

Project Abstract for Publication

***CrediMejoras* Ademi: Access to home improvement financing for the BOP in the Dominican Republic (DR-L1060)**

The objective of the project is to increase access to home improvement financing for the Base of the Pyramid (BOP) in the Dominican Republic (DR), and therefore contribute to reducing the country's qualitative housing deficit. To this end, OMJ will seek to provide an A-loan of up to US\$5 million and a B-loan of up to US\$5 million to Banco Multiple Ademi ("Banco Ademi"). The project will allow Banco Ademi to on-lend to BOP families that require home improvement investments. The continued expansion of Banco Ademi's home improvement credit portfolio via OMJ financing will provide: (1) additional access to medium to long term credit for the BOP; and (2) access to better quality housing for BOP families via financing that allows for the completion of unfinished homes and the replacement of substandard construction materials.

The market failure the project seeks to address is the insufficient access to formal credit, including home improvement financing, in the DR. Moreover, information asymmetries make the already limited housing credit that is available even harder to access for BOP families, since the majority of such families have no credit history. Traditional credit scoring methodologies are not able to separate the "good" from the "bad" clients, and hence limiting the supply of credit to this market segment. These conditions force BOP families to turn to informal methods to build their homes, leading in turn to qualitatively deficient houses. Additionally, other barriers to access to housing credit, which limit the supply of medium to long term financing for the BOP include: (1) the lack of real assets to offer in guarantee due to lack of formal proof of ownership; (2) perceived low purchasing power of the BOP; (3) informal employment; and (4) the perception that medium and long term financing is not viable for the BOP.

Banco Ademi extends access to home improvement financing to segments of the population that are excluded from the mortgage market, including informal micro entrepreneurs and informal workers, and those that do not have formal proof of home ownership. To this end, Banco Ademi created the *CrediMejoras* product, which is tailored to the BOP segment in terms of the loan amount, the monthly installment amount, acceptance of alternative proof of home ownership, and the inclusion of construction technical assistance and financial education. Banco Ademi's (1) origins in microfinance; (2) long standing focus on low income and vulnerable population segments, particularly women, and (3) extensive network of branches outside of the capital, as well as its mobile payment and disbursement platform which extends to those typically outside the reach of formal banking institutions, provide a robust foundation from which to continue to scale the *CrediMejoras* portfolio and provide even more Dominicans from the BOP with access to home improvement financing.

Banco Ademi is a regulated financial institution that has operated in the DR for almost 30 years. While its origins are in microfinance, and it continues to lead this segment, its core business now also includes small and medium enterprise. Banco Ademi transitioned from an NGO to a regulated savings and loans bank in 1997, and then became a banco multiple in 2013. Banco Ademi has over 1,122 employees across 56 branches, 36 of which are outside the capital, allowing it to reach underserved populations that are more isolated from access to banking services.