

*FOVI* channels federal funds from the *Banco de México*, Mexico's Central Bank, to low-income homebuyers who are those earning less than 15 times the minimum yearly wage (MYW). Prior to the devaluation of the peso in December 1994, the MYW was just under US \$1,700, so the *FOVI* cut-off was about US \$25,000, which excludes only a very small proportion of Mexican families. Individual mortgage loans are authorized and serviced by the commercial banks who repay *FOVI*.

Housing developers compete for *FOVI* funds through public auction. There are two categories of *FOVI*-financed homes. The maximum cost of these homes is expressed in multiples of the monthly minimum wage. Prices include the total cost of the home, including land and closing costs. Typically, the house itself is about half the value of the sale.

As part of the government's efforts to induce banks to increase mortgage lending to low-income homebuyers, *FOVI* now provides default guarantees for up to 60 percent of the loan balance. Since March 1994, *FOVI*'s 25-year mortgage loans carry a 5 percent real interest rate.

In 1994, *FOVI*-backed financing totalled just over US \$1 billion, or about 10 percent of all housing loans. *FOVI* also plays a key role in housing sector policy. The *FOVI* Director General sits on the boards overseeing the operation of the major pension fund and public agencies responsible for housing.

### PRICE RANGES OF HOUSING FINANCED BY *FOVI*, 1994 EXPRESSED IN MULTIPLES OF THE MONTHLY MINIMUM WAGE (MMW)

Type	Size	Price (MMW)	Equivalent in US \$
A	33m <sup>2</sup>	up to 100	13,300
B1	65m <sup>2</sup>	101-130	13,300-17,300
B2	65m <sup>2</sup>	131-160	17,300-21,300

Source: Fondo de Operación y Financiamiento Bancario a la Vivienda (*FOVI*), Federal Housing Fund.

### PENSION PLANS

In 1994, Mexican pension plans invested almost US \$3 billion in new home mortgages. Employers contribute 5 percent of workers' salaries to pension funds. There are separate funds for private sector and public sector employees:

- the *Instituto del Fondo Nacional para la Vivienda de los Trabajadores (INFONAVIT)*, Housing Pension Fund for Private Sector Employees; and
- the *Fondo de la Vivienda del Sistema de Seguridad Social de los Trabajadores del Estado (FOVISSSTE)*, Housing Pension Fund for Public Sector Employees.