

FOVI channels federal funds from the *Banco de México*, Mexico's Central Bank, to low-income home-buyers. FOVI-financed homes fall into two categories. Type A homes are about 33 square metres and must be sold for no more than 8.3 times the minimum yearly wage (MYW). This put the maximum price at roughly US \$14,000 in 1994. Type B are 65 square metres and can sell for up to 13.3 times the MYW.

Pension Plans

Mexican employers contribute 5 percent of workers' salaries to pension funds. There are separate funds for private versus 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.

Participating workers can obtain loans from these funds for building, purchasing or improving their homes. Lending is concentrated in the income range between two and seven times the minimum yearly wage (MYW).

Public Housing Agencies

Public housing agencies at the federal, state or local government levels cater to specific market segments. The largest is the *Fondo Nacional de Habitaciones Populares (FONHAPO)*, Federal Low-Income Housing Fund. Its loans are administered by state and municipal housing authorities, and average US \$4,000 per beneficiary. Public agency loans can be used for progressive construction, serviced lots, public service installations, home improvement and self-help construction projects.

COMPETITION

Mexican Construction Companies

More than 10,000 construction companies are active in the formal housing sector, but only about 300 of them have annual sales of US \$4 million or more. About 20 large firms dominate the industry. Most of them are associated with large firms that also do other types of construction. Mexican home builders tend to specialize in a particular price range.

Companies associated with *Grupo Alfa* and *PROTEXA* are building 48,000 new low-income houses in the Monterrey area. *Grupo Alfa* itself is planning to build 1,000 homes for its own workers. These houses will be unusually large, at 90 square metres, and will be located in the vicinity of Monterrey.

BADASI is building a 7,000-home development called *La Purísima*

located at Ixtapalapa in the Mexico City area. The contract includes schools, parks, and commercial areas.

Grupo BADASI is a major home builder in the State of Mexico. In October 1994, the company was completing 4,000 units using concrete technology, in a development called *Jardines de la Cañada*. The 48 square metre units were priced at about US \$35,000.

Foreign Competitors

A number of foreign construction companies, mostly from the United States, have entered the Mexican market. Of the 400 largest American contractors, 29 were reportedly active in Mexico as of early 1995.

Hebel International GmBn is associated with *Contec* in a joint venture to promote cellular concrete. This product has been well-received, despite the devaluation, but it will take time to gain widespread acceptance.

Major Housing Finance Institutions, 1994 US \$

Feature	Commercial Banks	FOVI	Pension Funds	Public Agencies
Mortgage lending US \$ millions	\$6,176.5	\$1,088.2	\$2,984.3	\$806.3
Lending share	55.9%	9.8%	27%	7.3%
Number of loans	138,839	42,721	172,000	150,391
Main type of dwelling financed	High-cost finished dwellings	Affordable housing	Affordable housing	Serviced lots and progressive construction
Cost of units US \$	\$70,000 on average	Up to \$22,532	Up to \$42,350	Up to \$12,400
Employment status of borrower	Salaried	Salaried	Salaried/contributor	Non-salaried
Income of borrower in multiples of the minimum yearly wage (MYW)	More than 15 times MYW	Up to 15 times MYW	1 to 10 times MYW	Below 2.5 times MYW

Note: based on the July 1994 exchange rate of N \$3.40 pesos per US \$. The exchange rate in mid-1995 was just over N \$6 pesos to the US \$.

Source: *Secretaría de Desarrollo Social (SEDESOL)*, Secretariat of Social Development, Housing in Mexico, 1994, with updates from the United States Department of Commerce.