

# ASOCIACION HIPOTECARIA MEXICANA

February 2009.



## ASOCIACION HIPOTECARIA MEXICANA

- 25 Associates
  - INFONAVIT
  - SHF
  - Banks
  - Sofoles/Sofomes
  - Mortgage Insurers
- 4 Affiliates
- 1 Special participant (FOVISSSTE)

6 Committees with over 100 member officers working on more than 35 relevant Agenda Issues of the sector.

Web Page: [www.ahm.org.mx](http://www.ahm.org.mx)



## AHM WORKING COMMITTEES

- I. Standards, Legal and Tax Regulation
- II. Information and Statistics
- III. Research, Studies and Development
- IV. Risks and Credit
- V. Best Practices and Industry Standards
- VI. (Primary and Secondary) Market Development



## 2009 AHM STRATEGIC FOCUS

Vision and sustainability of the Industry 2012



## MORTGAGE MARKET REVIEW

CANADA  
DENMARK  
HOLLAND  
BELGIUM  
MEXICO

FRANCE  
GERMANY  
EAST BLOCK

U.S.  
U.K.  
IRELAND  
SPAIN



## MORTGAGE MARKET REVIEW

### NO SYSTEMIC PROBLEM IN MEXICO

- Only 7.4% of loans are being financed by MBS
- Mainly portfolio lending.
- Interest rate risk is properly covered in most instances.
- No subprime products
- No deleveraging
- Housing prices are stable – no bubble.



## MORTGAGE MARKET REVIEW

### HOUSING PRICES

Thousands of pesos per meter<sup>2</sup> at 2008 prices

	2006	2007	2008
Avg.	7.2	7.4	7.2
A	5.5	5.7	5.5
B	6.4	6.5	6.3
C	8.6	8.7	8.5
D	12.1	12.4	12.1
E	17.2	18.4	18.3

Source: BBVA Bancomer with Softec data



## MORTGAGE MARKET REVIEW

### AHM

- Cohesion and commitment of the industry
- Common Strategy
- Avoid fragmentation
- Strengthened underwriting guidelines for loan origination
- Appraisals
- Brokers
- More efficient Property Public Registry
- Share Best Practices
- Contribute to transparency of secondary markets
- Collections





## MORTGAGE MARKET REVIEW

### CONSERVATIVE MARKETS HAD NO MAJOR PROBLEMS

- Low LTV's
- Strong underwriting guidelines
- Adequate appraisals
- Documentation verification
- Conservative Funding

### AGGRESSIVE "SOPHISTICATED" MARKETS RAN INTO DIFFICULTIES

- Fragmented regulatory systems
- High LTV's ("no skin in the game")
- No verification of documentation
- Growth of non regulated sector



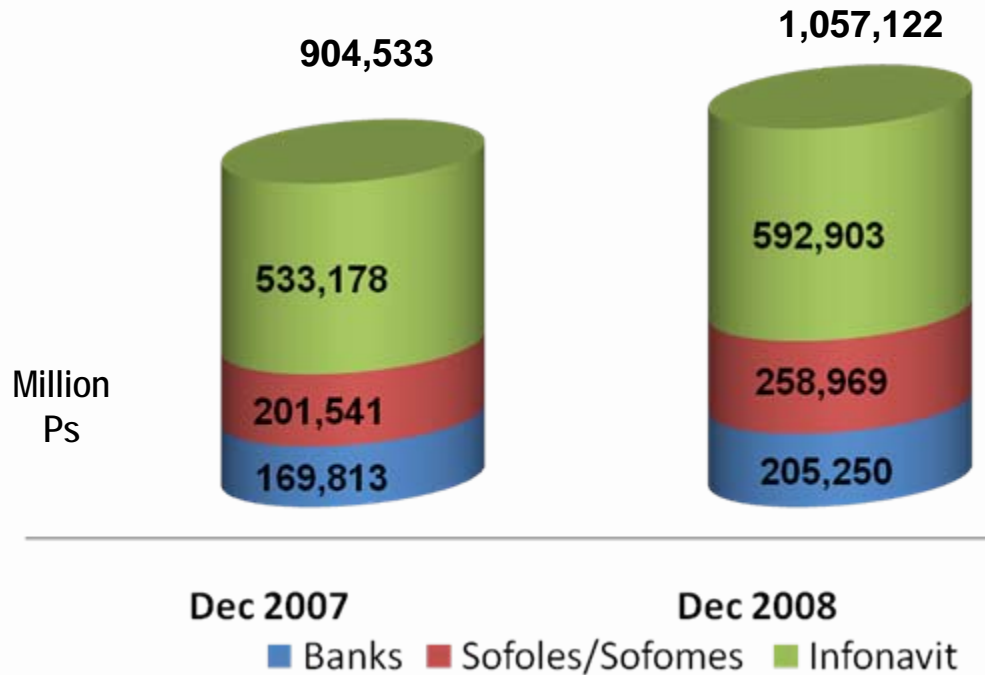
## MORTGAGE MARKET REVIEW

### TO REGAIN CONFIDENCE OF INVESTORS

- Transparency
- Disclosure
- Simplicity in transactions
- Standardization



## MORTGAGE LOANS OUTSTANDING



Source: AHM



## FUNDING OF MORTGAGE LOANS

- Mexican MBS down from last year target, but still available for some institutions.
- Covered Bonds is an important alternative since they provide stable funding even in critical times.
  - Primary regulation
  - Secondary regulation



## FUNDING OF MORTGAGE LOANS

- Funding for Infonavit, Fovissste and SHF.
- Banks are well capitalized and liquid.
- Sofoles and Sofomes will have to be mainly funded by SHF.
- Construction lending needs a boost to assure sufficient home supply.



## DELINQUENCIES

- Different **Pattern by market segment attended by financial institution.**
- **Increase during the year due to:**
  - **Unemployment**
  - **Larger indebtedness of households**
  - **Normal cycle of loan maturity**



## MITIGANTS

- Collection infrastructure, including in some cases payroll discount or on site collection
- Loan reserves in relation to delinquencies
- Mortgage Payment Protection Insurance mainly covering involuntary unemployment (MPPI)
- Mortgage Insurance and GPI



## CONCLUSIONS

- Structural bases of the housing sector are stable.
- Anticipate a reduced loan growth rate for 2009 in some areas.
- Driving force for 2009 will be lower income housing where government support will play a key role.
- Construction lending will be a relevant factor.
- We are in a process of consolidation of the sector.
- AHM will focus on critical issues





# ATTACHMENTS

## MEMBER ASSOCIATES

### INFONAVIT

### BANKS

- BBVA Bancomer
- Banorte
- Banamex
- Scotiabank
- HSBC
- Santander
- Banco del Bajío
- Inbursa
- Banregio



## MEMBER ASSOCIATES

### SOFOLÉS / SOFOMES

- Hipotecaria Su Casita
- Crédito y Casa
- Patrimonio
- Metrofinanciera
- Fincasa
- GMAC Hipotecaria
- Hipotecaria Casa Mexicana
- Hipotecaria Independiente
- ING Hipotecaria
- GE Money Crédito Hipotecario
- Corporación Hipotecaria
- Crédito Inmobiliario
- Hipotecaria Vértice



## MEMBER ASSOCIATES

### MORTGAGE INSURANCE

- Genworth Financial
- Sociedad Hipotecaria Federal



## MEMBER AFFILIATES

- Asociacion Nacional del Notariado Mexicano (Public Notaries)
- Hito, S.A.P.I. de C.V.
- Operadora Cibergestion, S.A. de C.V.
- Tasaciones Inmobiliarias de Mexico, S.A. de C.V. (TINSA)

## SPECIAL PARTICIPANT

- FOVISSSTE



## AHM WORKING COMMITTEES

COMMITTEE	PRESIDENT
I. Standards, Legal and Tax Regulation - Working Group on Housing Supply	<p><b>José de Jesus Gomez Dorantes</b> Coordinador del Programa de Cedevis</p> <p><b>Eloy Garcia Hernández</b> Subdirector General de Crédito</p> <p>INFONAVIT</p>
II. Information and Statistics	<p><b>Manuel Campos Spoor</b> Vicepresidente Hipotecaria Su Casita</p>
III. Research, Studies and Development	<p><b>Nicolás Contla Gonzalez</b> Director Ejecutivo Crédito Hipotecario Santander</p>
IV. Risks and Credit	<p><b>Eduardo Osuna Osuna</b> Director General Hipotecaria Nacional</p>
V. Best Practices and Industry Standards	<p><b>Ricardo Garcia Conde</b> Director Ejecutivo de Crédito Hipotecario Scotiabank</p>
VI. (Primary and Secondary) Market Development	<p><b>Paloma Silva de Anzorena</b> Directora General Adjunta de Desarrollo del Mercado de Vivienda y Planeacion Estrategica Sociedad Hipotecaria Federal</p>



## AHM WORKING COMMITTEES

### I. NORMATIVITY, LEGAL REGULATION AND TAXATION

TARGETS	TOPICS
<p>Analysis of law projects and initiatives related to the mortgage sector and preparation of studies and proposals promoting sustained growth and continued development of solutions for house financing.</p> <p>Analysis of tax regulation projects and initiatives with an impact on the mortgage sector, and preparation of studies and proposals to promote tax incentives to promote development of the mortgage sector.</p> <p>Promotion and development of mechanisms intended to simplify housing offering registration processes, design and implementation of timely and accurate statistical information on housing offering, its characteristics and location.</p>	<ol style="list-style-type: none"> <li>1. Legal Safety of Mortgage Operations. <ul style="list-style-type: none"> <li>• Enforceability of guarantees.</li> <li>• RPP Modernization.</li> </ul> </li> <li>2. Standardization of the legal framework for mortgage operations (federal, state and local). <ul style="list-style-type: none"> <li>• Incentives and/or simplification of transfer of title in order to favor the mortgage secondary market.</li> <li>• Regularization of informal mortgage transfers.</li> </ul> </li> <li>3. Legal mechanism to allow a prompt account recovery.</li> <li>4. CNBV regulation aspects.</li> <li>5. Tax reform and amendments.</li> <li>6. Tax incentives for mortgage operations.</li> <li>7. Update training and seminars.</li> </ol>



## AHM WORKING COMMITTEES

### I. WORKING GROUP ON HOUSING SUPPLY

TARGETS	TOPICS
<p>Housing supply: Mechanisms simplify procedures for registration of housing supply, and design and implementation of the repository of statistical information on housing supply, features and location.</p> <p>Alternative identification Broaden housing and promote better urban development</p>	<p>Housing supply:</p> <ul style="list-style-type: none"> <li>- Registro Unico de Vivienda from the point of view.</li> <li>- Transfer to AHM.</li> <li>- Development 2da. Registro Unico de Vivienda and incorporation stage valuations.</li> <li>- Generation schemes betterment of mortgage.</li> <li>- Verification work.</li> </ul>





## AHM WORKING COMMITTEES

### II. INFORMATION AND STATISTICS

TARGETS	TOPICS
<p>Designing a database and developing an information system for financial information exchange and receipt from associated entities, in order to generate reports, queries and analyses and to provide updated information for members, authorities and general public based on reliable sources.</p>	<ol style="list-style-type: none"> <li>1. Definition of formats, tools and information to be provided by associates and affiliates, and validations.</li> <li>2. Determination of specifications, information reporting policies and protocols.</li> <li>3. Determination of requirements for generation of periodic reports with financial and statistical information.</li> </ol>



## AHM WORKING COMMITTEES

### III. RESEARCH, STUDIES AND DEVELOPMENT

TARGETS	TOPICS
<p>Researching, preparing and publishing studies with domestic and international impact, to provide updated information to associates and other entities involved in the mortgage sector, in connection with best practices, tendencies and interest topics.</p>	<ol style="list-style-type: none"> <li>1. Generation of information on the mortgage sector.</li> <li>2. Agreements for information coordination and disclosure.</li> <li>3. Studies associated to the industry.</li> <li>4. Publication of international best practices.</li> <li>5. Development of a blog for queries about activities of the mortgage sector.</li> <li>6. Data processing services.</li> </ol>



## AHM WORKING COMMITTEES

### IV. RISK AND CREDIT

OBJETIVOS	TEMAS
<p>Analyzing and addressing topics and problems affecting the mortgage sector development, in order to find solutions or strategies for risk management .</p> <p>Reasonable regulation on reserves and capital, oriented to favor a stronger financial system.</p> <p>Market discipline.</p>	<ol style="list-style-type: none"> <li>1. Overdue accounts:               <ul style="list-style-type: none"> <li>• Inflated appraisals.</li> <li>• Appraisal of inexistent or unfinished homes.</li> <li>• Exchange of information on overdue accounts and opportunity analysis to address the issue.</li> </ul> </li> <li>2. Bureau of individual mortgage loans providing information on the overdue accounts generated by promoters into the financial system, intended to introduce transparency and ethics in the marketing of homes by promoters.</li> <li>3. Specific problems related to El Barzón .</li> <li>4. Schemes to face potential liquidity problems in the financial market.</li> <li>5. Application of Basil II Rules.</li> <li>6. Definition of general guidelines for determination of a plan allowing to address disasters and operational contingencies as an industry and in an homogeneous manner.</li> </ol>



## AHM WORKING COMMITTEES

### V. BEST PRACTICES AND INDUSTRY STANDARDS

TARGETS	TOPICS
<p>Developing and promoting standards and business tools to improve efficiency in the mortgage sector.</p> <p>Provide associates with the infrastructure required to create an operation and data processing platform.</p> <p>Professional practices oriented to excellence, as a model at domestic and international levels.</p>	<ol style="list-style-type: none"> <li>1. Operational efficiency.           <ul style="list-style-type: none"> <li>• Identification and use of scale economy schemes for mortgage operation, in order to reduce operational costs.</li> <li>• Consolidation of quality standards for property appraisals.</li> <li>• Development and certification of suppliers (notaries, appraisal agents, researchers, credit bureau, mortgage agents, works progress agents, etc.).</li> <li>• Housing quality and development maintenance.</li> <li>• Housing quality insurance.</li> <li>• Infonavit Housing Quality Index (ICAVI).</li> <li>• Post-sale service (maintenance) by developers.</li> <li>• National standardization of mortgage operational guidelines, aligning related parties such as notaries, appraisal units, works progress agents, etc.</li> <li>• Common operational platforms in order to eliminate redundancy and duplicity of infrastructure and processes.</li> </ul> </li> <li>2. Glossary of common industry terms and concepts.</li> </ol>



## AHM WORKING COMMITTEES

### VI. (PRIMARY AND SECONDARY) MARKET DEVELOPMENT

TARGETS	TOPICS
<p>Promoting development of a secondary mortgage market.</p>	<ol style="list-style-type: none"> <li>1. Mortgage secondary market.</li> <li>2. Analysis and development of proposals to improve the conditions to allow a higher number of transactions and improved quality.</li> <li>3. Update training and seminars.</li> </ol>