

HOUSING THE URBAN POOR IN BRAZIL

A LOOK AT THE STRUCTURE AND CONDITION OF THE  
BRAZILIAN HOUSING FINANCE SYSTEM  
AND THE CONTEXT FOR A.I.D. ASSISTANCE

prepared for:

The Office of Housing and Urban Programs  
Agency for International Development

By:

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to the

NATIONAL COUNCIL OF SAVINGS INSTITUTIONS

Washington, D.C.

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# HOUSING THE URBAN POOR IN BRAZIL

## EXECUTIVE SUMMARY

### A. The Institutional Order

The SFH was established in 1964 and became operational by 1967. The institutional order was developed in its entirety by that time and has undergone only minor changes since. It is, nevertheless, worth noting that the system is only 20 years old.

Establishment of the SFH also coincided with establishment of the monetary correction system, a system of indexation of a wide range of products, processes and services according to differing measurements of the impact of inflation on assets and liabilities. .

#### 1. The Banco Nacional da Habitação (BNH)

The BNH is the dominant organization in the shelter sector. It falls within the jurisdiction of the Ministry of the Interior, but must operate as well within the framework established by the Junta Monetaria for the nation's financial system, and, thereby, follow Central Bank regulation.

The BNH stimulates the activities of the formal sector to provide shelter and infrastructure for all but the wealthiest families through a system of pass-through financing. There is no secondary mortgage market in Brazil. For those families with incomes below five minimum salaries (one salário mínimo is an adjustable amount that, as of August 3rd, 1984, equalled Cr.\$97,176 (US\$50.53) per month), the BNH not only encourages production through use of pass-through financing, but also stimulates the research of project design and implementation technique and provides the personnel training as necessary.

The BNH directs a system that divides the participating institutions into two groups, those private and public financing organizations belonging to the Sistema Brasileiro de Poupança e Empréstimo (SBPE), and other government-owned project executing organizations such as the Companhias da Habitação (COHAB's) and state or local government utility companies or agencies.

#### 2. The SBPE

The SBPE is made up of three types of financial insti-

tutions. The Caixa Econômicas hold about 57% of the assets of the SBPE and are state or local government owned.

The Sociedade de Crédito Imobiliários account for about 41% of the SBPE assets, and are a mixture of private and public sector savings and lending institutions many of which are now subsidiaries of full service banking groups.

The Associações de Poupança e Empréstimo are mutual savings and loan associations that account for about 2% of SBPE assets.

About 25% of the assets of the SBPE are generated by financing from the BNH. The remainder are generated by savings deposits, 95% of which, today, are passbook savings (Caderneta de Poupança), with CD's (Letras Imobiliárias) accounting for the rest.

The SBPE institutions mix BNH program resources and their own funds to produce a range of housing that generally is satisfactory for a middle class clientele. The private sector members of the SBPE, like their counterparts elsewhere in the world, have not been involved in financing shelter programs for very low income families. Their output has been the construction financing and take-out financing of single family homes and apartments.

### 3. COHAB's and Other Program Implementing Agencies

The COHAB's are the principal agents for BNH supported low-cost shelter programs. These organizations, owned by state or local governments, are primarily construction companies, though in the past they have also taken on a financing role.

### 4. Financing Principles

The bulk of SFH housing production has been carried out without recourse to the national budget. Local infrastructure investment, however, has been covered by state and local government funds, but long term financing is made available by BNH.

BNH financing terms are designed to cover its cost of funds (roughly 5.5% at present), and a cross-subsidy concept is applied so that the more expensive units carry higher costs, permitting lower rates for low-cost programs.

This concept of cross-subsidy is applied to infrastructure financing as well, and the Rio and São Paulo regions will pay higher rates so that the northeast and Amazon regions can be charged less.

In 1982, the GOB set up a social projects program funded by a 0.5% tax on corporate gross receipts and labeled FINSOCIAL. The BNH has been getting an increasing share of this fund for investments in self-help (called "Mutirão") shelter programs. This represents the first direct infusion of funds from the national budget for shelter purposes (not including earlier "favela" relocation programs, programs no longer considered appropriate).

Programs for the lowest income beneficiaries are priced without infrastructure costs, in an effort to keep prices as low as possible. This is true for partial as well as complete shelter programs. State and local governments pick up these costs.

## B. GOB Shelter Priorities and the National Economic Context

### 1. Salary Policy and Inflation

The GOB has placed special priority on shelter programs for the urban poor since the arrival of the present administration, led by General Figueiredo, in 1979. BNH program activities were redirected to emphasize slum neighborhood upgrading and the production of very low-cost dwelling units.

Historically, the GOB has supported the sector by applying the indexation of savings deposits, the special location of passbook accounts with the SBPE and the creation of the FGTS to the sector. This policy has permitted the growth of Latin America's largest housing finance system, as well as one of the largest such programs in the non-communist world.

In 1979 the new administration initiated a new incomes policy, having concluded that salary readjustments were a primary cause for increases in the rate of inflation. The sum effect of this program has been a gradual weakening of the adjustment to salaries as they relate to adjustments to loan payments.

Recent reports from a São Paulo-based economic analysis group indicated that the group earning 20 SM per month had suffered a 30% reduction in purchasing power since

1979, a drop that, when combined with such factors as tax increases and more accurate adjustments to the cost-of-living index (INPC), may actually have been equal to 58.5%.

The annual inflation rate has increased steadily since initiation of the salary constraint policy, casting some doubt on the logic of the cause and effect hypothesis applied.

The debate about the salary policy, especially as most recently regulated by Decree Law 2055, promulgated in October 1983, rages on. But, many observers feel that the present government will hold to its promise of not changing the regulations or the policy while it remains in office (to mid-March 1985).

## 2. The Impact on the SFH, and the BNH Reaction

The debate has real meaning for the SFH because the reduction in purchasing power has led many mortgagors to delay payment of their monthly installments, or to stop payment altogether. By August, 1984, 20% of the system's mortgage accounts were labeled in default (more than three months overdue).

The effect on BNH collections, as well as SBPE resources, has been most pronounced in 1984, making specific conclusions difficult to draw at this time, but making clear that both construction and financing activity will continue slow. SFH managers will be forced to monitor the system's cash flow very carefully.

### C. BNH Programs

#### 1. Program Organization and Scope

The Bank's financing programs are grouped by "Carteira," or portfolio. The seven Carteira are:

CDURB	Carteira de Desenvolvimento Urbano
CESHE	Carteira de Erradicação da Subhabitação e Emergências Sociais
CONSO	Carteira de Operações de Natureza Social
COPES	Carteira de Operações Sociais
COSAN	Carteira de Saneamento
CPHAB	Carteira de Programas Habitacionais
SAFPE	Carteira de Supervisão dos Agentes

## Financeiros de Poupança e Empréstimo.

The BNH projects dealing with solutions of 300 UPC (approx. US\$2,000) or less, and families with incomes of three SM (US\$152) per month or less are run, in the majority, through the PROMORAR, the COHAB and the Cooperative programs. The projected investment levels for 1985 indicate that these programs will account for nearly 40% of the total.

### 2. Adjustments to the Present Crisis

In an effort to soften the impact of the current imbalance between the adjustment to mortgage payments and the adjustment to salaries that has had the most severe impact on those borrowers who have negotiated loans since 1981, the BNH developed an adjustment option that borrowers could adopt effective July 1984, that would permit a change in the contracted loan terms, and, hopefully, also permit a return to regular amortization.

BNH calculations estimated that the improvement in collections by the SFH that would result from the adjustment to loan amortization programs would cut by more than 60% the loss in cash inflow that would result if no action were taken. Early data suggested that 58% of those eligible to select the option would do so.

### D. Concluding Comments

#### 1. Savings Performance

The figures for savings deposits and FGTS collections for June and July reflected the impact that the economic crisis was having on the clients of the SFH. Every group of financial institutions in the SBPE reported net outflows of savings in June. In both May and June, the total figures reflected net outflows. July is a critical month for mortgage related adjustments so it is usual for the immediately prior months to report larger withdrawals than normal. But, a net negative flow is cause for concern.

There has been comment (see Tuccillo in the Bibliography) that savings mobilization in Brazil has not been as effective as the large numbers might suggest. The market is, after all, very large by comparison to other Latin American markets, and the success of past years may only be a suggestion of what a strong savings mobilization effort at lower income levels could generate.

## 2. A Government Designed and Installed System

The combination of the monetary correction system and the direct control of the BNH over the workings of the SFH make clear that the formal shelter sector in Brazil operates in a government controlled context.

While this context has led to the establishment of a remarkable set of institutions, with policies that have led to the funding of shelter related programs on a large scale, it also leads to an artificial, that is, not strictly market driven, relationship between the SFH and its clients.

In the crisis of the present, this artificiality is highlighted by the suggestions read in the Press, and heard in conversation, that the GOB is responsible for the mess, and, therefore, the GOB will resolve the problem.

By mid-August, BNH management was discussing with the Ministry of Planning a program that would tie adjustments to monthly loan payments directly to the adjustments in salaries set for each professional category. The planners were also considering setting the timing of the loan payment adjustments so that they would fall in the month following the salary adjustment. Thus, the borrower would have a little greater budgetary flexibility.

Since such a program would imply a subsidy, BNH management proposed that one half the subsidy be covered by the national budget, with the remaining half covered by the FCVS/FUNDHAB reserves, giving rise to questions about the GOB ability to control its deficit in line with IMF agreements.

## 3. Great Commitment and Sophistication

Yet, the process has bred some very sophisticated understanding of inflation and how to deal with it. Recessions are not pleasant even for non-indexed economies, and, therefore, Brazil's pain and confusion are not really so extraordinary.

The SFH has an impressive base of experience in the traditional process of financing the construction and sale of residential units. It is rapidly gaining important experience in the planning and management of low-cost shelter projects.

The SFH has operated throughout most of its history

as a provider of housing for the middle class. If GOB policy continues to stimulate more production for lower income families, then the capacity of the existing BNH/COHAB combination may be tested. Ways will have to be found to attract private sector or broader SBPE involvement so as to increase overall output.

The BNH, it is worth remembering, has operated in a remarkably private sector fashion for a government-owned, politically important institution. The BNH has kept a close eye on its costs and has adjusted its fees accordingly. It has displayed the kind of sensitivity to its responsibility as a guardian of the FGTS funds, and has reflected the GOB commitment to production in the sector through its regulatory output in a way that often has been missing at comparable institutions in other countries.

#### 4. Options for AID Cooperation

BNH management has recently indicated to AID representatives that they would welcome AID cooperation as they continue to increase the outreach of their low-cost shelter programs.

Among the objectives of AID cooperation in the shelter sector in Brazil could be an increased participation by the private sector in the development of low-cost programs.

Another objective might be support of a rigorous analysis of the SBPE saver, and the possibility that the system could attract clients from a broader range of incomes. This support might include, for example, programs directed at the savings mobilization policies and techniques required to realize an increase in coverage.

HG Program support might also be directed at the educational process, and could permit incorporation of the variety of the Brazilian experience into a format that would have application not only internally in order to stimulate increased SFH activity, but also abroad wherever HG Programs are trying to accomplish similar objectives. The financial experience offers especially interesting possibilities because the Brazilian institutions operate in an LDC environment, and yet have reached levels of sophistication from which good examples of banking techniques can be drawn.

**Edward H. Robbins**

Consulting in International Finance & Trade

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24 September 1984

Mr. Daniel Coleman  
Senior Vice President, Int'l.  
National Council of Savings Institutions  
1101 15th St., NW  
WASHINGTON, DC 20005

Dear Dan:

I am pleased to enclose a copy of the final version of my report on the Brazilian Housing Finance System.

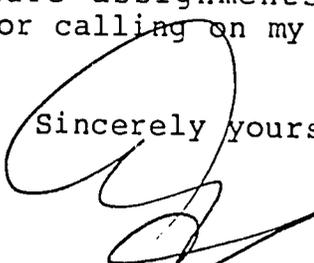
I am thankful for the support I have received from your staff during the report's preparation. I hope you will find that its contents satisfy the requirements of the Office of Housing.

I am submitting a copy of my final invoice for this assignment. I would appreciate your prompt attention to this matter.

Because my schedule caused me to be about one week late on a promised delivery date for Bill Gelman, I am taking the liberty of personally seeing to it that the report is sent via DHL to him, and to Howard Lusk in Brasilia, immediately. It is my understanding that the two of them plan to review its contents with their associates in preparation for some formal thinking about the next steps at meetings in mid-October.

I look forward to future assignments on behalf of the Council, and thank you for calling on my services. With best wishes, I remain

Sincerely yours,



Edward H. Robbins

encl.

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## HOUSING THE URBAN POOR IN BRAZIL

### A LOOK AT THE STRUCTURE AND CONDITION OF THE BRAZILIAN HOUSING FINANCE SYSTEM AND THE CONTEXT FOR A.I.D. ASSISTANCE

Because of the extent and variety of programs managed and regulated by the Banco Nacional da Habitação (BNH), this report has been organized to give considerable emphasis to a detailed Appendix section. The first section will provide the reader with an overview of the shape and condition of the Sistema Financeiro da Habitação (SFH), outlining the issues of the moment and considering the possible avenues for application of the Housing Guaranty Program.

The Appendix section will provide specific detail about each of the BNH programs, programs which form the backbone for every aspect of the formal housing production and finance process in Brazil. A Bibliography will also offer identification of many documents that reflect the intensive analysis of and commentary on the shelter programs and problems that is regular fare for the Brazilian public.

#### I. A SUMMARY REVIEW of the BRAZILIAN HOUSING FINANCE PROCESS

##### A. The Institutional Order

The SFH was established in 1964 and became operational by 1967. The institutional order was developed in its entirety by that time and has undergone only minor changes since. It is, nevertheless, worth noting that the system is only 20 years old, and that only one of its components, the Caixa Econômica (CE), a state or local government owned banking institution, pre-dated its development.

Establishment of the SFH also coincided with establishment of the monetary correction system, a system of indexation of a wide range of products, processes and services according to differing measurements of the impact of inflation on assets and liabilities. Thus, the development of monetary correction has been reflected in the performance of the SFH and is today a critical factor in the discussion of its problems and perspectives.

A national housing plan (PLANHAP) and a national sanitary infrastructure plan (PLANASA), prepared by the Ministry of Planning, serve to guide the BNH in its orientation of policy and regulation. These plans make clear a substantial

GOB commitment to improvement of the living condition of Brazil's low income families.

1. The Banco Nacional da Habitação (BNH)

The BNH is the dominant organization in the shelter sector. It falls within the jurisdiction of the Ministry of the Interior, but must operate as well within the framework established by the Junta Monetaria for the nation's financial system, and, thereby, follow Central Bank regulation.

The BNH, therefore, operates in both a social and a financial context, directing implementation of the PLANHAP and PLANASA, and setting financial regulations that reflect the nation's monetary policy. Until 1982, for example, the BNH was an important investor in Treasury Bonds (Obrigações Reajustáveis do Tesouro Nacional, ORTN's), the GOB's principal tool for drawing on capital markets. With a tightening of financial markets, the recession and the related unemployment of recent years all taking a toll of BNH resources, the Central Bank has relaxed its call on BNH funds.

The BNH stimulates the activities of the formal sector to provide shelter and infrastructure for all but the wealthiest families through a system of pass-through financing. There is no secondary mortgage market in Brazil. For those families with incomes below five minimum salaries (one salário mínimo is an adjustable amount that, as of August 3rd, 1984, equalled Cr.\$97,176 (US\$50.53) per month, the BNH not only encourages production through use of pass-through financing, but also stimulates the research of project design and implementation technique and provides the personnel training as necessary.

The primary financial resource available to the BNH is the Fundo de Garantia do Tempo de Serviço (FGTS), a fund that was created at the same time as the SFH, and consists of deposits made by employers of 8% of the prior month's payroll for each employee.

The BNH is the manager of the FGTS, and maintains an account for each beneficiary, paying 3% per annum in interest, and making the adjustments resulting from monetary correction. Beneficiaries receive an account statement every quarter, an act of communication that confirms the BNH attitude and management policy that the value of the resources must be carefully maintained.

Other resources available to the BNH for investment

are the inflow from loan repayments, and the interest earned on outstanding loans.

The BNH directs a system that divides the participating institutions into two groups, those private and public financing organizations belonging to the Sistema Brasileiro de Poupança e Empréstimo (SBPE), and other government-owned project executing organizations such as the Companhias da Habitação (COHAB's) and state or local government utility companies or agencies.

## 2. The SBPE

The SBPE is made up of three types of financial institutions:

the Caixa Econômica (CE)  
the Sociedade de Crédito Imobiliário (SCI) and  
the Associação de Poupança e Empréstimo (APE).

The CE's hold about 57% of the assets of the SBPE and are state or local government owned. The Caixa Econômica Federal is the largest single institution in the SBPE, and represents a combination of a number of CE's that existed prior to the establishment of the SFH.

The SCI's account for about 41% of the SBPE assets, and are a mixture of private and public sector savings and lending institutions many of which are now subsidiaries of full service banking groups. SCI's are all stock companies.

The APE's are mutual savings and loan associations that account for about 2% of SBPE assets.

About 25% of the assets of the SBPE are generated by financing from the BNH. The remainder are generated by savings deposits, 95% of which, today, are passbook savings (Caderneta de Poupança), with CD's (Letras Imobiliárias) accounting for the rest.

The SBPE institutions are the only finance institutions permitted to offer Cadernetas. Thus the Caderneta and the FGTS are resource mobilization advantages given by the GOB to the SFH in order to implement a policy of promoting housing production and improvement of shelter conditions.

The SBPE maintains an association of its member institutions, the Associação Brasileira das Entidades de Crédito Imobiliário e Poupança (ABECIP). ABECIP has 82 members,

representing almost the total membership in the system (see Appendix C. for a list). It has important research and data monitoring roles, and publishes a monthly magazine as well as carrying out lobbying activities on behalf of the membership.

The ABECIP and the BNH founded the Escola Nacional de Habitação e Poupança (ENHAP) in 1981. This school now provides training throughout the nation for approximately 16,000 students per year in a wide variety of subjects related to the shelter sector (ranging from basic grammar to budgeting, data processing, management and urban development topics). The ENHAP has even been called on to provide training abroad, and presently has a joint program underway with the government of the Cape Verde Islands.

The SBPE institutions mix BNH program resources and their own funds to produce a range of housing that generally is satisfactory for a middle class clientele. The private sector members of the SBPE, like their counterparts elsewhere in the world, have not been involved in financing shelter programs for very low income families. Their output has been the construction financing and take-out financing of single family homes and apartments.

Terms are set by BNH policy, so that the maximum loan that the SBPE can make, for example, is one equivalent to 5,000 UPC. The UPC, or Unidade Padrão de Capital, is the base unit used for monetary correction of product prices, and as of August 3rd, 1984 equalled Cr.\$13,254.67 (US\$6.89). The UPC value is drawn from the value of the ORTN mentioned earlier.

Thus SBPE, and in fact, SFH financing has been limited to loans of US\$34,450.

Many of the public sector members have been actively involved in the lower-cost programs promoted by the BNH. It is important to remember, however, that the shift of emphasis in GOB and BNH policy to lower income groups dates only from 1979, and, therefore, SBPE experience with this field of action is limited and growing.

### 3. COHAB's and Other Program Implementing Agencies

The COHAB's are the principal agents for BNH supported low-cost shelter programs. These organizations, owned by state or local governments, are primarily construction companies, though in the past they have also taken on

a financing role. Today, for example, the COHAB for the state of Rio de Janeiro, known as CEHAB (Companhia Estadual ...) works with the CE's and SCI's when it develops a program.

Politics play a role in COHAB activities. The CEHAB output in recent years has been well below the peaks of around 18,000 units per year last achieved in 1978, because the state Governor, Leonel Brizola, is a vociferous opposition figure. The State of Rio de Janeiro has its own program, "Cada Familia, Um Lote," but the need for BNH support to get the program rolling, and the lack of any special GOB interest in going to bat for Brizola, has bottled up the program.

The CEHAB is, however, a partner in the Plan Rio program of the BNH, and has built a range of units including core houses and apartments for the low income families who are participating. There has been some competition between the BNH staff, who are also constructing units because of the demonstration nature of this project, and the CEHAB group to see which can produce the best maintained community.

On the other hand, in those areas where there is support for the present government, the COHAB's are the primary project developers. They will coordinate the input of local public utility agencies who are providing infrastructure to project sites, and will handle directly the bulk of the construction financing.

When the sanitation program requires major network construction, the BNH will deal directly with local government agencies. In these cases the BNH may look for a government guaranty. Such a guaranty can only be given by the national legislature, a process that may be complicated by the local political situation.

#### 4. Financing Principles

The bulk of SFH housing production has been carried out without recourse to the national budget. Local infrastructure investment, however, has been covered by state and local government funds, but long term financing is made available by BNH.

BNH financing terms are designed to cover its cost of funds (roughly 5.5% at present), and a cross-subsidy concept is applied so that the more expensive units carry

higher costs, permitting lower rates for low-cost programs. This concept of cross-subsidy is applied to infrastructure financing as well, and the Rio and São Paulo regions will pay higher rates so that the northeast and Amazon regions can be charged less. (See the next section for details.)

In 1982, the GOB set up a social projects program funded by a 0.5% tax on corporate gross receipts and labeled FINSOCIAL. The BNH has been getting an increasing share of this fund for investments in self-help (called "Mutirão") shelter programs, such as the program titled João de Barro. This represents the first direct infusion of funds from the national budget for shelter purposes (not including earlier "favela" relocation programs, programs no longer considered appropriate).

Programs for the lowest income beneficiaries are priced without infrastructure costs, in an effort to keep prices as low as possible. This is true for partial as well as complete shelter programs. This subsidy may give rise to problems in the future, an issue discussed further in the concluding comments of this report.

Some statistics may help to indicate the volume of activity undertaken by the SFH.

SBPE Deposits, 1 Jun 84	Cr\$30.5 tril.	US\$21.8 bil.
o/w CE's	15.8 "	11.3 "
SCI's	14.2 "	10.1 "
APE's	0.4 "	0.3 "
FGTS - bal. at 30 Apr 84	14.2 "	10.2 "
Proj. BNH Invest.- 1984	2.1 "	1.5 "
SBPE loans - May 84 (est)	29.0 "	20.7 "

SBPE - units financed since 1964 to May 84 (est)  
 1,683,414  
 1983/84 monthly avg. (Mar/Feb) - 3,200  
 Total SFH units financed (to June 84, est)  
 4,186,473.

## B. GOB Shelter Priorities and the National Economic Context

### 1. Salary Policy and Inflation

The GOB has placed special priority on shelter programs for the urban poor since the arrival of the present administration, led by General Figueiredo, in 1979. BNH program

activities were redirected to emphasize slum neighborhood upgrading and the production of very low-cost dwelling units.

Historically, the GOB has supported the sector by applying the indexation of savings deposits, the special location of passbook accounts with the SBPE and the creation of the FGTS to the sector. This policy has permitted the growth of Latin America's largest housing finance system, as well as one of the largest such programs in the non-communist world.

Using 1981 data compiled by the International Union of Building Societies and Savings Associations, the SFH placed fourth with assets of US\$26 billion, below West Germany at US\$63 billion and above Sweden at US\$15 billion.

The indexing process, an important factor in making the system attractive to the Brazilian public, has, nevertheless, required constant adjustment in an effort to maintain the equilibrium between savings returns, and a borrower's financial capacity to amortize the loan. The current circumstances have once again brought the equity of the process into question.

In 1979 the new administration initiated a new incomes policy having concluded that salary readjustments were a primary cause for increases in the rate of inflation. Since that time five different laws dealing with salary correction rates have been passed, some of them in effect for only a few months. The sum effect of these programs has been a gradual weakening of the adjustment to salaries as they relate to adjustments to loan payments. (See Figure 1.)

The impact of this policy has been especially severe for the salaried upper-middle class, or more specifically, the group earning more than seven times the SM. (See Figure 2.) A rough estimate of the national income distribution using 1980 data (see Tuccillo in the Bibliography) suggests that this group represents less than 30% of the population, but is probably the group that, in spite of the swing to lower-income households since 1979, holds the majority of the SFH mortgages. (Seven SM in August 1984 translated into Cr\$680,232 or US\$353.71 per month.)

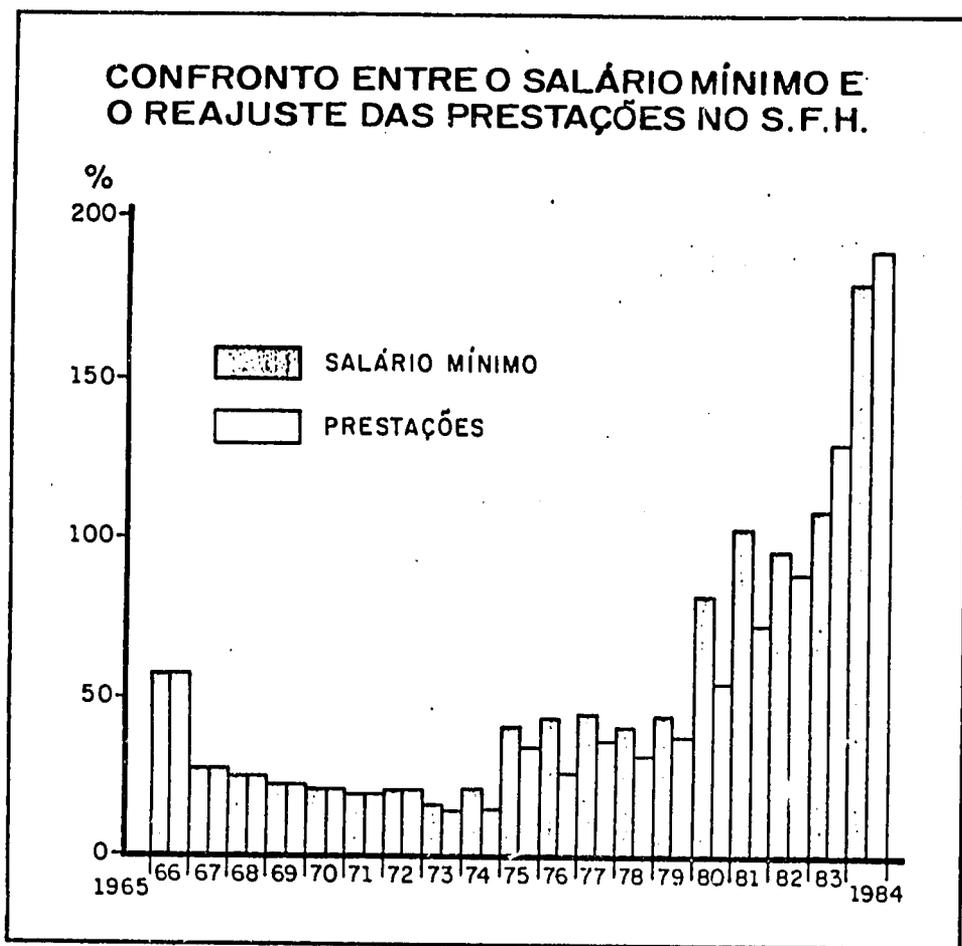
An example of this impact may be found in the case of a senior civil servant who, while continuing to be promoted, has seen a salary of around 30 SM per month drop in dollar equivalency from US\$3,000 to US\$1,500 over

FIGURE 1

Relationship between the Minimum Salary and the Adjustment to Mortgage Payments

Source:

Habitación/Poupança  
(May 1984)



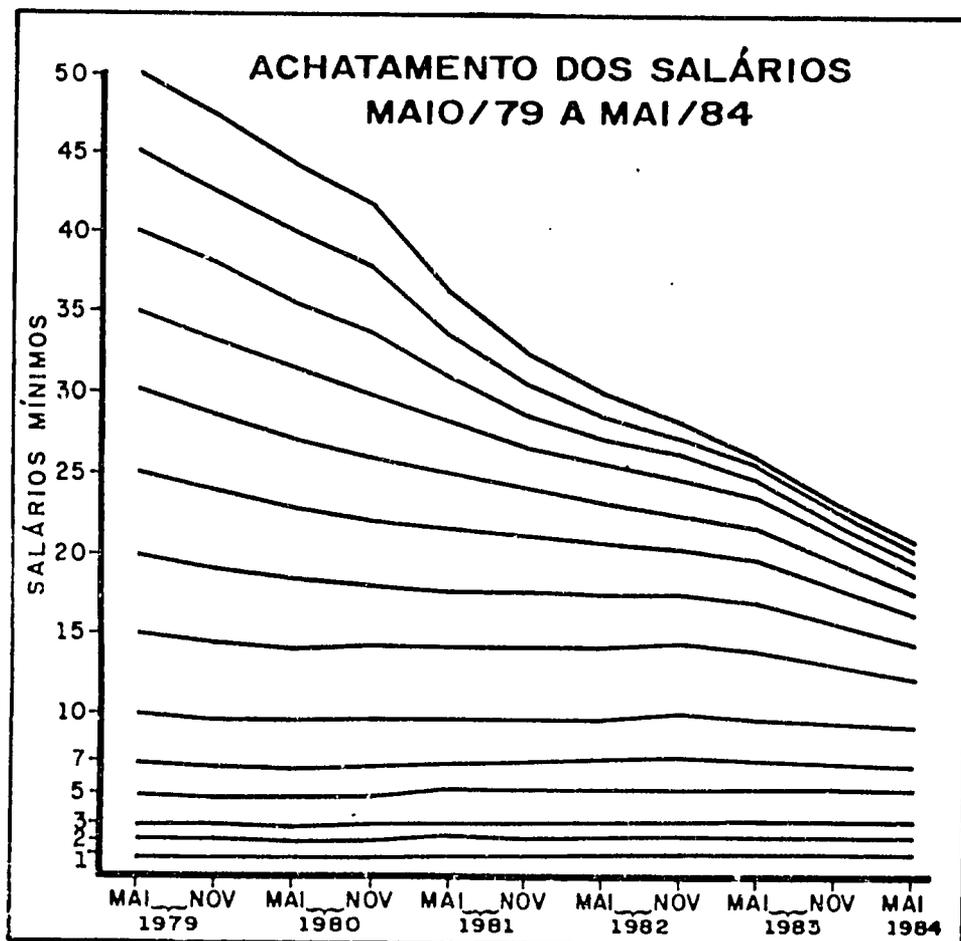
16

FIGURE 2

The Change in Purchasing Power from May 79 to May 84

Source:

Habitación/Poupança  
(May 1984)



Poupança & Habitación — mai. '84

the five year period.

The data was further confirmed in reports from a São Paulo economic analysis group that calculated that the group earning 20 SM per month had suffered a 30% reduction in purchasing power since 1979, a drop that, when combined with such factors as tax increases and more accurate adjustments to the cost-of-living index (INPC), may have been equal to 58.5%.

The annual inflation rate has increased steadily since initiation of the salary constraint policy, casting some doubt on the logic of the cause and effect hypothesis applied. The 1979 level of 53% per annum was the highest since 1965. The levels of the following years, however, have been as seen below:

1980	83
1981	106
1982	98
1983	211
est 1984	200.

The debate about the salary policy, especially as most recently regulated by Decree Law 2065, promulgated in October 1983, rages on. The discussion often includes comment on indexation itself. Many observers feel that the present government will hold to its promise of not changing the regulations or the policy while it remains in office (to mid-March 1985).

## 2. The Impact on the SFH, and the BNH Reaction

The debate has real meaning for the SFH because the reduction in purchasing power has led many mortgagors to delay payment of their monthly installments, or to stop payment altogether. The SFH labels an account in default when it is three months overdue. By August, 1984, 20% of the system's mortgage accounts were in this category.

Brazil has been caught in the world-wide recession of recent years, and the effect on employment has been such that contributions to the FGTS have suffered. In addition, employment problems have led people to call on their FGTS account to make mortgage payments, an arrangement authorized by the BNH in 1983. Naturally, the recession has caused many depositors to dip into savings as well.

The effect on BNH collections, as well as SBPE resources,

has been most pronounced in 1984, making specific conclusions difficult to draw at this time, but making clear that both construction and financing activity will continue slow. SFH managers will be forced to monitor the system's cash flow very carefully.

The BNH investment figures for 1984 (Cr\$2.1 trillion) reflect an updating at the end of July, and confirm BNH management comments that the Bank does not intend to halt its active intervention on behalf of low-cost shelter production. Nevertheless, since late 1983 the BNH has been trying to set up a series of measures that would ease the situation for SFH borrowers, and that would permit a return to steady, if less than optimal repayment of debt.

These measures include:

- \* giving borrowers (individual home owners) an option to make a one-time adjustment in mortgage terms;
- \* authorizing builders the option of using a lease-purchase financing mechanism to attract buyers for already completed units;
- \* drawing larger reserves from the SBPE to provide funds for low-cost housing production; and,
- \* lobbying for use of mandatory income tax withholding deductions for mortgage amortization (since many of these deductions are refunded at year end).

Some analysts suggest that Brazil may have reached the bottom of the recession curve, and that, though a flat period can be expected in the near term, the economy will soon begin to show more life.

It also appears that the foreign debt renegotiations are moving forward, with some, if not complete, resolution expected in the October/November period.

Though the inflation performance is dismaying to all Brazilians, the political process will probably interfere with any new initiatives to make corrections (beyond those that may be directed by the debt renegotiation process). The electoral college will vote for either Tancredo Neves or Maluf in January, and the new administration will take

over in March. The remaining six months of the present government should see little action with respect to the monetary correction process.

C. BNH Programs

1. Program Organization and Scope

The BNH is organized into seven divisions, for operational purposes:

Planning and Information Systems  
Administration  
Urban Infrastructure  
Social Interest Housing  
Savings and Loan System (SBPE)  
Real Estate and Land Development  
Finance.

Within this structure, the Bank's financing programs are grouped by "Carteira," or portfolio, and the principal portfolios are administered by the Urban Infrastructure, Social Interest Housing and SBPE divisions. The seven Carteira are:

CDURB	Carteira de Desenvolvimento Urbano
CESHE	Carteira de Erradicação da Subhabitação e Emergências Sociais
CONSO	Carteira de Operações de Natureza Social
COPES	Carteira de Operações Sociais
COSAN	Carteira de Saneamento
CPHAB	Carteira de Programas Habitacionais
SAFPE	Carteira de Supervisão dos Agentes Financeiros de Poupança e Empréstimo.

The BNH applies some standard loan term calculation formulae, from which specific loan terms are drawn depending on the region and income of the beneficiary (which may be a "financing agent," or an individual).

The terms are stated either in UPC's (Unidade Padrão de Capital), which as of August 3rd was set a Cr\$13,254.67 or US\$6.89, or in SM, which at the above date was Cr\$97,176 or US\$50.53.

Table 1 gives the formulae for interest rates, loan term and monthly payment as a percent of family income. One can see an interest rate range of from 2% to 10% per annum,

a term range of from 15 to 25 years, and a range of from 23% to 35% of family income for mortgage payments.

Table 2 shows the rates the BNH charges the financing agent (an SFH institution). Table 3 shows how infrastructure financing rates are adjusted according to regional wealth.

Table 4 offers a summary of the principal BNH programs, listed by Carteira, giving the program's title, its purpose, the path of financing, any special limitations and the percentage of projected BNH investment in 1984 and 1985. (See Appendix D. for a detailed program listing.)

It is clear that the range of BNH programs is broad. In fact BNH has the capability, and experience, to begin from the social and physical research stage and carry through policy and project design to inhabitation. Actual project construction is rarely contracted by the BNH, though it has done some of this in the Plan Rio project because the project has in many ways been considered a demonstration effort to help set up the procedures that can be applied to slum neighborhood upgrading elsewhere.

The Plan Rio project has involved the BNH in an effort to be more successful at slum neighborhood treatment than had been the case in previous efforts where slum clearance was the primary objective. (In Brazil, "favela" is the word used most generally to identify a slum, "palafitas" are homes or communities built on pilings over swamp or water, "mocambos" and "barracos" are forms of informal dwelling units and "casas de triagem" are barracks type units designed to receive groups of families temporarily which then turn into permanent, usually overcrowded communities.)

Plan Rio research and planning began in 1979 and involved a mixture of upgrading and new unit production around the favela "da Maré" in Rio. The objective is to progressively deal with all of Rio's principal favelas, and to date work has included neighborhood analysis, some relocation to permit land filling, development of new neighborhoods of partially and fully completed units with infrastructure and community facilities, adjoining the original site, and design of an upgrading phase for the remaining slum area, with work to begin shortly.

The program techniques are now being applied throughout the country, with the experience spread to cover PROMORAR and João de Barro projects (FINSOCIAL financed).

INTEREST RATES

JUROS: função do valor unitário do financiamento, conforme tabela a seguir:

VALOR UNITARIO DO FINANCIAMENTO (VF)	JUROS (% a.a.)
$VF \leq 300 \text{ UPC}$	$i_{\max} = 2\%$
$300 \text{ UPC} < VF \leq 500 \text{ UPC}$	$i_{\max} = \left[ 2 + \frac{1,5 VF - 450}{100} \right] \%$
$500 \text{ UPC} < VF \leq 1\ 100 \text{ UPC}$	$i_{\max} = \left[ 5 + \frac{0,66 VF - 330}{100} \right] \%$
$1\ 100 \text{ UPC} < VF \leq 2\ 700 \text{ UPC}$	$i_{\max} = \left[ 9 + \frac{0,06 VF - 68}{100} \right] \%$
$2\ 700 \text{ UPC} < VF \leq 5\ 000 \text{ UPC}$	$i_{\max} = 10\%$



HAB. - Coop. Hab.

4

TERM OF LOAN

PRAZO DE AMORTIZAÇÃO: em função do valor unitário do financiamento, conforme tabela abaixo:

VALOR UNITÁRIO DO FINANCIAMENTO (VF)	PRAZO DE AMORTIZAÇÃO (anos)
$VF \leq 1\ 500 \text{ UPC}$	$n_{\max} = 25 \text{ anos}$
$1\ 500 \text{ UPC} < VF < 2\ 500 \text{ UPC}$	$n_{\max} = \left[ 37 - \frac{0,8 VF}{100} \right] \text{ anos}$
$2\ 500 \text{ UPC} \leq VF \leq 3\ 500 \text{ UPC}$	$n_{\max} = 16 \text{ anos}$
$3\ 500 \text{ UPC} < VF \leq 5\ 000 \text{ UPC}$	$n_{\max} = 15 \text{ anos}$

PERCENT INCOME APPLIED TO PAYMENTS

COMPROMETIMENTO MÁXIMO DA RENDA FAMILIAR: O comprometimento da renda familiar com o pagamento da 1ª prestação (incluindo amortização, juros, taxas e seguros) deverá obedecer aos seguintes critérios:

FAIXAS DE RENDA FAMILIAR (RF) (limite máximo)	PRESTAÇÃO MÁXIMA ( $P_{\max}$ )
$RF \leq 15 \text{ UPC}$	$P_{\max} = 0,275 (RF) - 0,625 \text{ UPC}$
$15 \text{ UPC} < RF \leq 35 \text{ UPC}$	$P_{\max} = 0,334 (RF) - 1,509 \text{ UPC}$
$35 \text{ UPC} < RF \leq 85 \text{ UPC}$	$P_{\max} = 0,391 (RF) - 3,519 \text{ UPC}$
$RF > 85 \text{ UPC}$	$P_{\max} = 0,350 (RF)$

INTEREST RATES - BNH TO FINANCING

VALOR UNITÁRIO DO FINANCIAMENTO (VF)	JUROS (% a.a.)
$VF \leq 300$ UPC	$j = 1\%$
$300 \text{ UPC} < VF \leq 500$ UPC	$j = \left[ 1 + \frac{1,5 VF - 450}{100} \right] \%$
$500 \text{ UPC} < VF \leq 800$ UPC	$j = \left[ 4 + \frac{0,66 VF - 330}{100} \right] \%$
$800 \text{ UPC} < VF \leq 900$ UPC	$j = \left[ 5,9 + \frac{0,16 VF - 120}{100} \right] \%$
$900 \text{ UPC} < VF \leq 1\,100$ UPC	$j = \left[ 6,1 + \frac{0,66 VF - 590}{100} \right] \%$
$1\,100 \text{ UPC} < VF \leq 1\,500$ UPC	$j = \left[ 7,5 + \frac{0,18 VF - 198}{100} \right] \%$
$1\,500 \text{ UPC} < VF \leq 2\,700$ UPC	$j = \left[ 8,0 + \frac{0,06 VF - 68}{100} \right] \%$
$2\,700 \text{ UPC} < VF \leq 3\,500$ UPC	$j = 9\%$

TABLE 3

INTEREST RATES BNH TO STATE/LOCAL GOVERNMENT

TAXA DE JUROS (% a.a.)	UNIDADES DA FEDERAÇÃO
2,5	RONDÔNIA, ACRE, RORAIMA e AMAPÁ
3,5	PARÁ, MARANHÃO, PIAUÍ, RIO GRANDE DO NORTE, PARAÍBA e SERGIPE
4,0	AMAZONAS, CEARÁ, ALAGOAS, ESPÍRITO SANTO, MATO GROSSO DO SUL, MATO GROSSO e GOIÁS
5,5	PERNAMBUCO e BAHIA
6,5	MINAS GERAIS, PARANÁ, SANTA CATARINA e DISTRITO FEDERAL
7,5	RIO GRANDE DOS SUL
9,0	RIO DE JANEIRO
10,5	SÃO PAULO

TABLE 4

A SUMMARY OF BNH PROGRAMS

Carteira	Program	Purpose	Financing Path (BNH to)	Limitations	% of est. BNH investment	
					'84	'85
CESHE	PROMORAR	to eradicate sub-standard conditions in slum neighborhoods, financing land acquisition, preparation, housing (partial or complete), public services and util.	COHAB's/CE's to Benefic	300 UPC max	6.1	8.9
	FICAM	to finance construction or home improvement for individual cases	COHAB's/CE's to Benefic	500 UPC max 400 UPC for home improv	0.6	1.3
CONSO	COHAB's	to lend for construction of dwelling units for low and moderate income families (inc.<5 SM)	COHAB's/CE's to Benefic	800 UPC max in south 650 UPC in rest of ctry	12.8	18.5
	FINC/ FINEC	to finance infrastructure and community facilities related to BNH supported housing proj.	COHAB's/CE's to State/Municipal gov't agencies	N/A	4.7	4.2
	PROFILURB	to finance development of sites and services projects	COHAB's	300 UPC max	0.2	1.7
	TREINAT/ ASSITEC w.DEPEA	personnel training for COHAB's	COHAB's	rate 2%p.a. for 20 yrs	N/A	

TABLE 4 (cont.)

Carteira	Program	Purpose	Financing Path (BNH to)	Limitations	% of est. BNH investment	
					'84	'85
COPES	Institutos de Previdencia Social	to finance production of housing for employees of social service agencies	Hospitals and other social service orgs to Benefic	1750 UPC max for BNH part 5000 UPC ceiling on loans to Benefic	4.4	5.5
	Empresas	to finance production of housing for employees (sale or rental)	Companies	3500 UPC max w. project avg 1800 UPC	3.3	3.6
CPHAB	Cooperativas Habitacionais	to finance land acq. and d.u. construction directly by coops. or for purchase by coops	SBPE orgs to Coops. or individ Coop members	1750 UPC max for BNH part 5000 UPC ceiling on loans	14.0	10.7
	PROSINDI	to finance shelter programs union members w. incomes of <6 SM	SBPE orgs or union coops. to Benefic	1750 UPC max for BNH part 5000 UPC ceiling on loans	1.6	1.9
	PROHASP	to finance shelter programs for public sector employees	SBPE orgs to Benefic	1750 UPC max for BNH part 5000 UPC ceiling on loans	1.3	1.5
	ESPES	to finance the planning of shelter programs	INOCOOPs	rate 3%p.a. up to 24 mos.	N/A	
	TREINAT/ SUDEC w. DEPEA	to finance technical assistance for community service planning	INOCOOPs	2%pa - 20 yrs	N/A	

TABLE 4 (cont.)

Carteira	Program	Purpose	Financing Path (BNH to)	Limitations	% of est. BNH investment	
					'84	'85
CPHAB (cont)	PROCENSO	to finance support of community centers	INOCOOPs, social svc orgs, companies	grant for 1/3 of costs	N/A	
SAFPE	SBPE	to finance residential construction and sale	SBPE orgs to Benefic	avg unit val 2250 UPC o/w BNH takes 65%	8.9	2.5
	Hipotecas	to stimulate housing production by pvt sec organizations	SBPE orgs to Benefic	3500 UPC max for BNH part 5000 UPC ceiling on loans	1.9	0.3
	FIMACO/ RECON	to refinance purchase of construction materials (other programs dealing with assistance to construction materials process are REGIR and REINVEST)	SBPE orgs to Benefic (individ/company)	8%-10% up to 120 mos.	3.5	3.4
	TREINAT/ POUPAT	to finance training and research	SPBE orgs	4%pa, 240 mos	N/A	
	Complementary financing	to assist SBPE cash flow and deposit guaranty problems	SPBE orgs	draws on FAL/FGDLI	0.7	0.1

TABLE 4 (cont.)

Carteira	Program	Purpose	Financing Path (BNH to)	Limitations	% of est. BNH investment	
					'84	'85
CDURB	CURA	to stimulate more efficient and intensive use of urbanized land for shelter programs	Municipal gov'ts/office financing orgs/pvt bks	2.5%-10.5% p.a, varied by region to 276 mos	3.0	2.8
	Fondos Regionais de Desenvolvimento Urbano	to finance infrastructure in principal regional urban centers	State/Municipal gov'ts	8-10%/84 mos	0.2	1.6
	PRODEPO	to finance infrastructure in economic development areas	CE's, Devel Banks, to State/Municipal gov'ts	7%pa/15 yrs	0	0.2
COSAN	FINANSA REFINAG REFINESG FINEST FIDREN	the principal BNH programs for financing water, sewer and storm drain programs at local level	SFH orgs/Devel Banks, State/Muni gov'ts	2.5-10.5% varies by region	11.5 3.9 2.6 1.8	11.9 8.6 3.7 0.2
	TREINAT/ SANAT PRODISAN	financing research, personnel training project planning	Banks/State and Local gov'ts	4%pa/240mos other terms depending on locale	N/A	
DETER	TERRENOS	to finance the purchase of land for social interest housing projects	COHAB's/CE's State/Municipal gov't ag.	4%-6%p.a. up to 48 mos	0.8	1.4

The BNH projects dealing with solutions of 300 UPC (approx. US\$2,000) or less, and families with incomes of three SM (US\$152) per month or less are run, in the majority, through the PROMORAR, the COHAB and the Cooperative programs. The projected investment levels for 1985 indicate that these programs will account for nearly 40% of the total.

## 2. Adjustments to the Present Crisis

The BNH has offered three different loan amortization options to borrowers over the years. These include the Tabela Price, in effect, the traditional fixed payment amortization program, the Sistema de Amortização Constante (SAC), in which a constant amount of the loan principal is amortized with every payment, and the Sistema de Amortização Misto (SAM), a roughly 50/50 mixture of the Tabela Price and the SAC.

In addition, in 1977 the GOB promulgated D.L. 1358 which established a system of deduction from the outstanding balance of a loan at year end for certain categories of borrower, and thereby softened the impact of payments on income over the succeeding twelve months.

In an effort to soften the impact of the current imbalance between the adjustment to mortgage payments and the adjustment to salaries that has had the most severe impact on those borrowers who have negotiated loans since 1981, the BNH developed an adjustment option that borrowers could adopt effective July 1984, that would permit a change in the contracted terms, and, hopefully, also permit a return to regular amortization.

The BNH program offered a selection of manoeuvres that included changing the basis for adjustments from UPC's to the SM (which had been lagging behind UPC adjustments), and changing the amortization scheme to either the traditional Tabela Price or a new combination, the Sistema Misto de Amortização com Prestações Reais Crescentes, (SIMC). This new wrinkle would offer the borrower initial payments that were 15% below the Tabela Price level, but which, twenty-four months later would begin to climb.

By August BNH analysis indicated that about 58% of those eligible had chosen to make a change, and the option chosen by the majority was the option that included both a change to the SM (or 80% of it) as the readjustment

base and a change of the amortization system.

BNH officials felt that this one-time adjustment of loan terms would eliminate the anger of the many SBPE clients who had initiated suits against the system because of the GOB's squeeze play on salaries.

To offset any negative impact on the financing institutions that might result from differences in the correction of payments and the actual contracted amounts, the BNH established the FUNDHAB, Fundo de Assistência Habitacional, to which was directed future BNH retained earnings, available insurance program funds, and a contribution equalling 2% of the SFH lending activities in the future.

FUNDHAB will reinforce the role of the Fundo de Compensação de Variações Salariais (FCVS), a fund set up some years before to account for the differences that might result from the quirks of the adjustment process.

BNH calculations estimated that the improvement in collections by the SFH that would result from the adjustment to loan amortization programs would cut by more than 60% the loss in cash inflow that would result if no action were taken.

Financing agents were also offered the option of using a lease-purchase program to make already completed units more attractive to buyers not able to pick up the initial down-payment and monthly payment levels of a mortgage loan. The BNH worked out the numbers of this plan (Plano de Opção de Compra de Moradia) so that following an initial five-year lease period the inhabitant would have an option to buy, with lease payments counting against the purchase price. The lender would apply an interest rate 2% below that normally used, a feature that, not surprisingly, has generated controversy.

The terms work out so that the buyer pays less per month than would be the case with a traditional purchase via mortgage loan, but more than if the unit were occupied on a purely rental basis. Once again, the hypothesis assumes that the financiers and developers are better off with a less than optimal solution than they are with present conditions (slow repayment flows, lots of unsold units).

The BNH remedial program also shifted payment of mortgage insurance from the buyer to the financing institution, a small benefit for the mortgagor, and a slight loss for

the mortgagee.

Finally, in order to generate increased resources for the low-cost shelter programs, the BNH created FAHBRE, the Fundo de Apoio à Produção de Habitações para a População de Baixa Renda. This fund takes 4% of the total of deposits at SBPE institutions in addition to the traditional reserve requirements, and pays 3% (versus the 6% cost to the SBPE institutions).

To offset this loss, the BNH granted a more flexible lending authority (still limited to bricks and mortar objectives). SBPE institutions may now lend for commercial projects or become involved in leasing transactions that can have a much higher yield than those permitted by the SFH terms.

#### D. Concluding Comments

##### 1. Savings Performance

The figures for savings deposits and FGTS collections for June and July reflected the impact that the economic crisis was having on the clients of the SFH. Every group of financial institutions in the SBPE reported net outflows of savings in June. In both May and June, the total figures reflected net outflows. July is a critical month for mortgage related adjustments so it is usual for the immediately prior months to report larger withdrawals than normal. But, a net negative flow is cause for concern.

Preliminary July data suggested a modest net inflow. During all of this time the Caderneta had one of the best yields among short term money market instruments, and some analysts suggested that much of the fluctuation in the Caderneta totals over the past year had resulted from technical factors, including GOB intervention levels.

During the 1979-84 period the GOB has become a much more active player in the short term market, at times forcing yields on government paper to levels that attracted investors from other options, including the Caderneta, traditionally a very secure investment with a good yield. Recently the GOB authorized greater latitude for "open market" rates, creating the possibility of interest rate risk for investors in short term government securities, and, thereby, making them less interesting to certain investors who had been taking funds from savings accounts.

The possibility that the movement in the Caderneta reflects market conditions primarily raises a question as to how representative of the population as a whole the SBPE saver is. There has been some comment (see Tuccillo in the Bibliography) that savings mobilization in Brazil has not been as effective as the large numbers might suggest. The market is, after all, very large by comparison to other Latin American markets, and the success of past years may only be a suggestion of what a strong savings mobilization effort at lower income levels could generate.

If, indeed, the vast majority of the population have incomes well below the six or seven SM level, and, therefore, have been little affected by the GOB salary policy, and they are active savers if given the option, then either they have been severely affected by unemployment and forced to withdraw funds, or the SBPE is driven by a much wealthier class of client.

## 2. A Government Designed and Installed System

The combination of the monetary correction system and the direct control of the BNH over the workings of the SFH make clear that the formal shelter sector in Brazil operates in a government controlled context.

While this context has led to the establishment of a remarkable set of institutions, with policies that have led to the funding of shelter related programs on a large scale, it also leads to an artificial, that is, not strictly market driven, relationship between the SFH and its clients.

The crisis of the present reflects this artificiality by the suggestions read in the Press, and heard in conversation, that the GOB is responsible for the mess, and, therefore, the GOB will resolve the problem.

Many borrowers have held back on payments assuming that the GOB or the BNH would come up with some scheme that would reduce the impact on the personal pocket-book. In fact, that appears to be what is happening, though the favorite target of commentary, D.L.2065, will not be changed according to the Administration.

By mid-August, BNH management was discussing with the Ministry of Planning a program that would tie adjustments to monthly loan payments directly to the adjustments in salaries set for each professional category. The planners were also considering setting the timing of the loan payment

adjustments so that they fell in the month following the salary adjustment. Thus, the borrower would have a little greater budgetary flexibility.

Since such a program would imply a subsidy, BNH management proposed that one half the subsidy be covered by the national budget, with the remaining half covered by the FCVS/FUNDHAB reserves discussed earlier. Press reports indicated a generally favorable GOB reaction, all of which gives rise to questions about the GOB ability to control the deficit in line with IMF agreements.

M. Andreazza, the Minister of the Interior, and the losing candidate for the presidential nomination of the "government" party, noted following his defeat at the convention in August that he would be resigning his post to return to private life, but not until he had come up with some resolution to the salary/mortgage payment problem.

The Brazilian borrower would read or hear this sentiment as confirmation of the conclusion that the best solution is to wait for GOB action.

It appears to be the nature of the indexation process that there are always choices between different indices, and that the timing of adjustment of one aspect of the economy is often out of synchronization with that of another, leading to the need for off-setting balances, reserves, etc. One gets the impression that there is always a manoeuvre that can be found to help return the situation to the previously enjoyed equilibrium.

### 3. Great Commitment and Sophistication

Yet, the process has bred some very sophisticated understanding of inflation and how to deal with it. Recessions are not pleasant even for non-indexed economies, and, therefore, Brazil's pain and confusion are not really so extraordinary.

The SFH has an impressive base of experience in the traditional process of financing the construction and sale of residential units. It is rapidly gaining important experience in the planning and management of low-cost shelter projects.

This experience covers the full range of subject matter, from family living patterns and needs, to complex financial and physical arrangements. The experience also

covers welding together the work of all levels of government, and the analysis and resolution of the problems presented by the most precarious human settlements. The commitment of the GOB cannot be questioned.

The SFH has fused the operations of the private and public sectors only on the financing side. The Caixa Econômica and the state or city-owned SCI are competitors for the deposits of the general public, and carry on a banking business like any privately owned organization.

Low-cost shelter project development, however, is left to the COHAB's (though they do contract with private construction companies) by policy direction and a general acceptance by the privately owned institutions that low-cost housing is not for them.

The SFH has operated throughout most of its history as a provider of housing for the middle class. If GOB policy continues to stimulate more production for lower income families, then the capacity of the existing BNH/COHAB combination may be tested. Ways will have to be found to attract private sector or broader SBPE involvement so as to increase overall output.

The BNH, it is worth remembering, has operated in a remarkably private sector fashion for a government-owned, politically important institution. The BNH has kept a close eye on its costs and has adjusted its fees accordingly. It has displayed the kind of sensitivity to its responsibility as a guardian of the FGTS funds, and has reflected the GOB commitment to production in the sector through its regulatory output in a way that often has been missing at comparable institutions in other countries.

This "cost-of-funds" orientation, however, may not be as easy to manage in the future if the targets of output for low cost shelter programs are increased beyond their current proportion of total investments, thereby disturbing the balance between high and low yielding BNH loans.

#### 4. Options for AID Cooperation

BNH management has recently indicated to AID representatives that they would welcome AID cooperation as they continue to increase the outreach of their low-cost shelter programs. They have suggested that the BNH could secure the guaranty of the GOB of any exchange risk that would result from a US dollar loan. The import component of

low-cost minimum shelter projects in Brazil is virtually nil, making release of cruzeiros by the Central Bank upon receipt of dollars a viable mechanism for taking advantage of the HG Program.

Among the objectives of AID cooperation in the shelter sector in Brazil could be an increased participation by the private sector in the development of low-cost programs. The focus might be getting private SBPE institutions to finance projects from beginning to end, perhaps at the top end of the scale now served by COHAB's, allowing these latter organizations to absorb an increase in the minimal shelter programs without exhausting their capacity.

Another objective might be support of a rigorous analysis of the SBPE saver, and the possibility that the system could attract clients from a broader range of incomes. This support might include, for example, programs directed at the savings mobilization policies and techniques required to realize an increase in coverage.

The size of Brazil, in both geographical and population terms, suggests that any shelter sector experience is going to be of great interest because of its variety. With an average production financed by the SFH of 230,000 units per year since its beginnings, and given estimates that suggest that the SFH has accounted for about 40% of new shelter production in recent years, it seems clear that the SFH would have to double its output if it were to compete with the slum building process.

Thus more resources will have to be mobilized and a wide range of approaches to publicity and to project design will be needed to accomplish the task. Use of HG Program demonstration project funding would make an excellent contribution.

The variety of experience can also be incorporated into the training process, both for Brazil and for other Latin American countries. The ABECIP/BNH initiative to establish the ENHAP could serve as the foundation for an expanded educational effort that would directly train those who work in the field. ENHAP could also serve as a center for international transmission of the relevant information.

HG Program support for the educational process, could permit incorporation of the variety of the Brazilian experience into a format that would have application not only internally

in order to stimulate increased SFH activity, but also abroad wherever HG Programs are trying to accomplish similar objectives. The financial experience offers especially interesting possibilities because the Brazilian institutions operate in an LDC environment, and yet have reached levels of sophistication from which good examples of banking techniques can be drawn.

To date Interamerican Development Bank programs in urban areas have focused on major infrastructure networks for selected cities. The World Bank has had a lending relationship with the BNH for some years, with the most recent loan negotiated in 1979 to support PROFILURB and the sites and services process. The debt and recession crisis caused a considerable amount of renegotiation of the terms of this loan because of the impact of devaluations on the amount of BNH counterpart required. Further information on the current state of IBRD/BNH negotiations will be contained in an annex to this report that will be written shortly.

## APPENDIX A

### LIST of ACRONYMS

- number in ( ) is first reference in main body of text -

#### ORGANIZATIONS, FUNDS and FINANCIAL TERMS

ABECIP	Associação Brasileira das Entidades de Crédito Imobiliário e Poupança (3)
APE	Associação de Poupança e Empréstimo (3)
BNH	Banco Nacional da Habitação (1)
CE	Caixa Económica (1)
COHAB	Companhia de Habitação (3)
ENHAP	Escola Nacional de Habitação e Poupança (4)
FAHBRE	Fundo de Apoio à Produção de Habitações para a População de Baixa Renda (13)
FAL	Fundo de Assistência de Liquidez (SBPE reserve fund administered by BNH)
FCVS	Fundo de Compensação de Variações Salariais (12)
FGDLI	Fundo de Garantia dos Depósitos e Letras Imobiliárias (Deposit Insurance)
FGTS	Fundo de Garantia do Tempo de Serviço (2)
FINSOCIAL	A national social programs fund financed by a 0.5% tax on corporate gross receipts (6)
FUNDHAB	Fundo de Assistência Habitacional (12)
INOCOOP	Instituto Nacional de Orientação às Cooperativas (see CPHAB, Table 4)
Mutirão	Term used for Self-help Shelter work (6)

ORTN's	Obrigações Reajustáveis do Tesouro Nacional (2)
PLANASA	Plano Nacional de Saneamento Básico (2)
PLANHAP	Plano Nacional de Habitação Popular (2)
SBPE	Sistema Brasileiro de Poupança e Empréstimo (3)
SCI	Sociedade de Crédito Imobiliário (3)
SFH	Sistema Financeiro da Habitação (1)
SM	Salario Mínimo (2)
UPC	Unidade Padrão de Capital (4)

The Major Portfolios - CARTEIRAS

CDURB	Carteira de Desenvolvimento Urbano (10)
CESHE	Carteira de Erradicação da Subabitação e Emergências (10) Sociais
CONSO	Carteira de Operações de Natureza Social (10)
COPEs	Carteira de Operações Sociais (10)
COSAN	Carteira de Saneamento (10)
CPHAB	Carteira de Programas Habitacionais (10)
SAFPE	Carteira de Supervisão dos Agentes Financeiros de Poupança e Empréstimo (10)

BNH OPERATING FUNDS and PROGRAMS (See Table 4)

ASSITEC	Assistência Técnica
CICAP	Construção Individual da Casa Própria
CURA	Programa de Complementação Urbana

FAE	Fundo de Financiamento para Agua e Esgoto
FDU	Fundos Regionais de Desenvolvimento Urbano
FICAM	Programa de Financiamento da Construção, Aquisição ou Melhoria de Habitações de Interesse Social
FIDREN	Financiamento e/ou Refinanciamento para Implantação ou Melhoria de Sistemas de Drenagem que visem ao Controle de Inundações em Núcleos Urbanos
FINANSA	Financiamento para Saneamento
FINC	Financiamento para Urbanização de Conjuntos Habitacionais
FINEC	Financiamento de Equipamento Comunitário de Conjuntos Habitacionais
FINEST	Empréstimo Suplementar para Composição da Participação Financeira dos Estados na Execução do PLANASA
João de Barro	Program of Self-help Housing (Mutirão) funded by FINSOCIAL
POUPAT	Apoio Técnico ao Sistema Brasileiro de Poupança e Empréstimo
PROAREAS	Programa de Urbanização de Areas
PRODEPO	Programa de Apoio de Desenvolvimento de Pólos Econômicos
PRODISAN	Subprograma de Desenvolvimento Institucional das Companhias Estaduais de Saneamento
PROEC	Programa de Equipamentos Comunitários
PROFILURB	Financiamento de Lotes Urbanizados
PROHASP	Programa Habitacional para os Servidores Públicos
PROHEMP	Programa Habitacional Empresa

PROMORAR	Programa de Erradicação da Subabitação	
PROSINDI	Programa Nacional de Habitação para o Trabalhador Sindicalizado de Baixa Renda	
RECON	Refinanciamento ou Financiamento ao Consumidor de Materiais de Construção	
REFINAG	Financiamento e Refinanciamento de Implantação e/ou Melhoria de Sistemas de Abastecimento de Água	
REFINESG	Financiamento e Refinanciamento de Implantação e/ou Melhoria de Sistemas de Esgotos que visem o controle da poluição das Águas	
REGIR	Financiamento ou Refinanciamento do Capital de Giro das Empresas Produtoras de Materiais de Construção	
SAC	Sistema de Amortização Constante	(11)
SAM	Sistema de Amortização Misto	(11)
SANAT	Apoio Técnico ao Sistema Financeiro do Saneamento	
SIMC	Sistema Misto de Amortização com Prestações Reais Crescentes	(12)
SUDEC	Subprograma de Desenvolvimento Comunitário	
Tabela Price	Traditional Mortgage Amortization System (often referred to in Brazil as the Sistema Frances, or French system)	(11)
TREINAT	Treinamento e Assistência Técnica	

## APPENDIX B

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APPENDIX C

LIST OF MEMBERS OF SBPE

Caixas Econômicas

- 5th Region: CE do Estado de Goiás  
CE do Estado de Minas Gerais  
CE Federal
- 7th Region: CE de São Paulo
- 8th Region: CE Estadual do Rio Grande do Sul

Associações de Poupança e Empréstimo

- 1st Region: VIVENDA
- 2nd Region: Caixa Forte  
DOMUS  
MODULUS
- 3rd Region: APEAL  
APEPE  
APERN
- 5th Region: POUPEX
- 7th Region: SEULAR  
APEMAT
- 8th Region: APEPAR  
Fin-Hab

Sociedades de Crédito Imobiliário

- 1st Region: BEA  
SOCILAR  
Banpará  
Bradesco Amazônia  
Econômico Amazônia
- 2nd Region: BEC  
BEM  
BEP  
Bradesco Nordeste

APPENDIX C (cont)

3rd Region:      Bandepe  
                    Bandern  
                    Banorte  
                    Econômico Nordeste  
                    Paraiban  
                    Produban  
                    Bradesco

4th Region:      Baneb  
                    Banese  
                    Banorte Leste  
                    Econômico-Casaforte  
                    Bradesco

5th Region:      Bamerindus Centro-Oeste  
                    Banestes  
                    BMG  
                    Bradesco Minas  
                    Unibanco Centro  
                    Nacional  
                    BRB  
                    Mutual-Apetrim  
                    Triplik

6th Region:      Bamerindus Rio  
                    Banerj  
                    Bradesco Rio  
                    BRJ  
                    Nacional  
                    Itaú Rio  
                    Unibanco Rio  
                    Comind Rio  
                    Econômico Rio  
                    Morada

7th Region:      Bamerindus São Paulo  
                    Bandeirantes  
                    Bradesco  
                    Cia. Real  
                    Comind  
                    Econômico SP  
                    Finasa  
                    Itaú  
                    Nacional  
                    Safra  
                    Sul Brasileiro SP  
                    Unibanco SP  
                    Beron

APPENDIX C (cont)

7th Region      Auxiliar  
(cont)          Noroeste  
                  Familia Paulista

8th Region:     Bamerindus  
                  Banestado  
                  BESC  
                  Bradesco Sul  
                  Habilitasul  
                  Sul Brasileiro  
                  Unibanco Sul  
                  Itaú Sul  
                  Nacional Sul

BNH Program Details

Because of the monetary correction program, BNH programs are usually described by using "salario minimos" (SM) and the "Unidade de Padrao de Consumo" (UPC). As of August 3, 1984, these values were as follows:

S.M. - Cr.\$97,176 (US\$50.53)

\* per month

U.P.C. - Cr. \$13,254.67 (US\$6.89)\*

\*exchange rate Cr.\$1,923 - US\$1.00)

The following is a listing of BNH programs giving summary information.

HOUSING

1. PROMORAR:

Purpose - to eradicate sub-standard conditions in slum neighborhoods ("palafitas, mocambos, favelas, invasoes"), applying minimum levels of relocation from existing neighborhoods, as well as a wide range of housing, infrastructure and community service improvements.

Executing Agency - the Carteira de Erradicacao do Subhabitacao e Emergencias Sociais (CESHE), via COHABS, Caixas Economicas and state and local governments.

Financing of land acquisition and preparation, housing solutions (partial or complete), public services and utilities.

Resources - BNH funds and state and local government funds.

Financing Conditions - The BNH applies standard formulae for all long term financing. The formulae can be found in Tables 1-3 of the main text. Construction financing rates and terms vary by program.

Financing Limitations - BNH to Financing Agent - up to 300 UPC/dwelling units; up to 9 months construction financing; up to 360 months for take out financing; guaranty - mortgage or other.

Financing Agent to Developer - same as above with up to 1 percent rate differential.

Financing Agent to Beneficiary - up to 100 percent of purchase price; maximum 300 UPC; term - 360 months;

For commercial properties in project site up to 3 percent p.a. in interest; maximum loan 300 UPC; term 120 months.

For infrastructure work only - BNH to Financing Agent - construction financing up to six months; loan term 216 months.

Financing Agent to Developer - same as above with interest rate differential of up to 1 percent p.a.

Financing Agent to Beneficiary - up to 100 percent of value with maximum of 300 UPC; term 360 months.

## 2. COMPANHIAS DE HABITACAO

Purpose - to lend for construction of dwelling units for low and moderate income families (with incomes up to five S.M.).

Executive Agency - the Carteira de Operacoes de Natureza Social (CONSO) via COHABS and Caixas Economicas.

Resources - BNH.

Financing Limitations - BNH to Financing Agent - up to 800 UPC for units in the south and southeast, and up to 650 UPC elsewhere in the country; take out financing for up to 300 months.

Financing Agent to Beneficiary - maximum same as above; term 300 months;

## 3. COOPERATIVAS HABITACIONAIS

Purpose - general housing finance available to cooperatives.

Executing Agency - Carteira de Programas Habitacionais (CPHAB) via financing institutions in the SBPE and housing cooperatives.

Financing Framework - loans for land purchase and construction directly by Coops. or for purchase by Coops. of housing units built by others. Financing may be with the Coop. or with individual beneficiaries.

Resources - BNH, funds in SBPE, and Coop. resources.

Financing Limitations - BNH to Agente Financeiro - BNH will participate up to 1350 UPC per dwelling unit (1750 UPC in the case of Sao Paulo and Rio areas); Construction financing to 10 months.

Financing Agent to Beneficiary - the term runs from 25 years for loans of 1500 UPC or less, to 15 years for loans of up to 5000 UPC.

In cases where the financing agencies have not used BNH resources for construction, they may refinance with the BNH.

4. PROGRAMA NACIONAL DA HABITACAO PARA O TRABALHADOR SINDICALIZADO DE BAIXA RENDA (PROSINDI)

Purpose - To provide housing solutions for union members with family incomes of below six S.M. (US\$303 per month), to include improvement of sub-standard housing.

Executing Agency - Carteira de Programas Habitacionais (CPHAB) via SBPE agencies and union coops.

Financing Framework - Full range of housing production and financing loans.

Resources - BNH and financing agencies.

Financing Limitations - BNH to Financing Agency - maximum loan up to 1750 UPC per unit in Rio and Sao Paulo; amortization terms to be negotiated with BNH; Construction financing up to 10 months.

Beneficiaries of the PROSINDI program are covered by D.L. 1358, which authorizes a certain level of reduction of the remaining balance of loan, according to the amount paid during the prior year, a procedure established in 1974 to soften the impact of inflation on low-income family cash flow.

5. PROGRAMA HABITACIONAL para os SERVIDORES PUBLICOS (PROHASP)

Purpose - the same as that for union members, without, however, income limitation other than that affected by loan size ceilings.

Executing Agency - Carteiras de Programas Habitacionais (CPHAB)

Conditions - this program follows the same procedures as those applied to the PROSINDI program.

In this program, as well as in the PROSINDI and coop, Habitacionais program beneficiary is expected to apply his or her savings, opening a special account.

6. INSTITUTOS de PREVIDENCIA SOCIAL

Purpose - provide housing production and finance for those employed by such organizations as well as other government agencies.

Executing Agency - Carteira de Operacoes Especiais (COPEs) via the institutes and other agencies included in the Purpose section above.

Financing Framework - A full range of housing production and financing credits.

Resources - BNH and the participating agencies.

Financing Conditions - As with previously-described programs, BNH resources may only be used to a maximum of 1750 UPC (for Rio and Sao Paulo areas) per unit.

Loan ceilings are 5000 UPC and the same range of interest rates and terms apply as for the three programs of the COHAB Carteira already described in items 3, 4 and 5.

7. HIPOTECA

Purpose - to stimulate the production and financing of housing by private sector organizations.

Executing Agency - Carteira de Operacoes e Supervisao dos Agentes Financeiros de Poupanca e Empréstimo via construction companies (developers) and the SBPE organizations.

Financing Framework - traditional residential construction lending and take-out financing.

Resources - BNH, SBPE and developers.

Financing Limitations - BNH to Financing Agent - maximum unit cost is 3500 UPC construction loan terms negotiable but no more than 36 months.

Financing Agent to Developer - terms are the same with a ceiling of up to 5000 UPC.

Note that for the take out financing, the BNH sets the terms for all loans, but will only refinance up to 3500 UPC per loan. Financing to beneficiaries is only for 90 percent of the unit price.

8. EMPRESAS

Purpose - this program makes construction and take-out financing available to companies interested in providing housing for their employees. The units may be rented or sold to beneficiaries.

Executing Agency - Carteira de Operacoes Especiais (COPEs).

Conditions - The terms and conditions are the same as those noted for Program 6 above. The unit costs, however, are limited to a ceiling of 3500 UPC and an average for any Program of 1800 UPC.

In the case of units built for rental to beneficiaries, the loan term to the company is 120 months.

9. SISTEMA BRASILEIRO DE POUPANCA E EMPRESTIMO (SBPE)

Purpose - financing for the SBPE for residential construction (houses and apartment buildings) and loans to companies for construction of housing whose average unit value will not pass 2250 UPC.

Executing Agency - Carteira de Supervisao dos Agentes Financeiras de Poupanca e Empréstimo (SAFPE) via SBPE organizations.

Financing Framework - construction and take-out financing.

Resources - BNH and SBPE funds.

Financing Limitations - For construction financing - BNH participation runs from 85 percent of the average unit value at an average of up to 1350 UPC to 65 percent for values from 1800 to 2250 UPC. The term is up to 36 months.

For take-out financing - the rates and terms are those mentioned for COPEs and SAFPE Programs above (e.g. 7).

HOUSING COMPLEMENTARY OPERATIONS

1. TERRENOS

Purpose - to finance the purchase of land for "social interest" housing programs.

Executing Agency - Departamento de Terras (DETER) via CPHABs, state and local governments and other SFH organizations.

Resources - BNH

Financing Limitations - BNH to Financing Agent - interest rates of 4 percent to 6 percent p.a., term depending on timing or related construction program, generally not more than 48 months.

Financing Agent to Developer - interest rates range from 6 percent to 8 percent p.a.

^

2. EMPRESTIMOS para OBRAS de INFRA-ESTRUTURA e de EQUIPAMENTOS COMUNITARIOS PUBLICOS (FINC/FINEC)

Purpose - the financing of infrastructure for BNH-supported housing projects.

Executing Agency - Carteira de Operacoes de Natureza Social (CONSO) via financing organizations CPHABs and state and local government agencies.

Financing Framework - BNH loans to organizations to finance contracted earthmovement, drainage, water and sewer networks, and electric power networks.

Resources - BNH.

Financing Limitations - Rates are scaled according to the wealth of each region. Terms may be up to 216 months.

In the event financing is passed through to another institution, the rates and terms remain the same.

3. FINANCIAMENTO do CONSTRUCAO, AQUISICAO ou MELHORIA de HABITACAO de INTERESSE SOCIAL (FICAM)

Purpose - to finance construction and purchase of housing, or home improvement for families covered by the Plano Nacional de Habitacao Popular (PLANHAP).

Executing Agency - Carteira de Erradicacao ou Subhabitacao e Emergencias Sociais (CESHE), via CPHABs, Caixas Economicas, state and local governments.

Financing Framework - loans for financing construction and subsequent take-out financing of housing programs. COHABS may take on both financing and developer role.

Resources - BNH.

Financing Limitations - BNH to Financing Agent - rates 3 percent p.a., during construction period, subsequently reflecting the take-out financing. Term up to 300 months.

Financing Agent to Beneficiary - loan maximum up to 500 UPC for new housing, 400 UPC for improvement, with a term of 36 to 300 months.

4. COMPLEMENTACAO da HABITACAO

Purpose - refurbishing of housing units (apartment complexes).

Executing Agency - Carteira de Operacoes de Supervisao dos Agentes Financeiros de Poupanca e Emprestimo (SAFPE), via organizations of the SBPE.

Financing Framework - Resources - a small program, with a limit of up to 5 percent of total BNH loans.

Financing Limitations - rates of 6 percent p.a., term up to 180 months.

5. LOTES URBANIZADOS (PROFILURB)

Purpose - to finance sites and services programs following PLANHAP guidelines.

Executing Agency - Carteira de Operacoes de Natureza Social (CONSO), via CPHABs principally.

Resources - BNH (IBRD loans have been used).

Financing Limitations - BNH to Financing Agent - 100 percent of project development up to 300 UPC per unit. Interest rate, 1 percent p.a., term up to 300 months.

Financing Agent to Beneficiary - rate, 2 percent p.a., term 300 months.

It is possible, under this program, to develop 5 percent of the developable land for commercial purposes, charging higher rates.

6. FINANCIAMENTO para MATERIAIS de CONSTRUCAO (FIMACO) - RECON Sub-Program

Purpose - refinancing purchase by home owner of construction materials. (see par. 1 in Technical Assistance for program for commercial organizations).

Executing Agency - Carteira de Operacoes e Supervisao dos Agentes Financeiros de Poupanca e Emprestimo (SAFPE) via SBPE and commercial banks that are collection agents for the FGTS.

Financing Framework - beneficiaries may be construction companies, individuals, etc.

Resources - BNH

Financing Limitations - BNH to Financing Agent - 8 percent p.a. rate, term 60 months, with special cases of up to 120 term.

Financing Agent to Beneficiary - 10 percent p.a. rate, same term as above.

URBAN INFRASTRUCTURE

1. PROGRAMA de COMPLEMENTACAO URBANA (CURA)

Purpose - stimulation of better land use, applying financing to purchase and urbanization of land for use by housing programs.

Executing Agency - Carteira de Desenvolvimento Urbano (CDURB) via state and municipal banks and agencies.

Resources - BNH plus municipal governments.

Financing Limitations - BNH covers up to 90 percent of investment. Rates are set by state. Terms of up to 276 months.

2. FINANCIAMENTO para SANEAMENTO (FINANSA)

Purpose - Financing water supply networks.

Executing Agency - Carteira de Saneamento (COSAN) via state and local agencies.

Financial Framework - This program has a variety of sub-programs dealing with different aspects of investment in infrastructure. They are labeled:

REFINAG	- water systems
REFINESG	- sewer systems
FINEST	- both under PLANASA (Nat'l. Sewer and Water Program)
FIDREN	- drainage in urban areas.

Resources - BNH, state and local governments, drawing on Fondo de Financiamento para Agua e Esgoto (FAE).

Financing Limitations - Rates as above varying by state, though use of the FAE carries a 1 percent p.a. cost to the financing agent and a 2 percent or 2.5 percent p.a. cost to the benefitting agency.

Terms vary from 252 to 360 months.

In small towns, 50 percent of the funds are not recuperated and 50 percent are returned to the FAE via the loan amortization process.

3. FUNDOS REGIONAIS de DESINVOVIMENTO URBANO

Purpose - financing of infrastructure investment in major urban areas in the East, West-Central, Northeast, South and Amazonia areas.

Executing Agency - Carteira de Desenvolvimento Urbano (CDURB) via state and local governments.

Resources - BNH, Caixa Economica Federal and state and local governments.

Financing Limitations - rate, 8 percent p.a., term 120 months, with the financing agent charging the beneficiary 10 percent p.a.

4. PROGRAMA de APOIO ao DESENVOLVIMENTO de POLOS ECONOMICOS (PRODEPO)

Purpose - urban infrastructure production in development centers.

Executing Agency - Carteira de Desenvolvimento Urbano (CDURB) via state and local government agencies.

Financing Conditions - rate 7 percent p.a. (plus 1 percent for pass through to final beneficiary), term, up to 15 years.

TECHNICAL AND FINANCIAL ASSISTANCE

1. FINANCIAMENTO para MATERIAIS de CONSTRUCAO (FIMACO) - REINVEST Sub-Program

Purpose - financing of investment in fixed assets for producers and distributors of construction materials.

Executing Agency - Carteira de Operacoes e Supervisao dos Agentes Financeiros de Poupanca e Empréstimo (SAFPE) via financial sector.

Resources - BNH

Financing Framework and Limitations - This program deals with a wide range of financial and commercial institutions. Rates vary depending on region and size of enterprise from 2 percent to 7 percent to the financial agent and 4 percent to 9 percent to the benefitting concern. Term is up to 96 months.

2. REGIR Subprogram - (FINANCIAMENTO ou REFINANCIAMENTO do CAPITAL de GIRO das EMPRESAS PRODUTORAS de MATERIAIS de CONSTRUCAO)

Purpose - working capital financing for construction materials producers.

Executing Agency - SAFPE via the financial sector and producers.

Resources - BNH.

Financing Limitations - rates 2 percent to 7 percent p.a. depending on region and size of concern with 2 percent p.a. additional to the beneficiary (i.e. 4 percent to 9 percent p.a.). Term, 42 months. Amounts may exceed 100,000 UPC, but are generally targeted at small/and medium sized companies.

3. APOIO ao SBPE

Purpose - general financial and technical assistance to housing finance institutions. There are four sub-programs:

Financial Assistance - (particularly in cases of building renovation)  
POUPAT (financing to encourage training and research in savings area.)  
SANAT (financing for research and training dealing with PLANASA)  
SUDEC (for community development programs especialy with housing coops)

Executing Agency - SAFPE, CPHAB and COSAN via SBPE institutions.

Resources - BNA in conjunction with the benefitting institutions and in some cases state, local and federal government.

Financing Limitations - term, 180 months.

Financial Assistance: 6 percent p.a. rate, POUPAT: 4 percent p.a., up to 20 years; SANAT: 4 percent p.a., 20 years; SUDEC: 4 percent p.a., up to 20 years.

4. ESTUDIOS e PESQUIZAS (ESPES)

Purpose - financial assistance for the Institutos de Orientacao as Cooperativas Habitacionais (INOCOOPs) for planning housing projects.

Executing Agency - Carteira de Programas Habitacionais (CPHAB) via INOCOOPs.

Resources - BNH.

Financial Limitations - rate 3 percent p.a., up to 24 months.

5. TREINAMENTO e ASSSISTENCIA TECNICA (TREINAT)

Purpose - technical assistance for personnel training, with five sub-programs:

ASSITEC - assistance to COHABs  
POUPAT - assistance to SBPE

- SANAT - assistance to state and local government public utility agencies  
PRODISAN - assistance also for agencies involved in infrastructure investment.

ASSITEC

Executing Agency - Departamento de Estudos e Pesquisas Aplicadas (DEPEA) and Carteira de Operacoes de Natureza Social (CONSO)

Resources - BNH.

Financing Conditions - rate 2 percent p.a., terms 20 years.

POUPAT

Executing Agency - DEPEA and SAFPE via SBPE organizations.

Resources - BNH, government agencies and SBPE organizations.

Financing Conditions - rate 4 percent p.a., terms, up to 300 months.

SANAT

Executing Agency - Carteira de Saneamento via state and local government agencies.

Resources - see POUPAT above.

Financing Conditions - same as for POUPAT above.

SUDEC

Executing Agency - Departamento de Estudos (DEPEA) and CPHAB via SBPE and principally for benefit of INCOOPs.

Resources - BNH.

Financing Conditions - rate 4 percent p.a. and term up to 20 years.

PRODISAN

Executing Agency - Carteira de Saneamento (COSAN) via state and local government agencies.

Resources - BNH through SANAT, REFINAG, REFINESG and special sewer and water funds (FAEs).

Financing Conditions - see the above program listings.

6. APOIO aos CENTROS SOCIO URBANOS (PROCENSO)

Purpose - a grant program for support of community centers.

Executing Agency - CPHABs, Housing Coops, Institutos de Previdencia and companies with programs where unit costs don't exceed 1100 UPC.

Financing Conditions - a grant. BNH provides one-third of costs.

COMPLEMENTARY FINANCING PROGRAMS

1. FUNDO de GARANTIA dos DEPOSITOS e LETRAS IMOBILIARIAS (FGDLI)

Purpose - the principal deposit insurance program.

Managing Agency - SAFPE.

Resources - 0.165 percent each quarter of total deposits and certificates for prior quarter.

BNH adds 2 percent p.a. and C.M.

Limitation - accounts up to 3500 UPC (US\$24,000).

2. FUNDO de ASSISTENCIA de LIQUIDEZ (FAL)

Purpose - cash flow adjustment fund for SBPE.

Managing Agency -

SAFPE

BNH Finance Department (DEFIN) and

BNH Accounting Department (DECON)

Resources - Required deposit levels range from 3.9 percent to 11.6 percent of deposits depending on location of institution and volume of accounts.

OTHER FINANCING PROGRAMS

These are programs of the SFH organizations themselves.

1. EMPRESTIMOS a PRODUCAO de HABITACOES en REGIME de INCORPORACAO

Purpose - construction financing of large housing projects

Managing Agencies and Resources - SBPE.

Financing Conditions - rate negotiable, term up to 36 months.

2. PROGRAMA de CONSTRUCAO INDIVIDUAL da CASA PROPIA (CICAP)

Purpose - home construction (including land purchase) by individuals.

Management and Resources - SBPE

Financing Conditions - rate up to 10 percent p.a., depending on loan size, term 15 to 25 years, also dependent on loan size (smaller loan gets lower rate - down to 2 percent p.a. and longer term).

3. PROGRAMA de URBANIZACAO de AREAS (PROAREAS)

Purpose - financing of urban land development.

Managing Agency - SBPE organizations and land development companies.

Financing Conditions - loans of up to 700 UPC per residential lot; rates, up to 10 percent p.a., term to vary up to 36 months depending on size of project. In cases where the cost per lot is 500 UPC or less, the final beneficiary can get up to 60 months term.

4. PROGRAMA de EQUIPAMENTOS COMUNITARIOS (PROEC)

Purpose - to promote construction of community facilities in large housing projects. SBPE is the executing agency.

Financing Conditions - up to 150,000 UPC where commercial property and a full range of health and educational facilities are included. Rate up to 10 percent p.a., term up to 30 months. In case of on-lending to property owners, the term is 10 years, interest rate the same.

5. OTHER SBPE PROGRAMS

FINANCIAMENTOS a INQUILINOS

Purpose - designed to offer financing up to 31 December 1983 to renters with contracts dating to prior to 1979, and who want to buy the unit.

Financing Conditions - 90 percent financing for units costing 1800 UPC or less, to 80 percent financing for units of up to 3500 UPC. Rate to vary from 2 percent for loans of up to 300 UPC to 10 percent for loans of above 2700 UPC. Amortization to vary between 15 and 25 years.

PROGRAMA: CONDOMINIO

Purpose - financing construction and sale of condominium projects.

Financing conditions - maximum loan 5000 UPC, rates and term, as above.

PRODUCAO e COMERCIALIZACAO de HABITACOES CONSIDERADAS de INTERES SOCIAL

Purpose - to stimulate financing of low-cost housing programs.

Financing Conditions - loan maximum 2250 UPC per dwelling unit.  
Rates and terms scaled as in Fin. de Inquilinos, above.

To conclude this description of BNH and related programs, 1979-82 data is compared with projections for 1984 and 1985 to show the weight of the different programs or program groupings.

Application of BNH Resources

	<u>1979 - 1982</u>	<u>1984*</u>	<u>1985*</u>
	<u>Programs</u>	<u>Major Heading</u>	
<u>Housing</u>		<u>66.6%</u>	
Social Interest Housing		48.3	
COHABS	19.1%	12.8	18.5
PROMORAR	3.2%	6.1	8.9
COOPS & Others	24.4%	24.6	23.2
Sites and Services	0.3%	0.2	1.7
Complement Facilities	1.3		
Other Housing Programs		18.3%	
SBPE	5.3	10.8	2.8
RECON	7.4	3.5	3.4
<u>Urban Development</u>		<u>31.4%</u>	
Sewer, Water, Drainage		24.2%	
REFINAG	8.3%	11.5	11.9
REFINESG	4.6%	3.9	8.6
FINEST	5.2%	2.6	3.7
FIDREN	3.1%	1.8	0.2
Other	3.0%		
Other Urban Development		7.2%	
Land Development	3.7%	3.0	2.8
Urban Transportation	0.7%		
PRODEPO	2.1%		
Other	0.7%		0.2
<u>Technical Assistance</u>		<u>2.0%</u>	
REGIR-REINVEST	1.4%		
Feas. Study/Research	-	N/A	
TREINAT	-		
Other	0.5%		
Total		100.0%	

\* Comparison made of data from different sources. Totals by major heading are not possible.