

SOCIEDAD HIPOTECARIA FEDERAL



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The Participation of Sociedad Hipotecaria Federal in the New Housing Policy

March 2013

1. The Participation of Sociedad Hipotecaria Federal in the New Housing Policy

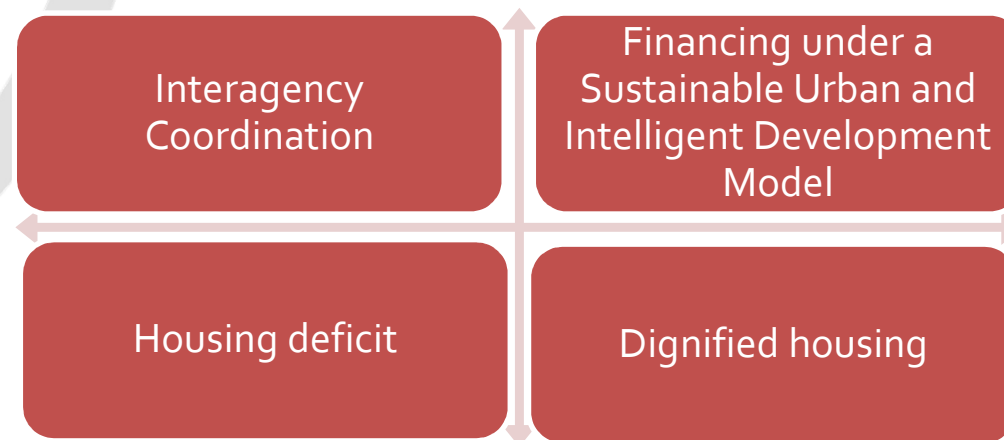
2. SHF's Potential Market

3. SHF's Financial Products

1. Products that support housing demand
2. Products that support housing supply
3. Products that support the market's infrastructure

SHF's Participation in the New Housing Policy

- On February 11, 2013, the Mexican Government presented the New Housing Policy, aiming to lead public and private efforts in the upcoming years.
- This Policy promotes an orderly and sustainable development of the housing sector, to improve and to regularize urban housing, in order to provide solutions for the construction and improvement of rural housing.
- SHF will support this effort through several financial products** that will help to consolidate the four strategies for the development of the housing sector in coordination and cooperation with the *Secretaría de Desarrollo Agrario, Territorial y Urbano* (SEDATU) and the *Secretaría de Hacienda y Crédito Público* (SHCP), as follows:



SHF's Participation in the New Housing Policy

SHF will encourage financial products to decrease Housing Deficit of Mexican families without housing account from INFONAVIT and FOVISSSTE.

Likewise, SHF will promote housing construction loans for members with social security from INFONAVIT, FOVISSSTE and people under the Open market*.

The previous actions will follow new guidelines established by the SEDATU, such as:

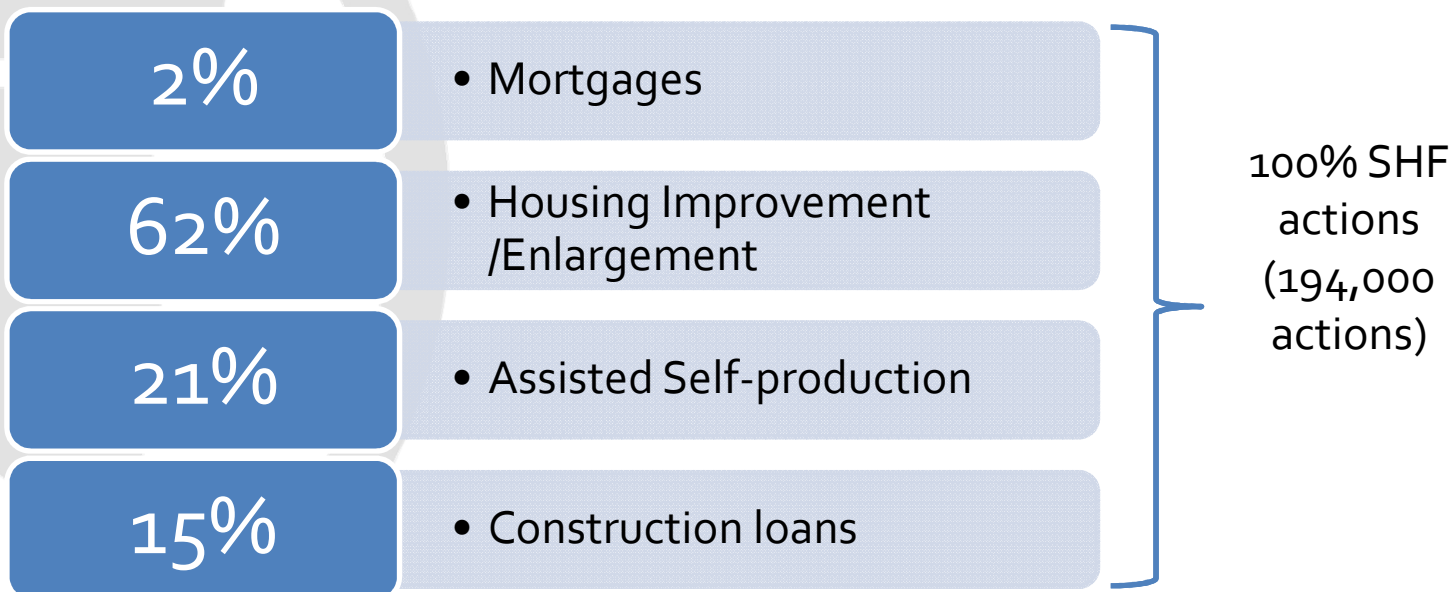
- ✓ Territorial planning
- ✓ Urban planning
- ✓ New densification policy of cities
- ✓ Priority for Vertical housing construction
- ✓ Housing loans within sustainable and intelligent developments, as well as solutions that improve Mexican life quality.



* Open market considers among others: Small taxpayers, State and Municipal Workers, self employed, etc.

SHF's Participation in the New Housing Policy

With this new strategy **Sociedad Hipotecaria Federal** will contribute with **approximately 19%** of the one million housing actions announced by the Mexican President to perform during 2013, which will be distributed as follows:



In addition to the actions previously described, SHF through its Mortgage Guarantee and Construction Guarantee **will encourage an economic flow of more than 10,000 loans for \$4,600 million pesos in mortgages from commercial banks and \$15,000 million in construction loans during 2013.**

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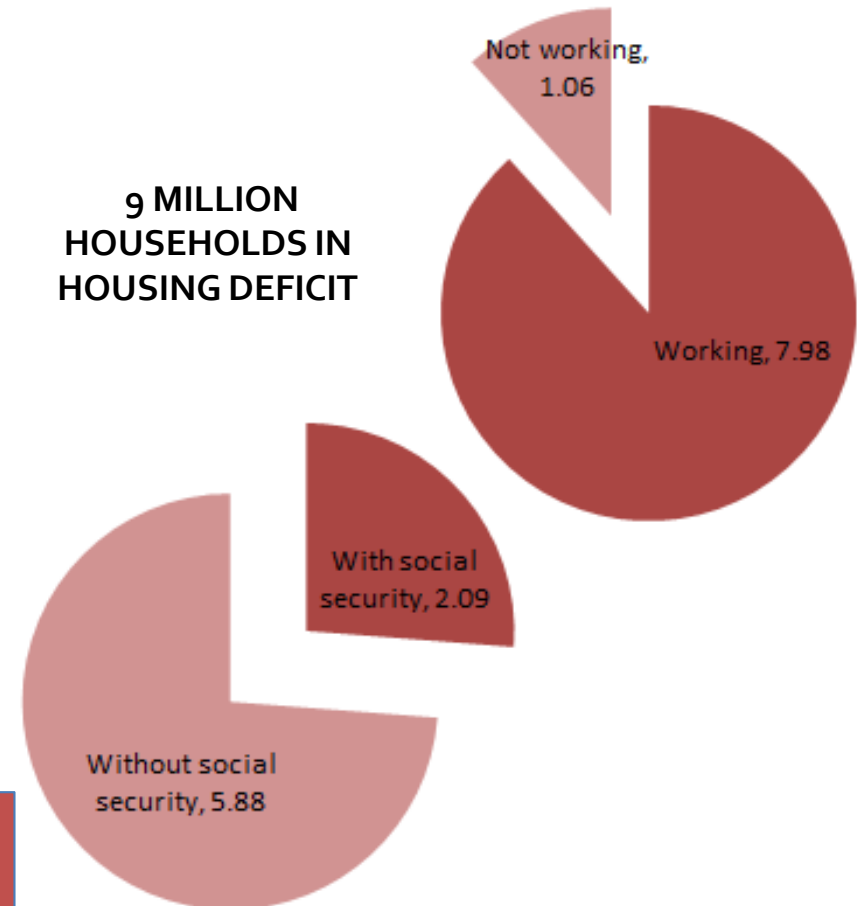
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SHF Potential Market

9.0 million households in Mexico are in **Housing deficit** (overcrowding or housing with poor quality construction materials).

From the 9.0 million homes, 7.98 millions are considered employed population, of which **5.88 million are open market population** (without access to FOVISSSTE or INFONAVIT)

9 MILLION HOUSEHOLDS IN HOUSING DEFICIT



SHF's TARGET MARKET
5.88 MILLION HOSEHOLDS

SHF's Potential Market

The **distribution of housing solutions** takes into account:

- ✓ Level of Income,
- ✓ Area where the home is located (urban or rural),
- ✓ Housing deficit classification.

Is mentioned below:

DISTRIBUTION BY TYPE OF HOUSING SOLUTION



1.2 million Households without Infonavit and Fovissste are potential mortgages by SHF's Financial Intermediaries

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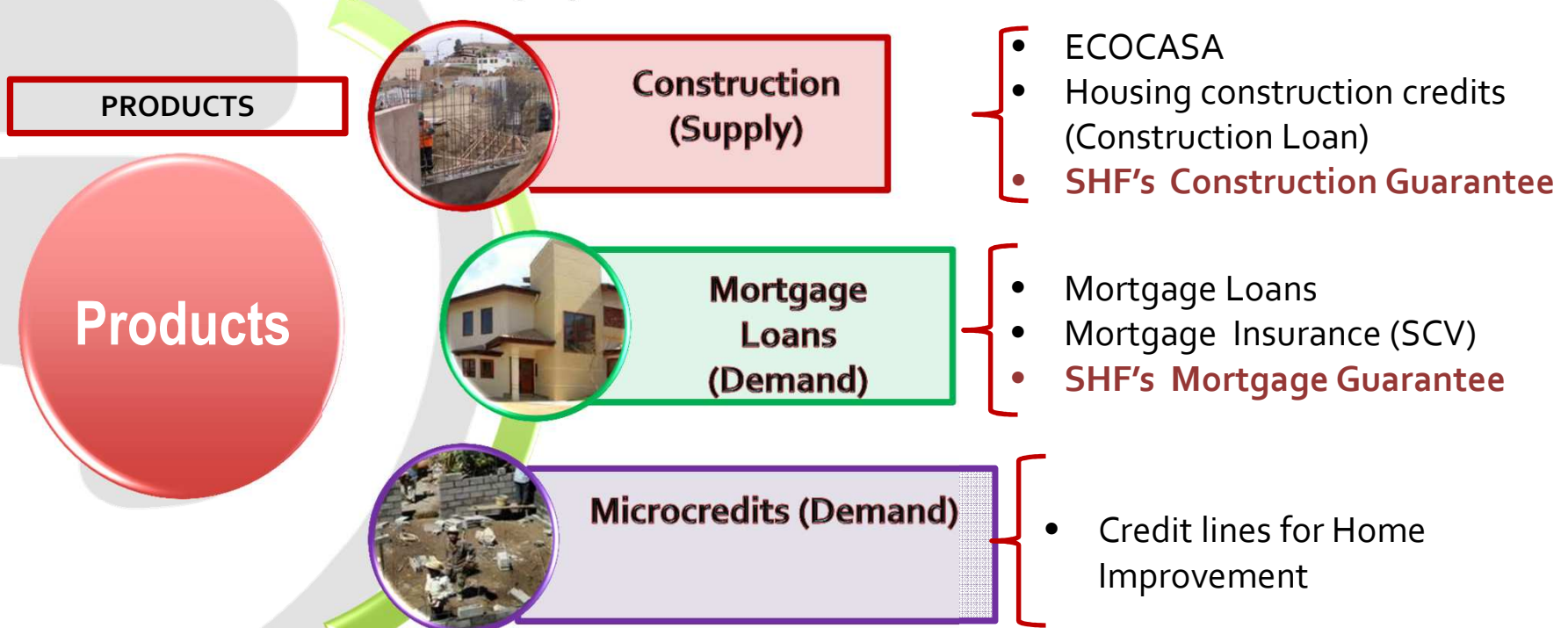
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SHF's Financial Products

Sociedad Hipotecaria Federal will support the development of the Government's Housing Policy, to fulfill Supply and Demand Housing Solutions, through **loan products and guarantees that will preferably operate with Commercial Banks.**



PRODUCTS IN DEVELOPMENT

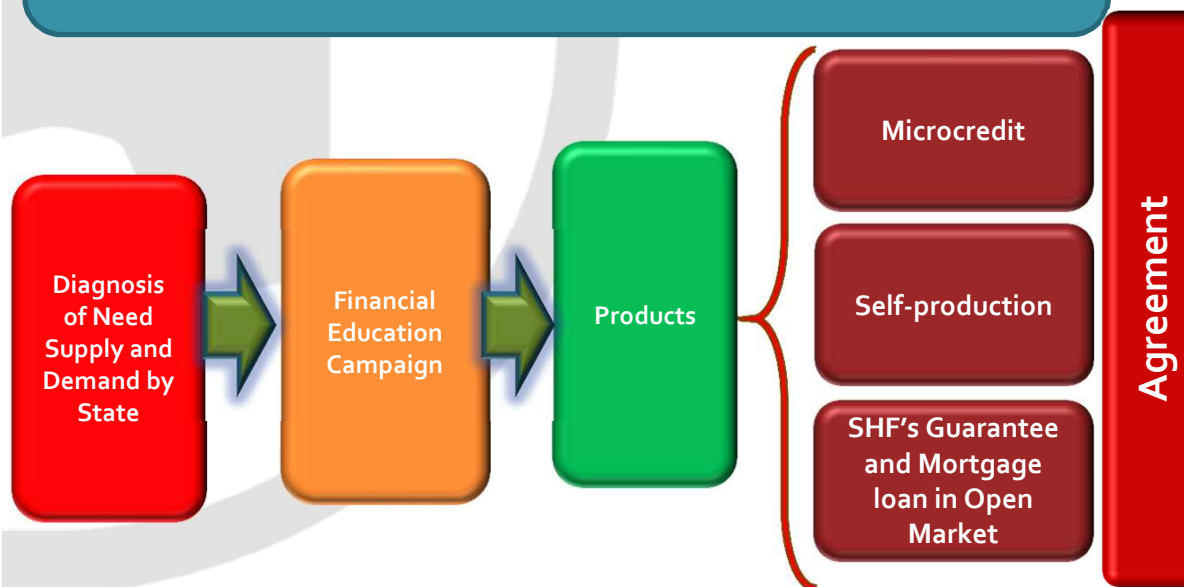
- ✓ Acquisition of served land.
- ✓ Construction on own lot.
- ✓ Rent.

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Products that promote housing demand

Agreements with State Housing Agencies will be celebrated in order to serve Small taxpayers, State and Municipal Workers and Freelancers (Open market) that search for a housing solution through mortgages, SHF Mortgage Guarantee and housing microfinance loans.

An initial diagnosis that is perfected through an agreement with each State will allow to grant different SHF's products



In order to encourage an economic flow, it is being built a new network of Financial Intermediaries, mainly Banks, and regulated intermediaries:

- 18 commercial banks,
- 6 Savings and Loans Cooperative Societies and SOFIPOS.

SHF's Mortgage Guarantee

SHF's Mortgage Guarantee aims to stimulate the participation of banks in the mortgage sector that provides credit to the open market.

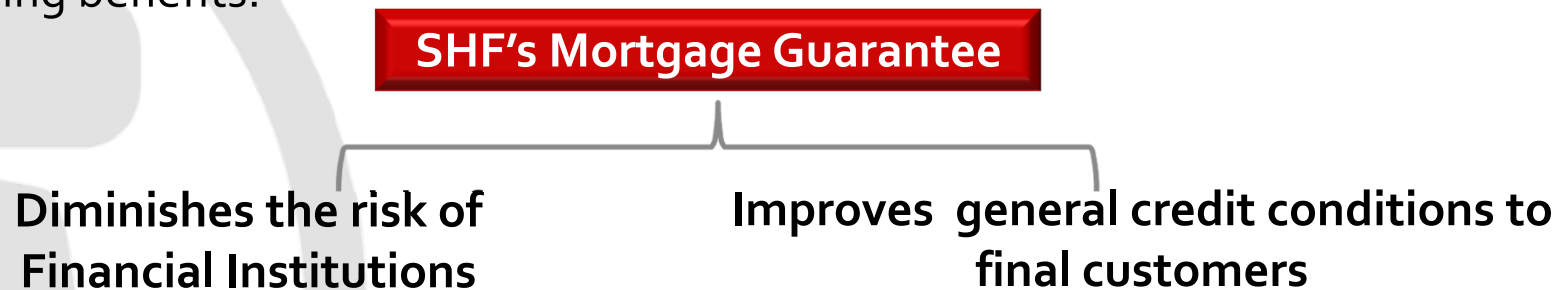


SHF's Mortgage Guarantee scheme will have back to back funds on a similar operation process as those managed by *Nacional Financiera* (NAFIN) for small and medium enterprises.

SHF will provide the Guarantee to Financial Institutions (FI) and will monitor the portfolio's performance.

SHF's Mortgage Guarantee

In order to benefit the Open Market, SHF will seek to stimulate the mortgage industry in order to reduce the housing deficit, through granting its Mortgage Guaranty with the following benefits:



The product was unveiled two years ago. To boost the Mortgage Flow, the product was improved as follows :

1. Percentage increase of First Loss Guarantee (Up to 30%).
2. Improvement of the operation processes to deliver an efficient product to Financial Intermediaries, mainly Banks.

The product will be relaunched under the name of SHF's Mortgage Guarantee, whereby there is an expected economic flow of 12,000 mortgage loans through banks in 2013 with an estimated amount of \$4,600 million pesos.

Agreements with State Housing Agencies

SHF has been working with State House Agencies to identify the Housing Demand at state and municipal levels, identifying until now the following potential market:

N°	State	Enlargement and Improvement	Self-production	Acquisition to Open Market	Acquisition of Served Land	TOTAL
1	Baja California Sur	450	250	450	-	1,150
2	Hidalgo	300	200	100	-	600
3	Michoacán	1,864	91	40	-	1,995
4	Agascalientes	3,300	2,200	800	-	6,300
5	Baja California	-	300	-	-	300
6	Campeche	1,500	1,000	350	-	2,850
7	Colima	1,200	500	1,200	600	3,500
8	Durango	6,000	1,200	1,300	-	8,500
9	Nuevo León	-	1,250	-	-	1,250
10	Guanajuato	1,300	-	-	-	1,300
11	San Luis Potosí	500	-	-	-	500
12	Yucatán	1,300	600	190	-	2,090
13	Chihuahua	5,000	10,000	-	5,000	20,000
14	Coahuila	1,000	500	-	-	1,500
15	Puebla	2,500	-	-	-	2,500
16	Veracruz	1,500	500	-	-	2,000
17	Guerrero	3,744	6,240	2,496	-	12,480
18	Quintana Roo	1,000	-	-	-	1,000
19	Sonora	500	250	250	-	1,000
20	Tlaxcala	800	-	-	-	800
21	Sinaloa	3,491	-	-	-	3,491
22	Zacatecas	8,000	-	2,000	-	10,000
	TOTAL	45,249	25,081	9,176	5,600	85,106

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Products that support housing supply

With financing products and SHF's Construction Guarantee, the required housing production will be heightened to meet the demand for new housing.

I. Ecocasa Program



Housing finance with **Second Generation Eco-technologies** to reduce the use of water and emission of greenhouse gases.

II. Financing that promotes intra urban land use and repopulation of city centers



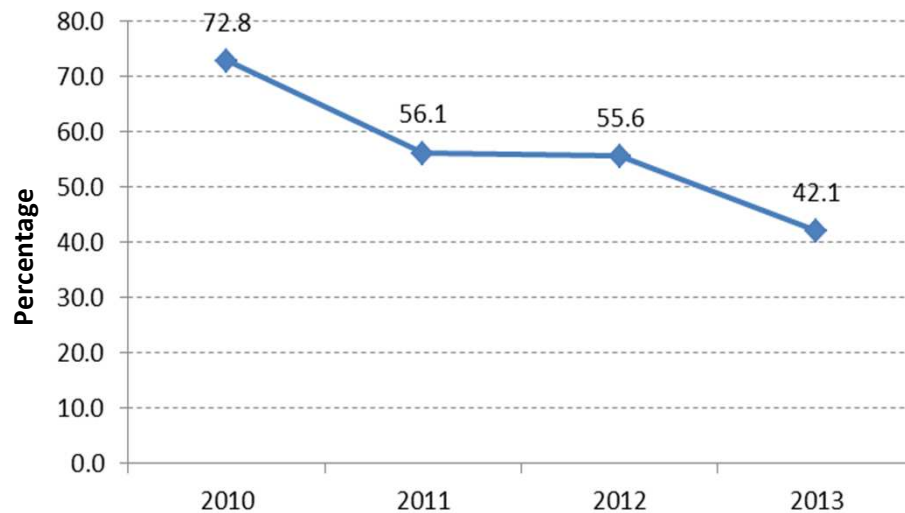
Promoting **Sustainable Intelligent Urban Developments** within a dense urban context together with several types of land use regulations such as Puebla and Aguascalientes.

SHF's Guarantee Construction

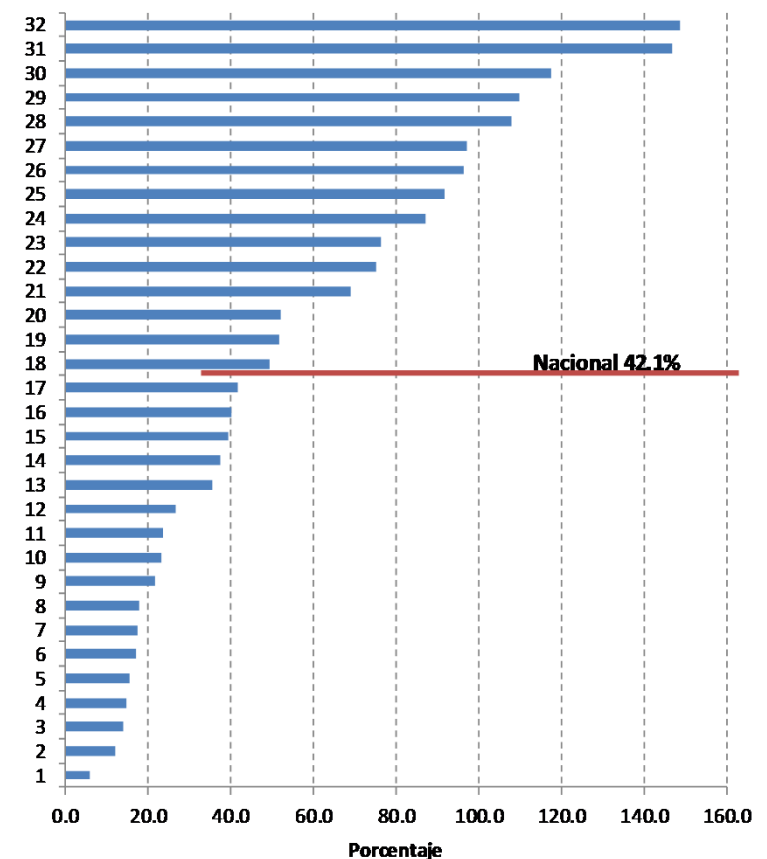
According to RUV, during November, the start of work of new constructions diminished 25% respect to the previous year. Therefore, there is a **real need for financing** construction loans.

It will be required from SHF to support healthy financial developers with viable construction projects, **through SHF's Construction Guarantee.**

% Supply vs National demand, 2010-2013



STATE % Supply vs National demand, 2010-2013



Source: Demand = SHF, Supply = RUV consulted on February 11, 2013.

SHF's Construction Guarantee: Financing Housing Developers

- **This is the first action of a broad plan of Housing public policies.**
- For 2013, the new Housing Public Policy will promote more than one million housing solutions, of which more than 500,000 will be new constructions, in order to decrease the housing deficit.
- After the launch of this Program, there is a broadest strategic Housing agenda, coordinated by SEDATU together with CONAVI, INFONAVIT and FOVISSSTE.
- It is needed to build more houses in order to satisfy the demand of housing, so through the **SHF's Construction Guarantee**, banks will be encouraged to continue granting construction loans to developers.

Objective: SHF's Construction Guarantee

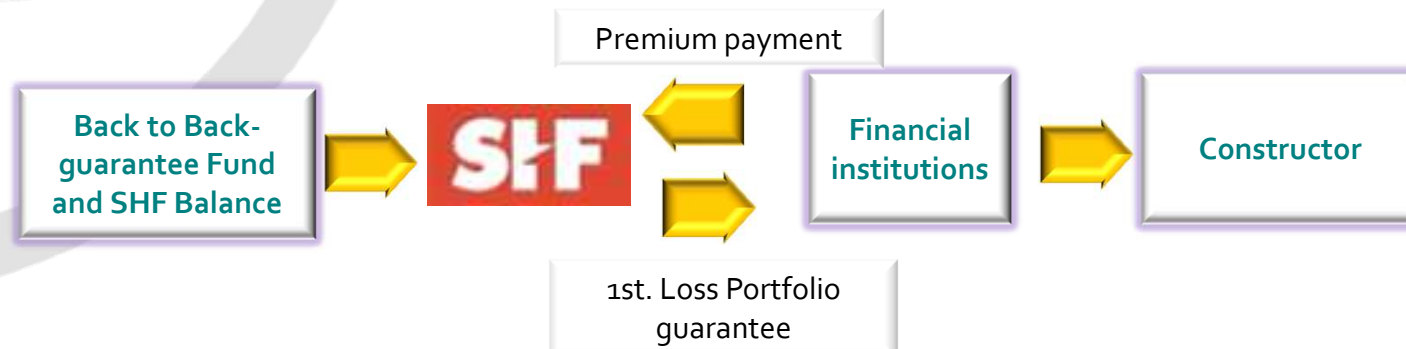
The program responds to the need of housing and supports the development of the Housing sector as an economic impulse in Mexico. It allows Mexicans to acquire their own homes, facilitates the construction of new houses, through granting construction loans to developers, diminishing the credit risk for banks.



- SHF will grant a coverage to Commercial Banks up to 30% of the first loss to the portfolio of construction loans to developers.
- This guarantee could enhance an additional flow from 40% to 50% of the current balance of housing construction loans. Banks could provide **up to 15,000 million pesos to this type of financing.**

General Characteristics of SHF's Construction Guarantee

- SHF will guarantee first losses of the portfolio up to 30% of the total amount of registered construction loans.
- Financial intermediaries will pay a premium for this guarantee. The premium will be payable on monthly basis.
- The term loan to be registered is up to 5 years.
- The Guarantee will encourage the flow of housing construction loans, by reducing the financial risk of banks and other financial intermediaries.
- Therefore, it promotes economic development in the housing sector, employment and good performance of competitive enterprises, providing the access to a dignified house for Mexican families.

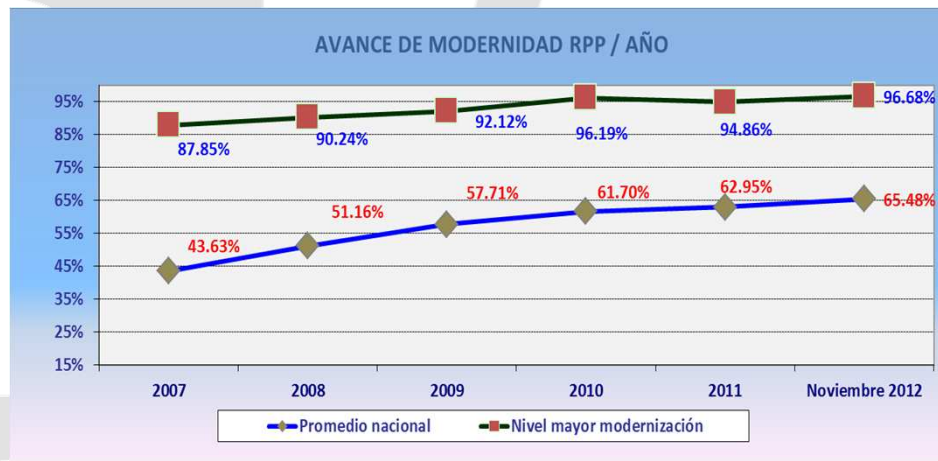


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Products that support the market's infrastructure

In coordination with SEDATU and CONAVI:

1. Strengthen existing information infrastructure for the financial housing market in Mexico.
2. Monitoring in a quarterly basis the residential asset prices under a national, state, municipal and district scope in order to promptly identify severe variations in housing prices.
3. Continue with the Modernization Program of Public Registries of Property and its entailment with the Cadastre.
4. Financial Education Program specialized in Housing Solutions and its Financing.





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