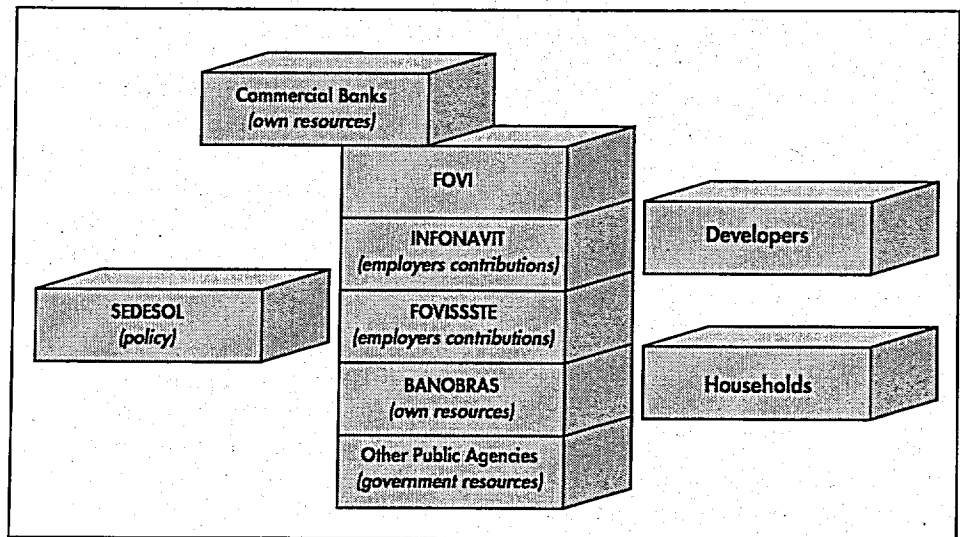


While all types of housing projects are currently stalled due to the economic crisis, the drop in higher-end housing construction has been attributed more to the shock of the devaluation than to a shortage of resources. Wealthy Mexicans who held large bank balances saw more than a third of their assets wiped out, and many of them are still in shock. The high-end market is expected to recover as the government's stabilization program begins to take effect, perhaps by mid-1996. Mid-range housing has been hurt the most, with many former middle-class buyers moving down to low-income housing. The outlook for lower-end housing is somewhat better because the government is allocating funds to much-needed projects. In addition, the administration of President Zedillo has pledged to refinance 225,000 existing mortgages at favourable terms. Observers are predicting recovery in the low-income sector by late 1995.

## MEXICO HOUSING FINANCE SYSTEM



## 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

Conventional commercial bank financing is limited mainly to upper-income buyers although government-backed loans are available to some lower-income individuals. By law, Mexican employers contribute 5 percent of employee earnings to pension plans and these funds are also a major source of home financing. Government housing programs are usually a last resort for the lowest-income groups, although some of them cater to employees of government agencies.