

## OUTSTANDING MORTGAGES OF MEXICAN COMMERCIAL BANKS

Pesos millions

	1991	1992	1993	Nominal percentage change	Real percentage change
Banamex	11,281	17,198	20,238	79	50
Bancomer	8,596	17,442	22,228	159	116
Banca Serfin	2,871	4,336	7,889	175	129
Comermex	963	2,304	5,440	465	371
Internacional	767	2,014	2,802	265	205
All banks	28,726	49,880	70,950	147	106

Note: Excludes *Banco Obrero* and *Citibank* and 1993 only includes first 11 months. Source: *Comisión Nacional Bancaria*, National Banking Commission and *Banco Nacional de México, S.A.*, (*Banamex*), quoted by U.S. Department of Commerce.

*Trabajadores del Estado (FOVISSSTE)* for public sector workers. A key government program is *Fondo para la Vivienda (FOVI)*, which provides public funds to low-income home buyers.

More expensive property is financed by commercial banks. Most "medium" housing (more than US \$30,000) and all "residential" (more than US \$161,000) housing must be bank financed. For this reason, most of the growth in residential mortgages has been in the medium and residential categories (chart).

## COMPETITION AND INNOVATION

The Mexican mortgage market is dominated by the three largest commercial banks: *Banamex*, *Bancomer*, and *Banca Serfin*. In 1993, they held almost three-quarters of outstanding mortgages. Smaller banks, including *Comermex* and *Banco Internacional*, have recently been eroding the market share of the big three, which previously held about 80 percent of the market.

Competition among the banks has led to a variety of innovative products, particularly "refinancing" mortgages. For example, *Bancomer*, the

market leader, offers a program called *Plancasa*. These mortgages defer payments on the loan principal and recapitalize part of the interest early in the loan. Payments are gradually increased during the life of the mortgage according to a group of external interest indexes. Refinancing mortgages allows the borrower to purchase a more expensive home, on the assumption that his or her salary will increase at least as fast as inflation.

*Banamex* offers a similar plan called *Espacios*. *Banca Serfin*, the third-largest bank, has innovated in a different direction. In late 1993, it began offering a fixed rate mortgage, with an 18 percent interest rate and a term of up to 10 years.

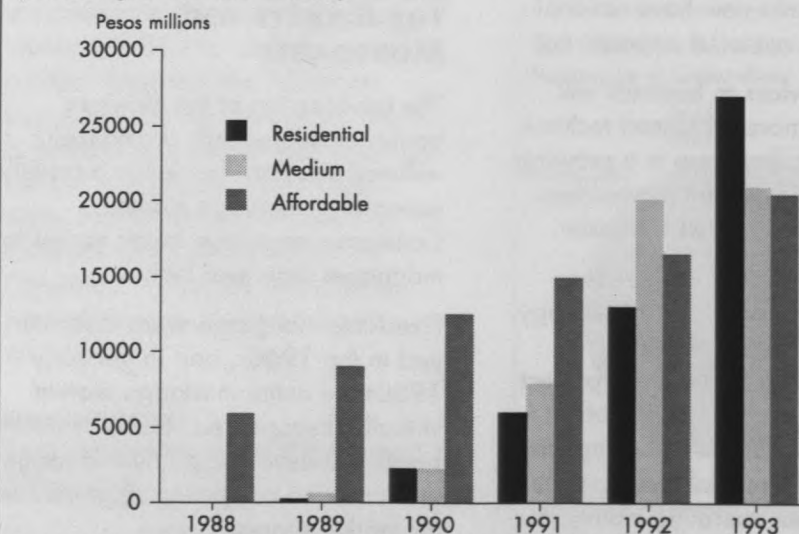
## MORTGAGE MARKET GROWTH

The most important factor inhibiting the future growth of the Mexican mortgage market is the lack of a secondary mortgage market. Banks are not currently allowed to re-sell mortgages to third parties.

The *Secretaría de Desarrollo Social (SEDESOL)*, Secretariat of Social Development, is attempting to set up an independent corporation to market mortgage securities. Current plans call for this new entity to be operational by the end of 1994.

Bulk re-selling of mortgages by the banks would also require the adoption of common standards, including cash flow, interest rates and methods of risk analysis. The banks are now beginning to adopt an objective

## BANK MORTGAGES OUTSTANDING (excluding refinanced interest)



Source: *Secretaría de Desarrollo Social (SEDESOL)*, Secretariat of Social Development.