

**THE URBAN INSTITUTE**  
**SEMI-ANNUAL SUBSTANTIVE REPORT**  
A.I.D. Contract No. EUR-0034-C-00-2033-00  
U.I. Project No. 6251  
Period of Performance: 3/31/92 to 3/30/95  
Period Covered: 3/31/92 to 10/31/92

**RFS 1 (UI): Local Government Housing Strategy/Housing Finance Issues - Hungary (11/30/92)**

Work begun under this RFS includes Technical Assistance to the city of Szolnok and District VII in Budapest (continue under RFSs 10 and 11), and to the Division of Rehabilitation of the city of Budapest. Legal assistance was provided by consultant Ken Baar to the Ministry of Justice which has requested information about eviction and rent control practices in the West, and to the Ministry of Environment which is preparing the concept paper for the new Planning Act. Other work under this RFS includes on-going monitoring of legal developments and development of possible new projects.

**RFS 2 (UI/FNMA): Bulgarian Shelter Sector (8/31/92)**

The RFS included a series of activities to develop work begun under the past contract: 1) development and refinement of the six-month work program; 2) expert review of housing finance proposals; 3) development of a survey instrument for monitoring housing markets in Bulgaria; and, 4) training of a Bulgarian Housing Policy Analyst in advance data analysis techniques.

**RFS 3 (UI): Management Services for Housing Finance (3/31/93)**

On-going management of contract. A revised budget is being processed to include Jeff Telgarsky as the Project Deputy Director. A notification of Mr. Telgarsky's new role has been submitted to the USAID Contract Office.

**RFS 4 (UI): Program Development - Eastern Europe (3/31/93)**

Caryl Ersenkai is assisting in housing and urban program development for Eastern Europe in the areas of evaluation/indicator development, training and housing finance. She was in Poland during part of May and June to assess training programs relating to local governments.

**RFS 5 (FNMA): Development of Lender Guides for Poland Housing Finance Program (6/15/92)**

Fannie Mae staff and consultants produced first drafts of a Construction Lending Guide and a Mortgage Lending Guide.

**RFS 6 (FNMA): HG Program Implementation Plan/Initial Fieldwork Financial Sector (6/15/92)**

Beth Marcus produced a program implementation plan and technical assistance proposal for the Poland Housing Guaranty Program.

**RFS 7 (UI): Policy/Legal Development, Housing and Infrastructure Finance, and Housing Allowances Program (8/31/92)**

Work was completed under this RFS in July 1992. This work entailed completing the Housing Finance Conference in Prague and reports on housing finance work program concepts, the legislative agenda, characteristics of the Slovak cities, housing allowance program administration.

**RFS 8 (FNMA): Housing and Infrastructure Finance Conference (6/15/92)**

Beth Marcus organized and presented the one-day Housing Finance Session that was part of a two-day program on finance for Czechoslovakia.

**RFS 9 (UI): Bulgarian Shelter Sector - Resident Advisor (5/15/93)**

Establishment of a Resident Advisor in Sofia. The advisor, Mike Hoffman, is working in the areas of program design, program management and coordination. He will undertake technical work on program activities as appropriate.

**RFS 10 (UI): Privatization/Management of Social Housing: Technical Assistance to the City of Szolnok (10/31/92)**

Recommendations for a new housing strategy was submitted to the City Government in early September. Although the document's short-term focus is the rental sector which the city views as the most urgent problem, the document stresses the importance of addressing the housing sector as a whole and establishing ways to encourage private development, assist those in owner-occupied housing, and integrate the public and private rental sectors. The primary short-term recommendations include: 1) raising rents; 2) implementing a housing allowance system; 3) introducing competition into the management of municipal stocks; 4) changing terms of privatization; and 5) instituting a new and rigorous arrears policy. The effects of these new policies were modeled using the results from a household survey undertaken in June. The Szolnok City Council approved the recommendations submitted by the USAID team as the basis for the City's housing strategy. This is the first vote in Hungary by a local government in favor of raising rents and implementing a housing allowance.

Working groups of municipal staff and USAID consultants have been formed to work intensively on the regulations needed for implementation. In addition, consultant Toni Baar has begun an

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asset management training program for twelve municipal staff members, as preparation for the pilot management project which is expected to request bids for 100 municipal units by mid-December.

**RFS 11 (UI): Privatization and Rehabilitation: Technical Assistance to Budapest District VII (10/31/92)**

Assistance was provided to the government of District VII in designing a renovation loan program that could be used by newly privatized condominiums. The program included extensive review of legal issues, and the use of a deferred payment loan instrument to be used by the National Saving Bank (OTP). This measure was tied to a change in privatization strategy which has not yet been accepted by the District Council. Support has been offered to the District should they feel that the program is likely to go ahead.

**RFS 12 (UI): Privatization and Management of Government Owned Housing (10/31/92)**

Housing management and privatization handbooks were completed in draft in early August. Plans are now being finalized for review and revision.

**RFS 13 (UI): Coordination and Logistic Support (12/31/92)**

On-going program coordination and monitoring.

**RFS 14 (FNMA): Developing a Housing Finance Strategy and Stimulating Competition in the Housing Finance Industry (8/21/92)**

Beth Marcus researched and analyzed housing finance issues in Bulgaria and, based on this work, produced a Housing Finance Strategy paper with immediate, mid-term and long-term proposals. Also produced were a series of papers on a variety of subjects, including training, competition, policy issues, construction and bank mergers.

**RFS 15 (FNMA): Management and Administration - FNMA (3/31/93)**

On-going management of contract.

**RFS 16 (CHF): Management and Administration - CHF (3/31/93)**

On-going management of contract.

**RFS 17 (UI): Technical Assistance and Training (10/31/92)**

Background papers and laws have been assembled and translated. Concept papers on inter-governmental finance legislation and land use planning and development control are in preparation.

**RFS 18 (URI): Technical Assistance and Training - Local (10/31/92)**

Assistance by URI on work covered under RFS 17.

**RFS 19 (FNMA): Development of Lender Guides for Polish Housing (11/30/92)**

Fannie Mae staff and consultants are revising the Construction Lending Guide and Mortgage Lending Guide, which began under RFS 19, to make them more relevant to the Polish experience. The group will also produce staffing recommendations for the BUD Bank.

**RFS 20 (UI): Technical Assistance in Housing Finance (11/15/92)**

The Hungarian Ministry of Finance requested assistance in developing an un-subsidized system of housing loans. The project is also intended to provide an analytical basis for developing a Housing Guarantee Loan program in Hungary. Work began September 28 with a UI/Fannie Mae team consisting of Douglas Diamond, Jozsef Hegedus, Pamela Lamoreaux, and Marisol Ravicz. The major focus of their work will be on the development of an alternative mortgage instrument that can improve the ability of Hungarians to borrow for the construction or purchase of a home, while permitting the government to reduce or re-direct its current subsidies in this area. They will also address other obstacles in the path of developing a market-oriented housing finance system, including legal issues, and the difficulties in verifying income data, appraising market values, and servicing the loan.

**RFS 21 (UI): Work-Study Tour for Nikola Karadimov Minister of Regional Development (8/30/92)**

During a two-week tour to Washington, D.C., and Madison, Wisconsin, the Minister met with national and local officials concerned with housing and urban development as well as private developers, mortgage bankers, and housing real estate educators. An analysis of proposed local government legislation was also completed.

**RFS 22 (UI/FNMA): Develop a Housing Finance Strategy, Underwriting and Servicing Guidelines and Refining an Alternative Mortgage Instrument (2/15/93)**

The housing finance strategy was discussed with government and banking officials. A set of underwriting and loan servicing guidelines and procedures was prepared to assist the State Saving Bank, and, in the future, other lenders in offering home loans in a market environment. Further refinement of an alternative mortgage product suitable for a high inflation environment was undertaken.

**RFS 23 (UI/CHF): Condominium Association Training: Hungarian Association of Homeowners - LOSZ (12/15/92)**

Carol Rabenhorst and Dick Owens of CHF are working with four Hungarian advisors chosen by LOSZ to develop materials for a training course to be given to board members, managers and

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unit owners in newly privatized condominiums. The course, scheduled for late November, will be given by the Hungarian advisors.

The training materials will focus on the rights and obligations of condominium ownership and common organizational and operational issues. They will be developed in conjunction with three model condominiums in Budapest which have already been identified.