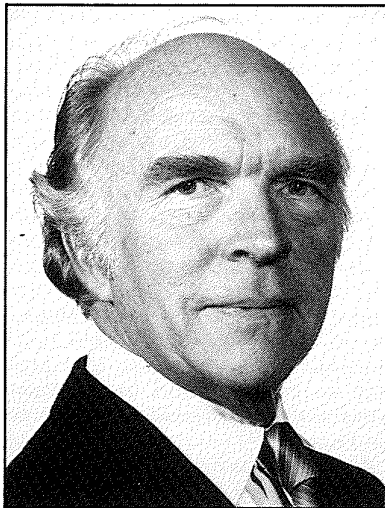
WITH effect from the beginning of 1990, a new housing law has been enacted in Venezuela which should stimulate large-scale housing improvement while at the same time vitalising the housing finance system. This legislative effort, which enjoyed support from a wide political spectrum, had the backing of the National Bank for Savings and Loans (BANAP) and the urban mortgage banks. It establishes the basis for public-private sector co-operation, and calls for active participation by state and municipal governments, and other decentralised entities.

Although time will be needed to establish the procedures and regulations to implement the new law, the results will be important to those concerned with housing finance and economic restructuring.

The legislation provides for a substantial public sector commitment for housing amounting to billions of dollars, to be allocated from at least 5% of the national annual budget. The resources will be used for financing various types of housing, including land acquisition, infra-

'Public-private co-operation'

structure, community services, home improvement, ownership and rental housing, urban renewal programmes, and subsidies to families below a specified income level. The first five-year target goals for



families to be assisted are as follows:

1989/1994	700,000 families
1994/1999	1,000,000 families
1999/2004	1,300,000 families

Venezuela's population in 1987 was 18.3 million, with the country having an area of 912,000 square miles and a per capita income of \$3,230.

The legislation establishes an obligatory housing savings system for all public and private sector employees and workers. This will function through established mortgage and credit institutions, including members of the national savings and loan system.

Monthly deposits to the accounts of individuals are to be made by employers amounting to 2% of salaries or wages, and 1% from the employees or workers. The limit for

such contributions will be 10 times the monthly minimum salary.

Those who are self-employed may take part in the system by depositing an average of 3% of earnings monthly, as certified annually by the mortgage bank or savings and loan entity accepting the deposits.

All beneficiaries of housing finance are expected to be contributors to the system. Housing associations and co-operatives are eligible for housing finance, as are five-year foreign residents of Venezuela.

The accounts established for individuals under the system can be mobilised for acquisition of housing, for monthly mortgage payments, and for assistance for housing for children and other qualified family members incorporated into the housing savings system, as well as for pensioned workers, and in case of the worker's death.

The resources of the housing sav-

'Obligatory system of savings'

ings system may be used for mortgage credit for cost-limited new housing and for existing housing improvement, as well as for financing of construction, and for cost-limited rental housing. Loans will be made through the mortgage banks and savings and loan entities participating in the housing savings programme. Interest rates will be established by the National Housing

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Council (NHC) which will take into consideration operating costs, plus a profit margin spread of no more than 1.5% annual interest.

Some 90% of the funds from the housing savings system which remain uninvested under the terms of the legislation are to be deposited in reserve with the Central Bank of Venezuela. Returns from these deposits will be re-invested in specified housing finance programmes. Complementary financing for housing, in ownership or rental and for construction, from resources other than the housing savings, is also contemplated, to be channelled through the mortgage banks and savings and loan entities.

A package of incentives is specified under the legislation, including direct up-front subsidies to low-income families, preferential interest rates, acquisition and provision of improved land, establishment of special savings plans for equity financing, and assistance with registration and land title procedures.

The Government may exempt in whole or in part fees or taxes for registration. It may also give partial

'Package of incentives'

or total income tax exemption for profits from sale or rental of housing and land, for interest earned on capital for housing construction finance, and for interest on capital invested long-term for housing acquisition.

A Guaranty Fund is established for loans under the terms of the legislation, to be administered by the National Bank for Savings and Loans, through contract with private insurance companies or by establishing a separate company.

A National Housing Council is established under the Ministry of Urban Development, to co-operate in the definition of housing policy, to

participate in the formulation of programmes, and to supervise the utilisation of resources. The President of the Republic designates the Council's president and four directors. The Council is expected to meet at least once a week.

The Council will have a full-time executive secretary, who will aid the Council in formulating the five-year plans and annual programmes as well as co-ordinating the participation of diverse public and private sector entities. The Council will also fix the interest rates for loans of resources mobilised under the law, request specific tax exemptions and incentives, supervise the execution of the housing programmes, promote research and information about housing, stimulate the promotion and creation of housing co-operatives, create a National Register of housing construction and development companies, and present an annual report to the Congress and the National Executive of the Republic.

An ad-honorem seven member advisory board is also created with the NHC, which includes representatives of the Venezuelan Federation of Savings and Loan Entities, the Mortgage Central, and the Chamber of the Construction Industry. This board, to meet at least quarterly, has broad authority to review the actions of the Council and to make operational and programmatic recommendations.

All organs and institutions of the public administration are obliged to facilitate and provide technical support as solicited by NHC for implementation of the new law. It also establishes a listing of operational standards to be defined, and provides for sanctions, fines and penalties for infractions and violations.

The NHC, through the public sector, will also promote the creation of a National System of Technical Assistance, with the following objectives: to design policy for housing

technology; to carry out investigations and promote efficient methods regarding self-help building; to provide families involved in self-help construction programmes with technical advice as to materials, components, methods and costs of construction, financing requirements, sources of credit, etc.

Further new legislation enacted in Venezuela relates to "Protection of the Mortgage Debtor." Among other dispositions, this establishes a Special Mortgage Fund, in the Central

'Fixing the interest rates'

Bank, to promote and stabilise the market for mortgage certificates and other instruments of the mortgage system.

The new Fund is enabled to issue bonds and undertake all necessary operations for the purposes established in the legislation. The Fund's establishment was aimed especially to provide assistance to the savings and loan entities and the mortgage banks in a difficult period of inflation, economic deficit and transition for Venezuela. ■

ERIC CARLSON is senior consultant to the International Union of Housing Finance Institutions. The new Venezuelan legislation is of special interest to him as he served as technical adviser for housing and urban development to the Government of Venezuela, from 1959 to 1963. In 1959 he directed the independent study project on the "Evaluation of the Superbloques of the Banco Obrero" (Workers' Bank). The recommendations of this report at the time led them to new housing policy formulation and reforms. The Venezuelan housing finance system was established in the early 1960s.