



MEXICAN HOUSING OUTLOOK

February 09



GLOBAL OUTLOOK

- Subprime Crisis in US triggered dramatic events in the capital markets, and now in the broader economy.
- High capital markets dependency, housing price bubble, weak origination practices and aggressive risk taking are some of the key factors to follow closely.
- Mortgage Back Securities have been severely affected, implying a financial drought in the housing sector.
- The mortgage sector is of worldwide concern: US, UK, Spain...



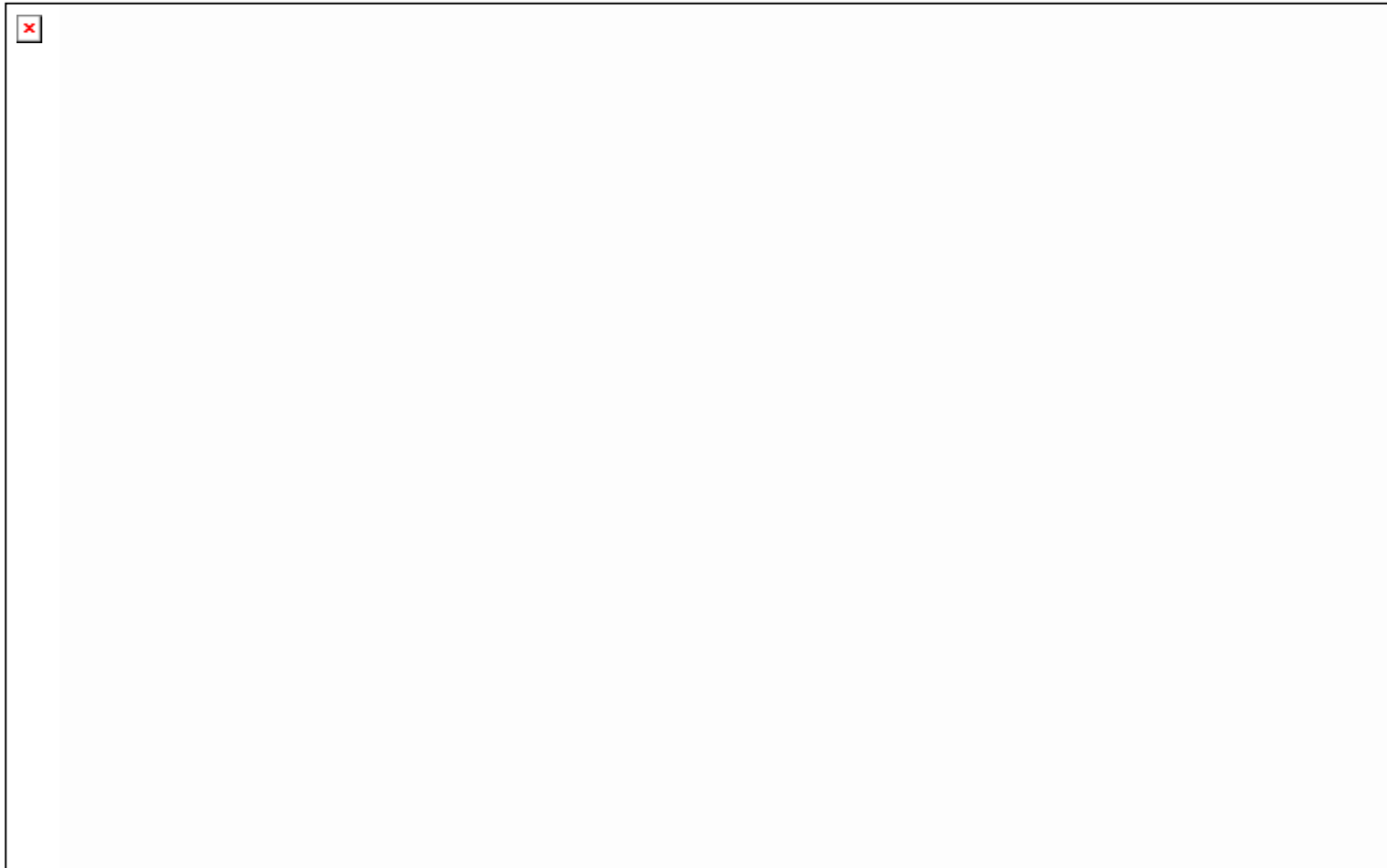


**BUT, WHY IS MEXICO
DIFFERENT?...**



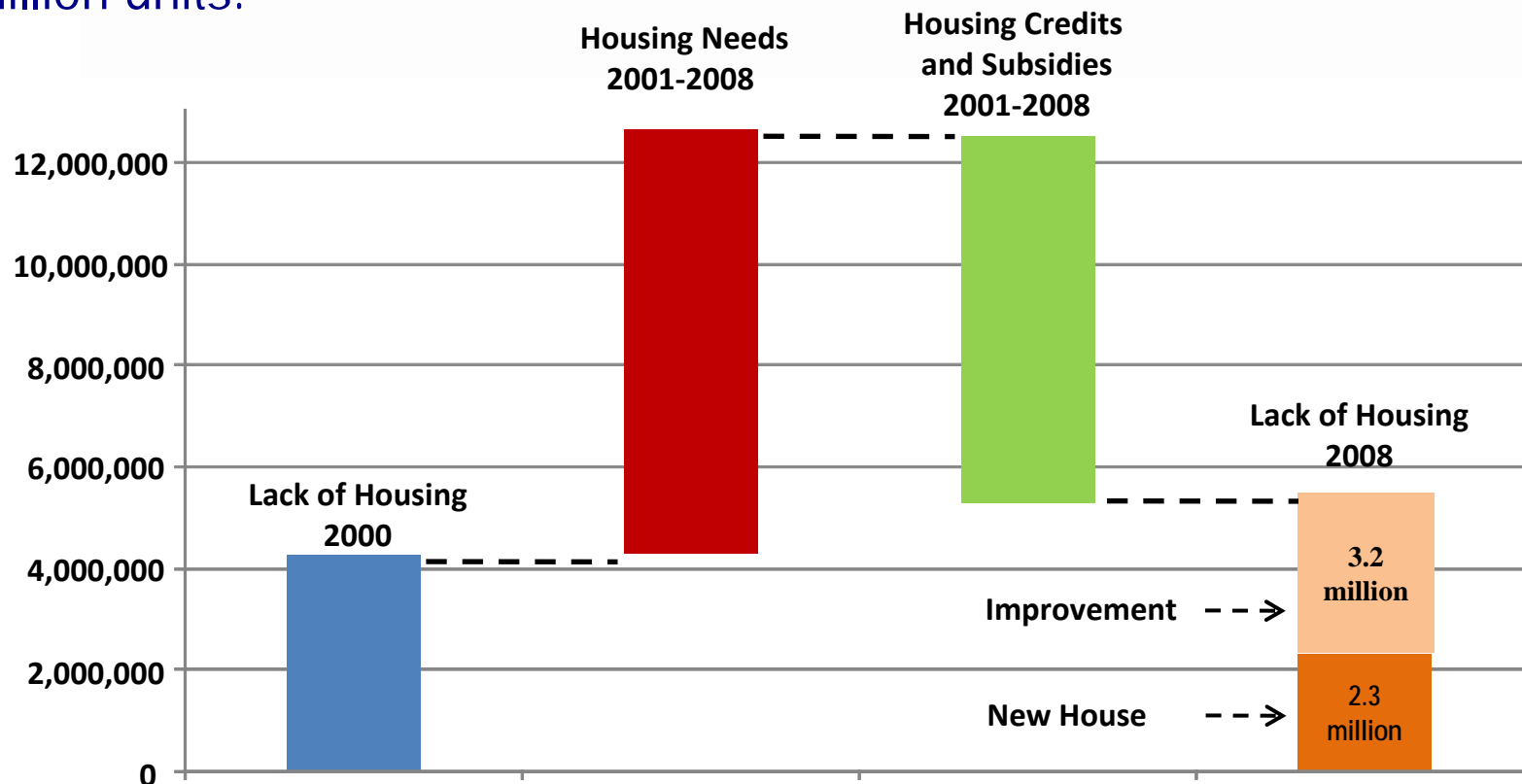
1. CONSISTENT GROWTH DURING THE LAST 10 YEARS

- After a severe crisis in the 1990's, the housing sector has been growing at an annual rate of 17%.



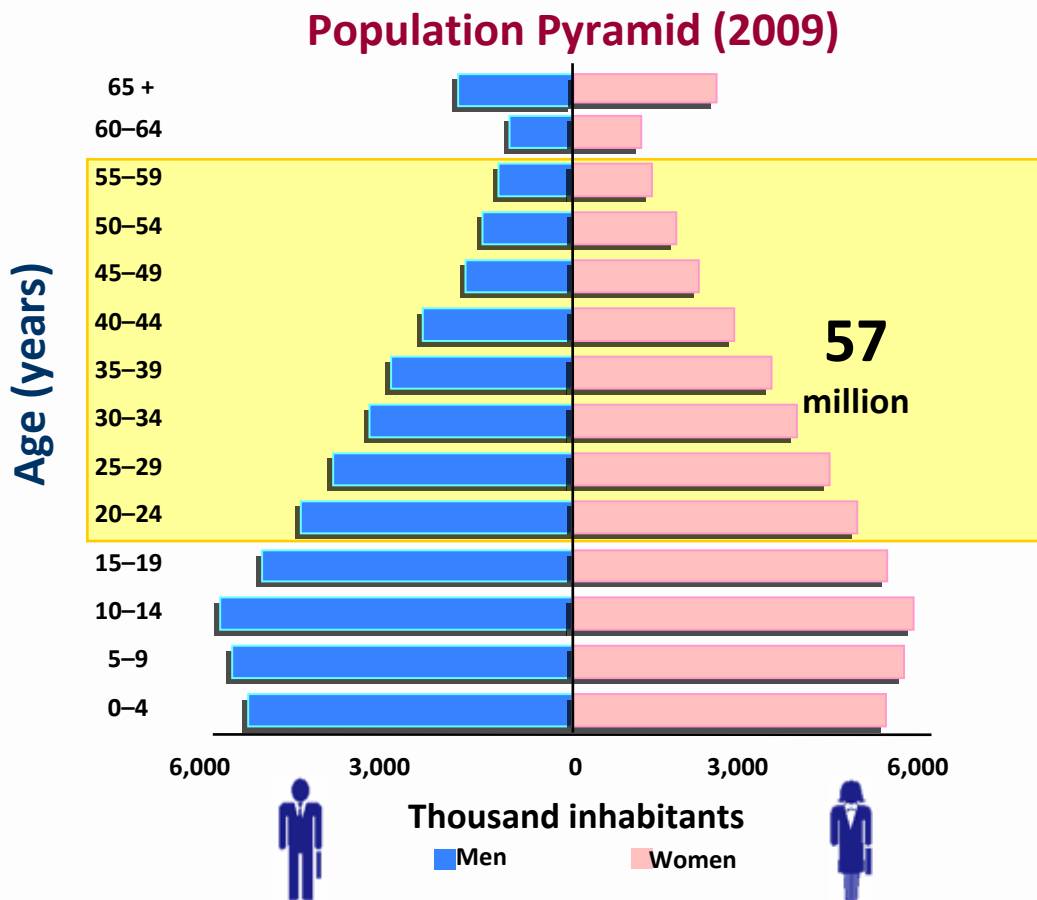
2. DEMOGRAPHIC FORCES SUPPORTING DEMAND

- Housing deficit is estimated to range, at least, between 5 and 6 million units.



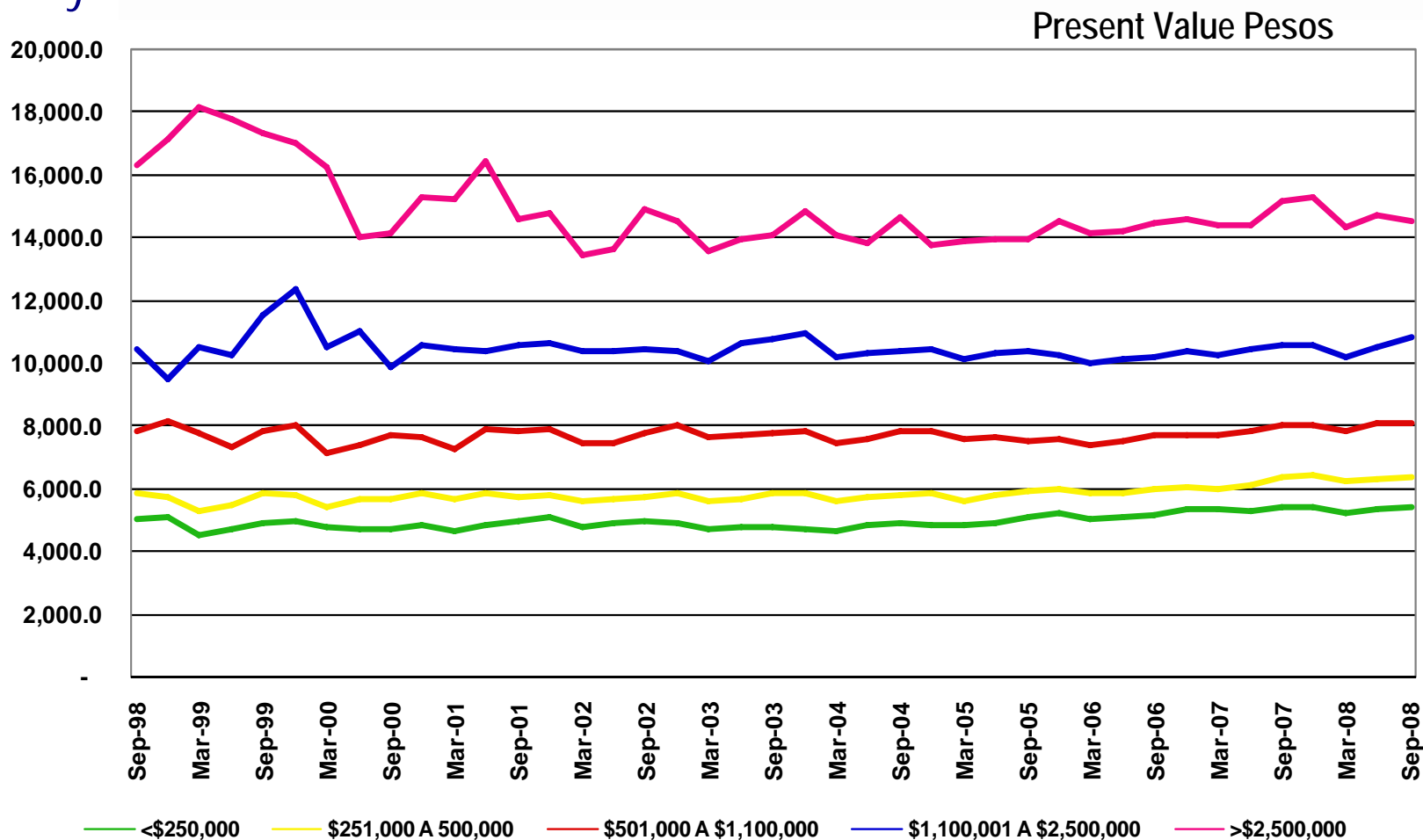
2. DEMOGRAPHIC FORCES SUPPORTING DEMAND

- Mexico's still young population translates into strong household formation rates for years to come.



3. HOUSING PRICES STABLE (NO BUBBLES)

- Housing deficit is concentrated in low income population; a first house buyer.



4. STRONG INSTITUTIONAL FRAMEWORK

- With a robust credit supply structure, not highly dependant from capital markets:

LOW
income



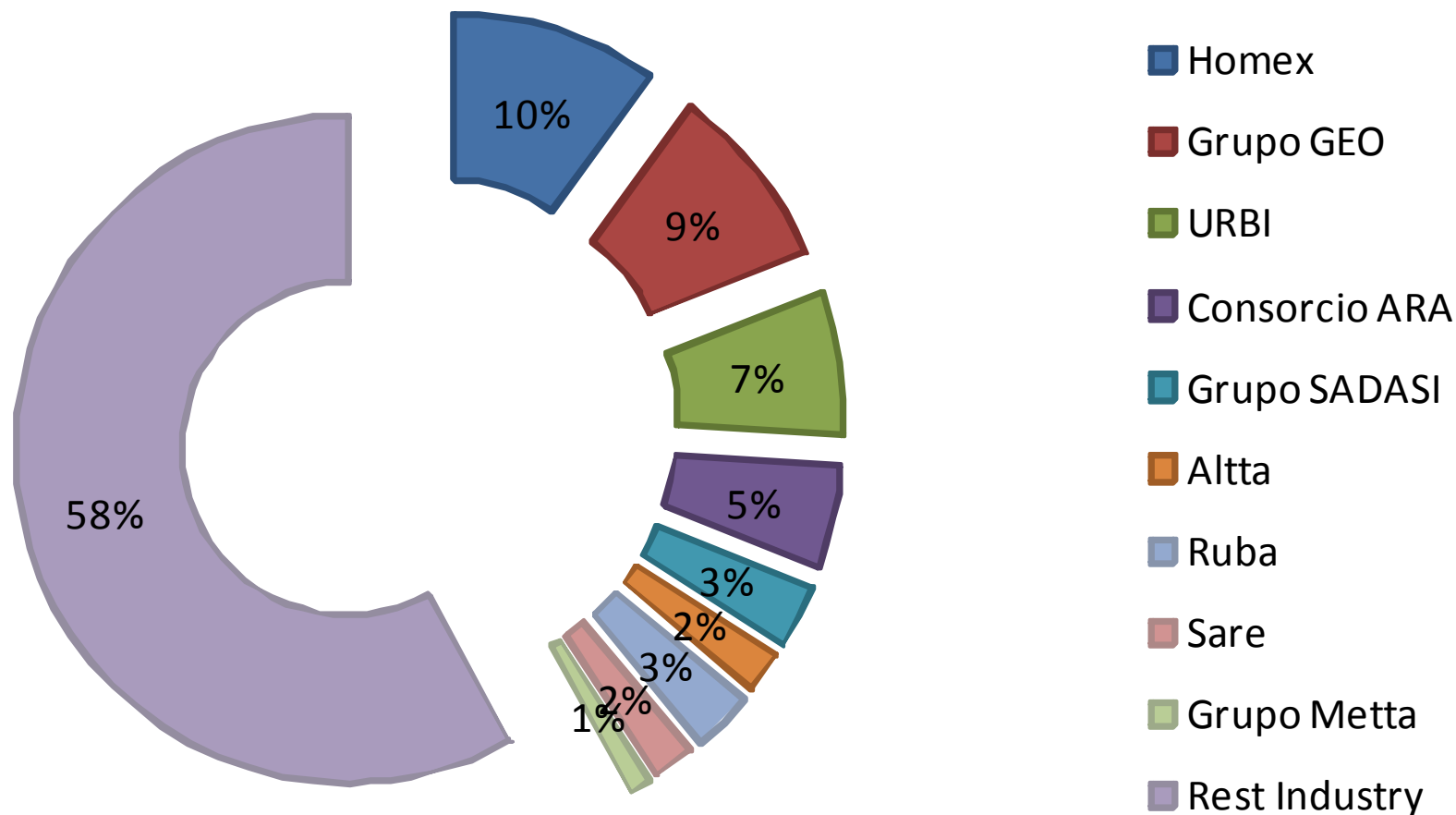
HIGH
income



- Federal spending as subsidy
- Private funding for credit
- Private funding for credit
- Federal (multilaterals) funding for credit
- Deposits and market funding for credit

4. STRONG INSTITUTIONAL FRAMEWORK





- And a diversified housing supply structure all over the country:



5. BEST PRACTICES IN ORIGINATION AND SERVICING

- The legacy of the financial crisis from the mid 1990's, explains strict origination standards, implying no subprime origination.



	FICO* scoring	Credit Bureau	Income Validation	House Appraisal	Payment to income ratio	LTV at originatio n
	✓		✓	✓	25%	85%
			✓	✓	25%	65%
	✓	✓	✓	✓	30%	87%
	✓	✓	✓	✓	30%	90%






*Or equivalent.

6. MEXICAN MORTGAGE DESIGN

- Mexican mortgage is prepared to deal with high volatility environments:
 - Fixed interest rate in real terms.
 - Long term, up to 30 years.
 - Monthly payment indexed to minimum wage growth.
 - Unemployment insurance.
 - Collection through payroll discount.
 - Innovative model for “social” debt collection, through product design.

2008 PERFORMANCE

- Housing and credit goals were achieved by far, setting a new historical record:

	CREDIT AND SUBSIDIES	INVESTMENT (MILLION PESOS)
 INFONAVIT	494,073	\$107,676
 SOCIEDAD HIPOTECARIA FEDERAL	128,380	\$11,835
 ISSSTE FONDO DE LA VIVIENDA	90,140	\$34,669
 CONAVI	213,853	\$4,242
 FONHAPO	222,036	\$2,151
Financial Entities	207,172	\$112,358
Other Entities	49,901	\$7,670
Financing	1'405,537	\$280,601
Homes	716,915	\$269,133



WHAT DO WE EXPECT IN 2009?...








HOUSING SECTOR AS AN INTERNAL DEMAND GENERATOR

- National Agreement to *Protect Employment and Ensure Economic Stability*. President Calderón



1. Supporting workers' employment.
2. **Supporting families' economies.**
3. Supporting competitiveness and Small and Medium Businesses.
4. Investment and infrastructure to promote competitiveness and employment.
5. Encouraging actions to promote more transparent and efficient public spending.

ROBUST CREDIT AND SUBSIDY SUPPLY FOR HOUSING

	GOAL	MILLION PESOS
 INFONAVIT	500,000	\$ 106,966
 SOCIEDAD HIPOTECARIA FEDERAL	189,980	\$ 19,500
 ISSSTE FONDO DE LA VIVIENDA	100,000	\$ 43,424
 CONAVI	190,000	\$ 5,137
 FONHAPO	101,865	\$ 2,028
Financial Entities	207,000	\$ 112,000 *
Other Entities	60,000	\$ 7,500
Financing	1'348,845	\$ 296,555
Estimated Homes	<u>720,000</u>	



* Similar level of mortgage origination as in 2009

FEDERAL SUPPORT FOR LIQUIDITY

- Also, SHF has an additional \$31,650 budget to provide liquidity for funding needs in the short term:
 - Securitization
 - Bridge loans
 - Liquidity lines
 - Credit guarantees





SOCIEDAD HIPOTECARIA FEDERAL

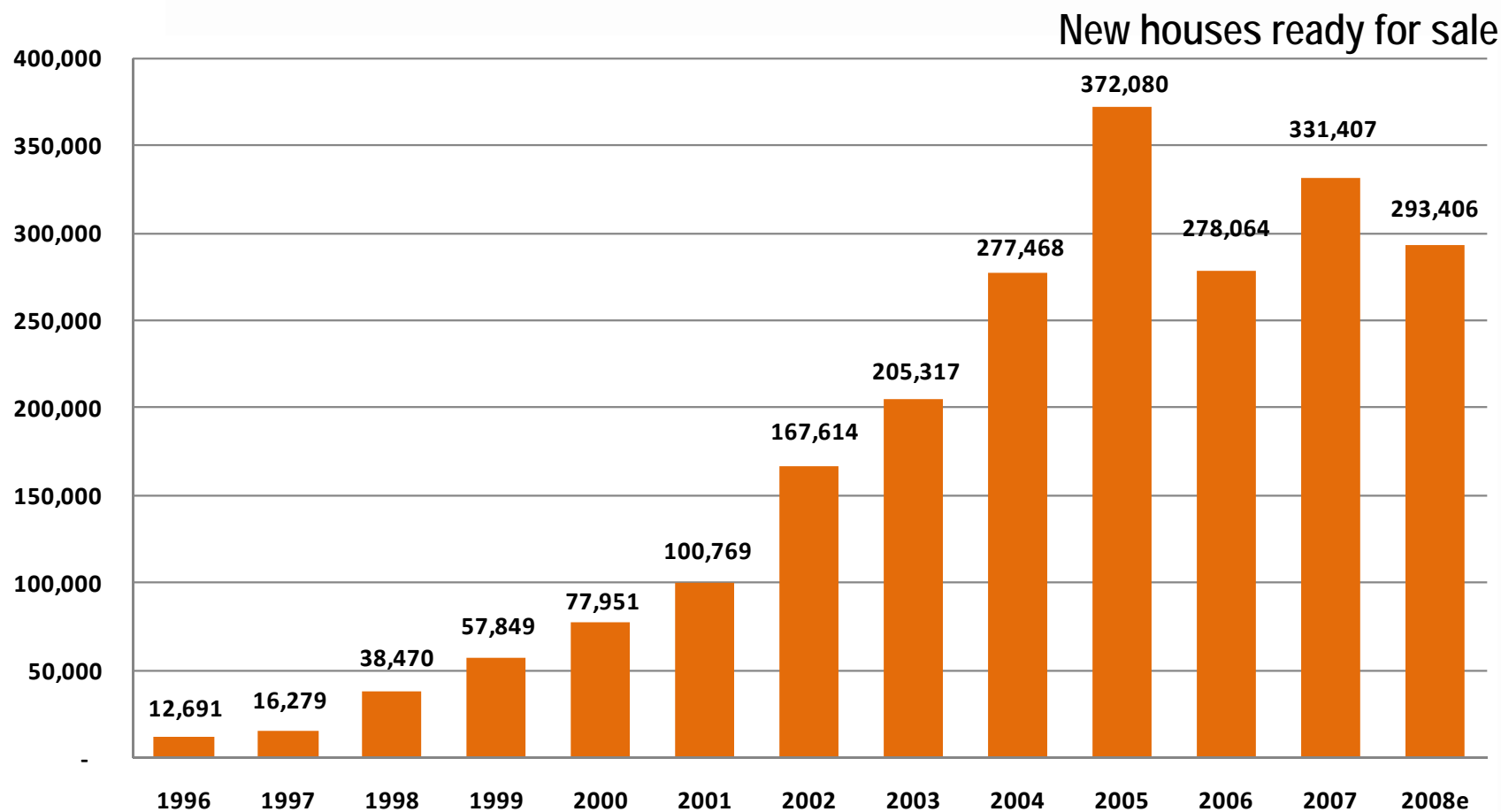


STRONG HOMEBUYER BASE

POTENTIAL DEMAND 2009

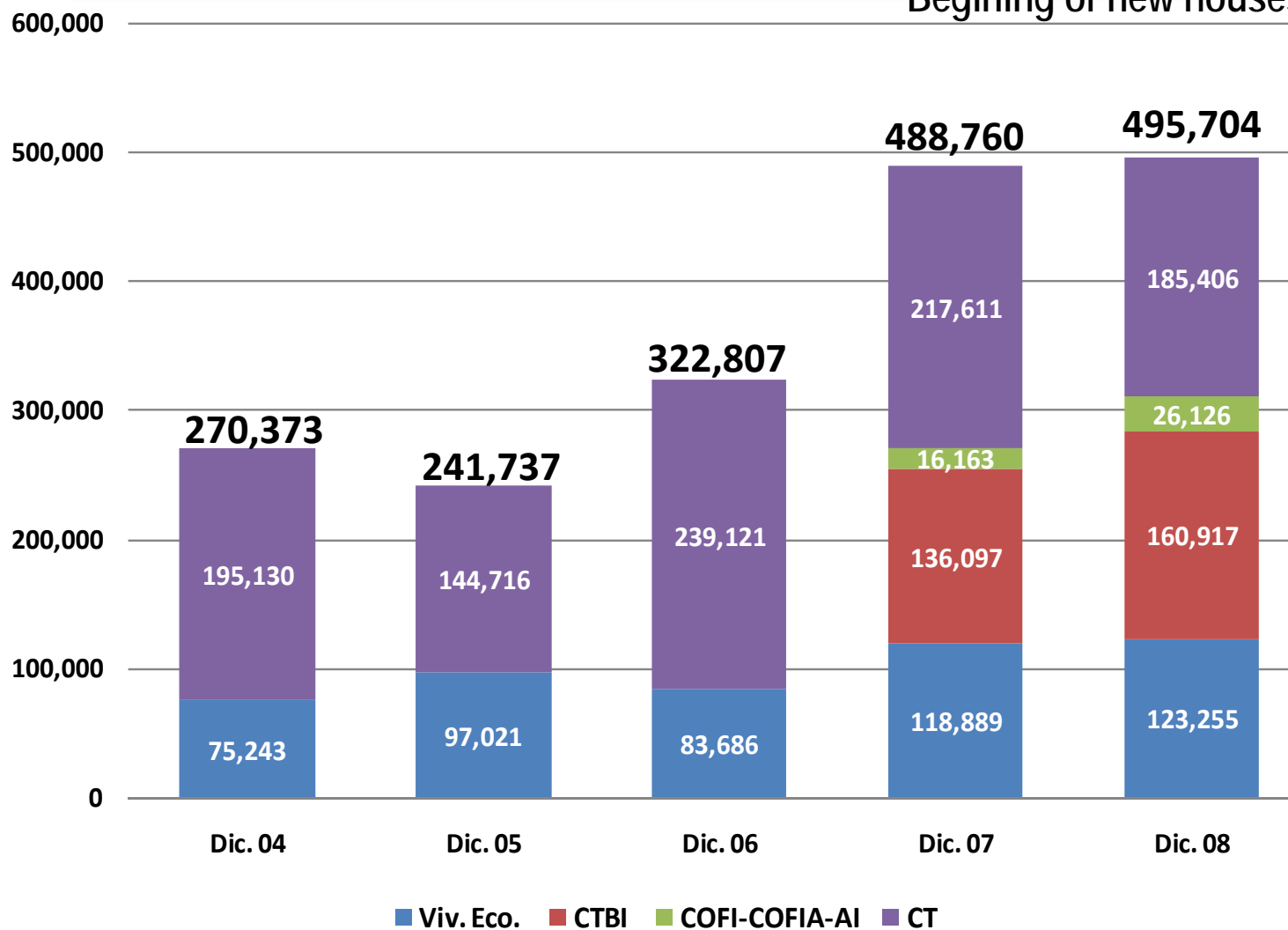
	Potential Demand	Credit Supply	Ratio
	4,799,774	500,000	9.6 to 1
	1,576,849	100,000	15.8 to 1

REDUCED HOUSING INVENTORIES



A DYNAMIC HOUSING SECTOR

Begining of new houses



UPCOMING NATIONAL HOUSING PACT

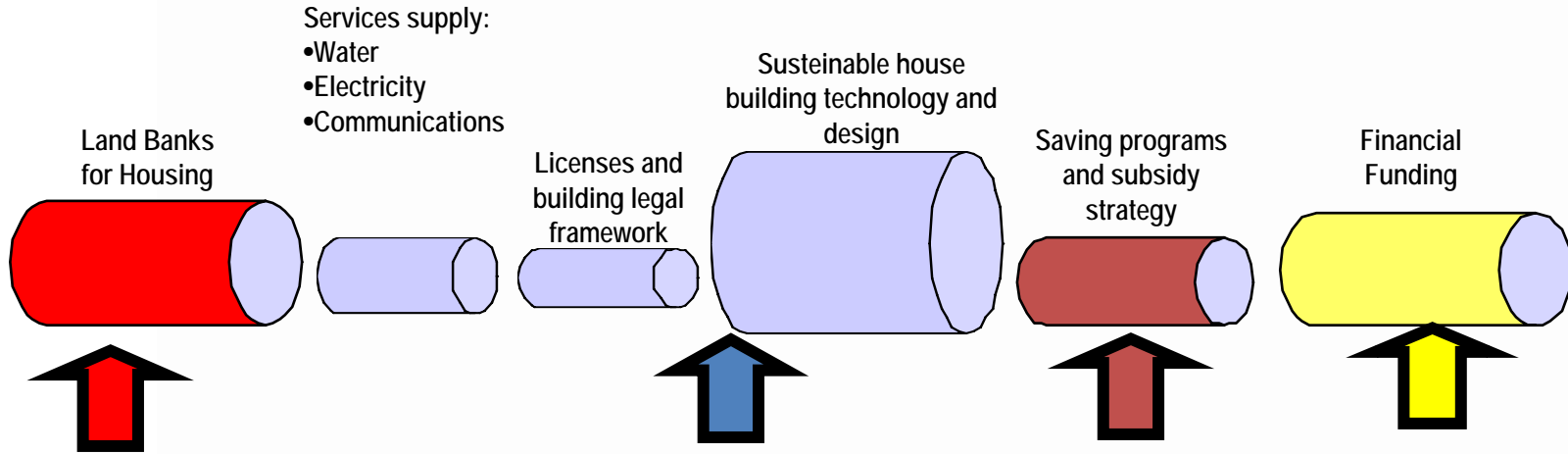
- Financial Intermediaries: AHM, ABM, AMFE.
- Developers: Canadevi, Cmic.
- Construction and Mortgage suppliers; i.e., Cement, Steel, Public Notaries Association (ANNM), Public Property Registry Institute, Appraisal Units, among others.
- Authorities, National Housing Entities, development banks.



Comisión Nacional de Vivienda



LONG TERM STRATEGIC PLANNING



Ser la institución que respalda el esfuerzo de los trabajadores y sus familias por incrementar su patrimonio y calidad de vida; al financiar su acceso a una vivienda y a un entorno sustentable en el que puedan desarrollar su potencial como individuos y como ciudadanos, consolidando la nación más humana y competitiva que todos los mexicanos nos merecemos.

Humana	Procesos		Financiera	Institucional y de Servicio	COMUNIDAD
Ser el mejor lugar para trabajar con la mejor gente	Crear alianzas con la sociedad y el gobierno para impulsar la calidad de vida y el desarrollo humano y social de manera sustentable	Enriquecer el conocimiento de nuestros derechohabientes y acreditados sobre la importancia de vivir en comunidades que generen bienestar social y plusvalía.	Asegurar viabilidad financiera a largo plazo	Proveer financiamiento para el desarrollo de viviendas de los trabajadores, derechohabientes y acreditados.	Ser generadores de bienestar social, en comunidades homogéneas y armadas
Contar con la cultura de compromiso social y excelencia en el servicio	Asegurar la comunicación permanente con trabajadores y usuarios	Proporcionar productos y servicios de excelencia con foco en las necesidades de los usuarios y rostro humano		Mejorar la calidad de vida de nuestros derechohabientes entorno sustentable en el que puedan desarrollar su potencial como individuos y como ciudadanos	
Garantizar que las personas del Inforavit ampliado cuenten con las capacidades y actitudes en cultura y niveles de servicio	Contar con la infraestructura necesaria para dar soporte a la estrategia	Contar con procesos transparentes de excelencia y mejorarlos continuamente	Incrementar Recursos disponibles para la atención a los trabajadores	Beneficiar a los derechohabientes con mecanismos competitivos a sus ahorros	

Balanced Scorecard
 for strategic planning in
Mexican Housing Public Policy.



FINAL REMARKS

- Mexican Housing Sector has a number of strengths that make it different from other experiences in the world:
 - Consistent growth during the last 10 years, after a severe crisis.
 - Demographic forces supporting demand: housing deficit and household formation in the coming years.
 - Housing prices stable with no risk for housing price bubbles.
 - Strong institutional framework with no high dependency from capital market funding.
 - Best practices in origination and servicing.
 - Mexican mortgage designed to deal with crisis conditions.

FINAL REMARKS

- Current situation is positive:
 - New houses inventory for less than 6 months.
 - Strong new buyers base, considering Infonavit and Fovissste credit programs.
 - SHF serving short term liquidity needs.
 - Federal institutions supporting the final consumer and the financial intermediary.
 - Massive low income housing demand.
 - Strong federal government support, and consolidated coordination among all players.
 - Signing of the National Housing Pact.
- Sector strategic planning also considered, for assuring long term optimal performance.