

BIBLIOGRAPHIC DATA SHEET

1. CONTROL NUMBER

2. SUBJECT CLASSIFICATION (695)

PN-AAK-418

DE10-0000-G302

3. TITLE AND SUBTITLE (240)

The savings & loan experience in Latin America: a preliminary report prepared for the XV Inter-American Savings and Loan Conference, March 20-24, 1967, Washington, D.C.

4. PERSONAL AUTHORS (100)

Cardis, G.P.

5. CORPORATE AUTHORS (101)

Inst. of Financial Education

6. DOCUMENT DATE (110)

1977

7. NUMBER OF PAGES (120)

54p.

8. ARC NUMBER (170)

9. REFERENCE ORGANIZATION (130)

IFE

10. SUPPLEMENTARY NOTES (500)

11. ABSTRACT (950)

12. DESCRIPTORS (920)

Latin America profiles
financial institutions South America
savings credit institution
history

13. PROJECT NUMBER (150)

—

14. CONTRACT NO. (140)

Unknown
~~ADW~~

15. CONTRACT TYPE (140)

16. TYPE OF DOCUMENT (160)

640

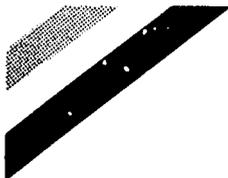
PN-AAK-418

THE SAVINGS & LOAN EXPERIENCE IN LATIN AMERICA

Agency for International Development
Library
Room 1015 NS
Washington, D.C. 20523



the INSTITUTE of
financial education®



OFFICE OF HOUSING
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE SAVINGS AND LOAN EXPERIENCE
IN LATIN AMERICA

A Preliminary Report prepared for the
XV Inter-American Savings and Loan Conference

March 20-24, 1977

Washington, D.C.

By
George P. Cardis
Director, International Division
The Institute of Financial Education

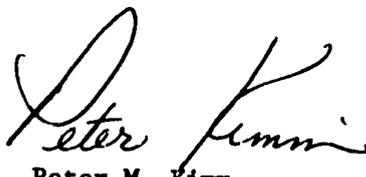
Prepared for
Office of Housing
Agency for International Development
Washington, D.C.

Agency for International Development
Library
Room 1655 11S
Washington, D.C. 20523

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

This report on the Savings and Loan Experience in Latin America was prepared by The Institute of Financial Education under contract with the Office of Housing of the Agency for International Development. It represents the first stage of a study which will continue over the next year.

We hope that the information it provides will be useful to those with an interest in housing finance. The final report will go beyond the general background provided here to develop this important subject in considerably more detail.

A handwritten signature in cursive script, reading "Peter Kimm".

Peter M. Kimm
Director
Office of Housing

TABLE OF CONTENTS

	<u>Page</u>
Foreword	v
I. A Historical Capsule	1
II. Growth--The Beginning Years	8
III. 1976 Fact Sheets on the Savings and Loan Systems by Country	17
ARGENTINA	19
BOLIVIA	21
BRAZIL	23
CHILE	25
COLOMBIA	27
COSTA RICA	29
DOMINICAN REPUBLIC	31
ECUADOR	33
EL SALVADOR	35
HONDURAS	37
NICARAGUA	39
PANAMA	41
PARAGUAY	43
PERU	45
VENEZUELA	47
BIBLIOGRAPHY	49

FOREWORD

The development of the Savings and Loan Experience in Latin America is truly a multifaceted experience, a mosaic made up by the contributions of many individuals, many organizations and many governments. It is, of course, impossible to acknowledge all and give everyone their due recognition in such a preliminary report. As such, practically all proper names have been omitted. It is intended that the final version of this study will attempt to give more thorough recognition.

In this context, one general observation must be made. It is that in the final analysis the great bulk of the credit and recognition must go to the individuals in Latin America who worked day by day and loan by loan to bring forth the institutions of savings and loan.

The idea may have originated elsewhere, but the work of doing it in Latin America, the challenge of making it happen, was theirs. They are and should be deservingly proud of this accomplishment.

Chicago, Illinois
March, 1977

I. A Historical Capsule

To begin at the beginning is a difficult task especially when there are many beginnings--which is the case of the savings and loan movement in Latin America. Most observers consider the period of 1955 - 1960 as the time when the savings and loan movement began in Latin America, but to be sure there were housing needs, policies, and programs prior to 1955 in all of the Latin countries. There were as well institutions for savings and lending. We think it is safe to say that commercial banks practically came to Latin America with Christopher Columbus along with other European institutions. It is also a historical fact that credit unions and financial cooperatives were operating in Brazil and Argentina over a hundred years ago.

So, in 1955, when history combined circumstances and found a Maryknoll Missionary in the Peruvian village of Puno, where he formed his now legendary credit union, it was, by no means, the first thrift institution in Latin America. It was, however, the one that led to the establishment and recognition of the savings and loan movement there.

As was described in a 1970 Staff Study of the Joint Economic Committee of the U.S. Congress, what was found in Puno was not unlike the situation in most Latin American communities. The use of thrift institutions as a popular source of credit and depository for personal services was a little used concept there. Prior to this, commercial credit facilities were only available to the relatively wealthy upper-income sector who would be the only ones to have enough ready cash for a large payment and could afford high interest rates and meet short repayment requirements.

In general, savings were never placed in thrift institutions because more profitable areas of investment usually existed elsewhere and also because political and economic instability accompanied by inflation encouraged spending rather than saving. As a result, individual savings were either hidden in a "safe" place or spent on consumer goods. Larger quantities of savings were invested in industrial projects or real estate developments yielding good short-term capital gains. In many cases, these profits were taken out of the country for reinvestment and also for safe-keeping.

Low-income groups were then left at the mercy of local money-lenders who employed enormously high interest rates. As was found in Puno, "most of 35,000 people there were almost uniformly shoeless and illiterate, and only 2 per cent of them had access to credit. If they had to borrow from the loan sharks, for anything from a funeral to a roof repair job, the interest rate ranged up to 80 per cent."

"Nobody believed these people could save. But the missionary got some of the villagers to dig up their life savings of about \$24 each and talked them into forming a credit union. The villagers were able to borrow money at 1 per cent monthly interest for such enterprises as a shoe business, a supply of seed, or any emergency." (1)

On the larger macroeconomic level, another troubling aspect of the existing situation was that "private capital resources were rarely channeled into national economic development, leaving the public sector to bear the heavy burden of infrastructure investment. Although the capacity to save and mobilize savings existed, the incentives and institutions were lacking." (2)

So we have another of many beginnings. Perhaps it is fitting as well as symbolic that a clergyman was involved in the marriage of the public and private sectors that created the savings and loan movement in Latin America. We submit that rather than celebrate the birth of the savings and loan movement in Peru, we should celebrate the marriage that preceded it. For that is the true essence of the savings and loan movement, the union of the government and private sector, each supplying its capability to create an institution which finances housing, renews itself and continues to provide the means to shelter its people. This cooperative partnership of public interest and private abilities maximizes their best capacities and helps overcome their individual limitations. Separately, the public and private sectors cannot do the job. In the public sector we usually find high administrative costs, competition for housing dollars with other urgent national needs--industrial development, education, health, etc.--as well as a chronic difficulty in recovering investments. While the private sector can offer efficiency, especially in operating costs and in recovery of invested capital, it can also supply hitherto untapped sources of funds through individual savings. However, it does have to survive the competition of other financial institutions and economic problems. The private sector--a financial intermediary institution for housing--needs to have the full and sustained support of government to be able to function effectively as the support for a nation's housing program.

Fortunately, there were people in influential positions who believed it essential to get the savings and loan idea moving in Latin America. It is both heartening and amusing to quote the then President of the International Union of Building Societies and Savings Associations (IUBSSA) who was there, "...I'll never forget watching a Maryknoll missionary in Peru, as he started a small savings and loan in an hour or two, late one night about five years ago. You know the pattern--a few volunteers band together, adopt a set of rules, pool their resources, and the idea catches on. When I visited them two years later, his association

(1) The Washington Star, October 5, 1964

(2) 1970 Staff Study. Congress of the United States Joint Economic Committee

'El Pueblo' already had 5,678 members. Today, the assets are more than \$5 million..."(3)

Happily, this same conclusion was reached by other responsible leaders in both North and South America. The Inter-American Development Bank (IDB) and the Agency for International Development (AID) began to encourage the development of legislation creating savings and loan systems in all of Latin America.

The story from here on reads like a chemical reaction. The first step toward a comprehensive national housing policy was made in Peru in 1957 when a Supreme Decree was issued to enhance the role of the private sector financing housing. The objective was the support of housing cooperatives and mutuels, and the Peruvian Mutual Savings and Loan Associations came into being in September, 1958, under the auspices of a National Housing Fund.

From Peru, the savings and loan movement was created in:

Chile	1960
Dominican Republic	1962
Ecuador	1963
Argentina	1963
El Salvador	1964
Bolivia	1964
Panama	1964
Venezuela	1965
Brazil	1966
Nicaragua	1967
Costa Rica	1969
Paraguay	1972
Colombia	1972
Honduras	1973

Needless to say, there were many problems and complications to overcome, both political and economic, but like a healthy child whose time had arrived, the savings and loan movement grew incredibly fast in Latin America.

Unquestionably there are many organizations and individuals who deserve to be singled out, their particular accomplishments acknowledged, but space and time does not allow this to be done in every case in this report. In the final analysis the great bulk of the credit and recognition must go to the individuals in Latin America who worked day by day and loan by loan to bring forth the institution of savings and loan.

The idea may have originated elsewhere, but the work of doing it,

(3) Savings and Loan News. October, 1965

the challenge of making it happen was theirs. They are and should be deservingly proud of this accomplishment.

The able Secretary General of the Inter-American Savings and Loan Union has been representing these developing systems from the beginning, and each individual country also has its heroes. These are the people who provided the leadership and personal sacrifices required to bring something out of nothing.

Further on, the Inter-American Savings and Loan Union, the Central American Bank of Economic Integration (CABEI), and the individual countries will be treated separately and in greater depth.

Of the international, regional or non-Latin American organizations who made key contributions, the Organization of American States, the United Nations, the World Bank, the many universities, the Foundation for Cooperative Housing, The Institute of Financial Education, the National Savings and Loan League, the United States League of Savings Associations, the government agencies and central banks of all the countries involved, have participated with a great sense of dedication and responsibility to the savings and loan movement in Latin America and should be duly recognized.

However, there are two which stand out above the rest, two who have been the most prominent and effective in working with the local leadership in the Latin American countries--the Inter-American Development Bank and the Agency for International Development. When the savings and loan systems were in their infancy, it was these organizations who stood out as having assisted the local leadership in the truly difficult task of getting financial institutions started and viable.

The Inter-American Development Bank was officially formed on December 30, 1959 as a regional institution composed of 23 American nations, one of which is the United States. Its objective is to help accelerate the economic development of its members. By the Act of Bogota, which in October of 1960 represented the work of the "Committee of 21" of the OAS, new emphasis was given to Inter-American economic cooperation, supporting the idea of "Operación Panamericana" proposed in August, 1958.

The Development Loan Fund of the United States, the forerunner to the Agency for International Development, made a number of experimental loans in Peru and Chile to encourage savings and loan expansion. This program helped prove that Latin America's middle- and low-income groups could save and were capable of funding some housing without free aid and investment.

At this time, the role of leadership fell upon the IDB through

the Special American Fund for Social Development incorporated in the Act of Bogota.

From that beginning came the creation of the Social Progress Trust Fund, which in addition to the IDB's other resources supported the development of savings and loans as well as housing and urban development including low-income housing.

To date, through 1976, the IDB has been involved in the creation of 400,000 housing units in Latin America, lending approximately US\$400 million of the 839 million required to build them. This US\$400 million is only approximately 4 per cent of the IDB's total economic activity of US\$10 billion in Latin America. Included in this amount is approximately US\$950 million for infrastructure and utility development.

Although the Organization of American States and others had made significant contributions to housing prior to 1960, up to that time, the United States government policy to assist housing and urban development in Latin America had been limited almost exclusively to technical assistance. However, in 1960, the United States in pursuing its foreign policy objectives became more involved in the urban problems of Latin America.

There was as well a shift in the prevailing philosophy that housing would be developed as a natural offshoot of industrial and overall economic development. Perhaps the emergence of communism in Cuba had something to do with it, but in any event there was a long overdue rethinking of policies aimed at the ever-increasing housing and urban development problems. The Alliance for Progress pulled all this together, along with the concept of using international lending resources to improve the housing picture in Latin America.

However, the staggering volume of this housing problem meant that U.S. financial support would only scratch the surface if there wasn't assistance from local financial institutions to mobilize the savings of people. At this point came the full realization that these types of financial institutions didn't exist. In other words, the savings and loan idea that knowledgeable people in both North and South America had been espousing for years had finally arrived.

As was later described by a U.S. Assistant Secretary of State for Inter-American Affairs:

"...At this stage of development in Latin America, it may be that the (savings) institution is just as important--if not more so--than the construction of physical structures..."

The U.S. Congress formed the Agency for International Development in 1961, combining many older, existing organizations within

its structure. AID formed an Office of Housing to concentrate on that area, and the most notable program it developed has been the Housing Guaranty Program. It enabled U.S. savings and loan associations to channel housing investments to Latin America. Under the U.S. 1965 Housing Act, both federal and state chartered associations (when permitted by state laws) may, up to 1% of assets, make loans to Latin American associations--through a guarantee by AID. The U.S. 1968 Housing Act also authorized the Federal Home Loan Bank to acquire and hold these AID-guaranteed loans. As the chief regulatory body of the U.S. savings and loan system, the FHLB had been working closely with AID since 1963 in the development of savings and loan systems outside the United States.

Because there was so much work to be done, once the AID Housing Guaranty Program was clearly established, there developed an informal understanding between IDB and AID that assistance for low-income housing would be the responsibility of IDB while AID would concentrate on institution building and financial institutions for the middle-income level. This was to change later when the U.S. Congress requested a new emphasis on low-income housing.

To date, AID, Office of Housing, among its many support activities, through the Housing Guaranty Program alone, has provided loans of about 400 million dollars to Latin American housing programs.

It is noteworthy to relate that the IDB and AID were sponsors of the First Inter-American Savings and Loan Conference held in Lima, Peru, in 1963. The next year, on November 12, 1964, they assisted in the creation of the Inter-American Savings and Loan Union at a Special Assembly which was held in Caracas, Venezuela. The Third Inter-American Savings and Loan Conference and First General Assembly of the new Inter-American Union was held in Quito, Ecuador, beginning on March 28, 1965.

Any discussion of the savings and loan development in Latin America must include the role played, directly or indirectly, by the Inter-American Union. It is the collective voice and spirit of the movement in Latin America and its history is so intimately interwoven with the savings and loan movement that it is impossible to separate them. The success of the Union reflects the success of the savings and loan movement in Latin America. It also reflects the vision and competency of its leadership.

As the Secretary General of the Inter-American Savings and Loan Union, Ricardo Garcia Rodriguez states in his book: ⁽⁴⁾

⁽⁴⁾ Introduction to Savings and Loan in Latin America. Inter-American Savings and Loan Union, 1972

"The savings and loan systems formed a unity of purpose which is stronger than any international agreement. It is a unity formed to improve the socio-economic conditions of the system that it serves. The IAU is an example of what this unity of purpose can produce. Its programs receive the cooperation of its member systems and entities as well as central banking and regulatory organizations and of those who are personally dedicated to the development of this Inter-American movement, lending their experiences and knowledge whenever the Union needs them."

The Secretary General continues:

"After the First General Assembly in Quito, the Inter-American Union started to structure its organization creating its Secretariat General which was installed in Santiago, Chile, on August 1, 1965. Since then, the IAU has become an organization with many activities, a number of different programs and a great desire to serve its members."

Among the many programs and services that the Inter-American Union has established and rendered, many objectives both regionally and nationally have been accomplished. They are too numerous to list here, but suffice it to say that they encompass every area of activity and need of the savings and loan systems in Latin America.

Of the many accomplishments, perhaps one which deserves special mention is the Inter-American Union's contribution to the creation of the Inter-American Savings and Loan Bank (BIAPE). It is the institution which knowledgeable savings and loan people feel is destined to serve the needs of all Latin America.

Traditionally, savings and loan systems have lacked access to international capital markets and, as such, have not developed any international or even multinational housing finance mechanisms. To be sure, there have been commitments and contracts by the IDB and AID that crossed national boundaries, but they have been essentially prescribed on a project by project basis.

The Inter-American Savings and Loan Bank (BIAPE) is a multinational mechanism which develops an Inter-American capital market. It can be capable of providing a measure of stability for liquidity requirements through its compensatory capability. It can as well foster stability by supporting secondary mortgage markets.

The potential of an Inter-American housing finance mechanism such as BIAPE can be enormous, and quite instrumental in sustaining the growth of Latin American Savings and Loan Systems during the last quarter of the 20th Century.

II. Growth--The Beginning Years

As we related previously, the Peruvian Mutual Savings and Loan associations came into being in September of 1958, but for all practical purposes measurement of the savings and loan movement began from 1960 on. That was 16 years ago and it might, therefore, be helpful to look at the growth of the industry in two equal 8-year periods--1960/1968 and 1968/1976.

A quantitative look at the first period growth of the savings and loan idea in Latin America gives us the following evaluation:

SAVINGS AND LOAN OPERATIONS IN LATIN AMERICA ⁽⁵⁾

AS OF DECEMBER 31, 1968

<u>COUNTRY</u>	<u>No. of Savers</u>	<u>Savings Amount US\$ (000)</u>	<u>% of Total Savings in Country</u>	<u>No. of Dwellings Financed by S&L System</u>
ARGENTINA	100,913	37,464	3.0	17,983
BOLIVIA	4,896	913		627
BRAZIL	157,300	222,500	0.5	90,929
COLOMBIA				
CHILE	296,227	80,620	32.9	50,570
COSTA RICA				
DOMINICAN REPUBLIC	21,255	38,027	18.3	3,568
ECUADOR	21,808	3,590	6.8	3,208
EL SALVADOR	13,488	6,888	6.6	1,931
GUATEMALA	108,900	23,197		4,803
HONDURAS				
NICARAGUA	16,057	4,000	15.8	451
PANAMA	7,063	2,067	1.6	224
PARAGUAY				
PERU	239,305	55,600	19.6	18,630
URUGUAY				
VENEZUELA	<u>88,144</u>	<u>69,630</u>	<u>6.6</u>	<u>8,688</u>
TOTAL	1,075,356	544,496		201,612

(5) Source: Inter-American Savings and Loan Union.

Although the numerical growth rates of the first two years are not statistically relevant, an analysis of the growth in the years 1965-68 prepared by Washington Federal Savings and Loan Assn. (Miami, Florida) indicates that, despite exceptions, the growth rate in deposits was over 40% per year.

Although the achievements of the first eight years were truly salutary, these results had to be compared with the housing requirements at that time. To relate an element of need, the Inter-American Union, along with the Organization of American States, estimated that in the late 60's the housing deficit in Latin America was as follows:

ESTIMATED HOUSING DEFICIT IN LATIN AMERICA - 1970⁽⁶⁾

<u>COUNTRY</u>	<u>DEFICIT IN DWELLINGS</u>
ARGENTINA	1,352,000
BOLIVIA	237,000
BRAZIL	10,500,000
CHILE	632,000
COLOMBIA	1,530,000
COSTA RICA	108,000
DOMINICAN REPUBLIC	190,000
ECUADOR	563,000
EL SALVADOR	172,000
GUATEMALA	782,000
HONDURAS	312,000
HAITI	400,000
MEXICO	2,750,000
NICARAGUA	124,000
PANAMA	130,000
PARAGUAY	162,000
PERU	1,093,000
URUGUAY	86,000
VENEZUELA	785,000
	<u>21,914,000</u>

The comparison of the housing deficit with homes financed by savings and loans over this period indicates that although the beginning years for the system were enormously successful, the results were less than 1% of the housing deficit.

(6) Introduction to Savings and Loan in Latin America. Inter-American Savings and Loan Union, 1972

It appears that as the newly formed savings and loan system closed out its first 8 years, a significant beginning and contribution was accomplished--but that the needs were still a hundred times greater.

Looking at the second 8-year period (1968/1976) also shows surprising results. The situation regarding Number of Savers, Amount of Savings, % of Total Savings and Number of Dwellings Financed, as of the latest data we have for 1976 is as follows:

SAVINGS AND LOAN OPERATIONS IN LATIN AMERICA

AS OF DECEMBER 31, 1976

<u>COUNTRY</u>	<u>No. of Savers</u>	<u>Savings Amount US\$ (000)</u>	<u>% of Total Savings in Country</u>	<u>No. of Dwellings Financed by S&L System</u>
ARGENTINA	123,000 *	130,000 *	N.A.	105,000 (est.)
BOLIVIA	42,727	9,501	9.9	3,333
BRAZIL	13,265,000	9,583,000	28.1	589,170
COLOMBIA	398,724	545,700	35.0	85,000
CHILE	953,714 *	113,116 *	-	167,016 (est.)
COSTA RICA	13,446	1,800	2.3	8,073
DOMINICAN REPUBLIC	204,365	101,899	16.0 (est.)	18,711
ECUADOR	196,573	96,000	39.0	45,182
EL SALVADOR	174,336	142,723	46.2	20,950
GUATEMALA	85,033	40,000	-	3,589
HONDURAS	3,000**	1,550**	-	800
NICARAGUA	132,445	102,857	38.0	31,332
PANAMA	31,159	13,544	N.A.	4,000 (est.)
PARAGUAY	34,383	36,253	27.8	2,670
PEPU	866,148	146,072	19.5	68,714 (est.)
URUGUAY	39,481	102,000	20.6	9,000
VENEZUELA	885,168	872,790	11.5	28,313
TOTAL	17,448,702	12,038,805		1,190,853

Relative to the Number of Savers, the total in 1976 was an incredible 17,448,702, showing an increase of 16,373,346 in the period of 1968/1976. That was an increase of 1523% in eight years or a compounded growth rate increase of 41% per year. In observing the Amount of Savings, we find that the 1976 total increased to 12,038,805 which is an increase of US\$11,494,309,000 from 1968, an

*As of 6/30/76

**As of 3/31/76

increase of 2111%. This is a compounded growth rate of 46% per year.

The figures on page 10 indicate that the fantastic compounded growth rate of over 40% continued over from the first into the second 8-year period as well.

Not only had the Number of Savers increased by over 15 times, but the average balance per savings account had increased from US\$473 to US\$685, up 43%. This also accounts for the enormous sustained growth in savings.

In looking a little closer at these developments, it is helpful to examine the changes that have occurred in the past 8 years, country by country:

NUMBER OF SAVERS

SAVINGS AND LOAN SYSTEMS IN LATIN AMERICA

<u>COUNTRY</u>	<u>1968</u>	<u>1976</u>	<u>Difference</u>	<u>% Difference</u>
ARGENTINA	100,913	123,000	22,087	22%
BOLIVIA	4,896	42,727	37,831	773%
BRAZIL	157,300	13,265,000	13,107,700	8332%
COLOMBIA	-	398,724	398,724	-
CHILE	296,227	953,714	657,487	221%
COSTA RICA	-	13,446	13,446	-
DOMINICAN REPUBLIC	21,155	204,365	183,210	866%
ECUADOR	21,808	196,573	174,765	801%
EL SALVADOR	13,488	174,336	160,848	1193%
GUATEMALA	108,900	85,033	(23,867)	(-22%)
HONDURAS	-	3,000	3,000	-
NICARAGUA	16,057	132,445	116,388	725%
PANAMA	7,063	31,159	24,096	341%
PARAGUAY	-	34,383	34,383	-
PERU	239,305	866,148	626,843	262%
URUGUAY	-	39,481	39,481	-
VENEZUELA	88,144	885,168	797,024	904%
TOTAL	1,075,356	17,448,702	16,373,346	1533%

By now, one of the main reasons for the previous growth figures becomes evident. The number of savers in Brazil grew an incredible 8332% in the last 8 years. (This calculates to a compounded growth rate of 74% per year). The growth in most of the other countries was also quite healthy. El Salvador's Number of Savers went up 1193%, and there were others with quite the substantial growth figures. Colombia has accumulated almost 400,000 savers in a little over four years of operation.

In order to observe the changes in the Amount of Savings over the past 8 years, we have the following data:

<u>AMOUNT OF SAVINGS</u>				
<u>SAVINGS AND LOAN SYSTEMS IN LATIN AMERICA</u>				
US\$ (000)				
<u>COUNTRY</u>	<u>1968</u>	<u>1976</u>	<u>Difference</u>	<u>% Difference</u>
ARGENTINA	37,464	130,000 (est.)	92,536	246%
BOLIVIA	913	9,501	8,588	940%
BRAZIL	222,500	9,583,000	9,360,500	4206%
COLOMBIA	- - -	545,700	545,700	-
CHILE	80,620	113,116	32,496	40%
COSTA RICA	-	1,800	1,800	-
DOMINICAN REPUBLIC	8,027	101,899	93,872	1169%
ECUADOR	3,590	96,000	92,410	2574%
EL SALVADOR	6,888	142,723	135,885	1972%
GUATEMALA	23,197	40,000 (est.)	16,803	72%
HONDURAS	-	1,550	1,550	-
NICARAGUA	4,000	102,857	98,857	2471%
PANAMA	2,067	13,544	11,477	555%
PARAGUAY	-	36,253	36,258	-
PERU	55,600	146,072	90,472	163%
URUGUAY	-	102,000	102,000	-
VENEZUELA	<u>69,630</u>	<u>872,790</u>	<u>83,160</u>	<u>1153%</u>
	544,498	12,038,805	11,494,309	2111%

Again, the Brazilian figures strike us with an increase of US\$9,583,000, an increase of 4206%. Although the growth figure is enormous, it is about half of the growth in Number of Savers, indicating that much of Brazil's growth came in the smaller, low-income saver. The average balance per account decreased from US\$1,415 in 1968 to US\$714 in 1976. The situation in El Salvador indicated an increase in savings of 1972% and in Ecuador 2574% in the same 8-year period. However, the average balance of their accounts increased:

--in El Salvador from US\$511 in 1968 to US\$819 in 1976

--in Ecuador from US\$165 in 1968 to US\$488 in 1976

Perhaps another meaningful way of looking at the growth in the Savings and Loan Movement in Latin America would be by examining the results of the past 8 years without the incredible impact of Brazil.

LATIN AMERICA SAVINGS AND LOAN SYSTEMS

(Without Brazil)

Increase in Total Number of Savers (1968 - 1976)

<u>1968</u>	<u>1976</u>	<u>Increase</u>	<u>% Increase</u>
918,056	4,183,702	3,265,646	356%

This comes out to a compounded growth rate in savers of about 21% per year.

LATIN AMERICA SAVINGS AND LOAN SYSTEMS

(Without Brazil)

Increasing Amount of Savings (1968 - 1976)

<u>1968</u>	<u>1976</u>	<u>Increase</u>	<u>% Increase</u>
US\$321,996,000	2,455,805,000	2,133,809,000	663%

Consistent with our previous figures, the compounded growth rate in savings is an even better 28% per year. The average balance per savings account, therefore, grew from US\$351 in 1968 to US\$562 in 1976.

Again, as in the case of El Salvador and Ecuador individually, this is just exactly the opposite of the Brazilian experience over the past 8-year period, where the Number of Savers grew at a faster rate than the Amount of Savings.

In brief summary, there is no question but that the savings and loan systems of Latin America have come an incredibly long way in just 16 short years and that their contribution to both housing needs and economic development has been enormous. It is now an industry that accounts for over 12 billion dollars in savings or about the level of the U.S. Savings and Loan Systems in 1949. With a growth rate that far exceeds that of the U.S.A. it is interesting to speculate that the projected growth of savings and loan institutions in the remaining years of this century would have been wholly beyond the imagination of even the most optimistic observer in 1960. Since then, starting from zero, these new housing finance mechanisms have financed 1,190,853 dwellings in Latin America.

In addition to this magnificent effort, as part of its national housing program, in 1967 Brazil developed a compulsory savings program to augment the voluntary savings programs of their savings and loan associations. These compulsory savings are collected by the FGTS (Length of Service Guarantee Fund) whereby all employers are required to contribute 8% of their payroll to the Fund. These

compulsory savings are administered by the Brazilian National Housing Bank (BNH) and totaled 5.7 billion dollars by December 1975. As of this date, the FGTS Fund has financed 729,394 dwelling units in Brazil. This amount, added to the units financed by the voluntary savings and loan sector bring the total dwellings financed in Latin America close to the 2 million unit level, a truly remarkable record over the past sixteen years since 1960.

By way of comparison, let us look at what has happened in the U.S.A. in the last 27 years.

SAVINGS IN THE UNITED STATES SAVINGS AND LOAN ASSOCIATIONS

(Billions of Dollars)

1949	12.5
1950	14.0
1955	32.1
1960	62.1
1965	110.4
1966	114.0
1967	124.5
1968	131.6
1969	135.5
1970	146.4
1971	174.2
1972	206.8
1973	227.0
1974	243.0
1975	286.0
1976	336.6

There is no question but that most of the savings and loan experience in the U.S.A. has been largely written in the last 27 years and that it is an incredible success story. The compounded annual growth rate over these past 27 years was a very healthy 13% if we want to measure how fast the U.S. growth was over that period. For the first 10 years of those 27 years--1949/1959--the growth rate was slightly higher at 16% wherein the savings grew to 55 billion dollars.

Since the savings and loan industry in Latin America is at about the U.S. 1949 level in savings deposits and at about the U.S. 1955 level in number of savers, it is logical to ask the questions, with a growth rate about 3 times that of the U.S. experience, how far and how fast can the savings and loan systems grow in Latin America? Where will the savings and loan business be in Latin America 25 years from now in the year 2001?

We will not attempt to answer these questions at this time. Perhaps the final version of this report will enable us to approach

these areas, but at this preliminary stage we will merely pose some of the questions.

Of the many other key areas that need probing, one that constantly comes to mind concerns the proper, most effective role of government in the public-private partnership called Savings and Loan.

Another concerns the true capability of a middle-class institution such as the Savings and Loan to reach down into the lower income sectors and finance low-income housing on a sound fiduciary basis.

In summary, despite the obvious difficulty of the challenges ahead, the incredible success of the Savings and Loan Institutions in Latin America has created a profound atmosphere of optimism and hope. It has also brought the nations and people of the Americas closer together.

We will not attempt to predict the future at this time, but only say that the savings and loan movement in Latin America is entering into a phase that should prove to be exceptionally interesting for those involved, and provide a real hope for the future homeowners of the Americas.

INTENTIONALLY

LEFT BLANK

III - 1976 Fact Sheets on the Savings and Loan Systems by Country

The following section includes data sheets on the savings and loan systems in Latin America.

Just a very brief summation of statistical and other facts has been made. It is hoped that the final version of this report will include a more extensive analysis of the systems in each of the countries involved.

INTERNATIONAL

LEFT BLANK

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF

ARGENTINA

Source of Information: Inter-American Savings and Loan Union
Cámara Argentina de Ahorro y Préstamo
para la Vivienda

Effective Date: June 30, 1976

Argentina is a country with a population of 20,036,300 and has an estimated annual population growth rate of 1.6%.

The savings and loan industry was established in Argentina in 1963, and it currently has 23 stock associations. Argentina does not have monetary correction nor has a secondary mortgage market been established.

To date 123,000 savings accounts have been opened with an estimated total value of US\$130,000,000. The system has granted 105,000 mortgage loans. The average amount of the loans is US\$6,000 representing 60% of the total value of the housing unit, and the average rate of interest is 18%. In 1974 the Savings and Loan League of Argentina estimated the housing deficit to be 2.5 million units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF

BOLIVIA

Source of Information: Caja Central de Ahorro y Préstamo para la
Vivienda

Effective Date: December 31, 1976

Bolivia's population of 4,687,718 is growing at an annual rate of approximately 2.5%, and in 1976 it had a gross national product of US\$1,840,000,000.

The Bolivian savings and loan system was established in 1964. It is a mutual-type system composed of a central housing bank and 9 associations, whose combined assets amount to approximately US\$30,271,751. The system does not have a secondary mortgage market. A mechanism does exist for monetary readjustment on savings and loans.

As of the end of 1976, a total of 42,727 savings accounts had been opened throughout the system with a value of more than US\$9,509,000, which represents approximately 10% of the savings in Bolivian financial institutions.

The Bolivian savings and loan system has financed over 3,333 housing units. The average size of the mortgage loans is US\$12,000, which is 70% of the cost of the average dwelling. The effective interest rate on such loans is 12% with an average term of 18 years. According to the Central Housing Bank, the current housing deficit is approximately 139,507 dwelling units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF

BRAZIL

Source of Information: ABECIP, Associação Brasileira das Entidades
de Crédito Imobiliário e Poupança
International Union of Building Societies
and Savings Associations

Effective Date: November, 1976

Brazil has a current population of 110,100,000 and an annual population growth rate of 2.9%, made up of an urban rate of 5.2% and a rural growth rate of 0.6%. The gross national product is US\$115,862,997,000.

The savings and loan system, created in 1966, consists of 36 mutuals, 36 stock associations and 6 government-owned banks. Total assets of the system is US\$14,457,000,000. Although there is no secondary mortgage market, Brazil does have a monetary correction system.

The Brazilian system has 13,265,000 savings accounts with a value of US\$9,583,000,000, which represents 28.1% of the total savings deposited in financial institutions of that country.

The savings and loan system of Brazil has financed 589,170 housing units. The average size of the mortgage loan is US\$14,225 or 67% of the cost of the average home. Effective interest rate on these loans is 9%, and the average term is 12 years. According to the Brazilian Savings and Loan League, the housing deficit is estimated to be 3.5 million dwelling units over the next 5 years.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF
CHILE

Source of Information: Inter-American Savings and Loan Union

Effective Date: June 30, 1976

The population of Chile is 10,253,000, and there is an estimated annual rate of population growth of 2.5%.

The Chilean savings and loan system was established in 1961, and there are presently 7 mutual associations. Chile has both a monetary correction system and a secondary mortgage market.

A total of 953,714 savings accounts have been opened with a total value of US\$113,116,000.

The system has granted 167,016 loans. The average amount of these mortgage loans is US\$6,606, representing 90% of the total value of a housing unit. The average interest charged is 8%. The housing deficit was estimated at 800,000 dwelling units in 1974 by the Inter-American Savings and Loan Union.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF

COLOMBIA

Source of Information: Instituto Colombiano de Ahorro y Préstamo

Effective Date: December 31, 1976

Colombia has a population of 23,577,000, with an annual population growth rate of 2.8%, combining an urban rate of 4.9% and a rural rate of -0.1%. In 1974 the gross national product of Colombia was US\$8,950,000,000.

The Colombian savings and loan system, which became operational in 1972, consists of 8 stock associations and 2 governmental institutions. The assets of the total system are valued at US\$671,100,000. The system includes a mechanism for monetary correction, but does not have a secondary mortgage market.

A total of 398,724 savings accounts have been opened totaling US\$545,700,000, which represents 30% of the savings in Colombian financial institutions.

Mortgage loans are granted at an average interest rate of 7%, and the average term of a loan is 15 years. The Colombian system has financed 85,000 housing units with the average amount of the loan at US\$9,555 which is 70% of the value of the dwelling. According to the Colombian Institute of Savings and Loan, the current housing deficit is 800,000 dwelling units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF
COSTA RICA

Source of Information: Caja Central del Sistema Costarricense de Ahorro y Préstamo

Effective Date: December 31, 1976

Costa Rica has a population of 1,993,784 inhabitants and is growing at an annual rate of 2.1%. It has a gross national product of US\$1,980,864,000.

The savings and loan system of Costa Rica was established in 1970. It consists of a central bank and 4 mutual savings and loan associations. The system's assets are currently more than US\$71,115,577. There exists a secondary mortgage market with a volume of activity of US\$585,000 per month. Costa Rica does not have monetary correction.

In total the Costa Rican system has financed 8,073 housing units. The average amount of a mortgage loan is US\$6,370 which is 90% of the cost of the dwelling. The effective interest rate on such loans is 11-13.75% with an average term of 18 years. The Central Housing Bank reports that the present housing deficit is approximately 85,000 dwelling units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF
DOMINICAN REPUBLIC

Source of Information: Instituto Dominicano de Ahorro y Préstamo

Effective Date: October 31, 1976

The Dominican Republic has more than 4,835,207 inhabitants and the annual population growth rate is 3%, made up of a 5.52% urban rate and a 1.07% rural growth rate. In 1975 the gross national product was US\$3,516,829,400.

The savings and loan business in the Dominican Republic, which was founded in 1962, is a mutual-type system composed of a national housing bank and 15 associations. The system has total assets of US\$134,563,968. There is no monetary correction. Secondary mortgage market operations are at a volume level of US\$90,473,495 per year.

The Dominican system has 204,365 savings accounts with a total volume of US\$101,899,685, accounting for an estimated 16% of the savings deposited in financial institutions of the Dominican Republic.

The Dominican system has financed approximately 18,711 housing units. The average size of a mortgage loan is US\$13,200 which is about 85% of the total value of the dwelling. The effective interest rate on these loans is 9.50%, and the average term is 20 years. The Dominican Institute of Savings and Loan reports that the housing deficit is currently estimated at 450,000 dwelling units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF

ECUADOR

Source of Information: Asociación Nacional de Mutualistas del Ecuador

Effective Date: November 30, 1976

Ecuador, a country of 6,700,000 has an annual population growth rate of 3.5% and a gross national product of US\$2,496,158.

The Ecuadorian savings and loan system was created in 1961. Today the system consists of 11 mutual associations with assets of US\$122,254,133. The system does not have a secondary market nor monetary correction.

Presently there are 196,573 savings accounts with a total value of US\$96,000,000 which represents 39% of the total savings deposits in Ecuadorian financial institutions.

The system has financed 45,182 housing units. The average term of these mortgage loans is 15 years, and the average amount is US\$5,663 which is 75% of the value of the dwelling. Mortgage loans are granted at an average interest rate of 12%. According to the Ecuadorian Savings and Loan League the current housing deficit is 500,000 dwelling units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF
EL SALVADOR

Source of Information: Financiera Nacional de la Vivienda

Effective Date: December 31, 1976

El Salvador has a population of 4,266,000 inhabitants and an annual population growth rate of 3.55%, made up of a 4.0% urban and 3.5% rural rate. In 1975 the gross national product was US\$18,258,800.

The Salvadorean system was founded in 1963, and it consists of a national housing bank and 6 stock associations with assets of US\$189,129,352. The system does not include monetary correction nor a secondary mortgage market.

The savings and loan system has 174,336 savings accounts with a total value of US\$142,723,218, accounting for 46% of the savings deposited in Salvadorean financial institutions.

The system has financed 20,950 housing units. The average size of a mortgage loan is US\$7,440 which is 90% of the total value of the dwelling. The average rate of interest is 10.5%, for a term of 15 years. According to statistics from the National Housing Bank the housing deficit is estimated at 480,000 dwelling units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF
HONDURAS

Source of Information: Financiera Nacional de la Vivienda

Effective Date: December 31, 1976

Honduras has a population of about 2,752,000 and an estimated annual rate of growth of 2.9 per-cent.

The Honduras savings and loan system was established in 1970. It is composed of three associations and all three are stock associations. Honduras does not have monetary correction nor a secondary mortgage market.

The system has attracted 6,417 savings accounts with a value of US\$1,995,188. They have financed 948 dwelling units at an average interest rate of 12% with a term of 18 years. The mortgage covers about 90% of the value of the dwelling financed. The housing deficit has been estimated to be approximately 316,200 dwelling units by the Central Savings and Loan Bank.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF

NICARAGUA

Source of Information: Banco de la Vivienda de Nicaragua

Effective Date: December 31, 1976

Nicaragua, a country of 2,224,500 people has a population growth rate of 3% per year. The gross national product is US\$1,771,157.

The Nicaraguan savings and loan system was launched in 1967 and has 4 stock associations and total assets of US\$134,06 million. The system does not have monetary correction nor a secondary mortgage market.

Nicaraguan associations have attracted 132,445 savings accounts with a total value of US\$100,857,142 which represents 38% of the savings deposited in Nicaraguan financial institutions.

The Nicaraguan system has financed 31,332 housing units. The average loan is US\$16,643, which represents about 90% of the value of the dwelling. The interest rate on mortgage loans is 13%, for a term of 20 years. According to the National Housing Bank the present housing deficit is estimated at 160,370 dwelling units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF

PANAMA

Source of Information: Banco Hipotecario Nacional
Inter-American Savings and Loan Union

Effective Date: December 31, 1976

Panama, with a population of 1,667,700, has an annual population growth rate of 3.06% made up of an urban rate of 4% and a rural growth rate of 2.2%. The gross national product is US\$2,030,100,000.

The Panamanian savings and loan system, created in 1965, consists of 5 mutual associations with total assets of US\$33,755,123. The system does not have a secondary mortgage market nor monetary correction.

The system has a total of 31,159 savings accounts with an estimated total value of US\$13,544,000. Approximately 4,000 housing units have been financed and the average size of these mortgage loans is US\$16,000, representing 90% of the value of the dwelling. The average interest rate is 9% and the average term is 20 years. According to the Banco Hipotecario Nacional (National Mortgage Bank) the present housing deficit is 185,794 dwelling units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF

PARAGUAY

Source of Information: Banco Nacional de Ahorro y Préstamo para la Vivienda

Effective Date: December 31, 1976

Paraguay has a population of 2,804,700 and a growth rate of 2.95%. It has a gross national product of US\$136,049,200.

The Paraguayan savings and loan system, which was formed in 1972, consists of 1 mutual, 1 government and 4 stock institutions. The total assets of the system are US\$41,619,015. The Paraguayan system does not have monetary correction, but the system does have a secondary mortgage market with a volume of activity of US\$1,752,595.

A total of 34,383 savings accounts have been opened with a value of US\$36,253,000 representing 27.8% of the total savings deposited in the financial institutions of Paraguay.

The system has financed approximately 2,670 homes. The average size of these mortgage loans is US\$11,296, which is 60% of the cost of the average dwelling unit. The effective interest rate on such loans is 11% with an average term of 15 years. The National Housing Bank reports that the housing deficit is approximately 157,000 units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF

PERU

Source of Information: Banco de la Vivienda del Peru

Effective Date: December 31, 1976

Peru, a country of 14,782,400 inhabitants, has an annual population growth rate of 2.88% with an urban population growth of 5.02% and rural growth of 0.46%.

Peru's savings and loan system was introduced in 1957, and in 1962 the National Housing Bank was created. Today the Peruvian savings and loan system consists of 22 associations, 17 mutuels and 5 branches of the housing bank whose operations are similar to those of the savings and loan associations. The system has current assets of US\$182,025. Peru does not have monetary correction nor a secondary mortgage market.

The Peruvian system's 866,148 savings accounts amount to US\$146,072,000 representing 19.45% of the total savings deposited in financial institutions throughout Peru.

The Peruvian system has financed an estimated 68,714 housing units. The average mortgage loan granted by Peruvian savings and loan associations is in the amount of US\$5,651 which represents 77.20% of the average cost of the dwelling. The effective interest rate on these loans is 15.5%, and the average term is 20 years. According to the Housing Bank, the present housing deficit is 2,669,000 units.

FACT SHEET ON THE SAVINGS AND LOAN SYSTEM OF
VENEZUELA

Source of Information: Instituto Venezolano de Ahorro y Préstamo

Effective Date: December 31, 1976

Venezuela's current population is 13 million people with an annual population growth rate of 3.10%.

The savings and loan system, which was founded in 1961, consists of 23 mutual associations and has total assets of approximately US\$1,459,349,767. There is no monetary correction nor secondary mortgage market.

To date, the system has 885,168 savings accounts which are worth US\$872,790,697 representing approximately 11.50% of the total savings in Venezuelan financial institutions.

The Venezuelan system has financed 28,313 housing units. The average amount of these mortgage loans is US\$21,096 which is approximately 90.71% of the total value of the dwelling. The average term is 15 years, and the average interest rate is 9%. According to the Venezuelan Savings and Loan Institute, the housing deficit is estimated at 527,000 dwelling units.

BIBLIOGRAPHY

- 1) The Washington Star, October 5, 1964.
- 2) 1970 Staff Study: Thrift Institution Development in Latin America. Congress of the United States Joint Economic Committee.
- 3) Savings and Loan News, October 1965.
- 4) Introduction to Savings and Loan in Latin America. Inter-American Savings and Loan Union, 1972.
- 5) Source: Inter-American Savings and Loan Union.
- 6) See 4 above.