

KEY ISSUES, FINDINGS AND MESSAGES

Broader Contextual Issues

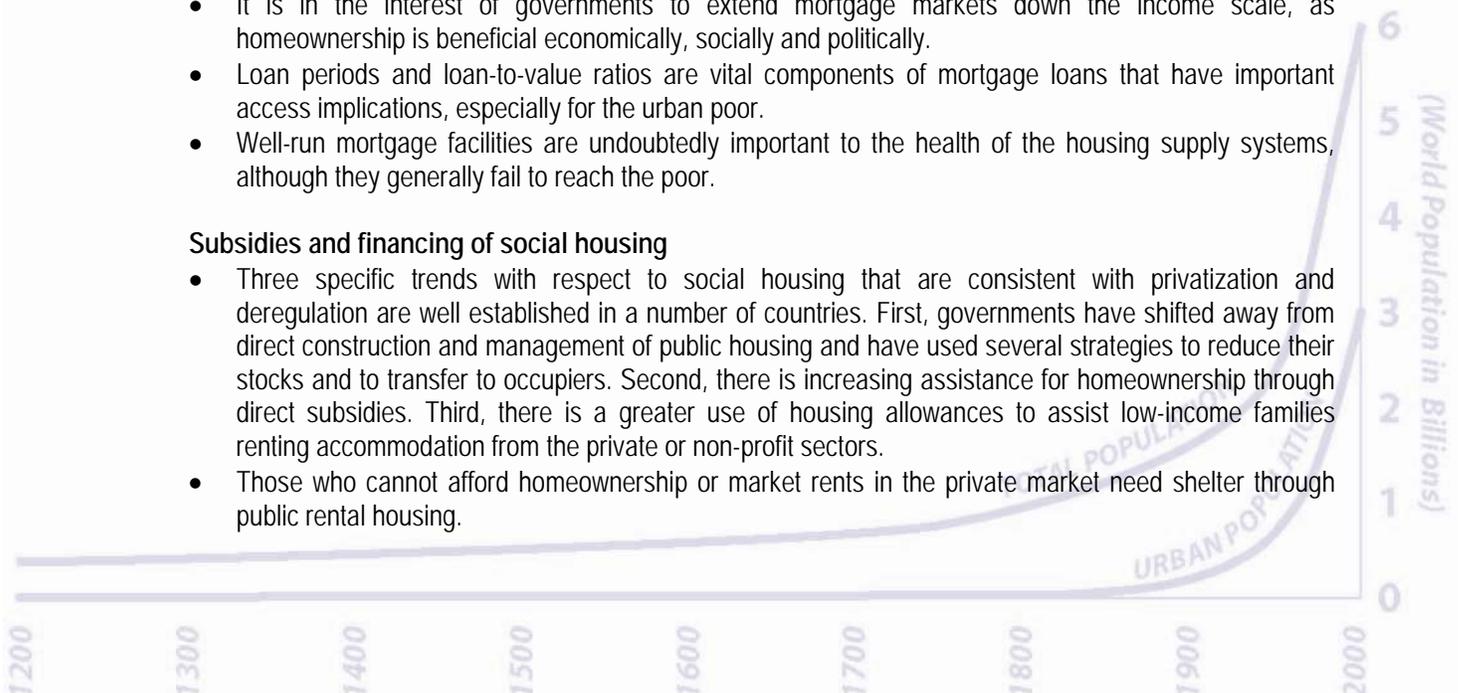
- The problem in many developing and even in some developed countries is not that housing is too expensive, but that incomes are too low. This requires establishing an efficient housing finance mechanism as well as reducing the production and delivery cost while increasing income levels.
- In processing housing loans, lenders should take into account future income generated, directly and indirectly, from house improvement. A major source of income for the urban poor is the additional room which can be rented out.
- The cost of urban housing can be reduced by the adoption of more appropriate standards. The introduction of lower, more appropriate standards, could potentially make housing more affordable to a far greater proportion of the urban population.
- There is much to be gained from encouraging multi-occupied housing development where it fits in with local norms.
- Financing schemes to assist small-scale landlords, in the context of informal settlement upgrading, are necessary, especially as many of the urban poor rely on cheap rentable accommodation.
- Finance to provide healthy liquidity among small-scale contractors and single artisans is an essential prerequisite to effective housing supply to scale.
- In developing countries, large-scale developers of both private rental housing and housing for sale to owner occupiers need financing systems capable of providing bridging loans.
- Domestic savings play a crucial role in the development of robust and effective shelter finance systems.

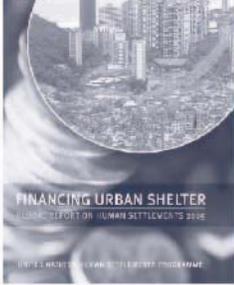
Conventional mortgage finance

- In recent decades, governments have generally sought to encourage homeownership and have, in many cases, provided preferential financing to influence consumer choice.
- Mortgage finance has been expanding during the last decade and is increasingly available in many countries.
- It is in the interest of governments to extend mortgage markets down the income scale, as homeownership is beneficial economically, socially and politically.
- Loan periods and loan-to-value ratios are vital components of mortgage loans that have important access implications, especially for the urban poor.
- Well-run mortgage facilities are undoubtedly important to the health of the housing supply systems, although they generally fail to reach the poor.

Subsidies and financing of social housing

- Three specific trends with respect to social housing that are consistent with privatization and deregulation are well established in a number of countries. First, governments have shifted away from direct construction and management of public housing and have used several strategies to reduce their stocks and to transfer to occupiers. Second, there is increasing assistance for homeownership through direct subsidies. Third, there is a greater use of housing allowances to assist low-income families renting accommodation from the private or non-profit sectors.
- Those who cannot afford homeownership or market rents in the private market need shelter through public rental housing.





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- While subsidies are necessary for deserving low income groups, the need for them can be reduced by adopting effective shelter-financing systems.

Shelter micro finance

- The majority of urban poor households can only afford to build incrementally in stages as financial resources become available.
- Short-term, small-scale loans of one to eight years and in amounts of US\$500 to 5000 are more useful for incremental development than the long term, large value loans favored by the mortgage markets.
- Small housing loans, disbursed through housing micro finance institutions, are some of the most promising developments in housing finance during the last decade.
- In the context of large numbers of new low income households in cities over the next two decades, it is important to increase the number of lenders in the housing micro finance sector rather than concentrate only on mortgage finance.
- Guarantees are important in broadening the appeal of micro finance institutions to lenders, this requires that Governments set up guarantee funds to allow for greater risk-free lending to low income households.

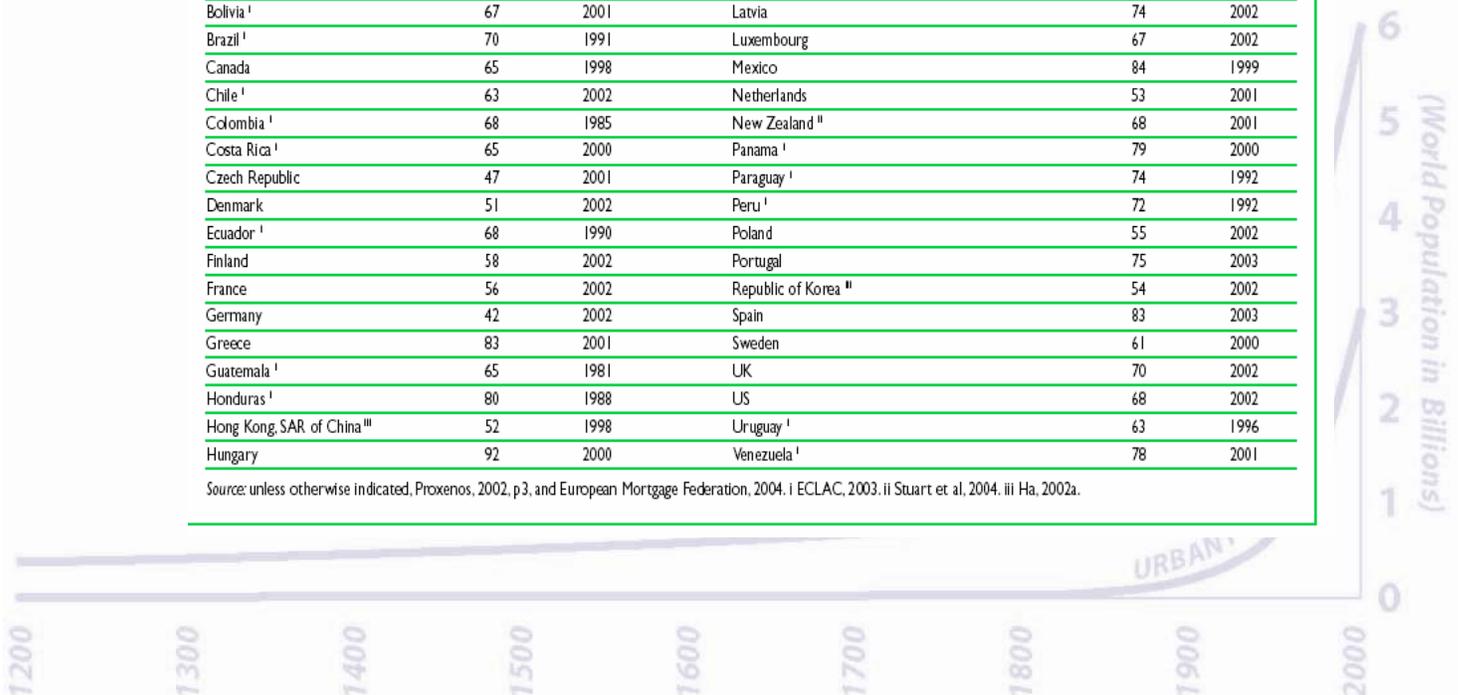
Community-based shelter funds

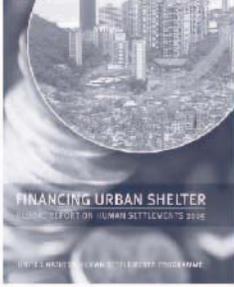
- Another significant trend in the last decade has been increasing interest in shelter community funds group loans. Community-based financing of housing and services has been used for both settlement upgrading and for building on Greenfield sites, and, in a context where small loans are evidently successful and where there is an increase in poverty; it has many advantages for low-income and otherwise disempowered households.

HOMEOWNERSHIP RATES AROUND THE WORLD

Argentina ¹	68	1991	India	82	1990
Austria	57	2001	Ireland	77	2002
Australia	71	1998	Italy	80	2002
Belgium	68	2001	Japan	60	1998
Bolivia ¹	67	2001	Latvia	74	2002
Brazil ¹	70	1991	Luxembourg	67	2002
Canada	65	1998	Mexico	84	1999
Chile ¹	63	2002	Netherlands	53	2001
Colombia ¹	68	1985	New Zealand ⁱⁱ	68	2001
Costa Rica ¹	65	2000	Panama ¹	79	2000
Czech Republic	47	2001	Paraguay ¹	74	1992
Denmark	51	2002	Peru ¹	72	1992
Ecuador ¹	68	1990	Poland	55	2002
Finland	58	2002	Portugal	75	2003
France	56	2002	Republic of Korea ⁱⁱ	54	2002
Germany	42	2002	Spain	83	2003
Greece	83	2001	Sweden	61	2000
Guatemala ¹	65	1981	UK	70	2002
Honduras ¹	80	1988	US	68	2002
Hong Kong, SAR of China ⁱⁱⁱ	52	1998	Uruguay ¹	63	1996
Hungary	92	2000	Venezuela ¹	78	2001

Source: unless otherwise indicated, Proxenos, 2002, p.3, and European Mortgage Federation, 2004. i ECLAC, 2003. ii Stuart et al, 2004. iii Ha, 2002a.





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