



**SOCIEDAD HIPOTECARIA FEDERAL**



**MEXICAN**  
**HOUSING DAY 2012**



**SHCP**

**March 2012**

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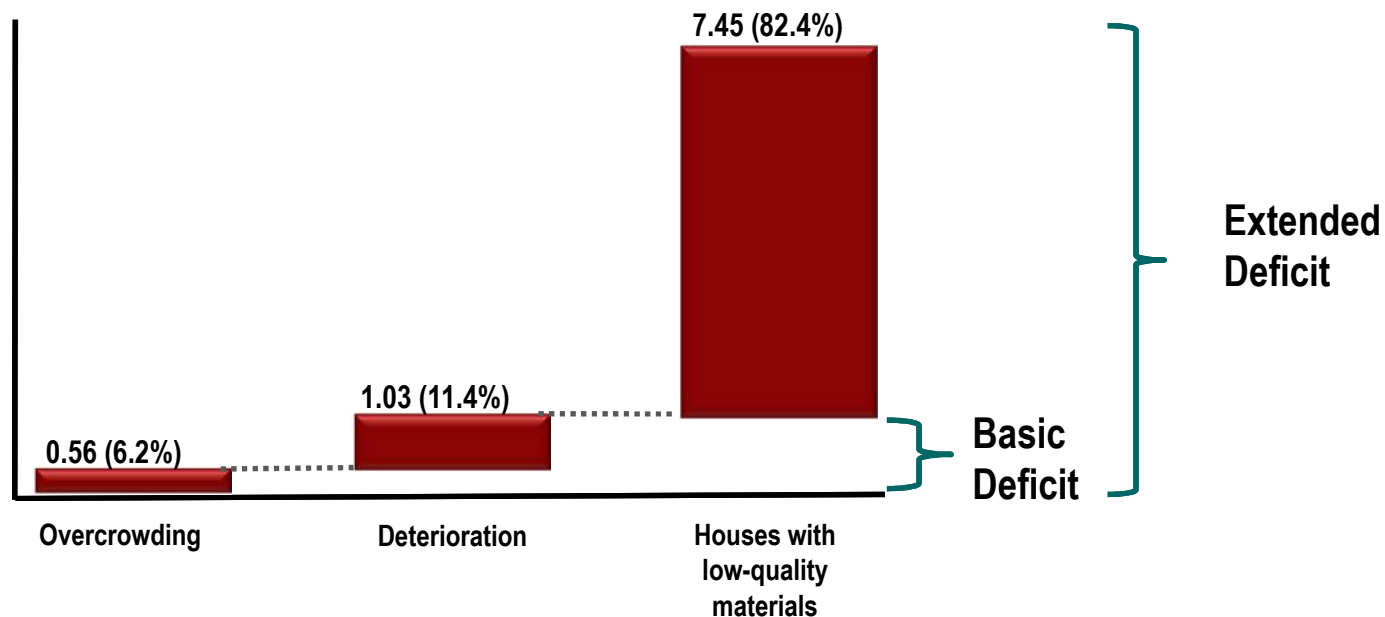
# Economics of the Mexican Housing Market

## Housing Deficit



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- The Mexican population is composed of **29 million households**.
- **20 million** households inhabit an **adequate house**.
- **9 million** households compose the **extended housing deficit** either because they **share their house** with another household or because they **inhabit inadequate housing**.
- **43.1%** of the housing deficit is **located in urban locations**; 39.3% in areas with more than 15,000 inhabitants and 17.6% in areas with population between 15,000 and 2,500 people.



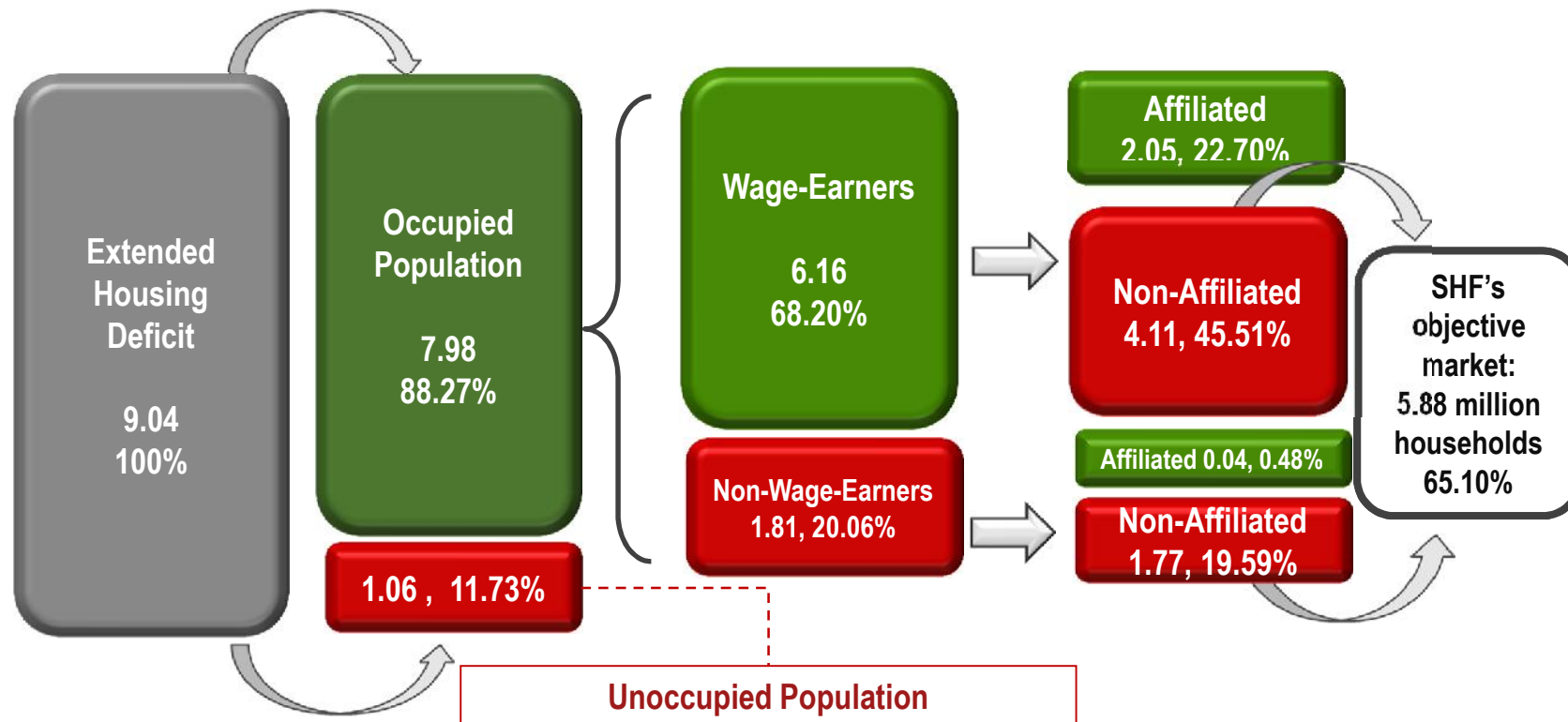
# Economics of the Mexican Housing Market

## Housing Deficit



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5.88 million household heads are occupied but lack access to social security.



- SHF's strategy focuses on attending 5.88 million households:
  - Occupied, wage-earning, **non-affiliated population** → 4.11 million
  - Occupied, non-wage-earning, **non-affiliated population** → 1.77 million

# Economics of the Mexican Housing Market

## Housing Deficit



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**SHF's  
Objective  
Market:  
5.88 million**

- **1.2 million** require a new or used **acquisition solution**.
- **The rest** would find a more adequate solution in **housing improvement** or **assisted self-production** loans.

- Of the **1.2 million households** that comprise the **Acquisition Housing Deficit**, the **2012 Estimated Demand\*** for the **Crediferente** Non-Affiliated scheme is of **95,991 houses**.

# Economics of the Mexican Housing Market

## 2012 Estimated Housing Demand



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- According to CONAPO, **603,000 new households will form during 2012**. However, **only** around 53% of these, **322,780 households, will** have the appropriate financial standing to **seek a housing solution**.
- In addition, **639,753 household from the historic housing deficit will participate in 2012 housing demand**.
- Accounting for move-ups and credit cures, the **total housing demand for 2012 is estimated at 1'071,241 housing solutions**.

Demand	2012	Percent
Housing deficit*	639,753	59.7
New households**	322,780	30.1
Move ups	81,708	7.6
Credit Cures****	27,000	2.6
<b>Total</b>	<b>1'071,241</b>	<b>100.0</b>

\* Dwellings with Deficit material or space issues.

\*\* Includes only HH with enough income to access credit.

\*\*\*Credit cures HH that have improved their credit scores.

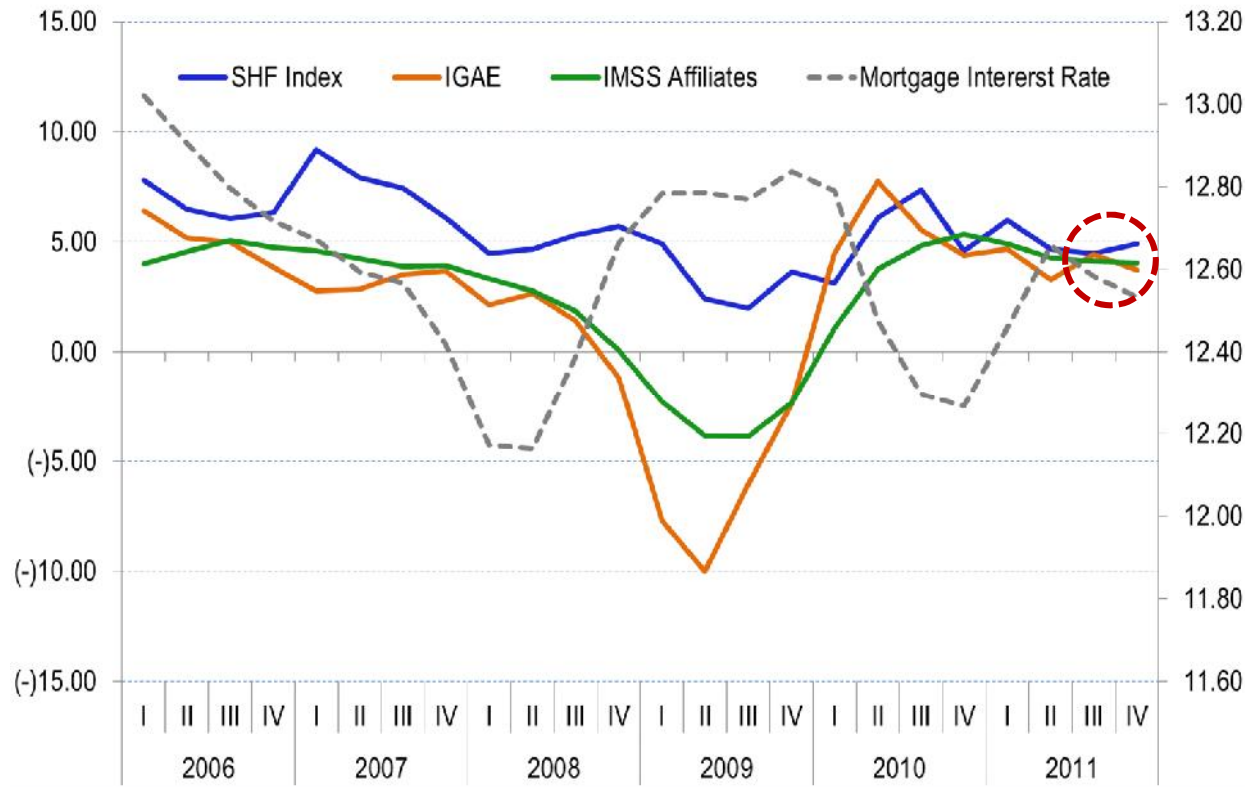
# Economics of the Mexican Housing Market

## SHF House Price Index Movement is Highly Correlated with GDP



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- SHF house Price index moves according to the economics of the market and is highly related to GDP, mortgage interest rates and Social security affiliation.
- The **total nominal appreciation** between 2005.I and 2011.IV was **43.6%** (11.9% real appreciation), equivalent to a **6.2% nominal annual increment** (1.5% real increment).
- The index confirms that there is no price bubble in the Mexican Housing Market





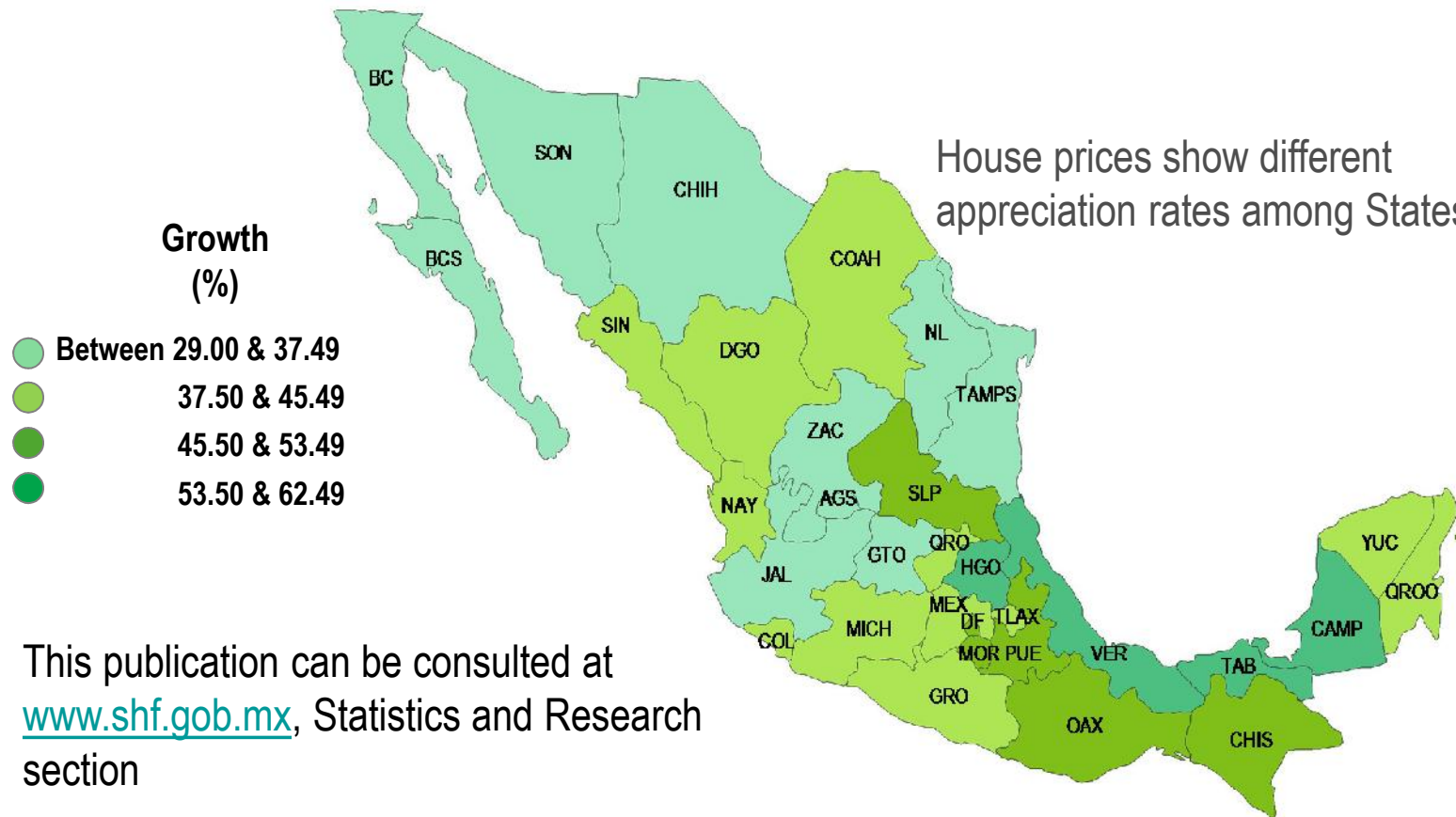
# Economics of the Mexican Housing Market

## SHF House Price Index



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- In order to provide stakeholders increasingly accurate information, we have broken down the index from the national level to all states and major municipalities.
- Quarterly Publication: 70 records: 1 national level, 32 states and 37 municipalities.



This publication can be consulted at [www.shf.gob.mx](http://www.shf.gob.mx), Statistics and Research section

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# SHF's Role in the Housing Sector

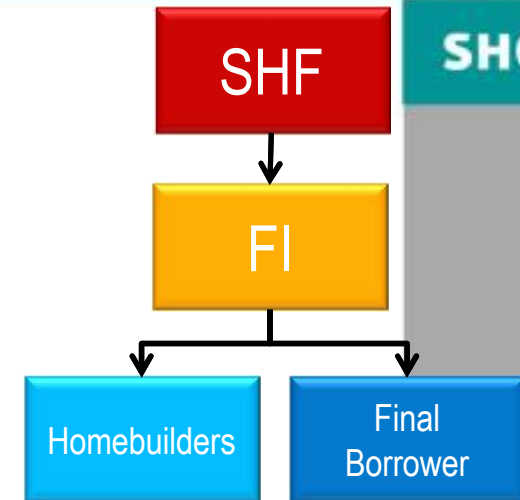


**SHF** is a **Second Tier Development Bank** that operates directly with financial institutions.

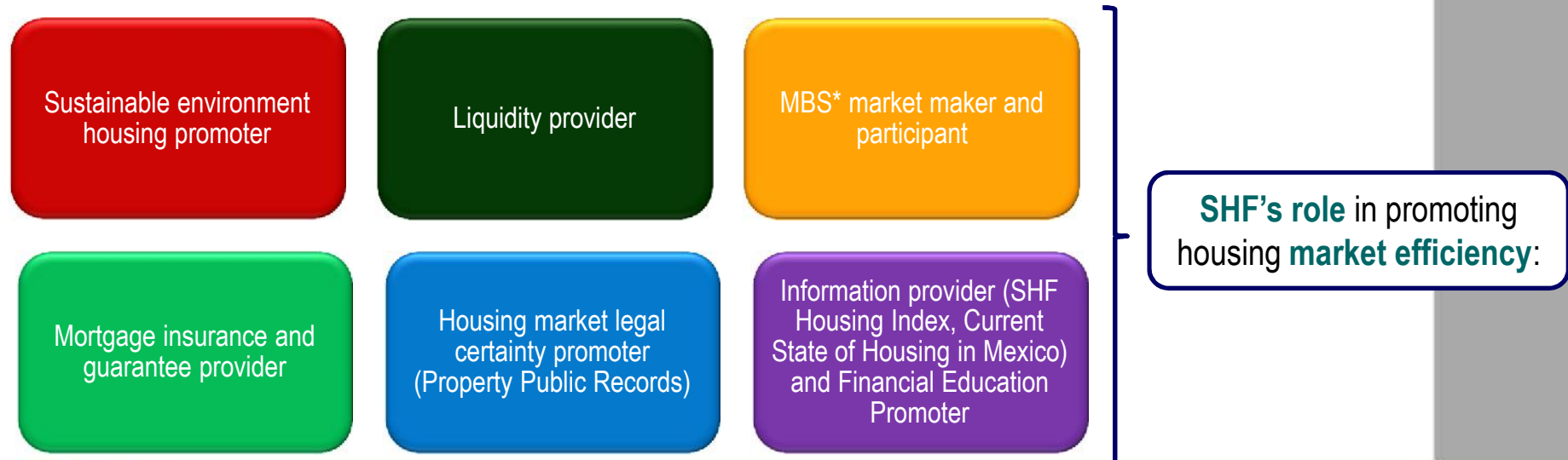
**Financial Intermediaries** are responsible for the direct operation with final borrowers (both for construction and mortgage loans).

## SHF's OBJECTIVE:

To develop the primary and secondary housing markets by providing mortgage funding and guarantees.



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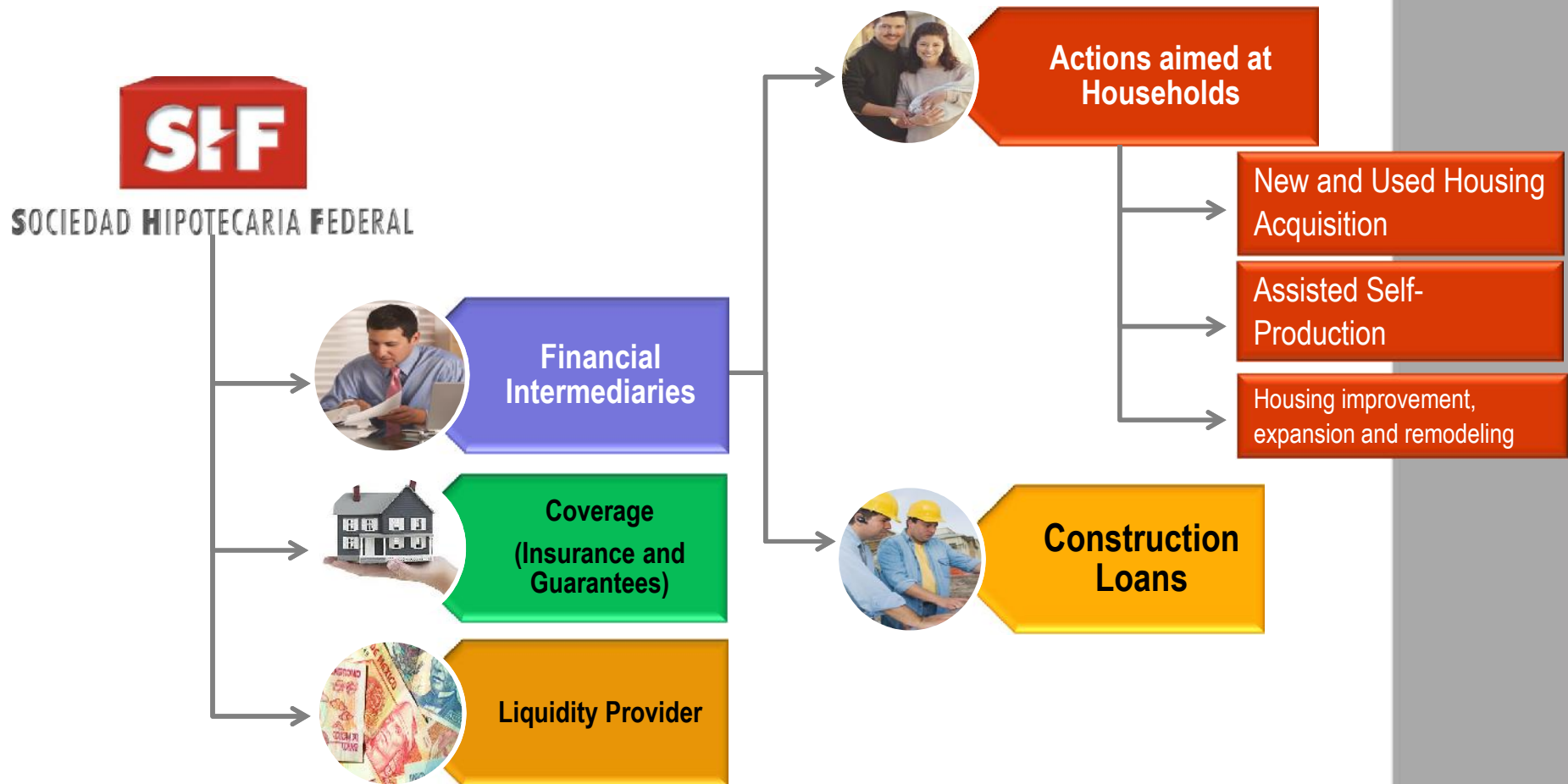
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# SHF's Strategy



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In order to address the housing deficit and provide better care to the Non-Affiliated population, SHF has developed a two-pronged strategy: designing products for underserved markets and expanding its network of financial intermediaries:



# SHF's Strategy

## Intermediary Network Expansion



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	2008	2011
Number of municipalities with families benefited by SHF's network	675	1,350
Estimated increase by incorporating diversified intermediaries	516	
Real increment by incorporating diversified intermediaries		675

In order to serve a greater amount of the population, **SHF is increasing its network of financial intermediaries** (FIs) by working with FIs that have been attending the underserved population such as **Microfinance Institutions, financial cooperatives, niche banks and Saving and Loans Cooperatives**.

From **15 FIs with funding in 2008**, SHF's network grew to **26 FIs (73%) by the end of 2011**. During 2012, 11 new FIs will be incorporated to **SHF's network** which **will reach 37 FIs by the end of the year**.

# SHF's Strategy

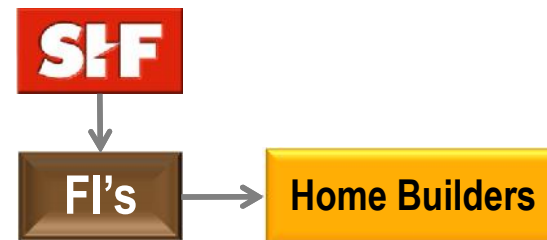
## Construction Loans



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During 2012, SHF estimates signing around MXN\$11,200 million in traditional construction loan credit lines.



From 2003 to 2008, construction loans were completely funded by private sources. This type of funding has completely shut down in 2008. At that time, SHF reinstated construction loan products. Since then, credit lines have been signed for over **MXN\$27,400 million\*** of which over **MXN\$13,700 million\*** have been disposed of.



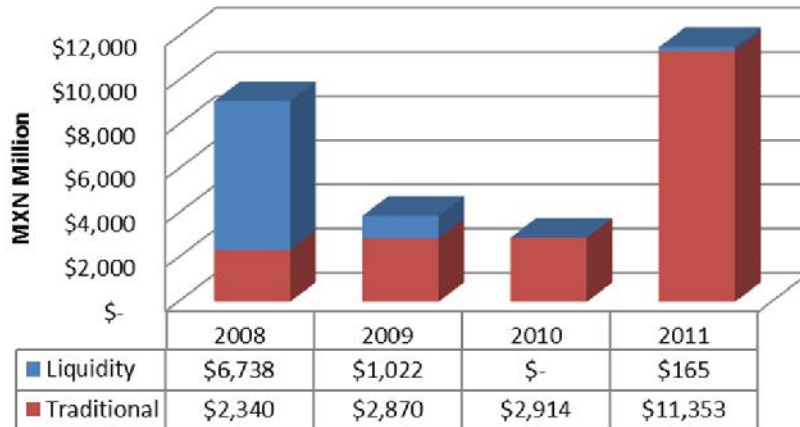
# SHF's Strategy

## Construction Loans



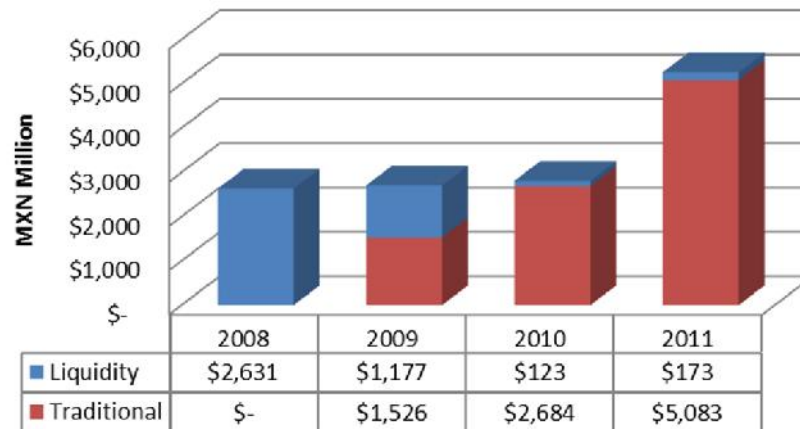
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**Amount Signed**



We can observe that both the amount signed and disposed have been increasing significantly since SHF reactivated the construction loan product. At first, liquidity lines that provided funding to existing projects predominated. As the crisis was overcome, traditional lines to fund new origination became more important.

**Amount Disposed**



**During 2011 the amount disposed on traditional lines totaled MXN\$5,083 million** which represents the construction of **more than 20,300 houses** and is:

- 86% larger than the 2010 amount
- 227% larger than the 2009 amount.



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# Crediferente

## Attending the Non-Affiliated Sector



# Crediferente

## Attending the Non-Affiliated Sector



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### ¿What is it?

**Crediferente** is the new scheme SHF has put in place in order to **provide a housing acquisition solution** to those **families unaffiliated to INFONAVIT or FOVISSSTE**.

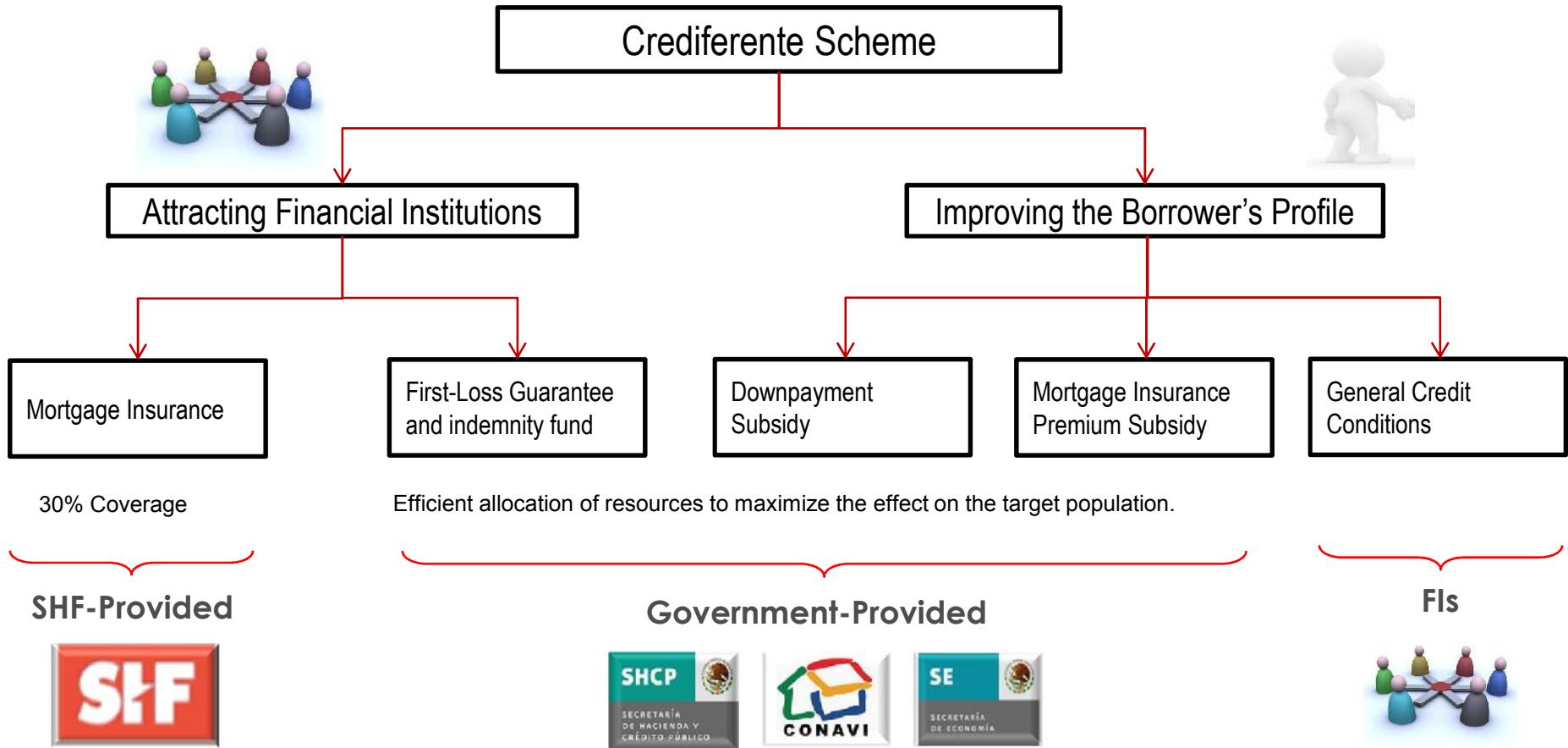
It **combines specific attributes** in order to establish a **more efficient risk allocation** among all industry participants, which in turn promotes **greater financial intermediary involvement** with a subsequent **increase in accessibility for the Non-Affiliated market sector**.

### Key Features and Enhancers:

- ✓ Diversified Proof of Income; *i.e. tax receipts, balance statements, savings, rent schemes, previous repayment schemes.*
- ✓ First-Loss Portfolio Guarantee; *which includes homebuilder participation in premium.*
- ✓ Mortgage Insurance; *which can provide up to 30% coverage.*
- ✓ Diversified Subsidy Application; *subsidies can now be redistributed in any combination of down payment subsidy, mortgage insurance premium subsidy, and first-loss portfolio guarantee premium subsidy.*
- ✓ Loan Denomination; *Pesos & Defined Payments which is a new SHF product that substitutes the UDI and avoids negative amortization.*

# Crediferente

## Scheme Components



# Crediferente

## Accessibility Improvement



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	MXN PESOS			DEFINED PAYMENTS	
	Previous Scenario	Enhancement Application with SHF Price Reduction	4 Notch Improvement	Defined Payments with SHF Price Reduction	Defined Payments with Additional 2 Nodge Improvement
House Value (128 SMMGV)	\$ 232,771.58	\$ 232,771.58	\$ 232,771.58	\$ 232,771.58	\$ 232,771.58
Borrower Rate	14.95%	13.08%	12.46%	10.98%	10.36%
Payment	\$ 1,962.86	\$ 1,847.21	\$ 1,778.24	\$ 1,665.24	\$ 1,584.26
CAT	18.40%	15.98%	15.22%	15.93%	15.17%
Payment/1000 factor	\$ 13.13	\$ 11.77	\$ 11.33	\$ 10.61	\$ 10.10

*\*Subject to market conditions*

- ✓ Applying Crediferente enhancements along with an SHF price reduction and a 4 notch FI rating improvement, translates into a **17% (249 bp) reduction in the final borrower's rate** which is equivalent to a **14% (\$1.80) reduction in the payment per thousand**.
- ✓ Additionally, if the loan is offered **under the Defined Payments scheme**, there would be a **31% (459 bp) reduction in the borrower's rate** and a **23% (\$3.03) reduction in the payment per thousand**.

# Crediferente

## Participating Financial Intermediaries



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The **2012 estimated demand** for Crediferente is **20,000 loans**. To date, there are **over 100 loan operations being processed** by participating financial intermediaries.

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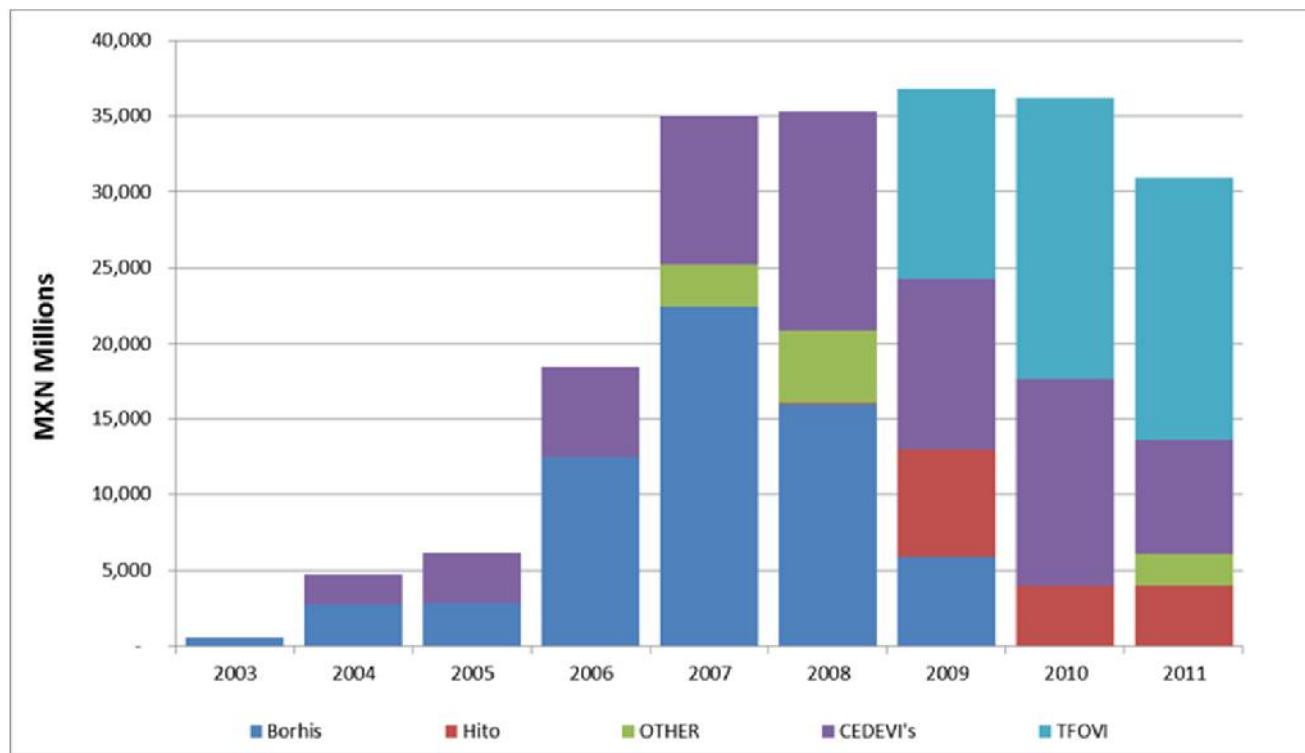
# Developing the RMBS Market

## Background



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- The Mortgage Backed Securities (MBS) Market was an efficient funding source for the housing sector between 2003 and 2007.
- Since 2009, the number and amount of private securitizations decreased sharply, and the MBS market went from being driven by private entities to one driven by public housing institutes.





# Developing the MBS Market

## Actions Taken to Strengthen the Securitization Market



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### Process of Improving and Monitoring MBS

SHF initiated a **Process of Improving and Monitoring** these instruments in order to improve their behavior and operation.

The objective is to analyze and monitor 44 different MBS individually. 29 have been reviewed so far (66%) and results include:

- ✓ Authorization of loan restructuring products
- ✓ Waterfall improvements
- ✓ Prime servicer replacement
- ✓ Transfer of the collection accounts from servicer to trustee
- ✓ Removal of insolvent financial guarantors from the structures to reduce expenses
- ✓ Migration process from GPI to SCV.

Besides the decisions made on the actual MBS portfolio, SHF started analyzing new characteristics for next private securitizations, based on the learned lessons and major studies.

# Developing the MBS Market

## Actions Taken to Strengthen the Securitization Market



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### Information Provider

In order to give stakeholders more elements for better investment decision, SHF provides the market with two analytic tools, VIGÍA-SHF and Calculadora-SHF:

- **VIGÍA-SHF** provides information and analysis of RMBS. Incorporates the characteristics and performance measures of the Mexican mortgage backed securities. The objective is to provide information and performance reports of each issue. With this tool users are able to consult, among other things, historic prepayment and delinquency indicators, and the market evolution with up to date data.
- **Calculadora-SHF** was officially launched in November 2011, with this tool users will be able to calculate the price and yield of each MBS under different scenarios of default and prepayment. This tool displays reference information to facilitate the scenario determination.

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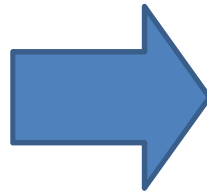
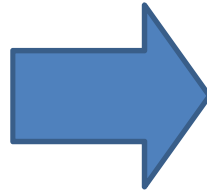
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# DUIS

## The Need To Migrate to a New Model



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# DUIS

## Certified and Potential Projects

During 2011, **the following DUIS project certifications were concluded:**

- Tlaquepaque, Jalisco (redensification)
- Temixco, Morelos
- Cajeme, Sonora
- Puebla, Puebla (redensification)

These projects complete **8 DUIS certified to date which represent:**

- 312,648 houses
- 1'250,000 beneficiaries
- Estimated investment of MXN\$61,000 million

Additionally, during 2011 **the second IDB donation was received** in order to **continue the technical and financial evaluation** for **urban redensification and/or regeneration.**



- There are 11 **potential projects** which represent:
  - 202,657 houses
  - 810,228 beneficiaries
  - Estimated Investment of MXN\$43,600 million.



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# DUIS

## 2012 Outlook



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SEDESOL

SEMARNAT

SENER

SE

We will continue the DUI institutionalization endeavor by:

- Certifying **7 additional DUI**
- **Monitoring and supervising** previously certified DUI's activities.
- **Consolidating public policy** concerning DUI:
  - Inter-secretarial Housing Commission
  - Defining DUI Clusters and Equipment
  - Knowledge Transfer



BANBRAS



FOVISSSTE



PRO MEXICO  
Inversión y Comercio



Vivir Mejor

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# Final Remarks



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- **Through construction loans**, SHF will continue to expand its participation in loanable funds markets, alleviating homebuilders' funding requirements and promoting **an increasingly dynamic housing sector**.
- In an **unprecedented effort to attend the Non-Affiliated Sector**, SHF expects that, through a more efficient risk allocation, **Crediferente will encourage financial intermediaries' participation in attending the underserved population**, increasing its accessibility to housing solutions.
- **Through DUIS**, Mexico's successful housing market will continue its **transition from a quantitative model** focused on housing mass-production **towards a sustainable model** centered on **providing families with housing solutions that improve their quality of life on all fronts**.
- **SHF** will continue investing resources and collaborating with other entities in establishing, improving, and distributing mechanisms, projects, and publications that **contribute towards providing legal certainty and information to all relevant stakeholders in the housing sector**.





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