

**ahm**

Asociación Hipotecaria Mexicana



**MEXICAN**  
HOUSING DAY 2012



**Asociación Hipotecaria Mexicana**

**Mortgage Lending in Mexico  
New York / London**



# Agenda

- **The Mexican mortgage banking association**
- **Mexico macroeconomic overview**
- **The market**
- **Financing**
- **Public policy**
- **Housing production**
- **Final remarks**



- The Mexican Mortgage Banking Association is the nation wide trade organization representing the mortgage industry.
- Blue chip corporate members ranging from commercial banks, financial intermediaries and government sponsored enterprises. The membership also includes top industry vendors and suppliers.
- Our partners represent 98% mortgage market share
- AHM promotes cooperation and competition amongst its members
- AHM is focused on ensuring the continued growth of the Mexican mortgage market through a variety of capacities; **advocacy, networking, outreach** and **knowledge**



# Mexican Mortgage Banking Association



Committee	Key Performance Indicator
Market growth and new products	Number of mortgages / number of families total mortgage portfolio / GDP
Information, research, communication & image	Development of industry key indicators
Portfolio & risk management	Criteria & policies standarization
Construction financing	Number of FI available & construction financing proposals
Education & training	Industry certified employees
Mortgage Brokers	Outstanding performance loans / Total mortgage portfolio
IT operational platforms	National housing registry and common third party servicer

The association includes the time and service of more than 200 mortgage banker members and providers working hard to develop the industry best practices



# Mexico Macroeconomic Overview



- Economy solid growth, strong fundamentals
- 2012 GDP is anticipated to grow at a rate between 3 - 4 %
- 2012 employment:
  - Formal private (annual % change) 2.9
  - 2012 Inflation forecast 3.0 - 4.0
- 2012 Exchange rate forecast approx 13:1



# Mexico Financial System



- The Mexican financial system is sound
- Coverage ratio of total loans portfolio is higher than 180%
- Delinquency rate is less than 5%
- Double digit growth on banks mortgage loans portfolio for the last two years
- Mortgage loans share of total loans banks portfolio
  - 2003 --- 14%
  - 2012 --- 18%
- Infonavit and Fovissste financial results have demonstrated consistent growth, increasing income and solvency
- Mortgage portfolio represents 10% of GDP



# Mexico Financial System



- Responsible portfolio management
- No price bubble
- Detailed credit & risk analysis
- Moderate loan to value & down payment required
- Fixed rates
- Home owners credit lines at max 50% LTV
- Mandatory life and property insurance
- Unemployment insurance
- No toxic products

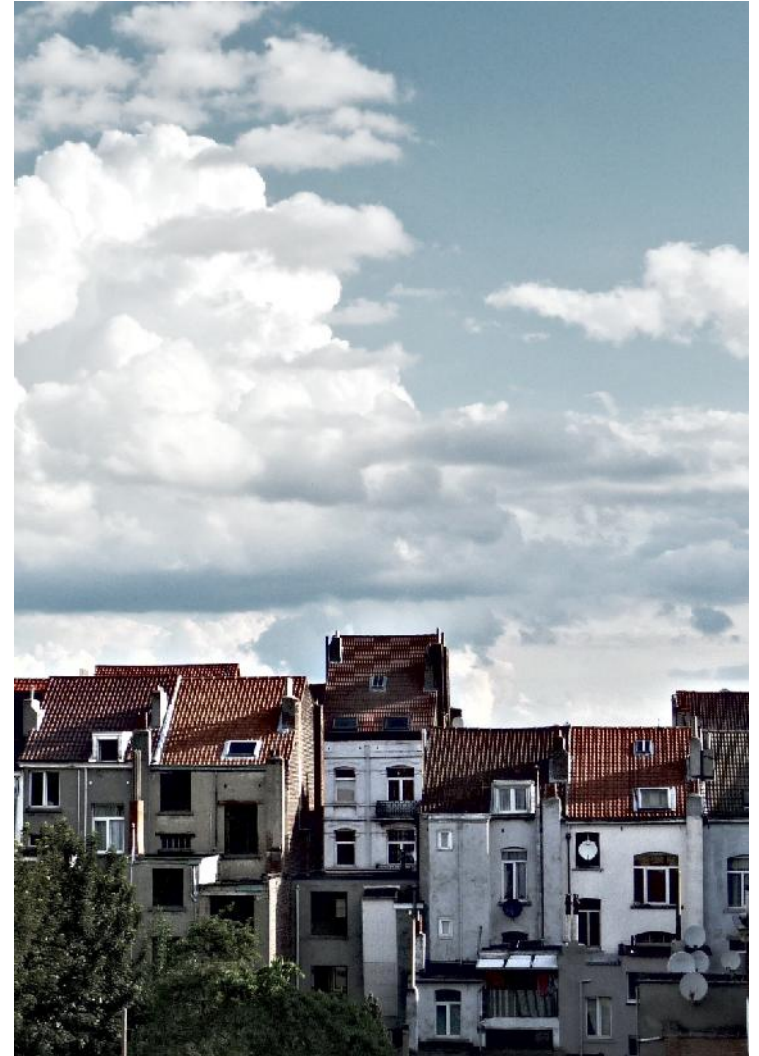




# The market

## Highlights:

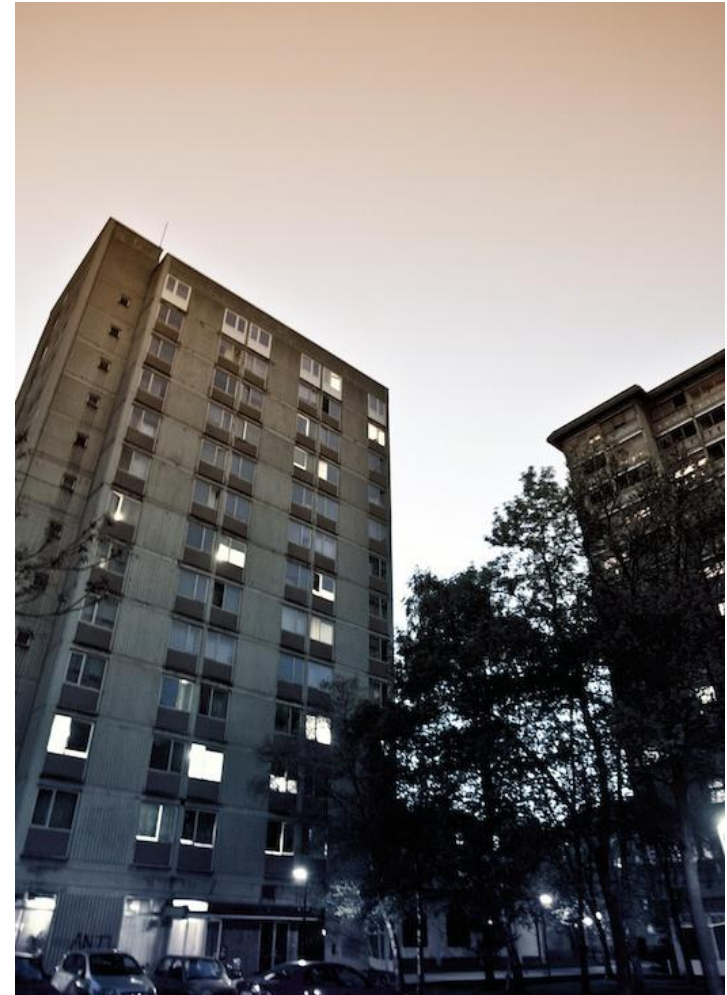
- 9 million housing deficit
- New migration trends and birth rates reveal a 4 million population increase in the 2010 census data
- More than 600 thousand new families per year



# The market

## Highlights:

- 2012 - 2015 housing demand forecast is 2.33 millions
- 2016 - 2020 housing demand forecast is 2.85 millions
- Total housing demand for 2020: 14.2 million  
Available bank loans at lower interest rates and longer term
- Infonavit affiliates can request loans in Mexican pesos at a nominal rate



## Highlights:

Infonavit second loan:

- Second loan in co-financing might drive an increase in demand of one million loans in the next 20 years
- Estimated demand 50 thousand loans per y
  - Provides depth and new dynamics to the market



- Fovissste potential demand: 85 thousand loans per year over the next 20 years  
Broadens credit demand and improves client's life quality



## Highlights:

- The unaffiliated loans program broadens the potential market
- 8.1 unaffiliated million families are qualified to get a mortgage
- Different risk level
- Challenges:
  - Identify client's needs
  - Product adjustments



The development of appropriate products will be a key factor

## 2011 Highlights:

- 99% financing target compliance
- Infonavit originated more than 500,000 loans
- A total of 714,693 loans/subsidies
- Total investment 259,790\*

## 2012 Goals:

- 722,000 mortgages
- 279,000 subsidies
- Investment range: \$246,000 to \$258,000\*

\*million pesos



The home building industry is a key priority for the country economic strategy

- Alignment of housing supply with sustainability guidelines
- 4 DUIS projects certification ----- 338,240 new homes
- 60% increase on subsidies program (CONAVI)
- Unaffiliated loan program / estimated demand 50 - 100 thousand loans
- Second Credit (Infonavit + Commercial banks)
- Infonavit environmentally friendly loans 376,000
- Recovery of financial institutions and new players will foster dynamic market



- Construction loans origination by SHF are on the rise
- Decrease in the number of housing developers
- Top 10 developers hold 45% market share
- 2012 positive trends on inventory reduction and housing starts



# Final remarks

- Cooperation between industry stakeholders to promote market growth
- Positive demographic trends that foster market housing demand
- On-going mortgage credit availability in 2012 from government sponsored enterprises, banks and sofoles
- Active competition amongst commercial banks and financial intermediaries to provide funding through new products and market segments





# Final remarks

- Responsible portfolio management, no subprime origination or price bubbles
- Dynamic market, public and private funding available for construction and infrastructure loans
- Home builders industry consolidation
- Government sponsored enterprises strategic direction based on housing needs, social balance, policies and risk & return
- Conavi sustainability quality standards improve mortgage industry guarantees

