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OVER-INDEBTEDNESS IN EL SALVADOR

TRIP REPORT: NOVEMBER 14-22, 2012

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OVER-INDEBTEDNESS IN EL SALVADOR

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USAID Increasing Access to Financial Services in El Salvador

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ACRONYMS

ABANSA	Association of Banks Incorporated
ASOMI	Association of Microfinance Institutions
ASP	Application Service Provider
BCR	Central Bank of El Salvador
FEDECREDITO	Federation of Credit and Savings Societies
FEDECASES	Federation of Financial Cooperatives
IAFS	Improving Access to Financial Services Project
IDB	Inter-American Development Bank
INFORED	Network Information Company
INSAFOCOOP	National Institute for Supervision and Advice to Cooperatives
IT	Information Technology
MFI	Micro Finance Institutions
NPLs	Non-performing loans
SSF	Superintendency of Banks and Non-Bank Financial Institutions
USD	United States Dollar

I. EXECUTIVE SUMMARY

Over-Indebtedness is an issue of growing concern throughout Latin America and the Caribbean given the high growth rates of consumer lending to most segments of the populations, particularly the low to middle income segments; growth rates that far surpass the rates of growth of income. As incomes have grown, lenders have “discovered” new potential borrowers and have specifically targeted them. But Banks are not the only lenders vying for new consumers; along with Banks, Microfinance institutions (MFI’s), auto dealers, electronic goods retailers, and a myriad of other retailers and financial institutions, all seek to attain a percentage of the consumer’s wallet. Add to this the fact that the financial literacy level of many of these consumers is low, their pent up desire for consumption high, that few if any institutions have a global view of the realities and motivational factors at the (low to middle income) consumer level, and thus the risks spiral. Over-indebtedness poses risks to economic growth, household well-being, and financial institutions with high levels of consumer debt in their portfolios. As has been shown again and again in financial crises, over-indebtedness leads to bubbles, and when bubbles explode, the result is not only a collapse in asset prices and systemic financial sector issues, but intense deleveraging in terms of reducing household debt. And that deleveraging can last for many years and hamper economic growth; with economic, social and political consequences

In terms of El Salvador, available statistics show that in recent year’s consumer credit has proliferated. Between 2004 and 2009, the number of loans to individuals increased by 33 percent¹. Loans to salaried workers are offered with relatively favorable terms by the banks that hold employee payroll accounts, often reaching 5-7 years in duration. Credit card use has proliferated; according to the Banking Association (ABANSA) over 700,000 credit cards had been issued. Concerns over credit worthiness during the international financial crisis apparently discouraged financial institutions from serving the low-income consumer market, a slack that was taken up by MFI’s according to many of those interviewed. Additionally, Equifax² privately indicates that 87% of all borrowers have loans with more than one lender.

In this context, the USAID Improving Access to Financial Services Project in El Salvador thought it timely to set up a framework to evaluate the evidence base for over-indebtedness in El Salvador on a recurring basis, and to develop a strategy for reducing systemic and institutional risks. The project opted for launching the program in a conference setting, in which key players of the Salvadoran financial markets (particularly those with increased exposure to low to middle income segments), would gather to discuss the realities of the sector, and share ideas, in a guided environment, that would lead to ideas being floated, and thus a better chance of gaining their buy-in for the above mentioned strategy. Prior to the conference itself, the consultant was tasked with holding a series of meetings with a number of the invited participants with three objectives in mind: i) to understand the level of awareness of the issue within the local market, ii) to arrive at a better understanding of the institutional framework of the financial system and, iii) to organize the conference’s discussion segment within the realities affecting El Salvador.

The consultancy took place from November 14, 2012 through November 22. The conference itself was held the morning of November 21, 2012. The key findings from the visits and the conference discussion are as follows:

¹ FINANCIAL SECTOR ASSESSMENT PROGRAM UPDATE - EL SALVADOR FINANCIAL INCLUSION TECHNICAL NOTE
NOVEMBER 2010 - THE WORLD BANK

² A private credit bureau managing data from a reported 96% of all institutional lenders.

Lack of Consolidated Credit Information: Probably the biggest issue facing El Salvador today is that, though some credit information regarding the credit scene in El Salvador is available, it simply is not available on an aggregate basis for individual institutions in a format which they can use to ameliorate the risk of over-indebtedness, and at a cost acceptable to them. Though information from regulated lenders is available from the Superintendency, credit information from non-regulated lenders is not. Credit information is available in different groups of non-regulated lenders (e.g. cooperatives through FEDECREDITO, “Cajas” through FEDECASES and MFIs through INFORED) that information is rarely shared amongst those networks.

Lack of adequate technology and practices in terms of loan workflow management: An important issue brought up by FUNDAMICRO is the lack of adequate technology and risk practices at a number of MFI’s in terms of loan workflow management, and ongoing loan management.

Irregular data quality: A further issue that was brought up is that data, even when available, may not be fully comparable, due to different definitions, ways of handling the data, or data management issues.

Lack of information on Income: In addition to the limited amount of information available in terms of the supply of credit, there is a lack of third party independent income verification systems.

Lack of Information on consumption habits and preferences of lower income individuals: Beyond what individual lenders may be able to understand through their own efforts, nothing has been done on an aggregate basis in El Salvador to understand lower income borrowers and their income, consumption, saving and borrowing practices, as well as the social changes therein.

Over-indebtedness already present: The general perception amongst conference participants and from the previous interviews is that over-indebtedness is already an issue in the country, particularly at the lower income segments. However, the lack of complete, aggregate, current information makes it impossible to validate the perception with data.

Asymmetry of Information: Both regulated and non-regulated lenders contribute information to the credit bureaus; but whereas regulated lenders may see information from all lenders, non-regulated lenders do not have access to information from regulated lenders, due to Bank Secrecy laws. This places non-regulated lenders at a disadvantage, precisely the institutions most prone to their borrowers becoming over-indebted.

Based on the findings the following action plan is proposed:

Action Plan
1: Work with the different agents to establish a database integrating regulated and non-regulated lenders to provide macro information on credit volume by type (borrower and object of loan) and location, NPL’s, and growth by sectors for each of the above.
2: Survey of financial habits and debt patterns for low income households: IAFS would support carrying out a survey in El Salvador to obtain data on the financial habits and patterns of low income households, information that would be shared with the financial system and would continue to build on the evidence base regarding over-indebtedness.

3: Credit Workflow application for MFI's: In order to help solve this issue a workflow application developed by Equifax in Panama would be provided to a local software/IT provider so that this institution can provide it under an application service provider (ASP) model, in parallel to its accounting package, to MFI's. However, IASF should consider supporting the necessary development of a business plan to develop this workflow application.

4: Corporate Governance and Financial Education: Leverage other regional efforts to improve corporate governance in lending institutions serving lower income households.

5: Review of Financial Consumer Protection regulations: Information is the key to preventing over-indebtedness and adequate consumer protection regulations are the best way to make available usable loan information to borrowers.

6: Asymmetry of Credit Information. Work with the World Bank and IDB in making authorities and legislators aware of the dangers of having asymmetries of information.

II. BACKGROUND

Over-Indebtedness is an issue of growing concern throughout Latin America and the Caribbean given the high growth rates of consumer lending to most segments of the populations, particularly the low to middle income segments; growth rates that far surpass the rates of growth of income. As incomes have grown, lenders have “discovered” new potential borrowers and have specifically targeted them. But Banks are not the only lenders vying for new consumers; along with Banks, Microfinance institutions (MFI's), auto dealers, electronic goods retailers, and a myriad of other retailers and financial institutions, all seek to attain a percentage of the consumer's wallet. Add to this the fact that the level of financial literacy in many of these consumers is low, their pent up desire for consumption high, that few if any institutions have a global view of the realities and motivational factors at the (low to middle income) consumer level, and thus the risks spiral. Over-indebtedness poses risks to economic growth, household well-being, and to financial institutions with high levels of consumer debt in their portfolios. As has been shown repeatedly in financial crises, over-indebtedness leads to bubbles and when bubbles explode, the result is not only a collapse in asset prices and systemic financial sector issues, but intense deleveraging. And that deleveraging can last for many years and hamper economic growth; with economic, social and political consequences.

There are many specific examples of how these risks can spiral. To cite just three:

1. La Polar, a retailer in Chile, over a period of many years unilaterally renegotiated debts of over 400,000 customers to avoid showing past due loans. They did this by capitalizing missed payments in the process and increasing the debts of low income consumers from as little as USD 200 to over USD 3000. The company barely avoided bankruptcy, low income customers were severely hurt with unpayable loans, and the political fallout on regulators was immense.
2. In 2010 the government of the state of Andhra Pradesh, India's most saturated microfinance market, ordered banks to stop lending to microfinance institutions, causing severe liquidity problems for the MFIs. The government also told borrowers to stop repaying after a spate of press

reports on suicides by men and women who were microfinance borrowers³. Lenders, both private and public had rushed into the sector, doubling, tripling and even quadrupling loans on borrowers as no aggregate data existed. The MFI industry was seriously hurt, and along with it efforts to alleviate poverty through lending, due to the inability of lenders to understand the real, aggregate financial situation of borrowers.

3. In Nicaragua, over-indebtedness in the rural agricultural sector gave rise to the “No-Pago” (non-payment) movement which took on political connotations with increased erosion of the rule of law.

In terms of El Salvador, available statistics show that in recent years, consumer credit has proliferated. Between 2004 and 2009, the number of loans to individuals increased by 33 percent⁴. Loans to salaried workers are offered with relatively favorable terms by the banks that hold employee payroll accounts, often reaching 5-7 years in duration. Credit card use has proliferated; according to the Banking Association (ABANSA) over 700,000 credit cards have been issued. Concerns over credit worthiness during the international financial crisis apparently discouraged financial institutions from serving the low-income consumer market, a slack that was taken up by MFI's according to many of those interviewed. Additionally, Equifax privately indicates that 87% of all borrowers have loans with more than one lender.

In this context, the USAID Improving Access to Financial Services (IAFS) Project (“Project”) in El Salvador thought it timely to evaluate the evidence base for over-indebtedness in El Salvador on a recurring basis and develop a strategy for reducing systemic and institutional risks. Studies on the issue have been undertaken before in the country;⁵ but such studies tend to be limited in that they focus on the situation at a specific moment in time, while realities change rapidly. Thus, rather than a static study, the Project felt that a dynamic strategy for addressing the issue of over-indebtedness from the three viewpoints of systemic risk, individual institutional risk, and consumer risk and evaluating that evidence on a regular basis, a sort of early warning system, was much more appropriate. This would be a kind of “new product” which the IAFS project would try to ensure would be sustainable by providing relevant information to financial institutions at a price they would be willing to pay.

III. WORK PLAN

It was quickly determined that the development of such a strategy cannot be undertaken without the knowledge, participation, support and “buy-in” from the key players in the financial sector, as the results will remain operational long after the program has ceased to operate. Consequently, the project opted for launching the program in a conference setting, in which key players of the Salvadoran financial markets (particularly those with increased exposure to low to middle income segments), would gather for half of a day to discuss the realities of the sector, and share ideas, in a guided environment, that would lead to ideas being discussed in a way that would allow their buy-in for the above mentioned strategy.

Prior to the conference itself, the consultant was tasked with holding a series of meetings with a number of the invited participants with three objectives in mind: i) to understand the level of awareness of the

³ In the aftermath, calmer analysis indicated that the incidence of suicides in India is actually less among microfinance borrowers than for the society at large. Since large MFIs were generating increased competition for government-run programs, there was a political element to this crisis.

⁴ Financial Sector Assessment Program Update - El Salvador Financial Inclusion Technical Note November 2010 - The World Bank

⁵ USAID - FOMIR II – DAI – Sobreendeudamiento en las Microfinanzas Salvadorenas. Existe algun problema - March 2005

issue within the local market, ii) to arrive at a better understanding of the institutional framework of the financial system and, iii) to organize the conference's discussion segment within the realities affecting El Salvador.

The key deliverable for the consultancy is an action plan for the development of a strategy for reducing systemic and institutional risk posed by over-indebtedness in El Salvador

IV. FINDINGS

This consultancy took place from November 14, 2012 through November 22. The conference itself was held the morning of November 21, 2012.

The days prior to the conference a series of meetings were held with local event participants. The list of persons visited and contact information is provided in Annex II, while the list of attendees at the conference is provided in Annex III. The Power Point for the presentation made at the conference (in Spanish) is included in Annex IV.

The purpose of scheduling a round of meetings prior to the conference was twofold; on the one hand to provide the consultant with information on how to structure the presentation and two, to increase the level of interest by introducing issues that would need further discussion. The questions included in the presentation were developed in order to generate discussion and lead to conclusions from the audience, based on the issues raised during the prior meetings. As planned the meetings were very worthwhile in that they provided the consultant with valuable information on how to structure the presentation and the questions to pose to the audience.

Following is a list of the main findings of the consultancy. These findings were arrived at from the information gathered from the meetings with participants prior to the discussion and from the discussion at the conference itself.

Lack of Consolidated Credit Information: Probably the biggest issue facing El Salvador today is that information regarding the credit scene in El Salvador is simply not available on an aggregate basis. The information is dispersed across many institutions, which do not, or cannot share it. Credit information is held in some form by the following institutions:

Central Bank: In many countries Central Banks have good credit databases, maintained as part of their statistics on monetary aggregates. In El Salvador, information on credit as posted on the Central Bank's website is of very general nature; furthermore, according to what was mentioned in the conference, the Central Bank does not have a database on credit, and cannot legally regulate credit beyond that offered by the regulated financial system, and even in terms of the regulated financial system, it is limited in terms of its regulatory capabilities. This evidently places restrictions on the capacity of the authorities to issue system wide macro-prudential regulations, and to limit credit via such mechanisms.

Superintendency of Financial Institutions: The SSF (Spanish acronym) is the supervisory⁶ body for the financial system. However, its reach is limited to deposit taking institutions.⁷ This means that most, if not

⁶ There was much discussion over the use of the terms "Supervised" and "Regulated" at the conference, with some participants arguing that all firms are "regulated" as they had to comply with regulations regarding their charter and start-up. This report uses the terms interchangeably to mean the act by a government authority to issue regulations that affect the operations of an institution and the enforcement of those regulations

all, micro-finance institutions, non-financial credit card issuers, cooperatives and other non-deposit taking credit granting institutions are not supervised by the SSF. Thus the institution has no information regarding their practices or outstanding credit amounts, except for the Cajas of the FEDECREDITO system, as detailed further below. In addition to statistical information, the SSF maintains a public credit bureau (Central de Riesgos) with information from regulated financial institutions, and is thus probably limited in terms of lower income segments. According to the World Bank, the public credit registry coverage in El Salvador stood at 23.90 percent of adults in 2011.

Associations: Beyond the role the SSF plays, there are four associations, two for Micro-finance (ASOMI and FUNDAMICRO) one for Cooperatives (FEDECACES), and one for “cajas” and worker’s banks (FEDECREDITO) which perform certain self-regulatory functions (varies with each association), and thus gather some credit information from their members.⁸ Membership in these bodies is not obligatory, and there are a number of credit granting institutions which do not belong to any such association. In addition there is a government regulatory body, INSAFOCOOP, the supervisor for cooperatives, which has some credit information collected from the cooperatives it regulates (and who may not be members of FEDECACES). It however must be noted that FEDECREDITO has an agreement with the SSF, in terms of supervision and information regarding their Cajas and workers banks.

Private Credit Bureaus: There are two private operational and active credit bureaus in the country, INFORED, a small credit bureau focused on microfinance institutions with limited coverage (150 institutions provide data on a monthly basis) and EQUIFAX, a much larger and apparently very well organized bureau which has extensive coverage, including microfinance institutions and other credit grantors (Equifax started operations in the country in 1996, has 4.5 million registered debtors in the database and receives information from 500 institutions on a monthly basis). EQUIFAX, due to its large coverage, has what could be the largest credit database in the country and thus probably has more information than any other institution in the country. However due to privacy concerns it cannot and publicly does not consolidate all the data that it has.

Others: Additionally, there is a specialized magazine, MicroEnfoque which collects information from certain credit grantors not covered by the above mentioned associations; however information provided to it is entirely voluntary and not verified, and therefore not useful for analyzing over-indebtedness.

As far as research indicates and what participants in the conference knew, there is no association for non-financial credit card issuers (i.e gas, medical, and other such cards), nor for retail stores that grant credit (such as consumer electronic stores); thus no information is available for these institutions (beyond what they provide to the credit bureaus).

The fact that information is held by many players is not in and of itself a cause of concern, but the reality in El Salvador is that the available information is not consolidated, aggregated or shared in any form. This is of concern given that the participation of non-regulated financial institutions in terms of total credit is not known (there is no certain verifiable data), but participants agree that in terms of numbers of loans, the non-regulated financial sector generates more transactions than the regulated financial sector. In terms of the total monetary value of credit volume, EQUIFAX “guesstimates” the regulated financial sector to place approximately 60% of loans. Participants fully agree, however, that in terms of lower

⁷ Not all deposit taking institutions are regulated by the Superintendency. Cooperatives that accept deposits only from members are not regulated by financial authorities, as are those whose total deposits remain below a certain threshold (a threshold for which the Superintendency can find no technical justification).

⁸ FEDECREDITO in 2012 celebrated its members reaching total assets of over \$1 billion and total loans of over \$350 million.

income segments, those most prone – and least able to handle - over-indebtedness, a majority of loans may in fact come from non-regulated lenders.

El Salvador simply does not, at this juncture, have publicly (or to regulators) available consolidated data that can provide information on the real situation of indebtedness, particularly at the lower income segments of the population.⁹ While all the above mentioned institutions have some information, no-one has complete information, and the legal or institutional mechanism for sharing and consolidating information are not available.

Lack of adequate technology and practices in terms of loan workflow management: An important issue brought up by FUNDAMICRO prior to the conference, was the lack of adequate technology and risk practices in terms of loan workflow management, and ongoing loan management. The result is increased difficulty for MFI's to track customers and their debts over the life of the loan. Thus, MFI's may not be aware of additional loans (at other lenders) that customers are taking on, payment issues with loans at other institutions, or even errors within their own database and the history of the customer with the institution. This absence of information sharing, in the view of FUNDAMICRO, is already permitting customers to overextend themselves with loans from various MFI's, while the MFI's themselves may be unaware of the new loans, and continue to renew loans or even increase exposure to those customers.

This same issue has been detected in other countries, and generally stems from two issues at MFI's: i) weak corporate governance frameworks (including, directors' roles and responsibilities, management information systems, control and conflict management) and, ii) lack of information due to reduced capacity to invest in workflow and information systems.

In a following meeting, Equifax Central America mentioned a workflow tool which they developed for the microfinance industry in Panama. This tool covers the entire life cycle of the loan, from the initial credit evaluation (with an incorporated decision engine that can be tailored by the institution), through loan management (with credit information updates) – and cross selling capabilities, and a collections module. The workflow management system incorporates a credit scoring platform specifically designed for microfinance, and a demographic score, for those customers without prior credit histories.

Equifax mentioned that their interest is to provide this tool (with localization for the El Salvador environment) to a local institution that could then make it available under an ASP (application service provider) model to MFI's. Equifax would remain as the provider of credit information (a necessary input for the system) but would not otherwise participate in the management or provision of the service, which is beyond their scope.

As an initial approximation, it would seem that the concerns regarding inadequate workflow expressed by FUNDAMICRO and the solution offered by Equifax could fit together. Equifax expressed that the system would have total cost of \$650,000, with a six month localization/implementation period. While the business plan for this investment needs to be further explored, such a cost, if amortized by its use by many MFI's under an ASP model, would seem reasonable.

In this context, the use of this tool should be further explored; including an evaluation of the tool itself as well as a cost benefit analysis. A preliminary assessment is that a local ASP already familiar with

⁹ Though Equifax claims to have information on 96% of the borrowing population of El Salvador, they also stated that 30% of the information they receive from certain non-regulated financial institutions, they cannot include in their credit database because of omissions or other inaccuracies. This means that though they may cover 96% of borrowers to some degree, they do not have all of the credit information about all of those individuals in order to give a complete picture of over-indebtedness.

supporting the MSME financial services sector¹⁰ could be the manager of the tool and provide it to microfinance institutions alongside the accounting package that it already makes available, integrating both, where possible, into a more robust management information system for MFI's.

Irregular data quality: A further issue that was brought up is that data, even when available, may not be fully comparable, due to different definitions, ways of handling the data, or data management issues. As mentioned before, some institutions have limited or inadequate workflow and data management systems, which could be impacting their ability to provide trustworthy and timely data. Equifax acknowledges that approximately 30% of the information it receives from micro-finance institutions does not pass its data verification tests and thus is not included in the database.

Lack of information on Income: In addition to the limited amount of information available in terms of the supply of credit, participants are unaware of developed third party independent income verification systems. Income data from the Tax Agency or the Pension system is not available to lenders. Income data is gathered by the lending agents themselves, and practices vary from lender to lender. The credit bureaus do not have employment data either, nor are credit histories used in employment qualification, as in some other countries.

Lack of Information on consumption habits and preferences of lower income individuals: Similar to what has happened in other countries in the region, credit options have grown exponentially for lower income individuals over the last ten years, and Regulators and lenders have been unable to keep up with the social changes in borrowing, consumption and saving habits. Beyond what individual lenders may be able to understand through their own efforts, nothing has been done on an aggregate basis in El Salvador to understand lower income borrowers and their income, consumption, saving and borrowing practices. Here again regulators acknowledge that they are working in an unknown environment.

Furthermore, there is the perception amongst participants that “loansharks” and market lenders still are significant providers of credit to lower income individuals and that their activities and participation are entirely unknown by the more formal sector, even the unregulated portion of it. Experience from other countries indicates that participants may be overestimating the importance of these types of informal personal lenders, but the reality is that El Salvador simply has no data or studies on the subject.

Asymmetry of Information: As has been detailed previously, what information exists in the country is held in silos (in separate entities), and these silos do not share information with each other. Of particular concern is the fact that both regulated and non-regulated lenders contribute information to the credit bureaus; but whereas regulated lenders may see information from all lenders, non-regulated lenders do not have access to information from regulated lenders, due to Bank Secrecy laws. Participants fully recognize that this can place non-regulated lenders, precisely those most prone to their borrowers becoming over-indebted, at a disadvantage. However, due to market segmentation, this may not be as large a disadvantage as perceived.

In countries where such asymmetries have existed, an unwelcome result has been that regulated lenders were motivated by the asymmetry to cut back lending to weaker borrowers, while non-regulated lenders (unknowingly) were increasing their exposure to those same borrowers with the effect that risk was passed from regulated lenders to unregulated lenders. Workshop participants acknowledged that with the slowdown in credit growth in the regulated financial sector due to the international economic crisis, and the growth of non-regulated lending during the same period, the same may be happening in El Salvador.

¹⁰ FUNDAMICRO, which is currently providing accounting ASP solutions to several NBFIs and MFIs in El Salvador, is an example of such a local ASP firm. They also expressed interest in managing this Equifax tool.

Participants felt that the bank secrecy laws that created the asymmetry of information may only be changed by law. When queried regarding if secondary regulations could lessen their impact, as has sometimes been done in other countries, the general feeling was that such a strategy would not work in El Salvador.

Bank secrecy laws also prevent the sharing of financial information between bureaus, a measure that would insure that bureaus do not compete on data sources, but on value added services and price, as they do with the aggregation of data by a bureau in order to make such aggregate data public. Making that data public would also be considered illegal. Furthermore, Equifax is leery of the extent of its database becoming public knowledge as it may be then subjected to unwelcome political attention.

Over-indebtedness already present: The general perception amongst conference participants and from the prior interviews is that over-indebtedness is already an issue in the country, particularly at the lower income segments. However, the lack of complete, aggregate, current information makes it impossible to validate the perception with data. Yet, as described earlier, there are some indicators that would back that perception. Amongst them are that Banks, who have a broader sense of the true financial situation of individuals (they can view the entire credit history of individuals), have not grown their credit portfolios overall (and have reduced it to lower income segments); while non-regulated lenders (particularly MFI's) have expanded aggressively.¹¹ Additionally both Equifax and FUNDAMICRO, who have a broader view of customers, agree that a large percentage of individuals (87% according to Equifax), have multiple credit facilities and lower income individuals (with less financial education) are not adept at handling multiple loans which would also indicate over-indebtedness. Finally data does indicate an increase in refinancing's (though not segmented by type of credit or borrower), generally an early indicator of over-indebtedness.

V. RECOMMENDATIONS AND ACTION PLAN

The key objective of this consultancy was to do a preliminary evaluation of the evidence for over-indebtedness in El Salvador, and based on such, develop a strategy for reducing systemic and institutional risks.

Based on the findings and recommendations the following action plan was developed and is included in Annex I, and is discussed in this section.

A. Database - integrating regulated and non-regulated lenders

As is evident from the findings presented above the first and foremost issue in El Salvador is the lack of validated, aggregate (regulated and non-regulated), continuous information; information that would provide the evidence on over-indebtedness and allow for specific measures to be adopted by regulators and lenders. Thus the first and foremost issue to be solved in El Salvador is information. However, given the perception that over-indebtedness is already, or quickly becoming, a pressing issue, any action plan must already incorporate measures to reduce systemic and institutional risks.

¹¹ The magazine MicroEnfoque which compiles Micro-credit data (loans under USD 3,000) from a large number of (mostly) un-regulated institutions (but still limited as a percentage of total loans) shows total loans growing from \$818 million in March 2011 to \$1 billion as of March 2012, a 22% annual growth rate while the economy grew at only 1.4% over the same period. Of more concern is that micro-consumer loans were increasing at an annualized rate of 26% and comprised 39% of total loans. In parallel total loans from the regulated financial sector decreased from peak of 9.3 billion in early 2008 to 8.3 billion in 2010 and for 2012 are growing at an annualized rate of 5.8%. As of September 2012 consumer loans comprised close to 30% of total loans and were growing at 4.8%.

In terms of creating such a database there are two potential candidates; the SSF and Equifax (the other credit bureau, INFORED, is too small). This consultant is agnostic in terms of who provides the information, so long as reliable (validated), aggregated, continuous, data covering both regulated and a non-regulated lenders is provided, in the shortest time frame possible.

The first possibility, and the one discussed at the conference was for the SSF to aggregate all the information on credit and publish on a monthly or quarterly basis a report detailing total loan portfolio by type of loan as well as by borrower type (socio-economic status). The SSF stated that it was the only entity that could/should do this because the simple solution of aggregating regulated and non-regulated lenders' information cannot be currently applied in El Salvador by credit bureaus given the legal obstacle that does not allow credit bureaus to share loan information from regulated institutions with non-regulated institutions, even when aggregated.

However, there are at least two major drawbacks to this solution: Firstly, the SSF does not currently have the mandate by law to collect credit information from non-regulated lenders. Second, the SSF does not currently have the personnel, equipment, software, or the fiscal capacity to acquire such, as necessary to manage such a comprehensive database.

The second possibility is for Equifax to aggregate the data from all institutions that report credit information to them and report this information to regulators and other interested parties. The credit bureau instead of just providing individual credit histories would thus provide aggregate data as a value added service for which they could be paid. This would allow for the data to be aggregated by a professional data administrator who has international experience and who already works with data providers to better the quality of data they provide. If at some future date, income or employment data could be built into the credit histories, the aggregate data could also be parsed by socio-economic status. Specific information, such as that provided by Equifax Brazil on aggregate NPLs (non-performing loans) by type of credit, would also serve as an indicator on over-indebtedness.

However this relatively simple solution is made difficult in El Salvador given the apparent legal obstacle that does not allow credit bureaus to share loan information from regulated institutions with non-regulated institutions, even when aggregated; as well as there is no clear indication as to the value added services that may be offered by bureaus¹². Additionally, EQUIFAX is leery of it the extent of its database becoming public knowledge due to the political ramifications of such, as is evidenced by the ongoing developments in Ecuador.¹³

Despite the difficulties inherent to each solution, there are a number of workarounds that could be applied to each in order to facilitate their application. However it would seem that it would be easiest and quicker for Equifax to provide the information with cover from the regulators in terms of the value added products it could offer.

This consultancy additionally recommends that early in 2013 a credit information coverage matrix be developed, showing the major existing debt databases, the type and format of such, and which data is subject to secrecy and thus cannot be included in publicly accessible databases. This matrix beyond graphically representing the available data and its location, would serve as an input for the working group (in order to build from already existing information – as opposed to creating a new format) and facilitate

¹² In terms of the legal aspect please refer to the issue raised under the *Asymmetry of Information finding in the previous section*.

¹³ Political concerns over the extensive information held by credit bureaus and risk ratings that make it difficult for certain people to obtain loans have led to a proposed new draft law that would eliminate private credit bureaus and obligate their data bases to be transferred to the state. The final outcome of the proposed legal reforms is still uncertain.

either the building of the new database at the SSF as discussed above, or expanded coverage by the Credit Bureaus with sharing of aggregate information.

B. Survey of financial habits and debt patterns for low income households

In parallel to the data collection effort mentioned above, we propose a *Household debt survey* to provide demand-side data in order to allow lenders and policymakers with:

1. Measurement of actual debt levels across different population segments and product types
2. Information on why household debt levels are increasing, and the primary uses of this debt in households;
3. The consequences of rising debt levels to a household (i.e. sacrifices in education, health, nutrition and other basic necessities as a result of rising debt levels.);
4. Links to demographic and behavioral information, in order to measure (beyond current household debt levels), characteristics and behaviors that lead to high consumer debt.

Such a survey would be similar to the one carried out by the Banco de la República in Colombia¹⁴, in order to understand consumption, savings, debt and income patterns and habits for lower income individuals along with socio-economic, demographic and financial education information.

As an initial source of information we propose that this be a survey (as opposed to a census) to be carried out in a statistically significant yet limited number of households in urban or semi-urban areas; as a way to limit costs. The survey itself should be carried out by a local professional market research firm.

The results of the survey would be made available to both, lenders and regulators, become a further component of the overall evidence base for over-indebtedness, and lay the ground work for further evaluation of the financial situation of the different demographic and income strata of society.

C. Credit Workflow application for MFI's

As detailed in the Findings above, Equifax is interested in providing a loan workflow tool for MFI's in the El Salvador market. As this tool could at first glance resolve the concerns FUNDAMICRO has regarding this issue, it would make sense for the project to broker the relationship between Equifax and an experienced local ASP in order for the tool to be made available to as many MFI's and NBFIs as possible under an ASP model.

In this context, the tools should be evaluated from both an IT and a Credit Operations viewpoint, and a business case be built working with a local organization, like FUNDAMICRO, including cost, benefits, distribution model, etc. Funding for such a purpose may be available from the MIF (multi-lateral investment fund) and an initial approach to determine feasibility should be made.

¹⁴ The Encuesta De Carga Financiera Y Educacion De Hogares En Bogota was carried out by the National Statistics Administration of Colombia with a sample of 4,423 homes in the city of Bogota. The survey was carried out in 2010 with the objective of i) finding out households by income level that use financial services; ii) Find out the real assets held by these households and the financing utilized to acquire them; iii) understand debt loads; iv) find out household level of financial education. The survey in turn was modeled on similar surveys carried out regularly in Chile, Italy and the USA. Results of the survey were used by the Banco de la República in its Financial Stability Report of September 2011 which sought to analyze the debt conditions and the determinants of the probability of default of Colombian Households.

Also not discussed at the conference but which should be part of the above plan is the drafting of a “preventing over-indebtedness “ best practices pointers in which the different associations listed above would be trained, and which they would be expected to train their affiliated lenders in.

D. Corporate Governance and Financial Education

Experience in other countries shows that lending institutions may contribute to over-indebtedness; this can happen when institutions promote portfolio growth over sustainability, misalign incentives to loan officers, do not have adequate management information systems (including loan workflow and management systems), have weak risk management practices, and do not have institutionalized ways of handling management or operational conflicts. All of which are signs of weak corporate governance. Another issue that may contribute to over-indebtedness is lack of financial education, which can be present both at the loan officer level as well as the client level.

Generally, creating a corporate governance and financial education program for MFI’s and other institutions serving lower income segments would be long term project in itself; however, El Salvador has the advantage of having various associations which can carry on most of the work. Additionally, the Central American region already has very good corporate governance and financial education projects,¹⁵ with adequate materials and programs. Leveraging on both, a series of continuing education programs can be designed for the associations to deliver to their members, under a “train the trainer” exercise, in which personnel from the associations would be trained, and receive materials, so that they in turn can train their members.

Such an effort would be an organized program with plans, dates, methodologies, training materials, events and follow up. But it would leverage on both existing projects in Central America for materials and methodologies and on the associations for delivery, substantially reducing the implementation cost.

E. Financial Consumer Protection

Debtors are at the end of the day the party most responsible for controlling their own over-indebtedness. However in order to be able to do this, they must have the tools to do it. Part of those tools is financial education, but a much larger part is information; information on the products, their full cost, and characteristics that they are being offered.

Working with the SSF and the Central Reserve Bank, a review (or draft as the case may be) of financial consumer protection regulations should be undertaken in order to determine whether customer’s rights are being adequately protected. Such consumer protection laws should include the right to choose between different products and providers and the right to be informed, prior to disbursement of a loan, of the total financial cost, financial impact, and characteristics of such loan. The Colombian survey, mentioned previously, showed that customers were much more inclined to refuse additional loans when they were able to add the total interest cost of the loans outstanding and compare them to the cost of the assets they were purchasing. That is to understand the difference in the cost of a product, when paid in cash, as opposed to when financed, and to add the periodic payments on their outstanding loans and compare them with their income.

¹⁵ An example of which is the PROMIFIN-COSUDE project in Nicaragua.

F. Asymmetry of Credit Information

Regulators and legislators need to be made aware of the impact that the lack of information can have on the non-regulated financial sector, the potential for shedding of risks from one group of institutions to another, and the potential political fallout from weaker institutions going under from unknown credit risks. Therefore we recommend that there be coordination with the World Bank and the IDB in order to promote the reform the Bank Secrecy laws in order to allow for the sharing of credit information across the board.

This issue has already been raised in the 2011 El Salvador Financial Sector Assessment Program, carried out by the World Bank. Thus, following WB protocol this issue would have been discussed with Monetary and Banking authorities. So the effort would simply be to continue reminding authorities of the impacts, and to coordinate with the WB and IDB so that they also continue to inform authorities.

IV. CONCLUSION

The established objective of the IAFS project regarding over-indebtedness is to promote and support the establishment of a system for evaluating the evidence base in El Salvador on a recurring basis and develop a strategy based on that evidence for reducing systemic and institutional risks. The evidence base can only be built through information; information that at this juncture is dispersed and not aggregated. Thus an information system must be made available so that on a recurring basis information is gathered, validated, aggregated and distributed to all. Only through information, and its use, will systemic and institutional risks regarding over-indebtedness be reduced.

Not enough emphasis can be placed on the fact that the overarching issue in El Salvador at this juncture is one of insufficient information. Aggregate information provided to all parties on the overall credit environment, segmented by type of loan and household income level. Information must be made available to lenders, so that they know the financial situation and practices of their borrowers, both at a macro level, but also on a per customer basis, and not only at the inception of the loan, but throughout the life of the loan. In some cases lenders must also be aided in obtaining the software to track that information, and in corporate governance practices to best use that information. At a third, but just as important level, consumers must have the information on the financial products they are receiving, and education to use such data; information that is best mandated through adequate financial consumer protection regulations.

The work plan presented above, in the various steps, is recommended to close the information gap currently present in the country and empowering institutions and their clients to reduce risk via information. The Action Plan presented in Annex 1 provides the details and timeline of what was agreed upon by the key stakeholders attending the workshop on November 21, 2012.

ANNEX I: RECOMMENDED ACTION PLAN

Objective: Evaluate over-indebtedness in El Salvador on a recurring basis, and develop a strategy for reducing systemic and institutional risks.

Action Steps	Responsibilities	Timeline	Resources	Potential Barriers	Communications Plan
1: Database integrating regulated and non-regulated lenders.	IAFS project to build matrix of existing information of databases.	4/30/13 SSF resolution on credit bureau value added products 5/30/13 Initial reports to be issued.		In order to avoid providing information on regulated institutions to unregulated ones, only information from unregulated institutions could be provided, rendering the whole exercise less effective. Not enough regulatory “cover” may be provided to EQUIFAX who then abstains from producing the reports.	If possible the SSF jointly with the Central Bank should publically communicate concern regarding over-indebtedness and the need for all institutions to have aggregate data on a regular basis regarding credit growth by segment. The risks of over-indebtedness should be clearly spelled out, along with the benefits of having information in order to ensure participation by all associations.
2: Survey of financial habits and debt patterns for low income households.	IAFS project as part of gathering the evidence base of over-indebtedness.	9/30/2013 for survey findings to be presented to regulators and the market. Surveys should be carried out in May and June	A preliminary design of the survey should be carried out by the project early in 2013 based on survey companies being contacted to determine the cost. Surveys would only be for urban and	The biggest potential barrier is cost. A limited survey such as the one proposed using local professional resources should stay within very reasonable levels, but a budget needs to be prepared and	A survey of this nature would be the first of its kind in Central America and provide information that is currently not available. The knowledge base and goodwill such a survey will provide to USAID and the IAFS project needs to be

		2013.	semi-urban households in and around San Salvador.	financial resources identified to cover those costs.	communicated, as the results when available.
3: Credit Workflow application for MFI's	FUNDAMICRO has offered to help with support from the IAFS project.	TBD	Resources from the MIF and other such donors should be explored.	The biggest barrier is not finding the funds to help one or more local ASPs with the acquisition of the tool.	When the transaction is finalized both parties should make the arrangement public with information on the benefits to MFI's.
4: Corporate Governance and Financial Education	IAFS Project along with the associations (<i>ASOMI, FEDECACES, FUNDAMICRO, FEDECREDITO</i>)	By June 2013 have established cooperation agreements with other corporate governance financial education programs in the region.	IAFS project resources, along with resources from the programs contacted for the consulting and setting up. Association resources for carrying on the training to their own members.	The biggest obstacle would be not being able to leverage existing projects and programs in the region. The cost and time of establishing a new project and program would push such an effort far into the future.	IAFS project along with associations.
5: Review of Financial Consumer Protection regulations	IAFS Project along with SSF	Second quarter 2013.	IAFS project resources.	Identify a consumer protection consultant to work with the SSF on review of regulations and propose changes that may be needed.	IAFS project along with SSF
6: Asymmetry of Credit Information	IAFS project along with World Bank and IDB.	Ongoing until reform the law is approved.	None required beyond time and commitment by the Project and USAID	Time and lack of understanding of importance by authorities.	IAFS, WB, IDB

ANNEX II: MEETING LOG AND FINDINGS

Date	Institution	Contact	Findings
11/15/2012	ASOMI - Association of Microfinance Organizations	Roxana Duran - Executive director	<ul style="list-style-type: none"> • There is no aggregate data on credit. • All institutions are very jealous of sharing data. • Over-indebtedness is an issue, people with loans from MFI's, credit card from bank, and other loans are common.
	FUNDAMICRO - Foundation of Microfinance training	Francisco Lopez - General Manager	<ul style="list-style-type: none"> • They offer an accounting package as an ASP. • Some MFI's only lend to clients that already have loans in order to "piggy back" on credit analysis performed by another institution. • There is a high degree of "repeat" clients showing up in accounting package across the various MFI's. • Workflow and corporate governance is very weak in many institutions. • Believe some MFI's are very cavalier regarding NPL as impact only hits donors. • They have noticed sharp increases in total loan portfolio growth at many unregulated institutions with no growth in the number of clients.

11/16/2012	EQUIFAX - Private Credit Bureau	Juan Carlos Lima - General Manager	<ul style="list-style-type: none"> • There is really not a lack of information; rather that information is stored in silos, with jealous guarding, no sharing, and no understanding of the value of the information. • Regulated financial institutions get the whole credit picture, unregulated get only a small part of the credit history. • Equifax has limited ability to use and make public information. • A system that integrates, stores, uses and makes public data from all sources is not available. Many MFI's do not have capacity to use loan management information due to lack of systems. • Class C already shows over-indebtedness. • Banks made a big effort to reduce risk with lower income in 2008 - 2010.
	INFORED - Specialized Credit Bureau	Carlos Villalta - General Manager	<ul style="list-style-type: none"> • New entities providing credit are propping up all the time. Difficult keep track with growth. • Not able to provide codified information as they do not have table of economic activity. • Think there may be over-indebtedness but we do not have sectors identified.

11/19/2012	FEDECACES - Federation of Financial Cooperatives	Hector Cordova - Corporate manager	<ul style="list-style-type: none"> • There are 330 coops that incorporate savings and loan. 70 are strictly financial, and 31 are affiliated. The rest do not have supervision. • There have been no crises in coops in over 50 years, though some small coops have gone under. • Coops know clients better than anyone else plus have customer deposit base which insures customer loyalty. • Of the 31 affiliated coops, 28 use credit bureau. Risk tools provided are superior to those the SSF uses on regulated institutions. • Provide software to 15 coops. • Coops increased lending by 20% per annum as banks were retrenching, but now the effort is at reducing risks.
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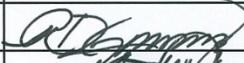
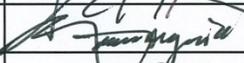
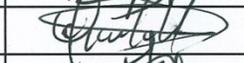
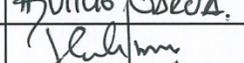
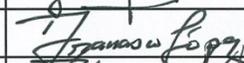
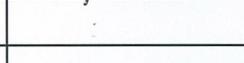
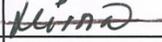
ANNEX III. CONFERENCE PARTICIPANT LIST

Proyecto de USAID para Mejorar el Acceso a Servicios Financieros

AID-519-C-12-00001

OVER INDEBTEDNESS CONFERENCE

November 21, 2012

	PARTICIPANTE	INSTITUCIÓN	FIRMA
1	Roxana Durán de Ayala	ASOMI	
2	Julia Marta Zepeda	ASOMI	
3	Lorena Dueñas	SSF	
4	Silvia Arias	SSF	
5	Hilda Morena Segovia	SSF	
6	Héctor David Córdova Arteaga	FEDECACES	
7	Raúl Eduardo Mauricio	FEDECACES	
8	Carlos Edwin Villalta	INFORED	
9	Ana Argentina Aguilar de Quintanilla	INFORED	
10	Estela Cañas	UCA	
11	Rutilio García	UCA	
12	Juan Carlos Lima	EQUIPAX	
13	Francisco López	FUNDAMICRO	
14	Fernando Vega	FEDECREDITO	
15	Félix Cárcamo	INSAFOCOOP	
16	Irina Cisneros	BCR	
17	Juan Carlos Sanchez	BCR	
18	Otto Boris Rodríguez	BCR	
19	José Mantilla	Consultor	
20	Blanca Mirna Benavides	ALPIMED	
21	Sandra Duarte	Project Manager USAID	
22	William Tucker		
23	Francisco Hernandez		
24			
25			

**ANNEX IV. STAKEHOLDER EVENT POWER POINT
PRESENTATION**

Sobreendeudamiento de los hogares

San Salvador, El Salvador
21 de Noviembre de 2012

Jose E. Mantilla

Objetivo

1. Conocer experiencias de otros países sobre el tema de sobre endeudamiento
2. Entender si la temática es relevante para el momento actual del Salvador
3. De ser así, determinar un plan de acción
 - Regulación
 - Encuestas
 - Estudios
 - Alerta temprana

Jose E. Mantilla

Deuda de los Hogares

- Las empresas han sido consideradas tradicionalmente como los principales agentes deudores del sistema financiero.
 - De allí que el tema de riesgo de crédito y endeudamiento se han enfocado en el análisis del sector empresarial, de la cartera comercial y de la cartera global.
- No obstante la creciente participación de los hogares dentro de la cartera total del sistema financiero –y el impacto de las crisis de hipotecas de los EEUU, ha motivado el ampliar la visión reguladora.
 - Deuda de los hogares en algunos países ya asciende a más del 40 % de la cartera total.
 - Comportamiento de los hogares es generalmente desconocido a nivel de reguladores – y muchas veces de la propia banca.
- El crecimiento de sectores “no tradicionales” (consumo, pyme, micro) va a continuar.
 - Empresas tienen cada vez más alternativas de financiamiento (particularmente las empresas de la “banca corporativa”).

Jose E. Mantilla

Endeudamiento

- El endeudamiento permite realizar inversiones y acceder al consumo intertemporal.
 - Apalancamiento permite aumentar el consumo, bienestar, capacidad de inversión, en general dinamiza la economía.
 - En tanto y en cuanto:
 - Estructura guarda relación con ingresos y flujo de caja
 - Coherencia en relación deuda patrimonio

- Micro empresarial – alivia pobreza extrema
- PYME – fuerte impacto en la generación de empleo
- Consumo Hogares – dinamiza la economía y genera bienestar familiar

Jose E. Mantilla

- El apalancamiento beneficioso se convierte en sobreendeudamiento cuando:
 - Deudor contrae una serie de obligaciones crediticias que superan su capacidad de cubrirlas y mantener su actividad.
 - Las relaciones se rompen:
 - Servicio de la deuda supera el rango de 28% al 45% de su ingreso.
 - Relación Deuda Patrimonio
 - Varía de acuerdo a capacidad generar ingresos y nivel económico:
 - Atraso 30 días en cierto grupo no es de preocupación – en otro 30 días significa que es incobrable.
 - Crédito con varias entidades en cierto grupo es clara señal de sobre endeudamiento – en otros es “buena practica”

Jose E. Mantilla

- La mora no necesariamente es un indicador de sobre endeudamiento.
 - Mora puede ser ocasionada por un hecho distinto a la capacidad de pago “normal”.
 - Evento macro- económico, evento externo (reducción de liquidez)
 - Pérdida del trabajo, muerte, enfermedad, accidente
 - Falta de “voluntad de pago” que es muy diferente a “capacidad de pago”.

Jose E. Mantilla

Debe el sobreendeudamiento ser monitoreado? Ello en virtud de que:

• Mercado maneja toda la información
• Agentes actúan en función de rentabilidad/riesgo
• Capitalización del sistema financiero es adecuada

Importancia de la administración del crédito:

- Al iniciar la relación crediticia?
- O durante el ciclo de vida del crédito?
- Contagio – varias relaciones con mora selectiva

Típos de Deudor:

Solido: Ingresos permiten cubrir Intereses y amortizar capital de la deuda.

Especulativo/ Riesgoso: Ingresos permiten cubrir intereses de la deuda, no obstante la amortización debe ser cubierta de nuevos créditos.

Sin capacidad de pago: Agente debe recurrir a nuevos créditos a fin de cubrir intereses y amortización de la deuda existente.

Fuentes de Pago Deuda:

- Flujo de caja
- Venta de Activos
- Otro tonto

Jose E. Mantilla

- A la largo de la historia, toda crisis financiera ha tenido como fondo:
 - Exceso de Crédito – Sobreendeudamiento
 - Los eventos y por menores nunca son similares... Pero en el fondo:
 - Ciertos activos se vuelven “deseables”
 - Hay sentimiento de “riqueza”
 - Agentes económicos **aumentan sus pasivos** para obtener dichos activos
 - Activos aumentan de precio
 - Ciclo se crea
 - Ciclo se “rompe” por algún evento endógeno o exógeno
 - Pánico
- En los hogares los activos pueden ser bienes de consumo o bienes raíces.

Jose E. Mantilla

- Bolivia – Microcrédito
- India – Microcrédito
- Chile – La Polar - Consumo
- USA - Hipotecas

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Bolivia

Con 60 rehenes de por medio, 600 deudores ocuparon las instalaciones del Banco Sol, exigiendo que se deje de cobrar "interés sobre interés". - 2 de julio de 2001: toma de la Superintendencia de Bancos con dinamita



Jose E. Mantilla

En contexto de bajo crecimiento económico:

- Micro finanzas creció fuertemente – pero en 40% de los casos con clientes que ya tenían crédito de consumo o micro en bancos.
- Entidades no reguladas no tenían acceso (vía buro) a información del sector regulado – operaban a ciegas.
- Poca capacidad seguimiento cartera previo a mora.
- Cartera se degenera rápidamente
- IMF entran en fuerte proceso de refinanciamiento y reprogramación deudas.

La Polar Chile



Almacenes La Polar: Protagonista del mayor escándalo financiero del último tiempo en Chile

Jose E. Mantilla

La Polar unilateralmente repactó las deudas de 419,000 clientes morosos entre el 2005 y 2011.

- Cartera se mantuvo “sana” con menores provisiones, y registro de mayores ingresos.
- Costos de mora e intereses eran capitalizados e refinanciados sin consentimiento de los clientes.
- Clientes que se quejaban sufrían acción judicial por mora, embargo de bienes, información negativa a DICOM (con impacto en el trabajo y capacidad de conseguir empleo).
- Costo: 428 millones de dólares entre empresa, clientes y financieras.

Andhra Pradesh – India



Sobre Endeudamiento a nivel de Microfinanzas en la India lleva a suicidios y legislación que afecta industria.

Jose E. Mantilla

- Estado es sede de las que fueron las cuatro IMF más grandes del país, así como de un programa (estatal) que promueve grupos de autoayuda (GAA) y los vincula con instituciones financieras formales.
- 17 millones de clientes en las GAA y 6 millones.
- 83 % de los clientes habían obtenido préstamos de más de una fuente, y muchos de ellos tenían cuatro o más préstamos al mismo tiempo.
- Deuda promedio era 10 veces superior al ingreso.

Hipotecas USA

Precio de las casas se incremento en 124% entre 1997 y 2006.

- Propietarios refinanciaron hipotecas a tasas más bajas e aumentaron saldos a fin de aumentar el consumo. Saldo de deuda total de los hogares subió al 130% del ingreso en el 2007.
- Créditos "Subprime" pasan del 9% cartera en 1996 al 20% en 2007.
- Nuevos productos de crédito: no-doc, ARM, interest only etc.



Consecuencias:

- Caída bienestar, consumo, empleo.
- Quiebra de instituciones financieras
- Fuerte proceso de reducción pasivos por parte consumidores
- Crisis Global – lazos entre mercados eran desconocidos o poco entendidos.

Burbuja especulativa en el segmento bienes raíces residencial.

- Tasas de Interés Bajas
- Nuevos tipos de instituciones de crédito poco reguladas
- Créditos otorgados en base a la garantía (activo sólido) y no capacidad de pago.

Jose E. Mantilla

Impactos del Sobreendeudamiento

- Consecuencias psicológicas y sociales en los deudores.
 - Suicidios, depresión, actos de violencia, cambio de hábitos, menor consumo, caída del bienestar, reducción de pasivos, venta de activos
- Afecta el desarrollo del sector financiero
 - Quebranta la relación de confianza entre acreedor y deudor.
 - Afecta cartera (mora, provisiones, castigos) con eventuales pérdidas o quiebras.
- Impactos a lo largo de la cadena productiva y en otras instituciones – difícil de prever exactamente cuales.
- Cambios regulatorios, institucionales.
- Justos pagan por pecadores (impacto al desarrollo del sistema y de la inclusión financiera).

Jose E. Mantilla

Respuestas: Colombia

- Colombia desde hace algún tiempo ya analiza el endeudamiento de los hogares como parte de las actividades de monitoreo del sistema financiero.
 - No obstante el uso exclusivo de datos agregados dificulta la construcción de perfiles de riesgo asociados a cada hogar.
- En un esfuerzo para obtener información financiera de los hogares, Colombia llevo a cabo la Encuesta de Educación y Carga Financiera (IEfC).
 - Recogió información acerca de las obligaciones financieras que los hogares han adquirido y el grado de educación financiera que posee el jefe de hogar, así como datos demográficos y socioeconómicos de utilidad a la hora de asignar un perfil de riesgo.
 - Arrojo datos interesantes respecto de cómo escolaridad, educación financiera, estado civil, relación edad/deuda, refinanciamiento de pasivos, y nivel socioeconómico impactan la situación financiera de los hogares.

Jose E. Mantilla

Respuestas: Perú

- BCR (11/11) indica que servicio de deudas representa el 40% de los ingresos de los hogares y las deudas representan 5.7 veces el ingreso.
- Superintendencia de Bancos y AFP de forma proactiva genero:
 - Estrategias y “buenas practicas” que las instituciones financieras que operan en crédito de consumo y pyme deben seguir.
 - Practicas de evaluación de cartera diferenciada que las Instituciones deben realizar para prestamos inferiores a los USD 5000.
 - Mora, refinanciamientos y reprogramaciones, crecimiento vis a vis resto de la cartera
- Sanciones en casos que la las Instituciones no hayan monitoreado adecuadamente la cartera de hogares.
 - Provisiones adicionales
 - Medidas correctivas

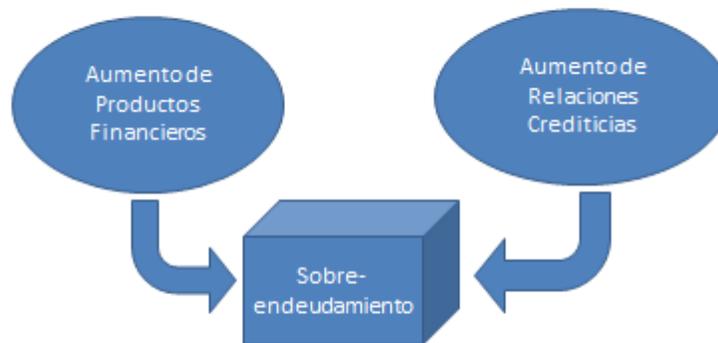
Jose E. Mantilla

Respuestas: México

- Se está realizando un estudio que utiliza información de la cartera total devengada de un buro de crédito con encuestas a hogares con altos índices de endeudamiento (identificados por el buro).
 - Enfoca clientes que tienen tanto deuda de consumo como deuda de micro finanzas.
 - Busca entender dinámica de endeudamiento de los estratos económicos menos favorecidos y causales de sobreendeudamiento.
 - Identifica rasgos personales y financieros.

Jose E. Mantilla

Lecciones – A nivel de hogares



- Incremento en la cantidad de créditos sin aumento en el ingreso productivo
- Incremento en los esquemas de financiación por parte de **entidades no financieras**
 - Empresas de servicios, electrodomésticos, almacenes, tarjetas, seguros, protección exequias, etc.
- Distintos niveles socio-económicos manejan diferentes realidades
- Ahorro programado reduce riesgos

Jose E. Mantilla



Lecciones - Instituciones

- Conoce tu cliente!
 - La administración (monitoreo) de la cartera es tanto o más importante que la colocación inicial.
 - Asegurar calidad de los servicios de evaluación de capacidad financiera que realiza el oficial de crédito – índices de sobreendeudamiento
 - Entender relación entre clientes exclusivos y clientes compartidos
 - Manejo de una relación global (activo-pasivo) es importante
- Entender diferencias entre tipos de clientes y evitar productos homogéneos para todos los clientes.
 - Plazos, tasas, amortización, pueden variar de acuerdo al tipo de cliente
- Educación financiera a nivel de productos y sus costos
 - Conocimientos financieros básicos no son suficientes
- Administración debe prestar atención particular a reprogramación, refinanciación de créditos
- No deben privilegiarse metas de crecimiento/participación sobre el endeudamiento responsable
- Las ausencias o debilidades en tecnología y administración datos se pagan caro

Jose E. Mantilla

- Buros de crédito son VITALES !!! Pero por si solos no suficientes
 - Información macro de carteras, tendencias y segmentos de clientes deben ser aprovechadas
- Asimetría de información entre los distintos acreedores es semilla de problemas
- Importante entender diferencias entre hogares y mipymes
- Protección al consumidor financiero es de suma importancia
 - **Derecho a escoger**, entre diferentes productos y proveedores y eventualmente a "arrepentirse".
 - **Derecho a ser informado** con antelación y de forma entendible, respecto de tasas, costos, impactos financieros, características de los productos y de poder usar esa información para la toma de decisiones
- Regulación proactiva e diferenciada
 - Micro y Macro-prudencial

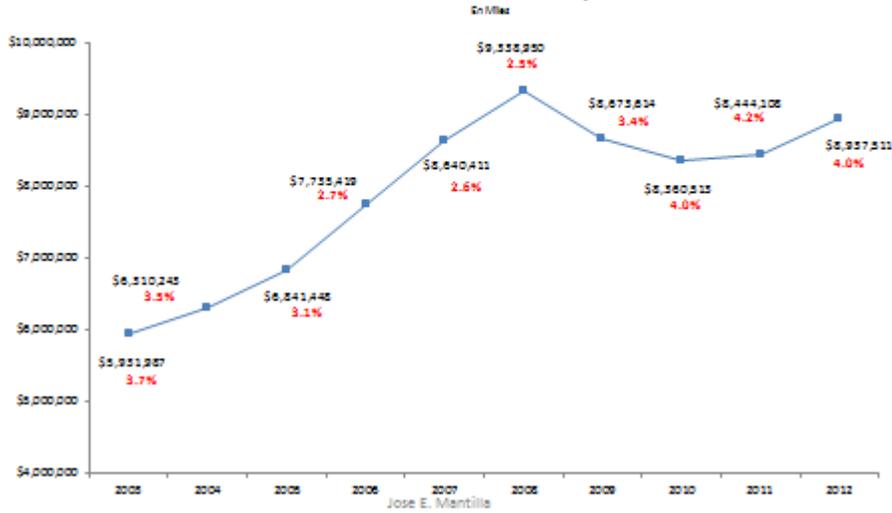
Jose E. Mantilla

Es el tema relevante para El Salvador?

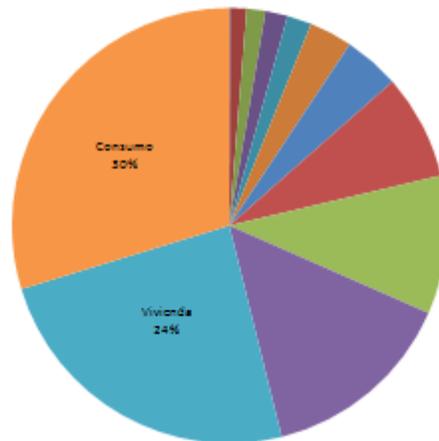
1. Algunas estadísticas
2. Discusión

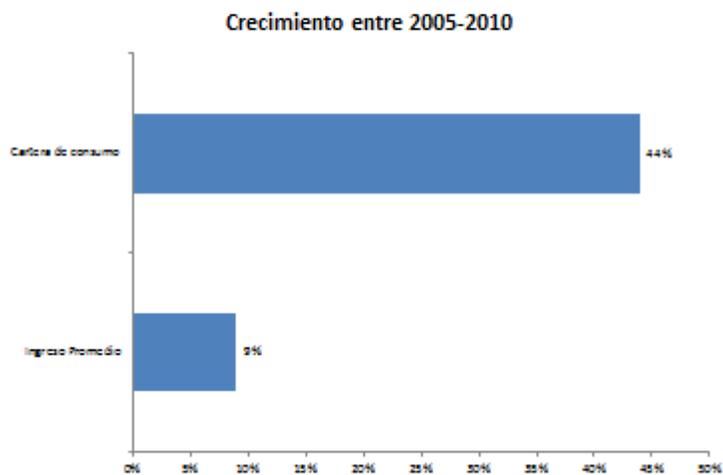
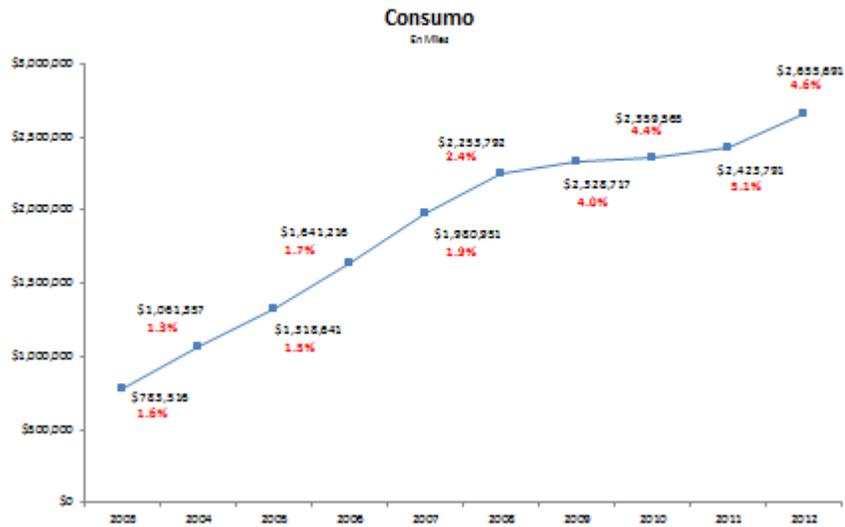
Jose E. Mantilla

Cartera Total Instituciones Supervisadas



Composición de la cartera de Créditos Instituciones Reguladas Septiembre 2012





Para Discusion

- Las estadísticas del país parecerían indicar que el crecimiento del crédito supera el crecimiento en ingresos. Debería esto preocuparnos?
- El Salvador al igual que otros países, ha tenido un crecimiento fuerte en las alternativas de financiamiento que los hogares tienen. Quien realiza el seguimiento (o tiene información) de cómo los hogares esta administrando esto? Por segmento?
- Tenemos ya, o podemos construir perfiles de crédito por nivel socio- económico?
- Otros países (Colombia, México) han optado por encuestas de hogares, algo así sería valido para la realidad actual del país?
- El ahorro programado disminuye el riesgo. Es esta una practica común en el país? Nos debería preocupar esto en aquellas instituciones que no lo pueden hacer?

Jose E. Mantilla

Para Discusion

- En los distintos tipos de instituciones de crédito que tiene el país, que tanta importancia se le da al seguimiento (administración o monitoreo) de crédito?
 - Que tipo de institución es mas débil en esta área?
 - Tenemos normas solidas y buenas practicas de “conoce tu cliente”
 - Hay debilidades en tecnología y administración de datos para el seguimiento de cartera? Que podemos hacer al respecto (si la hay)?
- En otros países instituciones han tenido problemas cuando:
 1. Los incentivos han estado enfocados al crecimiento y no a la sustentabilidad.
 2. Los oficiales de crédito han sido responsables por el ciclo de vida total del crédito (con incentivo a esconder la cartera en problemas)
 - Es esto un problema en El Salvador?
- La reprogramación o refinanciación de crédito creciente en el país debería preocuparnos?
- Las instituciones manejan datos de sus clientes exclusivos versus compartidos y el seguimiento contempla las diferencias que esto puede generar?

Jose E. Mantilla

- El Salvador debe sentirse orgulloso de los sistemas de información crediticia con los que cuenta. Pero, les estamos “sacando el jugo” o podríamos usar la información de mejor forma?
- El país tiene un problema de asimetría de información, que ha sido la semilla de crisis en otras latitudes... que se puede hacer a corto y mediano plazo?
- Las autoridades hacen seguimiento al sobreendeudamiento? La regulación es proactiva y diferenciada por segmento (consumo, micro, pyme, estrato social)?
- La normativa de protección al consumidor financiero es suficientemente sólida?
 - Protege los derechos de escoger y de información de forma adecuada?
 - La institución encargada tiene la autoridad, conocimiento y instrumentos necesarios?

Jose E. Mantilla