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The Quarterly Journal of the International Union for Housing Finance

- The impact of socio-cultural attributes on residential satisfaction in Oroki Housing Estate, Osogbo, Nigeria
- Partnership and financial innovation: Reall and unlocking affordable housing markets in urban Africa and Asia
- Affordable housing finance for informal workers
- Coping with Covid? Housing and mortgage markets in the UK
- EU harmonisation of covered bonds

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Housing Finance International

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Interesting times

To describe the experience of 2020 as living in "interesting times" risks stretching even that well-known euphemism beyond its limit. The current geo-political situation is fraught with tensions. To name just three sources of concern, relationships between China and a number of other countries, notably the US and Australia are at a long-term low. There is renewed tension between Russia and other countries in Europe. Finally, BREXIT continues to cause frustration and worry in both the EU and, increasingly, the UK, as the likelihood of an adequate deal at the end of the transition period appears to recede.

Then there is Covid. While the short-term responses of governments across the world are well-known, some of the big issues it raises for the longer term remain difficult to discern. Will inflation amongst the developed economies remain relatively low across much of the world or will escalating government debt coupled with a desire to avoid imposing heavy tax rises lead to governments quietly allowing or even promoting higher inflation to depreciate that debt over the longer term?

Then there is the prevailing level of interest rates. In much of the world, notably Europe and the US, interest rates have been at historically low levels for up to three decades. However, could higher inflation coupled with geo-political instability force up interest rates, thus changing the parameters within which much of the housing finance sector and the wider economy have operated for a protracted period? At this stage we simply do not know the answers to many of the questions, but we can at least ask those questions.

HFI plays an important role in confronting the difficult issues and has continued to do this through the Covid crisis. An important article by Peter Williams takes the debate further in this issue in a UK context, while other contributors including Edward Pinto from the US, touch on other possible long-term implications for housing markets.

In a difficult period, we are particularly pleased to be part of a successful collaboration with the World Bank, and to offer publication to two excellent articles on affordable housing selected as the winner and runner up in a competitive Call for Papers issued by the World Bank in early 2020.

The latest Call for Papers follows a successful Call in 2018, when the two winners presented their articles at the World Bank Affordable Housing Conference in Washington DC following which they were published in HFI.

This year's Call for Papers on "Partnerships in Affordable Housing" was if anything even more successful, resulting in the submission of over 100 abstracts. These were studied by a panel of judges who shortlisted nine articles for detailed scrutiny.

Eventually, the winning article was identified as:

- ***Affordable housing finance for informal workers*, by Widya Estiningrum, Achwal Farisi, Wahyu Lubis and Yesi Septiani.**

  This article focusses on Indonesia and, having identified the difficulties faced by households in the non-formal sector in gaining access to housing finance for homeownership, goes on to look at an innovative solution pioneered for self-employed drivers operating as partners in an umbrella organisation which undertakes much of the administration of loans.

The runner up was:

- ***Partnership and financial innovation: Reall and unlocking affordable housing markets in Africa and Asia*, by Andrew Jones, Lisa Stead and Lucy Livesley.**

  In a well-researched article, Jones et al look at the failure of banks and other institutions to serve the poorer households and those in the informal sectors. They go on to recount the role of Reall and partners in building relationships with banks and other housing finance institutions to create a viable market and make finance more available on reasonable terms and with minimised attendant costs.

Our next article by Peter Williams, mentioned above, is entitled *Coping with COVID? Housing and mortgage market responses in the UK*. The UK was, arguably, late in declaring a lockdown, but there has subsequently been significant government intervention and support across the four countries. Having described some of those measures, Williams examines falls in housing transaction numbers and in prices and the subsequent bounce back. He nevertheless points to the likelihood of further price falls in the medium term in the context of falls in GDP, constraints on lending, and deteriorating household finances plus rising unemployment. He also identifies evidence of shifting household preferences towards rural and suburban locations and towards larger houses rather than flats, reflecting changing work patterns with more individuals working from home.

In a complete change of pace and subject matter our next article by Dr Otmar Stöcker of the Verband deutscher Pfandbriefbanken (vdp) is entitled *EU harmonisation of covered bonds*. The package for the EU-wide harmonisation of covered bonds came into force on 7th January 2020. In an in-depth analysis, Dr Stöcker uses his unrivalled knowledge of covered bonds to dissect the package in detail and looks forward toward transposition of the package into national law in 2021. For those who need to know this is the article to read.

The final article in this issue of the journal switches the focus back to affordable housing. In their article, *The impact of socio-cultural attributes on residential satisfaction in Oroki Housing Estate, Osogbo, Nigeria*, Adewale Olufunlola Yoade and Sesan Adeniyi Adeyemi, set out the outcomes from their research, which comprised a survey involving a questionnaire completed by 149 residents of an estate held by a state property corporation. The results throw a fascinating light on the strengths and weaknesses of estate design from the perspective of individual households. Just as important, the results also shed light on the characteristics of households that may influence their individual attitudes to their homes and neighbourhoods.

All in all, this issue of HFI covers some of the most important issues facing those with an interest in housing finance and strikes a balance between current crises and longer-term concerns. Enjoy.

Andrew Heywood
September 2020

Contributors' biographies

Sesan Adeniyi Adeyemi holds a B.Sc., M.Sc. and Ph.D (URP) (Ife). He teaches and has a research interest in Planning Administration, Development Control and Urban Governance. Currently, he is a Lecturer in the Department of Urban and Regional Planning, University of Lagos.

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 of 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.

Widya Estiningrum is an Indonesian and was born in 1985. She holds an Msc degree in Financial Management from the University of Indonesia. As a housing finance practitioner, she has a passion in exploring housing financial model for informal sectors. Having a 10-years' experience in banking and financial industries, she is the Group Head of Financing and Mortgage Purchasing at Sarana Multigriya Finansial (SMF) – a secondary mortgage company in Indonesia. She was the project leader in developing the first housing finance information system in Indonesia (www.hfis-smf.co.id). Visit her blog to find more about her current research on https://widyaestiningrum.blogspot.com/

Achwal Farisi is an Indonesian and was born in 1993. He graduated from the State University of Jakarta in September 2016 and received his Bachelor of Economics degree. He is passionate about financing and accounting. He is currently as a Senior Officer for finance at Sarana Multigriya Finansial (SMF).

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 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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Andrew Jones is Research & Policy Manager at Reall. He is a PhD-qualified multidisciplinary researcher and policy professional, Andrew works on demonstrating the commercial viability and sustainable developmental impact of Reall's global affordable housing interventions. This includes recent peer-reviewed research on end-user housing finance innovations (Environment & Urbanization, 2020) speaking slots at the 10th World Urban Forum, and leading research on a DFID-funded project to unlock mortgage finance for informally employed people in Kenya and Nigeria through innovative credit assessment.

Lucy Livesley is Director of Market Transformation at Reall, and has over 15 years' experience in international development and has spent over a decade of her career at Reall. She played a key role in shaping Reall's evolution from grant-giving NGO to market-focused investor and innovator. The bulk of Lucy's expertise is in investor relations, where she has led Reall's strategic relationships with donors. Lucy also has a strong track record of program design and delivery in various African and Asian geographies.

Wahyu Lubis is a senior associate at Sarana Multigriya Finansial (SMF). He is an economics and policy graduate from University College London with interests in Housing, Energy, and Urban Planning. He is experienced in working with urban development stakeholders – government, NGOs, private sector, local communities, and donors in the governance and public policy field. He is very enthusiastic about having conversations related to his interests, so do not hesitate to contact him via www.linkedin.com/in/wahyulubis/.

Edward Pinto is an American Enterprise Institute (AEI) resident fellow and director of AEI'sHousing Center. The Center monitors the US markets using a unique set of housing market indicators. Active in housing finance for 44 years, he was an Executive Vice-President and Chief Credit officer for Fannie Mae until the late 1980s.

Zaigham M. Rizvi is currently serving as Secretary General of the Asia-Pacific Union of Housing Finance and is an expert consultant on housing and housing finance to international agencies including the World Bank/IFC. He is a career development finance banker with extensive experience in the field of housing and housing finance spread over more than 25 countries in Africa, the Middle-East, South-Asia, East-Asia and the Pacific. He has a passion for low-cost affordable housing for economically weaker sections of society, with a regional focus on Asia-Pacific and MENA.
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Yesi Septiani is an Indonesian and was born in 1994. She received her Bachelor of Economics degree from Brawijaya University in 2017. Currently, she works as an associate on Financing and Mortgage Purchasing Division at Sarana Multigriya Finansial (SMF). She joined SMF back in 2019 as a Graduate Development Program. She is passionate about housing finance scheme for informal community.

Lisa Stead has 14 years' experience in international development with a focus on affordable housing projects and related areas such as water and sanitation and advocacy for women and land rights. A PhD qualified researcher, she previously headed a team at Reall addressing research, policy, monitoring and reporting.

Otmar M. Stöcker, PhD, is Managing Director and Head of Department "Cover Assets" in the Association of German Pfandbrief Banks in Berlin. He is responsible for German Pfandbrief law, public finance, comparison of covered bond legislation and mortgage finance in Europe, US, Canada and Japan. He initiated and chairs the research group, called "Round Table Covered Bond Legislation". He has been working for the Association since 1989 in several senior positions.

Contributors' biographies

Mark Weinrich holds graduate degrees in political science and economics from the University of Freiburg, Germany. He is the Secretary General of the International Union for Housing Finance and the manager for international public affairs at the Association of Private German Bausparkassen.

Peter Williams is a Departmental Fellow, Department of Land Economy, University of Cambridge. He was previously Executive Director of the Intermediary Mortgage Lenders Association, Director of the Cambridge Centre for Housing and Planning Research and Deputy Director General of the Council of Mortgage Lenders and Professor of Housing at the University of Wales, Cardiff. He is currently on the board of The National Housing Federation.

Adewale Olufunlola Yoade holds a Ph.D in Urban and Regional Planning from Obafemi Awolowo University Ile-Ife, Nigeria. He lectures in the Department of Urban and Regional Planning, Wesley University Ondo, Nigeria. His research focuses on housing, urban renewal and community development. He is a Member of Nigerian Institute of Planners (MNITP) and a Registered Town Planner (RTP).

Affordable housing finance for informal workers

↳ By Widya Estiningrum, Achwal Farisi, Wahyu Lubis, Yesi Septiani

1. Introduction

Indonesia as a country is the biggest archipelago in the world with the fourth largest population after China, India, and the United States. As a developing country, Indonesia is still facing the problem of how to meet the needs of their citizens for affordable housing.

TABLE 1 Indonesian population data 2014-2018

YEAR	TOTAL POPULATION (MILLION)	GROWTH RATE (%)	TOTAL HOUSEHOLD APPLIANCES (MILLION)	GROWTH RATE (%)
2014	252.04	—	65.63	—
2015	254.90	1.31	67.23	2.44
2016	257.89	1.27	68.21	1.49
2017	261.09	1.23	69.31	1.68
2018	264.23	1.19	70.10	1.20

Sources: Indonesia Socio-Economic Survey (2014-2018)

The Table above shows that the rate of growth of the population in Indonesia is on average 1.25% per year, with the average rate of growth of households 1.7% per year. The number of households at the end of the year 2018 amounted to 70 million. Furthermore, from the household numbers data, one can derive the data for the ownership status of houses from 2014 to 2018 (in millions):

TABLE 2 The number of households by ownership status

YEARS	PRIVATE HOME OWNERSHIP	RENT	OTHERS	HOMELESS
2014	52.2	5.5	7.8	13.3
2015	55.4	5.4	6.2	11.7
2016	56.2	5.8	6.1	11.9
2017	53.5	6.4	7.3	13.7
2018	54.4	6.3	7.2	13.5

Sources: Indonesia Socio-Economic Survey (2014-2018)

The Table shows that the percentage of households that are homeless reached 12.8 million and in 2018 of the 70.1 million households 13.5 million households do not have a home.

In Indonesia, home ownership is regulated by Law number 1 of 2011 on housing and settlements, which explains that the country is responsible for protecting their citizens through housing and settlements management in order to provide a decent and affordable place to live for all its citizens. The Law also states that government has to give special treatment for the low income community by providing ease of building and earning a house, developing infrastructure and public facilities, giving low permit fees, providing a tax-free stimulus and fiscal incentives.

One of the businesses that assists the Government in expanding homeownership in the community works through a program called the FLPP (Mortgage Liquidity Facility). It is a program designed specifically to help citizens with low incomes to access financing for homeownership. The Ministry of Public Works and Housing administers the scheme through a public service housing organisation called PPDPP (Center for Management of Housing Finance Funds) in cooperation with the Ministry of Finance through its subsidiary company (SMF) which channels funding together with the bank to provide a home ownership mortgage scheme. This scheme is dedicated for citizens who earn a maximum income of about IDR 4 million (USD 270) per month. The mortgage scheme offers various features including low down payment, a fixed interest rate, a long repayment period and exemption from taxes and insurance.

It was expected that the FLPP program would offer wider opportunities for the community in Indonesia to own their homes. However, the target segment is limited, and a further housing program is needed in order to equalize the opportunities for people to own a house. One of the limitations of the FLPP program is inequality of funding opportunity between workers in the formal and informal sectors. The reasons for this include the following:

1. Workers in this sector are not well organized because they are outside the formal institutions and economy.
2. Government policies do not cater for the informal sector, which in turn does not have a direct relationship with the Government.
3. In general, the business does not have a permit from the Government.
4. The informal sector is characterised by irregular working places, working patterns and hours.

In terms of the number of workers, the informal sector in Indonesia is larger than the formal sector. Data from the Indonesian Central Bureau of Statistics, as of August 2019 shows that of the total workforce of 133.56 million people[1], 55.72% of the working population is included in the informal workers' sector. Included in this sector are entrepreneurs, traders (including traders who market their products online), freelancers, and others.

The table below explains the employment conditions of the population in Indonesia:

TABLE 3 Distribution of formal & informal workers

TYPE	AGU-17	AGU-18	AGU-19
Formal	42.97	43.16	44.28
Non formal	57.03	56.84	55.72

Source: Indonesian Central Bureau of Statistics, November 2019

This data shows that the proportion of people working in the informal sector is higher than those who working in the formal sector so it is likely that the largest number of households that do not yet have a house as described in Table 2 is likely to come from this segment, namely informal workers. Unfortunately, those who work in the informal sector have problems in accessing bank loans, including financing for home ownership. The data below shows the realization of the FLPP program by type of work from 2010 to 2019.

TABLE 4 Realization of FLPP program by employment sector

NO	EMPLOYMENT SECTOR	TOTAL	%
1	Government Employees	81,759	12.30
2	Army/Police	26,421	3.98
3	Private Employees	485,381	73.03
4	Entrepreneurs	56,136	8.45
5	Others	14,912	2.24
Total		664,609	100.00

Source: Center for Management of Housing Finance Funds, March 2020

This data suggests that subsidies received by the people in the informal sector (i.e. Entrepreneur and Others) are very low compared to workers in the formal sector (i.e. Government Employees, Army/Police and Private Employees). Distribution of the FLPP program within the formal sector reached 89.31% while in the informal sector only 10.69%. This situation is caused by two things: first, the Government subsidy program is only distributed by banks; second, banks are mainly providing funds to formal workers. Given the above reasons, there needs to be a housing finance scheme made available that can provide easy access for informal workers so that all Indonesian people have an equal opportunity to own a home.

Furthermore, with the situation described above, this journal article is written to offer a different view of the informal segment in terms of income and alternative housing financing schemes that could serve this sector, as well as highlighting broader benefits, both economic and social, for the government, the private sector and society in general.

2. Discussion

Sarana Multigriya Finansial (SMF) is the only secondary mortgage company in Indonesia under the Ministry of Finance and has a goal to create decent and affordable housing for all Indonesian people. Its first step should be to initiate housing finance schemes targeting informal workers because access to bank is still limited for this segment of the population. This is in line with the national development priorities of 2020, one of which is strengthening social protection programs and reducing inequality, as a real responsibility of the Government is to protect the community, especially middle income and poorer people, from social and economic risks.

SMF in collaboration with Grab Indonesia and financial companies launched a mortgage program aimed at Grab's drivers. Grab is one of the leading providers of online transportation service platforms in Asia, which has a capital valuation of more than USD 10 Billion and is included in the decacorn start-up category. Grab currently connects more than 10 million passengers and 185,000 drivers throughout the Southeast Asian region and has 5,000 employees. Their application has been downloaded and used by 166 million people with 339 cities from 8 countries including Singapore, Malaysia, Vietnam, Thailand, Philippines, Myanmar, Cambodia and Indonesia.

Grab Indonesia is a company operating under the auspices of a Malaysian technology company based in Singapore, and provides transportation services, digital payment services, and shipping services. Headquartered in Jakarta, Grab has a branch of business namely Grab Indonesia which employs motor bike drivers (Grab Bike), car drivers (Grab Car) and car drivers with rented vehicles (Grab Rent). Grab has successfully expanded its services from 12 cities in early 2017 to 222 cities in 2019. This achievement strengthens its position as the Online-to-Offline (O2O) mobile platform with the widest coverage in Indonesia. In addition, Grab Indonesia has a complete range of services. At present Grab provides for a number of daily needs in the community via its services which aim to capture a large public demand in the fields of transportation, digital payments, and lifestyle, as follows:

TABLE 5 Grab Indonesia business

Mobility	Grab Taxi
	Grab Bike
	Grab Car
	Grab Wheels
Fintech	Grab Financial
	Grab Pay
	Grab Rewards
Lifestyle	Grab Express
	Grab Food
	Grab Kios
	Grab Fresh

Source: Grab Corporate Profile, 2019

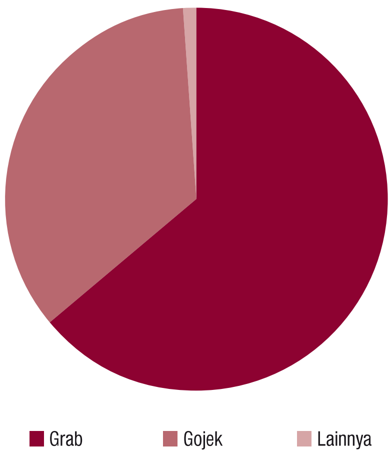
In line with the expanding city coverage of its services, Grab Indonesia currently leads the Indonesian ride-hailing online transportation market service both in the market segment, in the two-wheeled vehicle segment and in the four-wheeled vehicle segment. In terms of similar business competitors, ABI research, a research institute in the UK, said that Grab leads the online transportation market in Indonesia (September 2019) as described below:

In terms of business potential, as of June 2019 Grab Indonesia has a total of 2 million Grab Drivers, spread throughout Indonesia. Furthermore, based on a survey conducted by CSIS and Tenggara Strategics in November

[1] Employed 126,51 Million and unemployed 7,05 Million.

to December 2018 of 3,418 respondents with a margin of error is 3.5% of Grab Drivers in Jakarta, Bandung, Surabaya, Medan and Makassar, Grab Indonesia contributed to Indonesia's Gross Domestic Product (GDP) with the following details.

DIAGRAM 2 Indonesian Online Transportation Market Share



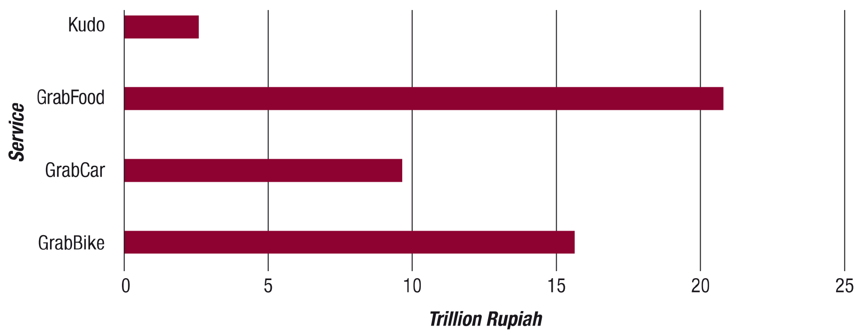
Sources: ABI Research, September 2019

From the table above it can be seen that through its drivers, Grab Indonesia contributed IDR 48.9 trillion (USD 3.27 billion) to Indonesia's Gross Domestic Product (GDP). Moreover, other contributions of Grab Indonesia in terms of the economy can also be conveyed as follows:

1) Grab Indonesia offers self-employment opportunities for those who previously had no income. Approximately, 38% by opening new employment opportunities for Grab Bike drivers and 33% of Grab Car drivers, both respondents claimed have no income prior to partnering with Grab.
2) Grab Indonesia helps improve the quality of life of informal workers by partnering with Grab Bike and Grab Car drivers by helping them to obtain better incomes, as well as quality of life.

Based on the considerations as explained and with the vision that everyone has the right to have the same opportunity to own a home, then as a housing finance pilot project for informal segment workers, SMF collaborates with Grab Indonesia by cooperating with Non-Bank Financial Institution (NBFI) to channel mortgage financing to Grab's drivers. This is a form of synergy between the Government through SMF with Grab Indonesia and the NBFI which is a private company. As a first step, the mortgage program is marketed to Grab drivers

TABLE 6 Contribution of Grab to Indonesia's economy



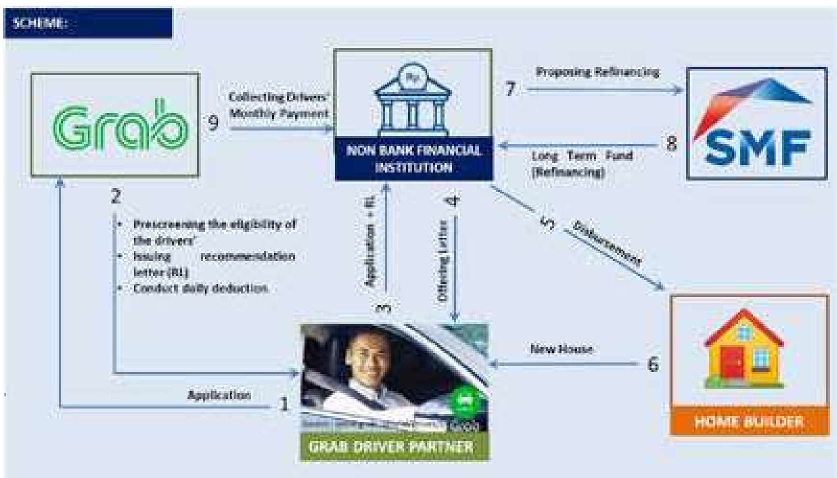
Sources: CSIS and Tenggara Strategics, 2018

who are members of the Grab Rent category, where drivers who are members of this category have a 5-year contract with Transportasi Pengangkutan Indonesia (TPI), as a Grab representative company in Indonesia.

Based on market research conducted through an online survey conducted by SMF of about 500 online drivers in Jakarta Metropolitan Area in February 2019, it was found that 82% of respondents did not yet have a house and had constraints in accessing mortgages from banks, 97% of them want a low down payment and affordable housing costs, and 70% want a house ready for habitation. Based on the needs drawn from the results of the survey, SMF developed a mortgage product scheme aimed at making it easier for Grab drivers to obtain housing finance. For Grab Indonesia, this product will be useful in addition to facilitating its drivers in owning a home, as well as keeping its drivers loyal and not tempted to join a competing company. For SMF, this product is the first step of the company's contribution to the community through financing aimed at the informal workers who have so far found it difficult to obtain access to housing finance from banks. In the future, this product is expected to be replicated and applied in other informal workers' segments so that the number of Indonesians gaining homeownership can be slowly increased. For finance companies, this product is a business alternative that can increase revenue, reduce marketing costs due to the available market, and enhance the company's brand image.

In general, the housing finance scheme for driver partners can be described as follows:

FIGURE 1 Indonesia Grab Driver Financing Scheme



- Collection is conducted by Grab Indonesia to drivers twice a day
- Monthly payment is given by Grab Indonesia to the Non-Bank Financial Institution (NBFI)

Under this scheme, it can be explained that Grab Indonesia partners who obtain recommendations from Grab Indonesia can submit housing finance requests to the NBFI by completing the required documents. After passing the feasibility analysis, the NBFI will pay off the purchase of the selected house and make a loan agreement with selected drivers. For every loan agreement given by a NBFI to Grab drivers, the NBFI can reimburse to SMF in the form of loans so that new funds are obtained and the liquidity of the NBFI liquidity is maintained.

The roles of each party involved are as follows. Grab Indonesia acts as the initial screener of its drivers who can apply to obtain housing finance to the NBFI, while the initial selection criteria for partners are as follows:

1) The driver has a minimum rating of 4 (Grab has a system to rank their drivers according to their performance, this rating ranges from 1-5, getting closer to 5 indicates the better a driver's performance).
2) Have been a Grab Indonesia driver for at least 1 year.
3) Have a minimum gross income of IDR 8 Million (USD 540) per month.
4) Don't have a house yet or classified as a first-time buyer.
5) Have not been suspended in the past 6 months.

Aside from initial screening of partners, Grab Indonesia also plays a role in collecting daily instalments from drivers. Then monthly payments are made collectively to the NBFI. Another role undertaken is a joint program with the SMF in determining housing projects that the drivers can choose from.

In terms of determining this choice of housing projects, the NBFI does a financial analysis of the developers' projects and field visits to the sites. This is done to ensure that developers who undertake these housing projects are credible and the buildings built with sound infrastructure which will provide decent homes to live in for the drivers.

In the selection of housing projects, SMF and Grab agree to choose less-populated areas than Jakarta such as Bogor, Cikarang, and Tangerang, due to the lower housing price. This is done to support government programs in reducing population density in urban areas. Furthermore, a function of SMF is to play a major role in providing long-term financing to the NBFI, SMF also plays a role in synchronizing cooperation both in terms of determining which NBFI can be the originator of these loans. The other party is a finance company that acts as the originator of the loans and conducts a feasibility analysis of the debtors, in this case the drivers, and which then provides long-term housing loans to the selected driver. In the event that the drivers experience a termination of employment with Grab Indonesia, the collection payment that was originally made by Grab will be directly carried out by the NBFI from the ex-drivers.

Compared to the formal segment, the risk of financing to this segment is higher. Some mitigations undertaken are as follows: **First**, the interest rates imposed on drivers, in the product have been set so that the interest rates received by drivers who take part in this program are the same between one driver and others, besides which, the interest rates are calculated in a special way, so that instalments will become affordable for drivers. As a consequence for the driver, if there is a termination of employment with Grab Indonesia, the program interest rate can no longer be enjoyed and the NBFI can charge a higher floating interest rate to the driver, as the risks that the NBFI undertakes is now higher. **Second**, limiting the price of house that drivers can buy (up to USD23,550). This is done as a risk mitigation measure in the event of debtor default and there must be an auction procedure, with house prices that are relatively cheap, so that the opportunity to sell the house are greater than for houses that have higher prices. **Third**, this program is reserved for those buying their first home. This reduces the risk of default compared to financing second or third homes. **Fourth**, besides being protected by life insurance for debtors and fire insurance for the house units, this scheme is also protected by credit insurance for the debtor.

The key to the success of the program lies in the product features that are designed to fully accommodate the needs of drivers in buying a home, such as:

1) Ease of credit terms, in this case the driver is able to prove his good performance after becoming a Grab partner and then can obtain a recommendation letter. Grab will submit the core credit documents related to drivers, including income history for the past 6 months to finance companies through the system that has been created by Grab for this mortgage program.
2) Another advantage is in the form of a small down payment. Compared to other housing loan products provided by banks (banks usually require a minimum down payment of 10% of the price of the house in accordance with Central Bank of Indonesia regulations). In this program, NBFI only require a minimum down payment of 1% (this can be a distinct advantage because it is different from the bank. The provision for a down payment on a home loan at a NBFI is not regulated by the Financial Services Authority).
3) Credit process costs are relatively affordable, in this case in addition to determining the criteria for developers to join the program, SMF and Grab negotiate together with selected developers to provide discounts, and discounts are allocated to reduce the costs required for credit agreements such as notary fees, insurance, and taxes. This is quite effective and beneficial to all parties, for drivers the cost of credit processing becomes more affordable while for developers by joining this program it can increase their business potential.
4) Points 2 and 3 above become the main advantages in this program, because the community, in this case Grab drivers, can directly own a house through credit and do not have to wait a long time because they have to collect down payments and costs required to complete the credit process.
5) The interest rate is fixed for a maximum tenure of 15 years and considered low if we compare it to normal mortgage schemes by banks in which floating rates apply. The maximum instalments for this scheme are 30% of the driver's income. According to a survey, this fixed rate meets the expectations of drivers as the amount of the instalment can be known until maturity.

In addition to the success of the program, benefits received by each party and expectations from this program will be implemented widely in the future in order to bring big changes to the housing industry in Indonesia. There are some weaknesses, including the following:

1) The financing scheme is not yet subsidised by government as is the FLPP program, so that the interest rates are still higher than for the Government housing program. In the housing finance scheme for Grab drivers, SMF acts as a long-term fund provider that channels its financing through NBFI involved in the loan scheme.

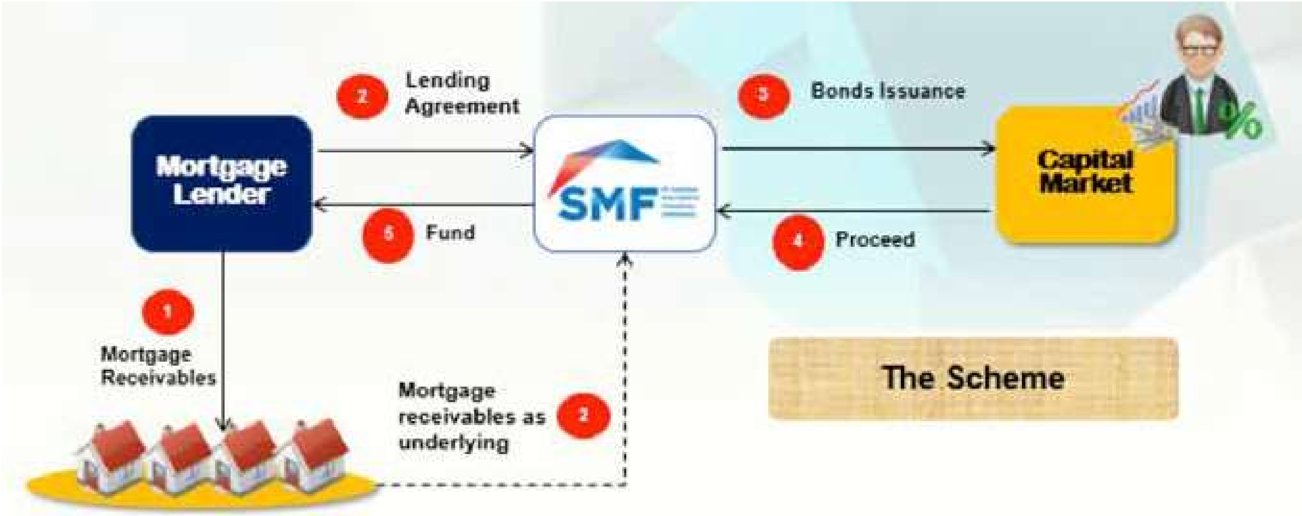
   The financing scheme implemented by SMF is as follows:

   In the case of company operations, SMF raise funding through the issuance of bonds so that the interest rates charged to NBFI are then passed on to drivers as market interest rates.

2) Non-Bank Financial Institution

   A Non-Bank Financial Institution (NBFI) acting as the originator has limited capacity. In the

FIGURE 2 SMF financing scheme



housing finance scheme for Grab drivers, with the high enthusiasm of drivers who submit credit applications, the appointed originator has not been able to perform the best service in terms of credit processing and this causes the credit process to take quite a long time.

In Indonesia, NBFIs generally have the main business of automotive lending. In the case of housing loan disbursement, NFBIs are classified as new players, besides that NBFIs that enter the housing credit business are still limited in number.

3. Result and conclusion

From the information given above, a conclusion can be drawn that access to funding for affordable housing for the informal workers segment is still an issue that needs to be resolved in Indonesia. It has been shown that a greater percentage of informal workers compared to formal workers are unable to access bank credit. The implementation of the housing program for drivers outlined above involving collaboration between government agencies and private companies can be an example to be implemented widely, both from the perspective of the target number of informal workers who want to access housing finance and a number of housing loan distributors, as well as the amount of financing provided for informal workers.

The authors have undertaken to illustrate that in the current conditions, there should be no more restrictions for banks and other credit providers to provide loans to informal workers including housing loans. Workers in this segment have experienced a revolution over time, although the group of workers in this segment do not have official ties with the company (Grab) and are classified as partners. Generally, companies that shelter this group manage their partners' income system so that it provides the equivalent of salary slips to formal workers, information regarding the income of informal workers can be obtained historically. In addition, risk mitigation against the consequences of default can also be achieved with credit insurance protection to provide a sense of security for creditors.

The current financing scheme is still being run on a small scale. So far, there are 150 drivers who are already buying their first homes since the launch of this Program in September 2019. The expectation is that it will be further developed to facilitate the very large numbers of informal workers with housing needs. If this scheme can be developed massively and can be included in the Government program to obtain housing subsidies for this sector of the population, this will be a positive support for informal workers to be able to own a house so that the fulfilment of the housing backlog can be resolved immediately.

Finally, the authors hope that this article will be used to provide new insights related to alternative schemes in terms of housing finance so that the Government, private enterprise, and the public sector can increase collaboration to reduce the housing backlog by increasing the fulfilment of housing needs, because in principle every citizen in Indonesia has the right to own a home.

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