

SQUATTERS

About half of Mexico's activity in the construction of houses occurs in the "informal" sector. A large proportion of these homes are built by squatters in shantytowns that have encroached on private or government property. No taxes or rent are paid, and no formal construction plans are ever developed.

These squatters, known as *paracaidistas*, "parachuters", buy their own material and construct their own dwellings, typically little more than shacks. Power and phone services, if any, are hijacked from nearby lines. Plumbing rarely exists.

The economic crisis has forced more people to resort to informal building. Price hikes for construction materials are forcing them to improvise with wood, metal sheeting, cardboard, plastic, and other materials often scavenged from garbage dumps.

To scare off the *paracaidistas* without formally evicting them, their homes are often destroyed by property owners. Lately, eviction efforts are becoming more aggressive, as real-estate prices rise. Owners of vacant land often have it guarded day and night.

Mexican law favours tenant's rights even if they never pay anything to the owner. After living on a property for seven years without paying rent, the squatters can petition for ownership of the property. Evictions can take as long as ten years.

If the squatters win their case and appropriate the land, they can then qualify for government development aid. Former president Salina's *Solidaridad* program helped to develop urban infrastructure in such "legalized" communities. Such projects are not considered new housing, but are referred to as "home improvements".

The rights of tenants have been advanced by a publicity campaign waged by the *Asociación de Barrios*, Association of Neighbourhoods. Under the association's sponsorship, *Super Barrio*, a masked man in red tights and a cape, appears at protests in his *Barriomóvil* and encourages self-help groups. In spite of the successes of this campaign in helping the poor, urban planners complain that this kind of unregulated development ultimately requires more public services.

These pension funds make loans to individual contributors for home construction, and are key players in the housing market. In 1994, they accounted for about 27 percent of new mortgages. The funds provide both mortgages and construction credit to builders. They also commission housing projects by auctioning construction loans to builders.

Workers can obtain loans from these funds for building, purchasing or improving their homes. *INFONAVIT* operates housing programs managed by a three-party board with representatives from the government, the employers' association and the workers' unions.

The target population for the *INFONAVIT* and *FOVISSSTE* mortgage programs are families earning between one and ten times the minimum yearly wage (MYW). Lending is concentrated in the income range between two and seven times the MYW. According to data from the *Instituto Nacional de Estadística, Geografía e Informática (INEGI)*, National Institute for Statistics, Geography and Informatics, this accounts for about 55 percent of the population.

As part of its National Housing Strategy, the government would like to modernize these funds by better integrating their operations into mainstream financial markets. The goal is to direct funds to lower income buyers by promoting the improvement and remodelling of the existing housing inventory, and by channelling higher volumes of loans for the purchase of used dwellings.

Both *INFONAVIT* and *FOVISSSTE* have already been transformed from building agencies to credit institutions. In the case of *INFONAVIT*, loan amounts and home size are now determined by the borrower's capacity to pay, and workers can purchase the dwelling of their choice. Interest rates for *INFONAVIT*'s 30-year mortgage loans are determined by the annual increase in the minimum wage plus four to eight points depending on the borrower's income. As of July 1994, interest rates were in the range of 11 to 15 percent. *INFONAVIT* also provides construction loans through public auctions.

Houses to be built under *INFONAVIT*'s program must have a minimum construction area of 45 square metres, and include one multiple use room, two bedrooms, one bathroom, and basic services. They are supposed to be built in neighbourhoods with commercial and education facilities. The maximum sale price for units under *INFONAVIT*'s housing program is 25 times the minimum yearly wage, or about US \$42,000 prior to the devaluation. The organization plans to provide 95,000 housing loans during 1995. Once developers have received loans, they must start construction within 30 days. The reforms at *FOVISSSTE* call for similar arrangements.