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SEMI-ANNUAL PROGRESS REPORT
FOR THE PERIOD OF FEBRUARY
THROUGH JULY 1978
AID/otr-G-1583 (Peru)

Purpose

The purpose of this report is to comply with the Reporting Requirements of the FCH Global OPG, AID/otr-G-1583, which states that, "The Grantee will submit semi-annual progress reports for each project during the period of the grant...."

Background

The Global OPG was obligated on 31 August 1977. In accordance with the Program Description of the Grant Agreement, FCH entered into an Agreement with the National Housing Bank of Peru (BVP), the Peruvian Government's Ministry of Foreign Relations and AID on 3 February 1978.

The FCH Resident Technician for the Peru project, Mr. Mahlon Barash, was employed on 6 February 1978 and after approximately four weeks of orientation in Washington arrived in Lima, Peru, on 13 March 1978 with his family to begin his eighteen month assignment. Mr. Barash is providing assistance to the BVP with the planning, programming, implementation and evaluation of a home improvement loan program financed with funds from an AID HG loan.

The following report was compiled from reports prepared by the FCH Resident Technician.

Program Status

The BVP is most interested in developing a home improvement loan program through the savings and loan system (mutuales) for low income families with both its own funds and those of the mutuales. Although in the past mutuales were able to make such loans in accordance with existing BVP regulations and did make them with their own funds, the BVP has identified the need and potential for an expanded home improvement loan program specifically oriented towards poor urban families. The BVP intends to utilize funds from an AID HG loan to initiate its efforts with this type of program.

An important action undertaken by the BVP during the reporting period was the preparation of the general regulations for home improvement loans with the mutuales' own resources and/or those of the BVP. The regulations will be presented to and approved by the Board of Directors of the BVP after which the BVP intends to announce its AID HG loan funded home improvement loan program to the mutuales. The regulations for the use of the AID HG funds will be different from the general regulations although similar in many aspects.

With the current cost (interest plus commission and insurance) of housing loans at 36.25%, the prospect for home improvement loans as an alternative to mortgages for new houses seems greater than ever before. Particularly low income families can less than ever qualify for mortgages. Home improvement loans of small amounts in accordance with their capacity to

pay seems to be the only viable alternative for reasonably decent housing.

Project Status

The FCH Resident Technician is working with the Unit of Assistance to the General Manager of the BVP.

During the reporting period, a questionnaire was developed that was used to survey seven mutuales in Lima to find out their experience and interest in home improvement loans for low income families, to identify problems that might occur with such a program, etc. The responses to the questionnaire provided the BVP with an indication as to how the mutuales see such a program. Visits were made by BVP staff and the FCH Resident Technician to other public and private agencies working in low income areas to learn of their programs and of problems and issues that they have encountered. Visits were also made to several pueblos jovenes to observe what improvement activity has been initiated and learn of the needs of the people.

The FCH Resident Technician had an opportunity to review and present observations on the final draft of the general regulations for home improvement loans prepared by the BVP.

As required by the OPG Agreement, a work plan and format for reports were prepared by the FCH Resident Technician and presented to the BVP for its approval. The format was also presented to AID. The Technician has recommended that the reports be quarterly rather than monthly to allow more time for work on the program.

As the result of the BVP deciding to announce and open up its home improvement loan program to all the mutuales, the role of the FCH Resident Technician will be slightly modified from that in the OPG Agreement. Instead of assisting the BVP develop model forms, criteria and procedures for such a program and then selecting a mutual to assist in their use, a mutual will be selected to receive the assistance of the FCH Resident Technician in improving and developing procedures for home improvement loans to poor families. The forms, procedures, etc., developed could serve as prototypes for the other mutuales.

The FCH Resident Technician collaborated with the BVP on the planning and programming of a workshop on home improvement loans for low income families that is one of the OPG activities. Two guest speakers from other countries with experience in home improvement loans for low income families will present papers and serve as resource people for the workshop. The BVP will invite "working level" officials from each mutual to participate in the workshop, which will last three days.

The FCH Resident Technician assisted the BVP on the preparation of an Operating Agreement that will be signed by the BVP and each mutual that will participate in the (AID funded) home improvement loan program. In addition, the Technician assisted the BVP prepare a loan contract that will be signed by the BVP and each participating mutual for a specific loan amount. Disbursements of each approved loan will be made in accordance with this contract.

The BVP will use the workshop as a vehicle to announce the AID funded program and to present the above mentioned model documents to the mutuales as well as the regulations for home improvement loans.