

Prefabricated homes and components are another small, but growing, market segment. A trend towards do-it-yourself renovations is driving a market for easy-to-use materials. And to some extent, the economic crisis and the acute shortage of housing are forcing Mexican buyers to consider non-traditional construction methods.

NEW GOVERNMENT HOUSING POLICIES

The administration of former president Carlos Salinas enacted a series of reforms to promote growth in the housing sector beginning in 1989. The government eliminated interest rate controls and mandatory lending requirements for housing that had previously created losses for commercial banks. Public auctions replaced direct placements for issuing government-backed housing loans. To reduce regulatory costs, federal, state and local governments are now cooperating in creating more reasonable building codes and regulatory procedures. Constitutional reform of agrarian laws now allows for communally-held land to be sold or developed for housing. More clearly defined property titles are also reducing the risk involved in housing development.

The government of President Ernesto Zedillo came to power in December 1994. Within weeks it stopped supporting the overvalued peso, and a sharp devaluation resulted. In early 1995, the government introduced a series of programs designed to stabilize the economy. One of these programs, the *Programa Especial para la Vivienda (PEV)*, concerns the housing sector. Its main objective is to support families that are unable to pay for housing loans taken out before the devaluation. In addition, the government will try to reactivate the construction industry by channelling funds to developers through the *PEV*. The *PEV*, Support Program to Mortgages, includes three specific programs involving the *Secretaría de Hacienda y Crédito Público (SHCP)*, Secretariat of Finance and Public Credit, the *Secretaría de Desarrollo Social (SEDESOL)*, Secretariat for Social Development, the *Fondo de Operación y Financiamiento Bancario a la Vivienda (FOVI)*, Federal Housing Fund, the *Comisión Nacional Bancaria y de Valores (CNBV)*, National Banking Commission, and the *Asociación de Banqueros de México (ABM)*, the Mexican Bankers' Association.

The *Programa de Apoyo a Deudores de Créditos de Vivienda*, Support Program to Mortgages, will refinance approximately 225,000 mortgages. Preference will be given to loans under N \$100,000 pesos and loans with variable interest rates. The Program will allow beneficiaries to restructure their loans for up to 30-year terms without being charged a commission by their commercial banks. Loans under N \$200,000 pesos will have a maximum fixed real interest rate of 8.75 percent a year while those over N \$200,000 pesos will have a maximum of 10 percent.