

Proceedings of the Workshop on Housing Finance

**June 26-29, 2011 at
Ulaanbaatar, Mongolia**

INTRODUCTION

Asia Pacific Union of Housing Finance (APUHF) in association with Mongolian Mortgage Corporation (MIK), kFw and Frankfurt School of Finance & Management organized **Workshop on Housing Finance** during *June 26-29, 2011* at *Ulaanbaatar, Mongolia*.

Objectives of the Symposium

The Workshop focused up on the entire spectrum of Housing Finance. The agenda was designed to share the various facets of Housing Finance in the region of Asia-Pacific. Latest information, expert perspectives and respected insights on compelling topics confronting the policy makers, national governments, financial institutions and research bodies were on the offer during the schedule of the workshop. The Workshop showcased overview of practices together with specific country perspectives adaptable to local contexts.

Participation

Participants of the Workshop on Housing Finance included international housing finance experts from housing finance institutions representing countries viz. Thailand, Philippines, Japan, Azerbaijan, Indonesia, Malaysia and Mongolia besides India.

Representatives from UN-HABITAT, IFC and NHB also took part.

PROCEEDINGS

DAY 1: JUNE 25, 2011



The Workshop on Housing Finance commence on June 25, 2011, with a visit to Chingeltei and Khailaast district Ger areas, a trip to suburban areas of Bayanbulag, Khandgait and Sanzai. The Vice President of Mongolian National Construction Association Mr. Ts. Erdenechuluun introduced the city of Ulaanbaatar to the international delegates. The infrastructure, plans in the near future, '100000 family housing' project and housing prices in Mongolia were also deliberated.



Day 2: June 26, 2011



Inaugural session and Opening ceremony

The Workshop was formally inaugurated with Mrs. TS. Enkhbayar, CEO, MIK extending a warm welcome to all the participants. She gave a brief background of the Workshop on Housing Finance and then introduced the panellists seated on the podium which included Mr. O. Chuluunbat, Member of Mongolian Parliament; Mr. Vishal Goyal, Assistant General Manager, National Housing Bank, India; Dr. Carmen Colla, Senior Project Manager, KfW, Germany and Dr. Xing Quan Zhang, Chief, Urban Economy and Social Development Branch, UNHABITAT, Kenya.



Dr. Carmen Colla, KfW then addressed the participants and welcomed them to the Workshop.



Key Note Address on Housing and Housing Finance in Mongolia was given by Mr. O. Chuluunbat Parliament member.



Mr. Vishal Goyal, AGM, National Housing Bank read a message from Mr. R.V. Verma, CMD, National Housing Bank. In his message he expressed happiness to be a part of this Workshop on Housing Finance - a joint initiative of the Mongolian

Mortgage Corporation, Frankfurt School of Finance and Management, KfW and the APUHF. He also commended the efforts and the enthusiasm of the host institution Mongolian Mortgage Corporation and its partners in organizing the event. Mr. Verma further noted that APUHF had generated good momentum in the region with positive responses from a number of countries in the Asia- Pacific region.



Then Vote of thanks by Mr. Zaigham Mahmood Rizvi, Expert Consultant, Housing and Housing Finance, World Bank; Secretary General, APUHF was read out by Mr. Vishal Goyal. In his address to the participants, he said that he was touched by the desire and commitment of Ms. Enkhbayar Tsedendorj, CEO of Mongolian Mortgage Corporation to host the 2011 mid-year event of APUHF in Mongolia in order to address housing issues and to encourage development and growth of the housing sector in Mongolia. Also, he was honoured by the endorsement received from Mr. Eugen Doce of support by KfW.

Further, he mentioned that the APUHF Secretariat is the courtesy of National Housing Bank of India, and more specifically of Mr. Verma, the Chairman/MD of NHB. He extended his\ thanks to Mr. Verma with a sense of gratitude.

He requested Government Housing Bank of Thailand to consider being host for next midyear Housing Workshop of 2012 keeping in view the fact that the Housing sector in Thailand has much of success to share with the members of APUHF.

He also made a specific mention of those who played a supporting role in establishment of APUHF—Ms. Tatiana Nenova, Mr. Olivier Hassler and Ms. Mehnaz Safavian of the World Bank, Mr. Adnan Aliani of UNESCAP and Dr. Xing Zhang of UNHABITAT. In closing, he thanked his colleagues at the Secretariat, Mr. Badami, Mr. Vishal, Mr. Parichay and Mr. Sourav from NHB, as well as Ms. Onon from MIK.

Then Mrs. Enkhbayar, requested the participants to gather for a group photograph.

Technical Session I: Asia Pacific Housing Finance Markets

Chair:

Mr. O.Chuluunbat, Member of the State Great Hural (Parliament) of Mongolia

Panellists:

1. Mr. Vishal Goyal, Assistant General Manager, National Housing Bank, India
2. Mr. Ballobh Krityanavaj, Senior Vice President, Government Housing Bank, Thailand
3. Mrs. Enkhbayar Tsendendorj, CEO, MIK, Mongolia



Mr. Vishal Goyal, Assistant General Manager, National Housing Bank, India kick-started Technical Session I with his presentation on Housing Finance Markets in India.

Key points from his presentation are as follows:

1. Housing shortage in India has witnessed an increasing trend over the years.
2. The housing shortage in urban areas at the beginning of 2007 is about 24.71 million units and is likely to go up to 26.53 million units by 2012.
3. In rural areas – housing shortage is estimated to reach 47.43 million units by 2012.
4. 99% of the shortage in urban areas pertains to Economically Weaker Sections and Lower Income Groups.
5. Housing Finance in India predominantly comprised of informal sources of credit till the late eighties as there were very few takers of housing loans and no support for formalized institutions.
6. In 1988 NHB was established as the promoter, financier and regulator of housing finance institutions in India.
7. Since 1988, number of HFCs has increased in the public as well as the private sector.
8. Commercial Banks, which were initially reluctant to lend, are now into disbursement of housing loans in a major way.
9. Low interest rates, rising disposable income, stable property prices and fiscal incentives have made housing finance an attractive proposition.
10. Increase in market share of Banks from 31% in 2000-01 to over 60% in 2008-09; the growth is mainly attributed to their large network, access to low cost deposits and equity support from Govt. which has helped in offering home loans at lower rates of interest.
11. Share of HFCs decreased from 69% in 2000-01 to about 38% in 2008-09.
12. Significant demand for housing as affordability and accessibility are major challenges for the low and moderate income population. Resultant shift in market focus towards Affordable Housing.
13. Estimated outstanding housing loan as a percentage of GDP has risen from 3.4% in 2001 to 7.25% in 2007. However, continues to be abysmally low compared to other countries.
14. The role of microfinance institutions, non-governmental organizations and community based organizations has remained limited due to challenges such as funding, land title , loan repayments and products.
15. The growth in the Indian Housing Finance Sector in recent years has not been inclusive. To ensure success in lending to all segments of the society, particularly the low income households, a broad range of action on many fronts are required.



Mr. Ballobh Krityanavaj, Senior Vice President, Government Housing Bank, Thailand was the second speaker. His topic of presentation was Housing Finance Markets in Thailand.

A brief snapshot of the Thai economy was given by him:

Residential Mortgages in Thai Economy

Items	2004	2005	2006	2007	2008	2009	2010
Residential Mortgage Outstanding (RM)	1,055,084	1,220,394	1,351,182	1,443,435	1,566,440	1,715,584	1,873,784
All Types of Loans(AL)	6,891,809	7,477,571	7,756,122	8,137,489	9,690,223	10,390,417	11,802,544
GDP at current price	6,489,476	7,092,893	7,844,939	8,525,197	9,080,466	9,041,551	10,102,986
RM : AL (%)	13.9	16.3	17.4	17.7	16.2	16.5	15.9
RM : GDP (%)	16.3	17.2	17.2	16.9	17.3	19.0	18.5

Source: Bank of Thailand

Unit: Million Baht

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He also spoke about Government Housing Bank of Thailand, its activities and schemes.



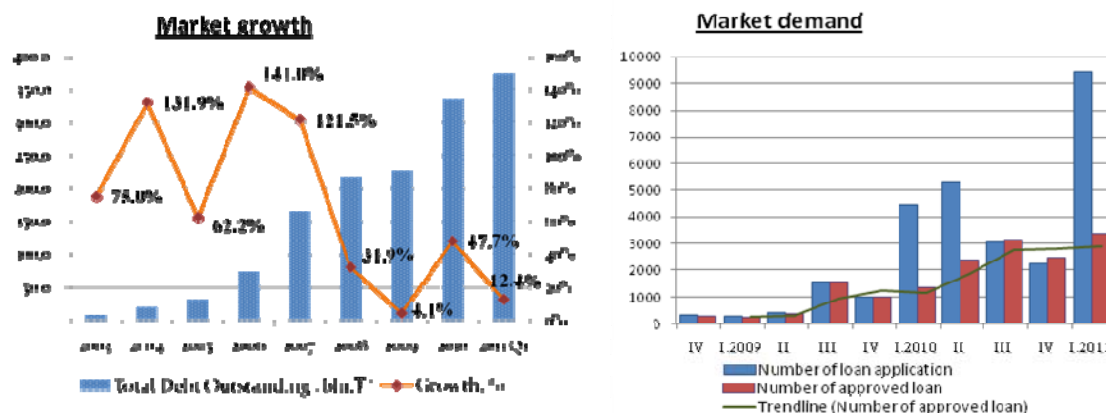
Mrs. Enkhbayar Tsendorj, CEO, MIK, Mongolia then spoke about Housing Finance Market in Mongolia

Key points from her presentation are as follows:

1. Population of Mongolia: 27,54,685 Household: 7,13 780
2. 45% of the population lives in Ger while 53% lives in house/apartment
3. Urban household: 4,79,503 out of which 32% live in Ger areas
4. Rural household: 2,34,277 out of which 70% live in Ger areas
5. Characteristics of Ger Areas:
 - a. *Improper planning*
 - b. *Water supply – kiosks (potable)*
 - c. *Sewage – pit latrine*
 - d. *Heating – stove using coal and wood*
 - e. *Electricity – central system*
 - f. *Social infrastructure – not sufficient*
 - g. *Land ownership –yes*
 - h. *Housing finance – savings, assistance from relatives and friends, loans*
6. Characteristics of Housing Areas:
 - a. *Proper Planning*
 - b. *Water supply – central system*
 - c. *Sewage – central system*
 - d. *Heating – central system*
 - e. *Electricity – central system*
 - f. *Social infrastructure –sufficient*
 - g. *Apartment ownership –yes*
 - h. *Housing finance – mortgage loans, savings*

Mortgage market overview

Market indicators	2003	2004	2005	2006	2007	2008	2009	2010	2011.Q1
Total Debt Outstanding, mln.T	8,199.6	19,018.1	30,839.7	74,318.4	164,625.9	217,098.1	226,046.6	333,776.6	375,101.6
Numbers of Total Borrowers	1,057.0	2,892.0	4,774.0	8,984.0	16,444.0	16,590.0	16,628.0	19,700.0	20,597.0
Market Interest Rate, %	12.0%	14.5%	14.7%	17.8%	16.0%	18.7%	17.7%	15.7%	14.8%
Mortgage market percentage of Systemic loan market, %	1.35%	1.81%	2.31%	3.33%	8.01%	8.27%	8.51%	10.72%	10.05%



She also spoke about Mongolian Mortgage Corporation (MIK), its activities and schemes and the challenges before them.

After these three presentations the House was Open for Discussions. The Chair Mr. O. Chuluunbat concluded the session by thanking all the speakers for sharing the housing finance scenario in their respective countries.

***END OF TECHNICAL SESSION I ***

Technical Session II: Market-Based Experiences with Low Income Housing Finance

Chair:

Dr. Xing Quan Zhang, Chief, Urban Economy and Social Development Branch, UNHABITAT, Kenya

Panellists:

1. Dr. Xing Quan Zhang
2. Mr. Vishal Goyal, Assistant General Manager, National Housing Bank, India
3. Ms. Nutta Ratanachaichan, Financial Management Advisor Thailand, CODI, Thailand
4. Mr. Florencio Carandang Jr, Manager, Planning Department, Social Housing Finance Corporation, Philippines

5. Mr. Chintulga Director of Training, Research, Investment and Construction Procurement Unit., Ministry of Road, Transportation, Construction and Urban Development
6. Mr. J. Aldarjavkhlán, CEO of the Housing Finance Corporation, Mongolia



Dr. Xing Quan Zhang was the first speaker in Technical Session II and he spoke about Housing Finance for Low Income People. Dr Xing Quan Zhang highlighted the housing challenges prevailing in the Asia Pacific region. He said that the Asian countries also had certain advantages such as high rates of economic growth, high savings rates, high expenditure on housing, low indebtedness, the rapid growth of housing mortgage finance etc. He also brought the attention of the audience to some contrasting situations prevailing in the region wherein about 80 per cent of households in Thailand have access to some form of housing finance, while 80 per cent of households in India lack access to finance, according to World Bank estimates. Referring to the sources of funding for housing finance in the Asia Pacific region, he remarked that deposits still dominated developed mortgage finance markets. He further added that deposits and bonds have now become the main emerging market funding instruments.



Then, session on Low Income Housing Initiatives in India – NHB’s perspective was handled by Mr. Vishal Goyal, Assistant General Manager, National Housing Bank, India

Key points from his presentation are as follows:

1. Total housing shortage in India:73.96 million units, out of which shortage of 47.43 million units is in Rural Areas
2. In Urban Areas, more than 99% of the total housing shortage i.e. 24.71 million units (beginning of 2007) pertains to EWS/LIG households. (As per MH&UPA, GOI)
3. In Rural Areas, more than 90% of the total housing shortage i.e. 47.43 million units pertain to BPL Households.
4. Issues in Low Income Housing
 - a) **Supply-side constraints:** *Inadequate supply of dwelling units under EWS/LIG schemes of the Government. Virtually no supply/initiatives from private developers.*
 - b) **Affordability gap:** *There is a significant gap between borrower repayment capacity vis-à-vis the price of the dwelling unit.*
 - c) *Limited access of the poor to sources of institutional funding.*
 - d) *Rapid growth in housing sector has by-passed Low-Income Households*
 - e) *Price Rise, Interest Rates – Impact on Low Income Households*
 - f) *Market/Subsidy based Approach*
 - g) *Unstable income and cash flows*
 - h) *High risk & high cost-to-service customers*

i) *Need for long-term and low cost funds*

5. Policies and Measures:

- ***Bharat Nirman Programme***
 - a. *5 lakh houses to be built in rural areas per year.*
 - b. *Rural infrastructure to be developed.*
- ***Indira Awas Yojana***
 - a. *Cash subsidy scheme for rural BPL families.*
 - b. *Funding by Centre and State in the ratio of 75:25.*
- ***Jawaharlal Nehru National Urban Renewal Mission (JNNURM)***
 - a. *Integrated housing and slum development programme.*
 - b. *Basic Services to the urban poor.*
- ***Two Million Housing Programme***
 - a. *Finance for 20 lakh additional houses.*
 - b. *13 lakh units to be financed in rural areas and 7 lakh in urban areas per year.*
- ***Rajiv Awas Yojana***
 - a. *Slum eradication program involving accordance of title rights to slum dwellers.*
 - b. *Centre initiative with support from states.*
- ***Interest Subsidy Scheme for Housing the Urban Poor***
 - a. *The Scheme provides for interest subsidy of five per cent per annum on the loan amount for the economically weaker section and lower income group in the urban areas for acquisition/construction of houses*

6. Focus on Affordable Housing

- a) *Realizing the magnitude of housing shortage and the importance of housing in stimulating economic growth, the Govt. and RBI are directing their focus towards affordable housing and financial inclusion aimed at the EWS/LIG segments.*
- b) *National Urban Housing and Habitat Policy was announced in the year 2007 with the initial corpus from the Government, to serve the underserved segments.*
- c) *Launch of the Affordable Housing in Partnership Scheme under the Jawaharlal Nehru National Urban Renewal Mission.*
- d) *To strengthen the recovery mechanism, the SARFAESI Act, 2002 was enacted and Housing Finance Institutions included in the eligible list of institutions.*
- e) *Foreign Direct Investments (FDIs) allowed up to 100 percent under the automatic route in townships, built-up infrastructure and construction development projects to catalyze investment in a vital infrastructural sector of the economy.*
- f) *Launch of the Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) by the Government of India for the EWS and LIG segments.*

7. Initiatives of NHB

- a) 100% refinance support to scheduled commercial banks, HFCs and co-operative sector institutions.
- b) Launch of special scheme for the poor such as the Refinance Scheme for Top-Up Loan to beneficiaries under Indira Awas Yojana.
- c) Launch of Productive Housing in Rural Areas (PHIRA).
- d) Announcement of equity support guidelines for setting up HFCs catering to the LIG/EWS segments.
- e) Project finance assistance to public agencies, public-private partnerships joint ventures, NGOs, MFIs etc.
- f) Special Funds & Schemes – Slum Improvement, Rural Housing Fund, Golden Jubilee Rural Housing Finance Scheme
- g) Flow of Funds into the Construction Industry (Affordable Housing): The scheme proposes the Refinance of Construction (project) Finance for Affordable Housing to the Primary Lending Institutions (PLIs) with special focus on Tier II and Tier III cities through various intermediaries.
- h) Catalyze market based institutional finance for the low and moderate income households.

8. NHB's Strategy for Financial Inclusion

- **RURAL HOUSING:**

- a) Supplementing Government Schemes
- b) Productive Housing in Rural Areas
- c) Financing SHGs - Partnership Approach - NGOs/MFIs/Sec.25
- d) Rural Housing Development Fund

- **URBAN HOUSING:**

- a) Supplementing Govt. Schemes e.g. JNNURM
- b) Financing SHGs – Partnership Approach - NGOs/MFIs/Sec.25
- c) Slum Redevelopment and Up-gradation
- d) Integrated Township Development Projects (PPP projects)



Ms. Nutta Ratanachaichan, Financial Management Advisor Thailand, CODI, Thailand was the next speaker. She spoke about Low-income Housing Finance. She informed that the current activities of CODI include Citywide slum upgrading ("Baan Mankong"), Poverty Alleviation, Community Welfare, Assistance in setting up of Community Organization Councils throughout the country, Promoting natural resource management and sustainable agriculture, Solving land and housing disputes in rural areas etc.

She further elaborated about Baan Mankong Housing Program which is a breakthrough in solving slums on a citywide scale. Comprehensive approach has been taken in dealing with problems of land tenure, infrastructure, environment, construction and financing. The programme is run by a combination of self support, government subsidy and private cooperation. The Baan Mankong Housing Program has lead to amendments in rules and laws which are obstacles to housing solutions for the poor.



Mr. Florencio Carandang Jr, Manager, Planning Department, Social Housing Finance Corporation, Philippines shared Experience from the Philippines by Social Housing Finance Corporation.

Key points from his presentation are as follows:

1. *Housing Need of Philippines: 5.7 M units (2016); 3.7 M units (2010), 800k provided*
2. *3.8% of HH pop in informal settlements, 5.65% of urban HH in informal settlements*
3. *Philippine government housing interventions for the bottom 30% of the population*
4. *But, barely 1% of the national budget allocated to housing*
5. *Community Mortgage Program: Government funded anti-poverty program for the homeless and the underprivileged communities in urban and urbanizable areas*
6. *Financial assistance (loan) to purchase the land they are presently occupying*
7. *Highlights of accomplishment of Community Mortgage Program - Since 1989, collection efficiency 76%, latest 12 months – 85%*
8. *Community members lives were transformed: confident in their ways and pursued self-improvement – education, income generating activities, became health conscious*



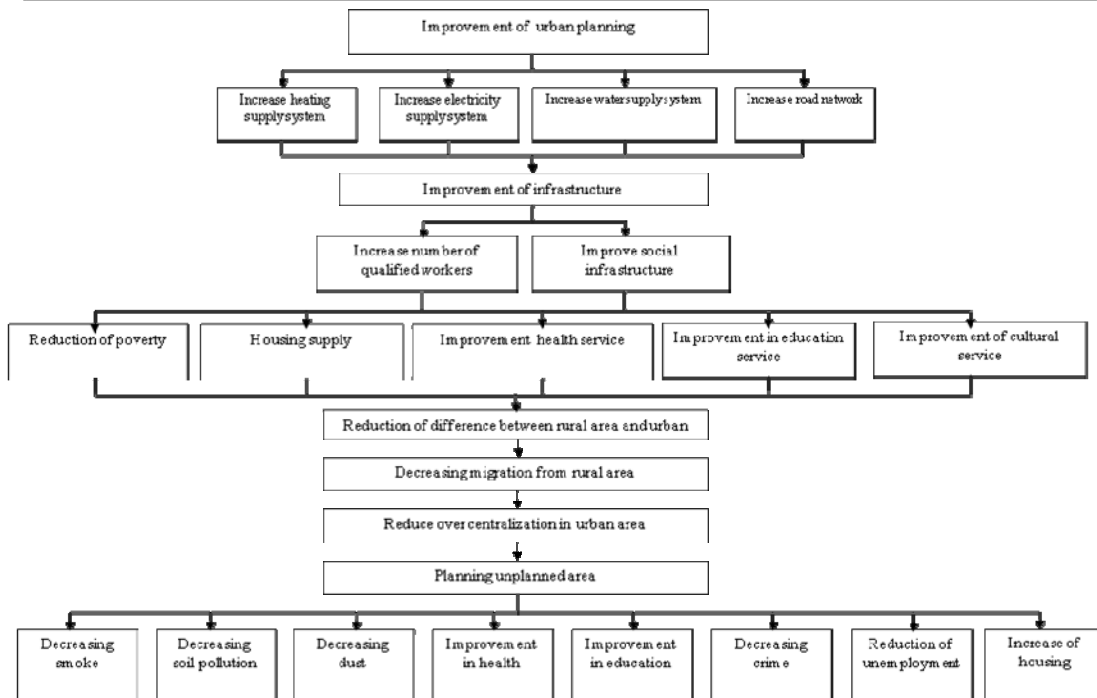
Mr. Chintulga, Director of Training, Research, Investment and Construction Procurement Unit., Ministry of Road, Transportation, Construction and Urban Development was the next speaker. He spoke about the New Development Mid-Term Purposed Program 2010-2016. A diagrammatic representation of their programme is given.

Solution for program implementation

The New Development Program have been included 33 goals of the 8 orientation.

Orientation	Ways to reach the goal
1. Urban development and planning 2. Infrastructure	<ul style="list-style-type: none"> To improve the urban development: and local infrastructure – To build auto roads between Ulaanbaatar city and province centers. To create comfortable living condition in the local area – To implement the "New soum center" project To provide the social infrastructure to the local area residents – to create the housing with engineering infrastructure and social infrastructure as a hospital, school, kindergarten and workplace.
3. Housing supply 4. Work place	<ul style="list-style-type: none"> Housing for Ulaanbaatar city and Regional centers –According to "100 thousand housing " project to put into exploitation 75000 housing unit in UB city and 25000 housing unit local areas.
5. Air pollution 6. Rural development	<ul style="list-style-type: none"> Reduce the toxic smoke from auto cars and Ger area district – To transfer to gas of public transportation vehicle and housing for Ger area district To create the work place and good condition for rural residents -
7. Industrialization 8. Migration	<ul style="list-style-type: none"> To create the workplaces in the projects and to involve the residents, people by wide brimmed. – By the vocational training center, improving the living standards of the people by helping the unemployed and unskilled to learn vocational knowledge and skill.

Basic content of the program implementation



***END OF TECHNICAL SESSION II ***

Technical Session III: Experience with Secondary Mortgage Market Operators

Chair:

Mr. Narayansamy Kokularupan, former CEO of Cagamas, Malaysia; Consultant with IFC

Panellists:

1. Mr. Narayansamy Kokularupan
2. Mr. Masahiro Kobayashi, Senior Economist, Japan Housing Finance Agency, Japan
3. Mr. Ilham Kalashov, Azerbaijan Mortgage Fund, Azerbaijan
4. Mr. James France, Housing Finance and Capital Market Expert, Frankfurt School of Finance and Management
5. Dr. Eko Djoeli Heri Poerwanto, Assistant Deputy Planning for Self-Support Housing, Ministry of Housing, Republic of Indonesia
6. Mr. Sanjay Sukla, CEO, Tata Capital Housing Finance Ltd.
7. Mr. B. Boldbaatar, Head of the Monetary Policy Department, Bank of Mongolia



Mr. Narayansamy Kokularupan, former CEO of Cagamas, Malaysia was the first speaker in Technical Session III and he spoke about Evaluation of the Malaysian Mortgage Corporation – Cagamas. In his presentation he has described following

two models of Cagamas during his presentation:

- Purchase with recourse designed to suit local conditions and to overcome barriers that could prevent Scheme from taking off successfully
- Interim step towards Purchase without Recourse and Securitization

Mr. Kokularupan also described the evolving role of Cagamas since its inception (1987) in Malaysian mortgage market.



Mr. Masahiro Kobayashi, Senior Economist, Japan Housing Finance Agency, Japan was the next speaker for technical session-III who presented the development of Secondary Mortgage Market in Japan. He described the model evolved in Japan after reforms of Japanese Mortgage Market and the challenges faced during development of secondary mortgage market in Japan.



Mr. Ilham Kalashov, Azerbaijan Mortgage Fund, Azerbaijan presented the strategic overview of Azerbaijan Mortgage Fund. He also gave a fairly good picture on housing stock in Azerbaijan and average prices for residential housing in the country. He also briefed on different schemes and products on Azerbaijan Mortgage Fund (AMF). The problems and difficulties faced by AMF was also highlighted by Mr. Ilham.



Next speaker was Mr. James France, Housing Finance and Capital Market Expert, Frankfurt School of Finance and Management who described the requirements of development of Mortgage Base Security (MBS) in Mongolia and issues affecting the development of a Mongolian MBS Market.



Next speaker was Dr. Eko Djoeli Heri Poerwanto, Assistant Deputy Planning for Self-Support Housing, Ministry of Housing, Republic of Indonesia who described about Indonesia's future directions on housing policies, programmes and financing. Dr. Eko nicely briefed on following topics on the field of housing and housing finance in Indonesia.

- Problem areas
- Law, Regulations and Housing Policy 2010-2014
- Housing Programs 2010-2014
- Roadmap Housing Development 2005-2025
- Policy Direction
- Initiatives taken for Strengthening the Primary Market and
- Institutionalizing Liquidity Facility



Mr. Sanjay Sukla, CEO, Tata Capital Housing Finance Ltd. made presentation on new mortgage product in India. In his presentation he gave an overview on mortgage market in India and new innovative mortgage products introduced in Indian market. The risks associated with new mortgage product were also discussed by Mr. Sukla.



Mr. Narayansamy Kokularupan, former CEO of Cagamas, Malaysia and Consultant with IFC made a presentation on International Experience in Establishing Liquidity Facilities. In this session he discussed on housing finance in emerging market, capital markets in emerging economies and different funding models for mortgage financing. He has also discussed the preconditions for establishing a liquidity facility.

Mr. Kokularupan presented the cases of Jordan Mortgage refinance Company (JMRC), Egyptian Mortgage Refinance Company (EMRC) and Palestine Housing and Mortgage Corporation (PHMC) in his presentation and gist of the lessons learnt from these cases.



The last presentation in this session was made by Mr. B. Boldbaatar, Head of the Monetary Policy Department, Bank of Mongolia on Capital Market Development Issues in Mongolia. He highlighted following four areas in his presentation.

- Lack of liquidity for lenders.
- Lenders wish to diversify their funding sources.
- Lenders need or want to manage their interest rate risk and asset/liability mismatches.
- Lenders need or want to reduce their exposure to a particular asset type or counterparty.



At the end of this session, Mr. K.I.Woo, Advisor, Government Housing Bank, Thailand, released the special issue of Asia Pacific Housing Journal of GHB Model. The Copy of the journal was distributed among the participants.

*****END OF TECHNICAL SESSION III *****

Concluding Session



In concluding session Ms. Enkhbayar of MIK, Mr. Eugen Doce of Frankfurt School of Finance and Management and APUHF Secretariat members thanked all the participants for making the workshop successful. Mr. Vishal Goyal gave the concluding remarks on behalf of APUHF. On behalf of APUHF a token of remembrance was given each to Mongolia Mortgage Corporation and Frankfurt School of Finance and Management.



At the end of the concluding session, Mr. Sourav Seal, APUHF Secretariat, made the presentation on the APUHF web-site (www.apuhf.info). He requested all the participants to provide country specific contents on Housing & Housing Finance for this web-site thus enriching this e-platform and making it most useful knowledge sharing platform for the Asia Pacific Region.