

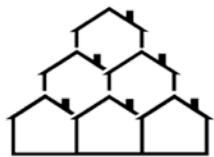
Housing finance for India's under-housed



(Re)-inventing the culture of finance for collaborative housing and city-making

European Collaborative Housing Day - June 05, 2019

International Social Housing Festival - Lyon, France



Affordable Housing Institute

Vidhee Garg

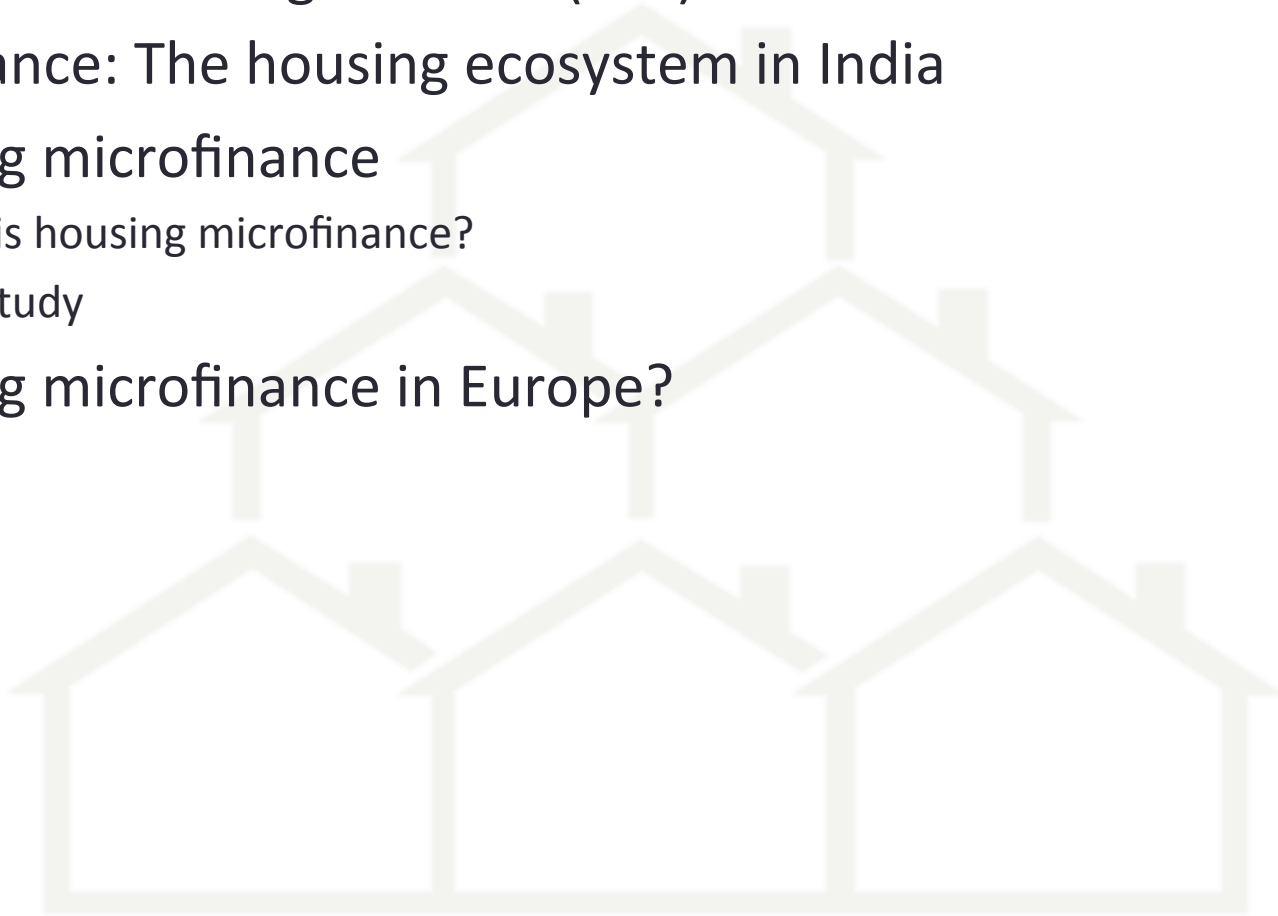
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Today's presentation

1. Affordable Housing Institute (AHI): Who we are
2. At a glance: The housing ecosystem in India
3. Housing microfinance
 - What is housing microfinance?
 - Case study
4. Housing microfinance in Europe?

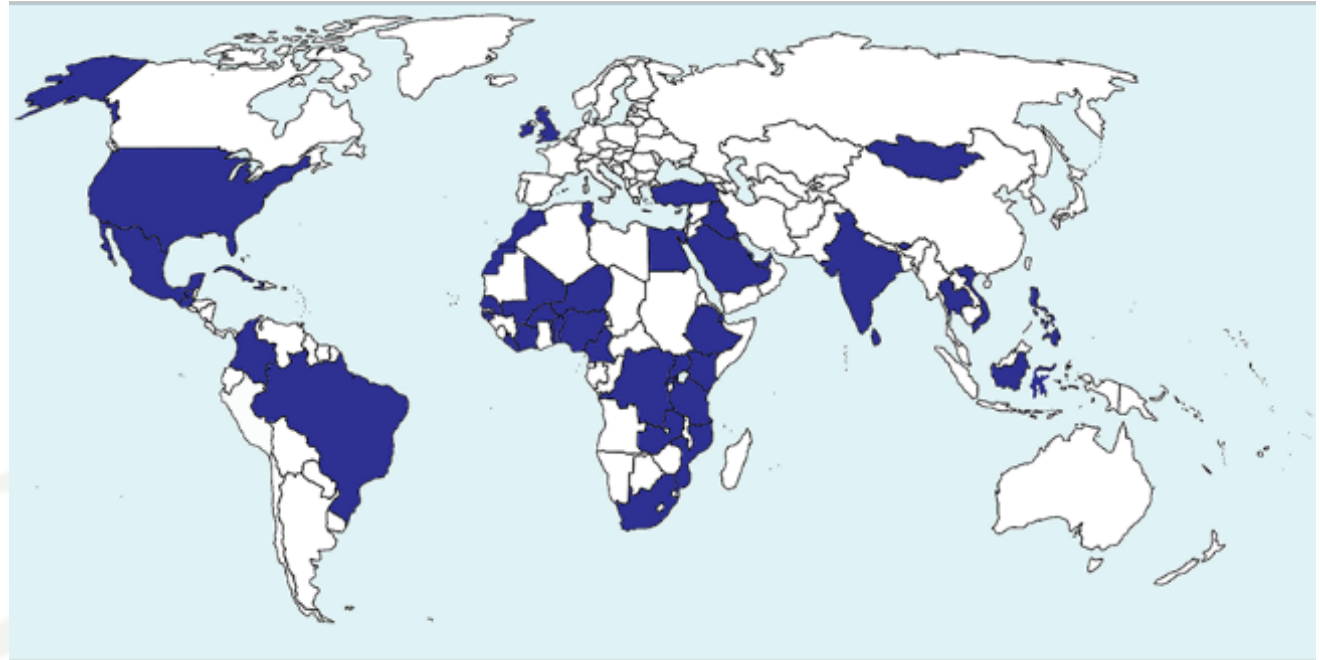




1. Affordable Housing Institute (AHI): Who we are

Affordable Housing Institute: Who we are

- Work encompasses **consulting, thought leadership, and impact investing**
- Financial product design, policy & program development
- Clients include governments, lenders, DFIs, international NGOs, foundations, and community organizations
- Worked in 50+ countries around the world
- Investments in two housing finance companies in India



AHI GLOBAL REACH

Bahrain	England	Liberia	Senegal
Benin	Ethiopia	Mali	South Africa
Bhutan	Guatemala	Mexico	Sri Lanka
Brazil	Guinea-Bissau	Mongolia	Tanzania
Burkina Faso	Haiti	Morocco	Thailand
Cameroon	India	Mozambique	Togo
Colombia	Indonesia	Niger	Tunisia
Cote d'Ivoire	Iraq	Nigeria	Turkey
Cuba	Ireland	Philippines	Uganda
Democratic Republic of Congo	Kenya	Qatar	United Arab Emirates
Djibouti	Kuwait	Rwanda	United States
Egypt	Lebanon	Saudi Arabia	Vietnam
			Zambia

2. The housing ecosystem in India



India: Context



- Area: 1,270,000 sq.mi.
- Population: 1.2 billion
- Urban population: 377 million
- Estimated housing shortage: 19 million units
- Mortgage penetration: 8% of GDP

- Housing sector challenges:
 - Unavailability of optimally-located land for development
 - Under-developed trunk infrastructure
 - Formal development focused on high-income segment
 - Unplanned and haphazard development
- Most finance housing independently with savings or non-mortgage credit
- Two lowest-income groups facing severe housing affordability challenges
 - Less than US\$350 per month/US\$4,200 per annum (Economically Weaker Section - EWS)
 - Between US\$350-700 per month/US\$4,200-8,400 per annum (Low-Income Group - LIG)

Housing Supply

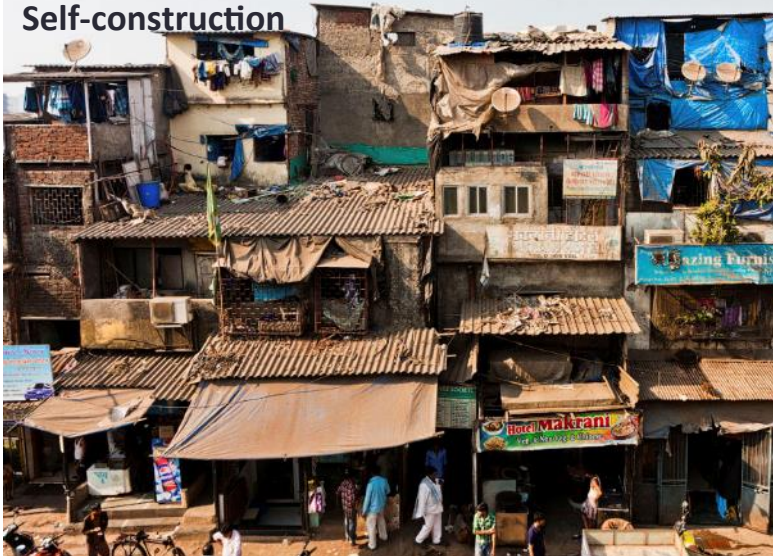
Government-built







Private sector



Self-construction



Housing Finance

	<u>Formal income</u>	<u>Informal income</u>
<u>Formal tenure</u>	<p>FF: Mortgages</p> 	<p>IF: Mini-mortgages</p> 
<u>Informal tenure</u>	<p>FI: Housing Microfinance</p> 	<p>II: Housing microfinance</p> 

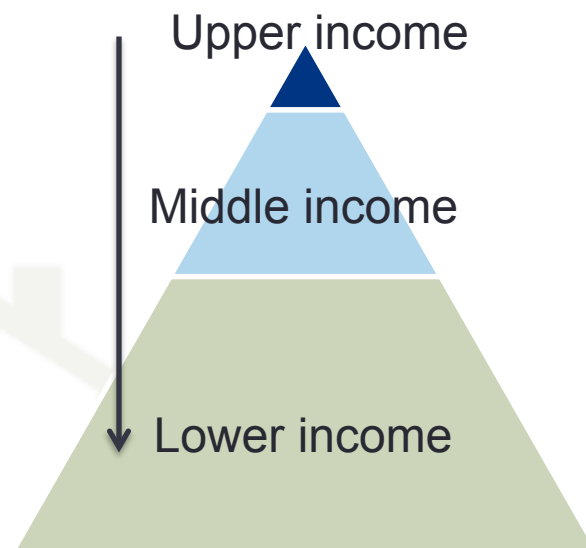
3. Housing microfinance



What is housing microfinance?

- Housing microfinance is the provision of **unsecured credit** to **low-income households** for:

- Home improvements and repairs
- Incremental home construction
- Home or land purchase



- Boost access to housing through access to finance
 - Recognition of informal, incremental building practices
 - Bottom-up approach with origins in microfinance

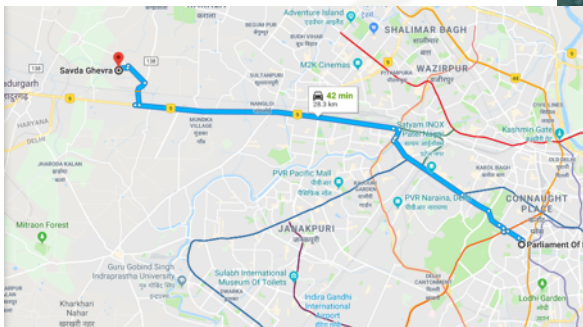
Underwriting housing microfinance

	Microfinance	Housing microfinance	Mortgage
Loan (average)	\$500	\$3,000	\$100,000
Tenor	0.25-1.5 years	2-5 years	5-30 years
Purpose	Improve income	Improve home	Buy home
Credit decision	Personal	Personal + use	Resale value
Collateral	None	Partial	Home

- Making the credit decision
 - **Physical Durability:** good construction, holds its value over time
 - **Longevity of tenure:** history of residency, savings
 - **Use value:** rentable or (informally) re-sellable
 - **City services:** mail delivery, water and electricity hook-ups, sanitation
 - **Assess creditworthiness:** reference checks with neighbors, employers, community groups

Case study: Savda Ghevra, New Delhi

- Savda Ghevra Resettlement Colony
- 40 km from center of Delhi
- Established in 2006
- Displaced families received allotment letters and land plots (12-18 square meters)
- Time lag before infrastructure was developed



Historical satellite imagery of Savda Ghevra



Evolution of Savda Ghevra



Community efforts and access to finance have resulted in improved quality of homes, better street networks, and higher density development

Housing microfinance in Savda Ghevra



Relocated 40km from her home and place of work, Bandana Halder took a housing microfinance loan from SEWA Grih Rin (SGR) to build a house in Savda Ghevra, the official papers for which are now in her name

More examples



More examples



4. Housing microfinance in Europe?



Housing microfinance in Europe?

- Potential opportunities
 - Retrofits and upgrades to existing buildings - energy efficiency, engineering
 - Incremental housing development
 - Home or land purchase
- Already underway in some countries!
 - Albania, Bosnia and Herzegovina
- Interventions and financing
 - New financial product offering by existing lenders
 - Impact investors and development banks





Thank you

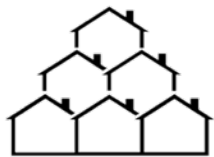
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