

# **MEXICO HOUSING FINANCE SUPPORT FACILITY**

## **ME-L1060**

### **Project Abstract**

This facility is the first part of an IDB programmatic strategy to support Mexico's housing finance sector. This project aims to support the Mexican housing finance sector by creating a Mexican Housing Finance Support Facility (MHFF) that would be available to Sofoles/Sofomes and Banks engaged in the housing finance sector in Mexico subject to the fulfillment of the IDB's eligibility criteria. This facility would make available up to US\$150 million dollar-equivalent in Mexican Pesos or UDIs to provide credit enhancements for RMBS notes or covered bonds; to purchase senior RMBS notes; and, to provide unsecured subordinated debt to a fund aimed at capitalizing qualified Sofoles/Sofomes, all in an effort to support the low-to-middle income RMBS market. The Facility will be established in coordination with SHF, and in close collaboration with the International Finance Corporations ("IFC"). The IFC received approval for a similar facility on October 2, 2008 and plans to coordinate its intervention with the IDB.

The Facility is meant to address temporary shortfalls in the market's ability to credit-enhance and/or to fully place senior tranches of RMBS in Mexico with high quality investors, as well as provide equity support to sofoles/sofomes. Besides increasing liquidity to the sector, the IDB facility will send an important signal to the Mexican local market to restore confidence in the credit quality of instruments associated with the Mexican lower-income housing market.

The IDB can have an important catalytic effect through this facility. By making the Bank's products open to all market participants it will give all Mexican housing finance players the chance to request credit enhancement support on a level playing field. The IDB will base its decision to support a given issuance on the soundness of the mortgage origination and underwriting practices as well as on the credit-quality of the assets.

The IDB collaboration with the IFC will allow both institutions to share and build on past experience both institutions have in Mexico and the sector. In addition, the IDB's on-going engagement with SHF on the sovereign-guaranteed side of the IDB allows the Bank to incorporate lessons learned from the private capital market experience into the Bank's policy dialogue with the Mexican Government.