

PROJECT ABSTRACT

The objective of the Project is to contribute to the reduction of the qualitative and quantitative housing deficit for the Base of the Pyramid (BOP) in Mexico by facilitating access to financing for home improvements and new housing solutions. To achieve this objective, the Opportunities for the Majority Sector is proposing to provide a loan of up to MXN\$84 million (approximately US\$6.3 million) to FOMEPADE, S.A. de C.V., SOFOM, ENR (“FOMEPADE”), a Mexican non-banking financial institution (SOFOM) with an innovative loan origination program for BOP public sector employees from state and municipal governments.

The business model innovation rests upon FOMEPADE’s ability to engage in strategic alliances providing a tailored and complete package for its BOP clients consisting of financing plus a technical solution that is much less expensive than the mass produced housing of the large commercial builders. The key elements of the model are: (i) collaboration agreements with public entities which allow FOMEPADE to collect loan payments via payroll deduction, lowering both administrative costs and credit risk; (ii) coordination with *CONAVI* to tap directly into the federal subsidy “Esta es tu Casa” for BOP buyers; and (iii) access to high-quality innovative housing solutions through specialized homebuilders certified by the *Sociedad Hipotecaria Federal* (SHF).

The IDB resources would support FOMEPADE’s loan origination activity and allow it to expand its existing BOP housing portfolio.

FOMEPADE is a Mexican non-banking financial institution incorporated in 2006 with the purpose of providing financing to BOP public sector employees at municipal and state levels. The company currently has presence in 17 states throughout Mexico and has positioned itself as one of the leading private financial institutions that leverages the use of payroll deductions, having approximately 77 existing agreements with state and municipal governments. During the life of the project FOMEPADE expects to provide 27,274 new housing solutions and 54,470 home improvements across Mexico to public sector employees not affiliated to any of the government housing financing programs.

The Project will help to reduce the barriers that have restricted access to housing opportunities for BOP public-sector employees in Mexico, and thus is in line with OMJ’s eligibility criteria by: (i) increasing the ability for public-sector employees who are not affiliated to any national housing mortgage program to qualify for financing of housing solutions; (ii) coordinating with public housing programs to complete the financial package; (iii) increasing the efficiency in the supply of high-quality housing solutions in Mexico by partnering with certified housing developers; and (iv) seeking to stimulate other financial institutions to focus on low-income housing and decrease the housing deficit even further.