

analyst estimated that there are as few as 15,000 families in Mexico City that could afford to purchase a new US \$200,000 home. This compares with an estimated 600,000 buyers looking for lower-priced homes.

Almost half of the market is for homes costing US \$15,000 or less. Another quarter is in the US \$15,000 to \$25,000 range. By some estimates, self-built homes and those constructed by the informal sector account for half of the total market. Some government programs support progressive construction.

Home Financing

Financing for home purchases is available from four sources:

- conventional bank mortgages
- pension funds
- government-backed mortgages issued by the banks
- government housing programs

Eligibility for these financing options is generally determined by income bracket, as expressed by family income in multiples of the legal minimum yearly wage (MYW). In

1994, the MYW was the equivalent of just under US \$1,700 per year. The majority of the population, about 52 percent, fall between one and five times the MYW. About 5 percent earn the MYW or less. Twenty-three percent of families earn eight times the MYW or more.

Secretariat of Social Development

The *Secretaría de Desarrollo Social (SEDESOL)*, Secretariat of Social Development, is responsible for the government's *Plan Nacional de Vivienda*, National Housing Strategy. SEDESOL advises and assists state and local authorities in the design and enforcement of regulations, and in the preparation of urban development and land use plans.

SEDESOL's housing strategy emphasizes the expansion of commercial banks into the low- and moderate-income mortgage market. Under this policy, the major low-income housing programs are no longer directly engaged in home building. They now focus primarily on issuing mortgages to homeowners.

Conventional Bank Mortgages

Even before the December 1994 devaluation of the peso, conventional bank mortgages were very difficult to obtain. The average bank mortgage was under US \$45,000 and the effective interest rate was about 25 percent. Since the devaluation, conventional bank mortgages have become virtually unavailable.

Aside from the devaluation, a major barrier to the availability of mortgages has been the lack of a secondary market for secured mortgages. Another problem is that the foreclosure process can take two-to-three years. The government is trying to speed up the settlement of conflicts.

Government-Backed Commercial Mortgages

Commercial banks prefer to loan to people in the middle- and upper-income levels. They will, however, lend to lower-income purchasers provided that the loans are backed by the *Fondo de Operación y Financiamiento Bancario a la Vivienda (FOVI)*, Federal Housing Fund.

