

## PROJECT ABSTRACT

### **Habitat for Humanity: Increasing access to home financing for the Base of the Pyramid in El Salvador (ES-L1086)**

The objective of the project is to support increased access to home financing for the Base of the Pyramid (“BOP”) in El Salvador, contributing to reducing the quantitative and qualitative deficits that disproportionately affect that population segment. To this end, OMJ will seek to provide a loan of up to US\$5 million to *Asociacion Habitat para la Humanidad El Salvador* (“HPHES”), for on-lending to BOP families to finance new home construction and home improvement investments. The continued expansion of HPHES operations via OMJ financing will contribute to provide: (1) additional access to long term credit for the BOP that currently cannot access the formal long term home financing system; (2) housing solutions that are appropriate for the BOP and commensurate with their repayment capacity; and (3) comprehensive solutions that involve the appropriate construction technical assistance and oversight.

There are information asymmetries that lead to insufficient access to formal housing credit for BOP families in El Salvador, since the majority of them have no credit history. Traditional credit scoring methodologies are not able to separate the “good” from the “bad” clients, and hence mainstream financial institutions often do not supply credit to this market segment. Moreover, other barriers to access to housing credit, which limit the supply of long term financing for the BOP include: (1) the lack of assets to offer as security; (2) perceived low purchasing power of the BOP; (3) informal employment; and (4) the perception inside most financial institutions that long term financing is not viable for the BOP.

As a consequence of the lack of access to traditional financial products for housing solutions among the BOP population, alternative financing sources have emerged via non-financial institutions, including NGOs such as HPHES, which are tailored to the BOP’s particular needs, purchasing power, and repayment capacity. There is a long standing tradition in El Salvador of NGO involvement in providing access to housing solutions for the BOP and HPHES is one of the most important of these players. HPHES’s comprehensive approach that bundles sustainable financing with technical assistance regarding construction, financial education, as well as community involvement, is considered successful in the country.

HPHES is a legally established private, nonprofit organization that has operated in El Salvador since 1992 providing housing solutions (building and financing) for low income families to access safe, healthy, and dignified dwellings. HPHES is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a global organization founded in 1976 with the purpose of making decent, affordable housing available to disadvantaged families. Habitat International fulfills its mission through the work of affiliated organizations, such as HPHES, in approximately 70 countries and has reached some 600,000 families since its inception. Over the last twenty years, HPHES has financed almost 15,000 low income housing solutions and served some 75,000 beneficiaries in El Salvador.