A.I.D. EVALUATION SUMMARY - PART I

PD-ABE-994

ISA 80123

XD

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:

Mission or AID/W Office RHUDO/NENA

(ES# ________________)

B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?

Yes ☐ Slipped ☒ Ad Hoc ☐

Evaluation Plan Submission Date: FY 90 Q 1

C. Evaluation Timing

Interim ☐ Final ☒ Ex Post ☐ Other ☐

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
278-HG-001	Jordan Low Cost Housing Finance Project	9/11/86	N/A	$40,589 HG Loan (Includes capitalized interest at $5,890).	$40,589 HG Loan 3 years of capitalized interest at $5,890).

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
N/A		

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) 9 (Day) 12 (Year) 90

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Douglas W. Heisler	-	Robert Hansen	David L. Painter
Signature	Douglas W. Heisler	-	Robert R. Hansen	David L. Painter
Date	8/21/92	-	10/8/92	8/25/92

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

This is the Final Evaluation of the $ 35 million Jordan Low Income Housing Finance Project (Housing Guaranty Program 278-HG-001) whose goal was to increase low cost housing through two sub-projects:

1) An Individual Loan Program to increase the availability of long-term mortgage credit for housing affordable to below median income families by Jordan Housing Bank (JHB) loans: 1) to individuals for owner/builder construction of a house on land they already owned, and 2) to World Bank Urban Development Project beneficiaries to purchase a plot and core house with optional construction loans to enlarge or improve the core house.

2) A Private Developer Program to increase private sector production for the low income market by JHB construction financing and mortage loans for low income households to purchase private developer built homes.

This Final Evaluation, completed in August 1990, was based on a review of project documents, interviews with informed respondents and a sample of JHB loan records. Final minor revisions by the project officer and preparation of this Evaluation Summary Form were delayed due to the Gulf War.

The 278-HG-001 Program Final Evaluation found that:
The Individual Loan Program was extremely successful. A total of 4,739 loans were made, with a combined value of JD 16,938,365, and over 40% of the program beneficiaries were at or below the 20th percentile of income, which is an impressive achievement. The ILP served a very broad range of the target population both in Greater Amman and in other urban areas.

The experimental Private Developer Program did not achieve its expected target of approximately 700 loans, for a variety of reasons outside the control of the project. The private sector was unable to build a house affordable to the target population because of sudden increased materials costs, constraints of subdivision regulations, high property transfer taxes and GOJ flooding the low income market with 3,500 unsold public housing units priced at terms against which private developers could not compete.

The key lesson learned during the Low Income Housing Finance Project was that increased private sector low income housing production depended on GOJ policy and regulatory reform. Based on these findings, USAID, RHUDO/NENA and GOJ designed the new $50 million Housing Policy Program, 278-HG-004.

COSTS

I. Evaluation Costs

1. Evaluation Team Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Bonnie Walter Purchase Order	N/A	608-0266-0-00-0010	$12,847	$11,000 Jordan Mission Grant funds $1,847 RHUDO Central AID/W Program funds

2. Mission/Office Professional Staff Person-Days (Estimate) 10

3. Borrower/Grantee Professional Staff Person-Days (Estimate) 10

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:
RHUDO/NENA	8/21/1992	Final Evaluation of the Jordan Low Cost Housing Finance Project 278-HG-001

1. **PROJECT**
Final Evaluation: Jordan Housing Guaranty Program 278-HG-001, August 1990, undertaken for RHUDO/NENA and USAID/Jordan.

2. **PURPOSE OF PROJECT**
The Jordan Low Cost Housing Finance Project 278-HG-001 was the first Housing Guaranty program in Jordan. The goal was to increase the availability of low cost housing to families with below median incomes. While Jordan had experienced rapid urban growth and a building boom, lower income groups had not benefitted significantly. Rising land costs, a deteriorating economy, and regulatory restrictions had created a problem of access to affordable housing. The Housing Guaranty Program sought to address the problem in two ways:

-To increase the availability of long-term mortgage credit for housing that was affordable to below median income families.

-To increase the participation of private developers in building for the low income market.

The strategy which was developed aimed to assist both the individual owner-builder, who is responsible for 80% of new housing units, and to open a new market in low-cost housing for private developers, as the Middle East economic slowdown dried up their high-profit/high income market. The mode chosen to implement the strategy was to work with an existing institution already providing housing finance, the Jordan Housing Bank (JHB). The program had two components: the Individual Loan Program (ILP) built upon an existing JHB program, targeted to better reach the below median income population. The second component, the Private Developer Program (PLP) was an experiment wherein the JHB (using a $250,000 program grant) would assist private developers to devise, build and market housing eligible for sale to below median income beneficiaries.

A total of $22.5 million was allocated to the Individual Loan Program to finance mortgages to individuals meeting eligibility criteria which placed them in the below median income target group. The ILP program had two aspects; (1) loans to individuals for owner/builder construction of a house on land they already owned, and (2) loans to beneficiares within the World Bank Urban Development Project, for the purchase of a plot and core house, and optional construction loans for the enlargement or improvement of the unit.

A total of $12.5 million was allocated to the Private Developer Program to finance mortgages for the purchase of units built by private developers. The Jordan Housing Bank was also expected to make construction financing available to private developers.

3. PURPOSE OF THE EVALUATION

The final evaluation has four purposes. Firstly, it assesses progress in meeting the targets established in the Implementation Agreement, which consist of a volume of mortgages equivalent to $35 million, or JD 17,450,000. Of this amount, JD 4,375,000 was targeted to mortgages for purchasers of private developer built housing, and JD 13,075,000 was targeted to mortgages for individual owner/builders. Records from the Jordan Housing bank were used to establish if the required mortgages were issued. A second purpose of the evaluation is to assess the success of the program in aiding private developers to produce low cost housing. Interviews with private developers in Jordan, with the Jordan Housing Bank Low Cost Housing Unit staff, and with USAID staff and contractors provided input for this assessment. A third task of the evaluation is to assess the JHB's ability to sustain low income lending, and JHB annual reports and lending data have been consulted. Finally, the evaluation should provide recommendations for the HG-004 program. Interviews with Jordanian officials in various housing institutions, with AID personnel, and all reports and documents produced during project implementation were drawn upon.

4. FINDINGS AND CONCLUSIONS

The Individual Loan Program component was extremely successful in terms of both number of loans generated and target population served. A total of 4,739 loans were made, with a combined value of JD 16,938,365. Over 40% of the program beneficiaries were at or below the 20th percentile of income, which is an impressive achievement. The average loan amount was under JD 4,000 and the average loan term was less than 10 years. The data showed that the beneficiaries took the minimum loan possible, for as short a time period as possible, to bridge the gap between reliance on savings and dependence on credit. The ILP served a very broad range of the target population both in Greater Amman and in other urban areas.

The experimental Private Developer Program did not achieve its expected target of approximately 700 loans, for a variety of reasons outside the control of the project. The decline in the economy led to two devaluations of the Jordanian Dinar, which in turn affected construction costs, and made private developers even more dependent on purchasers with foreign currency. As market uncertainties increased, private developers were less willing to take risks on the type of unit which could be built at a price affordable by low income purchasers. Because of the constraints of subdivision regulations and high property transfer taxes, it was impossible to build an affordable unit which met the desires of the target group. Furthermore, in 1987 the Jordan Housing Corporation, a government housing institution, flooded the low income market with 3,500 unsold units of housing which they priced and sold at terms against which private developers could not compete.

The Jordan Housing Bank successfully sustained the cost of administering the Individual Loan Program for low income beneficiaries, wherein loans were made at 8% interest, necessitating cross- subsidy from with the JHB. However, the volume of lending under this program continued to decline over the life of the project.

5. RECOMMENDATIONS AND LESSONS LEARNED

More insight has been gained in the fuctioning and constraints within the low cost housing market in Jordan, which indicate that the new HG-004 program should concentrate on policy reform and changes to the regulatory framework. During the life of the 278-HG-001 Program the greatest constraints to both owner/builder and private developer production of low cost housing were due to these issues.

At the time that the program was designed, little was known about the housing market, and therefore, insufficient weight was given to these factors intitially. In addition, the assessment of the potential role of private developers in meeting the low income population's housing needs were over-optimistic. The new Jordan Housing Policy Program 278-HG-004 program should focus on improving access to land for the owner/builder, and assessing and defining the role of each player in housing production; owner/builders, private developers, and government housing institutions.

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ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Copy of the Jordan Low Cost Housing Finance Project 278-HG-001 Final Evaluation Report.

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

Evaluation is well prepared and comprehensive.

XD-ABE-994-A

FINAL EVALUATION

JORDAN LOW COST HOUSING FINANCE PROJECT 278-HG-001

PREPARED BY BONNIE WALTER

FOR THE REGIONAL HOUSING AND URBAN DEVELOPMENT OFFICE
FOR THE NEAR EAST AND NORTH AFRICA

AND USAID/JORDAN

AUGUST 1990

Revised August 1992

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1. EXECUTIVE SUMMARY

1. PROJECT
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2. PURPOSE OF PROJECT
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At the time that the program was designed, little was known about the housing market, and therefore, insufficient weight was given to these factors intitially. In addition, the assessment of the potential role of private developers in meeting the low income population's housing needs were over-optimistic. The HG-004 program should focus on improving access to land for the owner/builder, and assessing and defining the role of each player in housing production; owner/builders, private developers, and government housing institutions.

2. PROGRAM DESCRIPTION

2.1. INTRODUCTION

Project Authorization for $25 million for the Jordan Housing Guaranty (HG) Program (Project 278-HG-001) was approved in 1985 and the Implementation Agreement was signed with the Government of Jordan in September 1986. The first borrowing took place in May 1987 ($15 million). In September 1987, the Authorization was amended by adding $ 10 million to the Individual Loan Program sub-program, to increase the Housing Guaranty authority to $35 Million, as recommended in the July 1987 Mid-Term Evaluation Report. And finally another $7.2 Million in HG authority was added in September 1988 to capitalize the interest for three years on the final $20 Million borrowing which took place on September 26, 1989. Both borrowings were between the US private sector and the Government of Jordan (GOJ). The GOJ in turn made local currency equivelent loans to the Jordan Housing Bank for the JHB low income housing program.

The General Provisions of the Implementation Agreement require that a final evaluation shall be made of the overall impact of the Program; it is within this context that the following report is submitted.

The objective of this evaluation is to analyze the actual program achievements in terms of the goals, objectives and outputs set forth in various project documents, to analyze the progress since the mid-term evaluation, to analyze the trend in the Jordan Housing Bank's lending to low-income borrowers, and its ability to continue to do so in the future based on its experience with the Housing Guaranty Program. In addition, impediments to the private sector and in particular private developer construction and financing of low-cost housing are identified, and corrective actions or policy modifications to Jordan Housing Bank practices are recommended.

The Report begins with a description of the context in which the program was established, followed by an analysis of the program objectives and basic hypotheses. This is followed by a critical analysis of the inputs and outputs of each program component to determine in what measure the goals and objectives were attained. An analysis of the housing market in Jordan since 1987 is presented to provide the background for an understanding of the constraints to program achievement. Jordan Housing Bank's activities and policies are analysed, and the report concludes with lessons learned from the program and recommendations for future actions.

2.2. THE BACKGROUND AND CONTEXT OF THE 278-HG-001 PROJECT

Prior to 1985, AID activities in the urban field in Jordan included a housing construction and mortgage project for the Jordan Valley Development Program, investments in water and sewerage in major urban areas, an Urban Development Assessment, and technical assistance for urban transport and housing finance. The Government of Jordan (GOJ) requested assistance in the design of a national shelter strategy and the development of a unit within the Ministry of Planning to monitor the implementation of government policies, and to carry out related functions. A Housing Guaranty Program was finalized at the same time that the Shelter Unit was created, to provide a means for funding programs which would support greater private developer involvement in the production of low-cost housing, and which would support the Jordan Housing Bank in its lending to low-income families. The Project Paper establishing the Housing Guaranty Program was based upon what was known about the Jordan housing market and lending practices in 1985. Subsequently, the National Housing Strategy studies (1986) added considerably to an understanding of the situation , and gave a statistical and scientific back-up to what was observed over the life of the Program. In this section, we will present the project as it was established in 1985, based on what was known at that time, and as it was incorporated in the Project Paper. Later sections of the evaluation will discuss what was learned subsequently.

The urban growth rate in Jordan was 5% per annum in 1980 (National Housing Strategy, from Census) but despite a sizable housing investment, lower income groups had not benefitted significantly. According to Jordan's 1981-85 Five Year Plan, there was a shortage of suitable housing especially for limited, low and very low income groups. Annual housing needs were estimated at 16,000 units, and it was believed that substantial overcrowding existed in lower income neighborhoods.(Project Paper, 1985) At the same time, the 1979 census and other documents had reported a vacancy rate as high as 13% in Amman among middle and high cost units, which had been the focus of private developer activity (driven by investment in property by Jordanians working abroad sending remittances home). As real estate was practically the only investment possible, large amounts of foreign currency had been invested during recent years.

The project paper noted several constraints in providing affordable housing to the low income population, namely:

-the absence of a comprehensive government shelter strategy;
-high land costs;
-excessively high land use and construction standards;
-inadequate encouragement of private developer participation

in the production of affordable housing for lower income families.
-cultural characteristics which lead (even poor) Jordanian families to wait to buy a house until they can afford a large,and high priced unit.

According to the project paper there were two additional factors which inhibited private developer production of low-income housing, namely competition from government housing institutions (the Amman Urban Development Department (UDD) Sites and Services and Slum Upgrading Projects, and the Jordan Housing Corporation program for civil servants) both of which were able to get land re-classified as "special development areas" permitting smaller plot sizes than generally were available to either owner-builders or private developers. In addition, these institutions could benefit from State-supplied and low cost land, as well as exemption from transfer taxes.

Equally important was the fear on the part of private developers that low-income households would not be able to make the payments on units, or would change their minds, in which case (under Jordanian law) developers wold have to return all payments that had been made and would find themselves in a difficult cash-flow situation.

In addition, it was known that a very large proportion of housing was produced through the owner-builder approach, with families expanding units and adding floors as their financial situation permitted. While there was a real need for low income housing, amd while private developers believed it would be possible to produce a unit which was theoretically affordable to project beneficiaries, they themselves were not sure whether there was a market for a unit which was at the same time built to permissable standards, and smaller than what low-income families eventually hoped to own, and not expandable. Nonetheless, private developers contacted during the evolution of the project strategy thought there might be a new market of young Jordanians who would be interested in a "starter home" which would allow them to build up equity for their "ultimate" home. However, this form of trading up did not occur for reasons which will be developed later in the evaluation.

Other constraints to the production of low-income housing discussed in the project paper were the high property transfer taxes which individual purchasers must pay, but from which government housing organizations are exempt, and the very high profits which developers realized on constructing for upper income groups, which reach from 40% profit upwards. However, the project paper cites the high vacancy rate in this market as evidence that a saturation point had been reached, and that private developers would be forced to look for other opportunities and would accept a lower profit margin from low income housing in order to tap into an alternative market. As it turned out, neither hypothesis was valid.

It should be emphasized that individual owner-builders have supplied the majority of housing in Jordan for all income groups, primarily building for their own use and only secondarily for investment purposes (there was more speculation in land than in housing, which acounts for the high prices encounted then as well as now). At the time the project paper was written (1985),there were about 30 small, full-time developers in Jordan, and 10 larger corporate developers, but it was known that over 70% of housing was built by either owner-builders or informal, small -scale builders.

While there was not yet a comprehensive shelter policy (the National Shelter Strategy team began work in 1986) nor one office where housing policies and programs were coordinated, the Five Year Development Plan 1980-85 did set forth goals for institutions involved in housing, namely; to require the Jordan Housing Corporation to construct 17,500 housing units intended for civil servants, and housing for low and middle income groups, and to ensure that the Jordan Housing Bank finance 60,000 units of private and cooperative housing, concentrating on low and middle income groups. At the same time, the Plan encouraged private developer investment in residential building.(However, it was discovered that Jordan's Five year development plans have consistently overemphasized the role of the public sector in housing, and seriously underestimated the private sector. Thus, the plan did not provide an accurate reflection of real outputs expected, but were a means through which public sector agencies bid for public resources.)

Tables 1 and 2 in Annex 7.4 (from the National Housing Survey) indicate that the resources actually allocated did not correspond to what was projected; despite the above- mentioned "wish-list," less than 9% of the total investment in the housing sector between 1981-85 was actually made by the Housing Corporation and UDD, while over 86% was made by private agencies such as the JHB. Nontheless, the 1986-90 Plan continued to project that some 40% of investment in housing would be made by these two institutions, and only 48% by private agencies such as JHB. Given the amount of private investment needed over the period of the 1981-85 plan, it was reasonable to assume that the JHB would need additional financial resources in the future.

Thus, on the one hand, the government was encouraging private sector participation in low-income shelter production, while on the other hand, continuing publicly supported programs in an environment that gave the competitive advantage to the government housing institutions (the Housing Corporation and the UDD).

The Jordan Housing Bank, established in 1974 under government auspices, was the main source of housing finance, both for private construction and to the UDD and the Housing Corporation. Although the JHB is largely privately -owned, the GOJ retains considerable control and uses the bank as a means of financing government housing policy. The JHB was mandated by the GOJ to carry out a middle and low income Individual Loan Program at very advantageous interest rates (this will be discussed in detail in the following section).

2.3. PROGRAM GOALS AND PURPOSES

The goal of the project was to increase the availability of low-cost housing for families with incomes below the median, which in 1985 was JD 250 per month. The project paper identifies two purposes.

-To increase the participation of private developers in the low income housing market.

-To increase the availability of long-term mortgage credit for housing that is affordable to low income families.

The strategy chosen was to find ways to encourage and assist both the individual owner-builder, and the private developer within the existing regulatory framework. 278-HG-001 was the first Housing Guaranty loan to Jordan, and there was still much to learn about the housing market and the existing institutions. Therefore, one component of the strategy was to build upon an existing program (the Individual Loan Program) within an established institution (the Jordan Housing Bank) which met known and well-established needs and to focus the program on the lower income beneficiaries. The second component, the Private Developer Program, was experimental and aimed at assisting and encouraging private developers to move down market and build lower cost units which would be eligible for sale to program beneficiaries. This component was based on discussions with private developers which had indicated that it would be possible to arrive at the production of an elegible unit through moderate, across- the- board cost reductions, better project planning, marketing, and publicity.

Both components of 278-HG-001 used financing as the mechanism to improve access to housing for below median income families; the

ILP by providing financing to the individual owner-builder, the PDP with financing to both the purchaser of an affordable unit constructed by a private developer, and to the private developer himself to finance construction. The JHB would work with private developers to improve affordability and eligibility under the HG program, and access to mortgage credit for low income purchasers would be assured. Technical assistance would aid private developers to produce an affordable unit.

2.4. HYPOTHESES

Certain hypotheses formed the basis for the strategy. In order to coherently evaluate the successes and failures of the HG program it is useful to review the hypotheses as well as what they were based upon, namely knowledge about the housing market in 1985, and discussions with a range of small private developers and several larger developers who were in contact with the JHB.

1. Because loans under the Jordan Housing Bank's existing Individual Loan Program for low-income families had been decreasing in years prior to the HG program, it was believed that funds to support individual long-term mortgage credit should be supplied. By increasing the resources available to the Jordan Housing Bank, and in particular, by giving it the benefit of the use of foreign currency, the institution would be in a better position to continue its low income lending. This was a major concern of the program.

2. The existing JHB loan program did not correspond to USAID's median income criteria. By adding a ceiling on family income and by incorporating the cost of land in loans within UDD projects, the focus of the JHB program would be aimed at a target group which better met USAID's interests.

3. Lack of familiarity with the market for low income housing prevented private developers from designing and building housing at low cost. Since only a few private developers had attempted to build for this market, it was believed that technical assistance in both design and marketing would be needed by developers to enter into a new market.

4 Land costs were high, and very little land was zoned for small plots. Since a large number of families were already housed by building additional floors on existing units, apartments were viewed as a viable solution to the problem of non-subsidized housing affordable to below median income families, with land costs divided among a number of units.

5. REFCO, the only developer of substantial volume in Jordan, had successfully constructed small apartments for below median income families. Based on its experience, and that of other developers as well, it was hypothesized that it was possible, within the existing legal and regulatory framework, to construct an affordable apartment unit for which there was a demand, if it were cheap enough, and young married couples would form the market for this housing.

6. Since the range of housing options which can be developed to meet cost limitations is constrained by many factors, including high land costs, construction standards, fees and transfer taxes, better financing terms was one of the few cost parameters which could be altered without major policy reform. The affordability of a unit could be improved through the provision of construction financing and available mortgage credit to eligible purchasers.

7. The high income housing market was saturated, and therefore private developers would be interested in experimenting in a large new low income housing market, if given incentives and assistance. This hypothesis was based on the vacancy rate in high income housing in Amman, as well as in assurances given by private developers (among them REFCO).

2.5. PROGRAM DESCRIPTION

1. Program Components

Based on the aforementioned hypotheses and background information, the project paper proposed a Housing Guaranty Loan Program program with two components, based on meeting two objectives:

-making more long-term finance credit available to below-median income families;

-linking financing and technical assistance to private developers as a way to assist them to produce affordable housing for the low income market.

$35 million in Housing Guaranty funds were made available to the Central Bank, as borrower of funds, to on-lend to the Jordan Housing Bank to provide for long term mortgages for shelter available to the below medium income family.(During project preparation, the Jordan Housing Bank was intended to be the borrower. The Ministry of Finance was substituted at the last minute, and as a result, the Jordan Housing Bank did not benefit from the use of foreign currency as had been intended.) One half of the original $25 million HG funds were intended to finance mortgages for housing built by private developers, and the remainder for mortgage loans under JHB's Individual Loan Program.

The parameters and limitations for these components will be detailed in Chapter 3. In addition, a technical assistance program was funded ($250,000in USAID/Jordan grant funds) to assist the JHB to work with private developers.

Because the Private Devloper component was considered experimental, the program was to be funded incrementally, beginning with a first tranche of $15 million. Only if a mid-term evaluation (after first disbursement) showed that the program was successful in encouraging private developers to build and sell affordable units to low income groups, would it continue. If either the JHB encountered problems in promoting the program with private developers, or the private developers experienced problems in marketing the units, then AID reserved the right to re-allocate the remaining money for other uses. As an additional control, the JHB was required to provide a Program Implementation Plan which would give projections in meeting the goal of one half of the mortgages to private developers, and which would monitor progress already made.

2. Outputs

Outputs were expected to result in approximately 2400 mortgages for eligibile beneficiaries for both components combined.

The volume of mortgages required was the JD equivilant to $35 million, or JD 17,450,000. The rates of exchange at the time of borrowing determined the equivalent amount of loans in JD. The exchange rates used for this calculation are :

$15 million On May 15,1987: $1.00=.35JD= JD 5,250,000
$20 million on Sep.26,1989: $1.00=.61JD= JD 12,200,000

Total equivalent eligible mortgages due: JD 17,450,000 of which JD 4,375,000 due from the Private Developer component, and 13,075,000 from the Individual Loan component.

3. Exchange Rates

Because of falling exchange rates of the Jordanian dinar to the US dollar, the amount due in dinars increased substantially over the life of the project. At the time of the first disbursement the exchange rate was .35 JD to the dollar; by the second disbursement this had slipped to .61, requiring the JHB to make more loans than it had expected in order to meet an equivilent of $35 million. Nontheless, it more than adequately met the required lending obligation.

Chapter three will outline in detail the inputs, outputs and conditions of the program, while Chapter four will analyse the two components in terms of meeting the program goals and objectives.

3. ANALYSIS OF PROGRAM CONDITIONS, INPUTS AND OUTPUTS

The Housing Guaranty Program had two components. The first was the Individual Loan Program, and the second was the Private Developer Program. In addition, technical assistance was provided to the Jordan Housing Bank and to private developers.

3.1. THE INDIVIDUAL LOAN PROGRAM

The Individual Loan Program was a refocusing of the existing GOJ-mandated mortgage program of the Jordan Housing Bank for low income families which provided favorable financing terms on a once in a lifetime basis, primarily for owner-builder construction. The ILP before the HG program consisted of a mortgage for a maximum of JD 7,000, available at 8.5%, a maximum of 15 years repayment period and 30% of the borrower's income devoted to repayement. This worked out in effect to a beneficiary income of JD 300 per month. The use to which the loan was put was unrestricted; purchase, construction, enlargement or maintenance of a home.

Furthermore, the JHB lent only 75% of the appraised value of construction or purchase,; in the case of construction loans, the borrower had to already own a building site (but the appraised value of the land could be applied towards the 25% downpayment). There were no commission or loan fees, and the interest rate of 8.5% was pegged below the commercial rate (which varied depending on amortization period).

The HG ILP program sought to enlarge the funds available under this program, and to target mortgages specifically to below-median income families. The HG Individual Loan Program conditions which were established to achieve this, and which differ from the existing JHB program are the following:(Source: Housing Program Implementation Agreement, September 11, 1986, Section 5.03)

1. The borrower will have an established family income not exceeding JD 250 per month (median income).
2. The loan will not exceed JD 7,616.
3. The appraised value of the unit may not exceed JD 10,155.
4. Land costs shall be deemed eligible for incorporation in mortgage loans if other criteria are met.
5. Urban Development Project mortgages will require a minimum down payment of 5%.Others would require a minimum 25% downpayment.
6. The maximum repayment term is 15 years.

The ILP program had two separate sub- components:(1) loans to individuals for construction(or enlargement) of a house on land which they already owned; and (2) loans to eligible beneficiaries within the World Bank Urban Development Programs 1 and 2 (hereafter refered to as UDD program) which provided for purchase of a plot plus core house,and construction loans for enlargement of the core house, or in the case of upgrading areas, for enlargement/improvement of the existing unit.

The assumptions of the project paper were that approximately 2,400 units would be financed under the combined ILP and PDP program componants, that the average mortgage would total JD 6,854 which corresponds to an income between JD 6093 and JD 7616, or the 40-50 th income percentile, (in other words, the ILP would serve the upper end of the below-median income target group) and that beneficiaries would borrow as much as their income eligibility would permit.

The HG ILP program was much more successful than had been anticipated; a total of 4,739 loans were made with a value of JD 16,938,365 under the two sub-components, over a period of 4.5 years, and the income percentile reached was below what had been anticipated. Chapter 4 will analyse the results and the characteristics of the lending in detail, but it should be noted here that the Individual Loan Program very clearly surpassed the targets established, even when the exchange rates made it more difficult to do so.

While the ILP eligible mortgages met all of the criteria mentioned above, a few comments are in order concerning JHB practices and lending terms.

1. Beneficiaries have to be the owner-occupier of the unit financed, but the JHB does not attempt to verify whether the unit is being occupied by the mortgagee, is left vacant or rented. However, only one" subsidized" loan is made in a lifetime per couple, which means that an eligible borrower will not be able to construct or buy on the same terms again (the exception to this

regulation, which is recent, is that within the first 18 months of the mortgage term, an additional loan may be granted to enlarge the unit). The most obvious result of this policy has been to keep low income families from buying something small and then trading up as their finances improve.

2. While the mortgage may not exceed 75% of appraised value, land can be used as collateral, and in some instances, construction loans have been made for more than 75% of the total appraised value. However, given land prices and plot sizes in Jordanian cities, the value of the land almost always exceds 25% of the appraised value of the unit. As a result, the opposite situation generally occurs, with borrowers making effective downpayments of more than 25%.

3.The family income of the borrower should be under JD 250 per month, which represents the 50th income percentile. However, the JHB only takes into consideration the verifiable and constant income of the titular borrower; if the income is sufficient to warrant a mortgage, it does not attempt to establish whether there are other sources of income within the household or family (e.g. working sons, cousins, remittances, etc.). If the income is deemed insufficient to qualify for the desired loan, the beneficiary can have a co-signer. However, on the computer records, only the beneficiary's income appears, which may be very low, or even zero in terms of constant earnings. Thus, there is no way to verify the true family income.

The Urban Development Department in charge of the World Bank projects has experienced similar problems in ascertaining true family income; income results from the National Housing Survey of 1986 were compared with national income accounts to arrive at an estimated 33% under-reporting of income, which is useful to bear in mind when reviewing the income group served by the program. In conclusion, it is most likely that in this program, as in others, the true family income is higher than that which is reported.

4. The JHB is obliged to require a 25% minimum downpayment, but the HG program wanted to avoid a situation where borrowers were being required to pay more than that if they did not want to. The 25% downpayment was used to determine the eligible sales price of a developer- built unit. As shown in the Housing Bank data on ILP loans in chapter 4, most borrowers made downpayments exceeding 25% when the cost of land was included. According to J. Erbach, PSC RHUDO advisor in Jordan, in the case of private developer- produced housing the JHB undervalued the units, applying a strict price per square meter rule (JD 50/s.m.) regardless of the purchase price, which in some cases meant that the mortgage did not cover 75% of the sales price.

3.2. THE PRIVATE DEVELOPER COMPONENT

The Private Developer Program has two sub-components, the first being mortgages to purchasers of completed, private developer-constructed housing units. The Project Paper and the Implementation Agreement required that the equivalent in JD of $12.5 million in eligible mortgages (one half of the original $25 million) be made to purchasers of private developer-produced housing units. Although a required number of mortgages was not established in either the project paper or the Implementation Agreement, the project paper mentions that around 700 units were expected to be built. The JHB is required to prepare an Implementation Plan which will include a schedule of the number of mortages, and amounts over the period of the program, and to prepare 6 month up-dates of this schedule. The Implementation Plan also must include the steps that the JHB will take to promote the program, to establish the capacity to work with private developers, and to deal with other aspects of the program requirements.

As was pointed out in the project paper, and verified by the Survey of Developers carried out during the HG project, many small scale developers already offered their own form of credit to clients, which frequently covered a substantial amount of the unit's cost, at terms which were sometimes better than the JHB in terms of downpayment required. According to J. Erbach, a combination of credit from the developer and the JHB was advantageous to beneficiaries.

The second component of the PDP was Jordan Housing Bank construction financing available to private developers. No amount was specified required as part of the Housing Guarantee Program (the JHB projections of cash flow requirements and schedules were based on eligible proposals received from developers). Prior to the HG program, loans had also been available to developers at commercial rates and no more than 75% of the appraised value could be borrowed. Land ownership and building permits were required, drawdowns occured as construction progressed, and the commission fee was calculated based on the amount of each drawdown and the period for which it was outstanding. JHB's loan was repaid as the units were sold (as mentioned previously, finished units are usually pre-sold). Up to 20% of the approved loan amount was withheld pending project completion; together with the required 25% equity this means that a developer had to put up 40 % of the cost of the developement out of his own funds. Lines of credit were also available under similar terms, but had to be be renewed annually, up to a maximum of three years.

Two changes in financing terms were made under the HG loan program; construction financing was offered at one half percentage point less, and the 20% was not held back pending completion.

Expectations about the Private Developer Program were based upon proposals made by REFCO, the only corporate developer in Jordan producing housing in volume, and upon discussions with small developers building small infill projects at a price affordable to the upper end of USAID's target population. REFCO predicted that it could sell 1,500 low cost apartment units over 3.5 years, beginning with a pilot project of 146 units (although it had experienced difficulties in selling units in an 88 unit complex and had already downgraded to projects averaging 28 units at the time of the project paper). REFCO, like other private corporate developers, provided its own credit to purchasers; 10% down payment, 11% interest with 15 years repayment term, but would need outside financing if it were to produce in volume. REFCO's breakdown of project costs indicate that sales price was roughly twice the cost of of construction, indicating the importance of land and overhead to a developer. Although REFCO indicated a willingness to search for ways to reduce construction costs by reducing standards, the project paper noted that " any attempt to significantly reduce housing unit costs should therefore focus on all aspects of a project." (page 52).

Table 1

REFCO 1985 Estimate of Costs of a Multi-Storey Housing Unit (Source:Project Paper)

% of sales price		% of total project cost
16%	land	19%
50%	construction	60%
11%	overhead	14%
6%	duties and fees	7%
17%	profit	(20%)

The proposals made by REFCO were important in assessing the financial feasability and the interest of private developers for low-cost housing construction. REFCO proposed beginning with a pilot project of 146 units within the first year, and ultimately constructing 1,500 units. In contrast to REFCO's approach, other small private developers had built on infill sites in popular, moderate income neighborhoods which were alrerdy supplied with infrastructure and social services. These units were generally pre-sold and developer-financed, and were cheaper than those which REFCO had been producing at the time of the project paper. The PDP experiment was based on both the experience of small developers, and the expectations of REFCO in lowering costs and expanding operations.

However, by final disbursement, only JD 1,570,994 out of the JD 4,375,000 earmarked for the Private Developer Program had been loaned, and the number of mortages totaled 350. In addition, the JHB had provided construction financing for only 138 units (total volume JD 645,000). The reasons for this will be explained in section 3.4.

3.3. THE TECHNICAL ASSISTANCE COMPONENT

Because private developers had not previously been a major supplier of low income housing, it was believed that active assistance would be needed to put together viable projects.

$250,000 in grant funds were allocated for technical assistance to the Jordan Housing Bank to improve its capacity to aid private developers in putting together eligible projects, and to private developers directly to find ways of lowering costs, and in helping them to develop a new market. Approximately 20 person-months of technical assistance were expected, mainly in the first 2-3 years of the implementation period, with emphasis on early markteting activities, improving the Low Cost Housing Deparment's capability, and study tours.

Although not part of the original Technical Assistance proposal, a long term PSC advisor to the JHB (1988-89) was paid for out of the grant money; the presence of a Project Appraiser for UDD projects was a Condition of Effectiveness of the UDP-3 World Bank Loan to the GOJ, and both the Ministry of Planning and the JHB requested that this advisor be funded out of the HG grant funds, to which AID agreed. However, as a result of AID agreement to fund the JHB PSC advisor in late 1987, very little of the $250,000 remained for other activities, some of which had to be funded on a case by case basis out of other Mission funds. Activities undertaken which contributed to furthering the aims of the HG loan included;[1]

- -Short-term assistance to Private Developers(1985-1987)
- -Computer Program Assistance to the JHB
- -Seminar and Tour in Asia of privately built low-cost housing for JHB and Private Developers(1987)
- -Survey of Jordan's small scale developers(1988)
- -Seminar on Market Analysis and Demand Studies (1989)
- -Regional Conference on Housing Finance (co-financing;1989)
- -Competition for the design of feasible cost-effective projects meeting eligibility requirements (1989)

[1] Information concerning T.A. activities has been taken from the Quarterly Reports of J. Erbach, PSC to AID JOrdan and T. Harrington, PSC working with the Jordan Housing Bank, and from discussions with J. Erbach.

3.4. THE MID-TERM EVALUATION

As required in the project paper and the Implementation Agreement, a mid-term evaluation was carried out following the disbursement of the first $15 million tranche of funds (April 1987). The following achievements and recommendations were presented.

1. Achievements

The JHB had established and staffed a Low Cost Housing Department,(partly in response to the requirements of the Housing Guaranty Program) which had taken over all low income lending activities and kept the ILP functioning at a time when the Housing Bank had been reducing its lending in the program, and was looking to get out of it altogether, and into corporate lending. At the time of first disbursement the JHB reported more than $15 million in eligible loans. The ILP program made 2,439 loans with a volume exceeding $25 million and the Private Developer Program made 224 loans with a volume of over $3 million. Construction lending committments extended by JHB to private developers totaled $1,885,000 (JD 659,000) for five projects contining 138 units. Only one of these went to REFCO (20 units).

The evaluation report concluded that both sub-components of the Individual Loan Program (construction loans and UDD plot purchase loans) had already outperformed the projections contained in the project paper. While loans made under the Private Developer Program exceeded project paper assumptions for the first three years, the report cautioned against assuming that this trend would continue in subsequent program years because of several factors, namely;

-The cost of JHB Lending to Target Beneficiaries;

-Constraints on increased private developer participation, due to the depressed economic conditions;

-Difficulty of producing affordable units, due to high (non-construction) costs associated with policy issues;

-Competition from the public sector - the Jordan Housing Corporation- for the same target group; the sale of 3,500 units of middle income housing at highly subsidized rates (no downpayment, 5.5% interest, up to 30 year repayment period, all cost overruns absorbed by the HC) which destroyed the sales market for private developers.

The importance of this last factor, the Housing Corporation's Abu Nusair project, in dampening initiatives by other housing developers in the Greater Amman area cannot be overstressed. As people bought the cheap new units, a number of moderate income housing units in established neighborhoods of Amman became vacant and available for sale or rent, providing opportunities for lower income families to trade up to better housing, thus reducing the need for developer-built units. Many families broke their sales contracts with developers to obtain units in Abu Nusair, causing cash flow crises for devlopers (such as REFCO) at the same time as the potential low income market was absorbed by the Housing Corporation's project.

2. Recommendations

The mid-term evaluation recommended that an additional $10 million be authorized for the Individual Loan Program, firstly because a need for such funds had already been demonstrated, and secondly because it was important to keep the Jordan Housing Bank participating in the program.[2] The report noted that the ILP was a drain on JHB finances, and it was being asked to continue with the Private Developer Program under difficult circumstances. It was felt that more support for the ILP program would be needed to insure that the JHB reaffirmed its committment to the program, and to insure that the JHB continued its lending to owner- builders and to small individual savers, as well as to the Private Developer Program.

At the same time, the report concluded that there was sufficient reason to believe that at least 50% of the program funds for the Private Developer Program would be effectively utilized, on the condition that certain measures were undertaken, given the factors outlined above. The degree to which these measures were subsequently effectuated and incorporated into project implementation work plans deserves attention.[3]

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[2] Originally JHB was to be the borrowing institution, and would have benefitted from access to hard currency. The Ministry of Finance was substituted at the last minute, leaving the JHB to borrow from the Ministry, and to merely execute the program. The JHB had done a good job despite not getting what it had originally been promised.

[3] The degree to which the recommendations contained in the evaluation report were carried out have been deduced from quarterly reports, work plans and memos, semi annual reports, technical assistance plans and reports, and discussions with J. Erbach, PSC in Jordan.

- Adressing the Cost of JHB Lending

While the mid-term evaluation report suggests raising the regulated lending rate to allow full recovery of costs, the government actually reduced it, from 8.5% to 8% for low-income borrowers. Beginning in June 1988, Jordanian banks were allowed to raise the commission they charged on loans as a way of getting around the issue of interest rates. As a result, the effective interest rate could reach as high as a bank needed to cover its costs.

The JHB did streamline its operations to reduce the cost of implementing the programs. The Housing Bank's original calculations of the costs of running the ILP, which were presented in the Mid-term Evaluation, were very high, and according to J.Erbach, other bankers in Jordan claimed that ILP administrative costs were padded by charging a greater proportion of branch office overhead costs to the ILP program. Between 1987 and 1990 the operational costs for loan accounts dropped from 2.027% to 1.162% and the administrative costs and indirect overhead fell from 1.278% to .419%. However, as chapter 6 points out, the cost of ILP loans is still not fully recovered, and has to be cross-subsidized within the JHB.

-the JHB should increase its efforts to stimulate small private developer participation

The Implementation Plan of the JHB, calling for contacts with private developers, was carried out to the extent possible. Many attempts were made to interest private developers but there was almost no response in the period following the mid-term evaluation, due to the economic situation in Jordan, the problems that developers were having as a result of the Abu Nusair project, and general hesitancy about new projects until market distortions had settled down. The mid-term evaluation (and observations made by J. Erbach in conversation) also showed that many planning and regulatory obstacles involving subdivision regulations, plot size, etc. needed to be removed before developers would consider such investments as profitable, or marketable.

In addition, two devaluations (the JD fell from $1.00=.35 to $1.00=.61 during the program), the continuing strong market for high-income units, and the withdrawal of REFCO from low-income construction because of unsold inventory (the main actor in the PDP) all mitigated against interesting developers in the period 1987-89 (this is explained in more detail in Section 5.2.). The reports of AID's PSC Advisor to the Low Cost Housing Unit are instructive in this regard, and conclude that it was too early to work with developers, because the constraints mentioned in chapter 2.2 made it virtually impossible for developers to participate in the market (and especially to compete with the UDD and the Housing

Corporation who were exempt from subdivision and planning regulations), and the thrust of the program should have been first to deal with the constraints, before trying to interest the private sector [4].As it was, no dialogue was possible with private developers, firstly, because many got out of the housing business or out of Jordan due to the economic conditions, second because those who were still in business only wanted to build for a safe and sure market without risks, and third, because with increasing costs due to inflation, it was proving more difficult to produce an affordable and marketable unit within existing limitations.

-Direct Assistance in Formulating Private Developer Projects

While it was not possible to stimulate private developer participation in the period following the evaluation, the idea of private developer participation in a UDD co-project is still being discussed and private developers would be interested if they can have the same exemptions from plot size, transfer tax, and construction norms as the UDD. The mid-term evaluation report makes it clear that the Project Paper gave insufficient weight to the regulatory obstacles to low-cost housing production and the competitive advantage of other institutions working with the same target group. The JHB could not overcome these problems alone.

-Flexibility in Formulating New Financing Programs

The Housing Bank did agree to lend for land, which had previously not been the case, and it also modified the loan term for individual loans, extending it from 15 years (the maximum allowed under Ottoman Law) to 18 years. However there are still financial obstacles in Housing Bank policies and procedures which will be discussed in Chapter 5. One obstacle to the success of the private developer componant has been mentioned previously, that of the use of appraised values which did not reflect fees and profits.

While improved access to financing was the vehicle used to increase the affordability of units, it appears that other factors were more important in determining the price at which private developer housing can be produced, namely land costs, GOJ policies, fees and market constraints.(Source: J. Erbach's Quarterly Reports)

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[4] This view is supported by the National Housing Strategy which came to the same conclusions in 1986. above.

-Grant Funds for Technical Assistance and Training

Very little of the $250,000 grant had been used by the time of the mid-term evaluation (only the first two activities mentioned in section 3.3). After the evaluation, the PSC advisor arrived and a number of seminars and surveys were undertaken.

Perhaps the most interesting of these for the long run, was the Private Housing Developers Seminar (1988) funded out of Mission TSFS funds which produced 26 recommendations, and the formation of a Private Developers Association which will, in the future, lobby for the regulatory and taxation changes needed. While the JHB and the private developers participated in other T.A. activities, the economic climate was a severe constraint.

3.5. HG AMENDMENT

In September 1987 AID authorized an additional US $10 million to support the Individual Loan Program component, bringing the total funds allocated to this component up to US $22.5 million. The reasons for this additional authorization have been stated in chapter 3.5.2.above.

3.6. PROGRAM IMPLEMENTATION LETTER NO. 1

Following the mid-term evaluation a survey of corporate and small scale developers was undertaken in early 1988 to assess the role they played in the housing market. This study revealed that the distinction between small developers and individual owner-builders was artificial, and that strict classifications did not reflect the reality, which was that the procedures and regulations each must follow are the same, and policy changes would benefit both groups.

It had also become clear by that time that other private developers, such as REFCO, were unable and unwilling to proceed for the reasons outlined above in section 3.4. In addition, the National Housing Strategy had demonstrated the overwhelming importance of owner-builders in the entire housing market, which suggested that attention should also be paid to this group, as well as to small-scale developers.

In August 1988 the JHB formally requested permission to use the remaining Private Developer Program mortgage funds for the Individual Loan Program for owner-builders (it had informally requested a switch in funds in the autumn of 1987 when the impact of the Abu Nusair project began to be felt). AID based its agreement on the recommendations of the mid-term evaluation, the Small Developers Survey, and the seminar for developers. The

Program Implementation Letter No.1 of November 17, 1988 agrees to this change, but " with the understanding that the JHB will continue the special conditions of the PDP program for construction financing at least until $ 12.5 million in eligible mortgages have been made." It was felt that sufficient progress was being made in responding to developer issues, as evidenced by the registration of the Private Developers Association, and pending approval of the National Housing Strategy. Therefore, holding the PDP funds to the original Project Paper division was no longer relevant.

3.7. OUTPUTS

Final disbursement took place on September 26,1989 at which time a total of JD 18,509,359 in eligible mortgages were recorded.[5]

Of this total amount, approximately JD 4,375,000 should have been lent for purchase of housing under the Private Developer Program: the data presented indicate that only JD 1,570,994 was loaned for this purpose.

An analysis of the lending under the two program components will be presented in the following chapter.

4. ANALYSIS OF PROGRAM COMPONENTS

4.1. INDIVIDUAL LOAN PROGRAM

<u>1. Introduction</u>

The ILP program consisted to two sub-components; construction loans to owner-builders(as of 1985), and loans to World Bank-UDD

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[5] . A very large number of zero values were entered into the computer in 1985 and 1986 in place of the value of construction under the ILP. In order to verify that these were in fact eligible loans, a sample of 20 such files were pulled from the main office, and all loan information verified against the computer print out. There appears to have been a problem of transmittal of data from the branch offices, where loan applications are filed, to the central data collection center where it is processesd for computerization. If a space on the data sheet is left blank ,it shows up as a 0 on the print out. However, the samples showed that correct information does exist in the files, and the mortgages were eligible. This problem was rectified after the loan agreement was formally signed and record keeping became more accurate.

beneficiaries for the purchase and improvement of their plot and core unit(as of 1986). Both of these sub-components were much more successful than had been anticipated; ILP construction loans alone totaled 2,945, and the addition of 1,745 UDD loans brought the total to 4,739 loans with a combined value of JD 16,938,365 over a period of 4.5 years. 67% of the non-UDD loans went to beneficiaries outside of Amman (Amman ~~is~~ the largest urban center), where incomes are lower, and where the possibilities of multiple sources of family incomes are less likely. Of additional significance is the fact that the JD 250 median income was determined in October 1984 and was not changed during the course of the project. More loans under the ILP would have been eligible if this income figure had been updated on a continual basis.

In addition to the 2,945 ILP construction loans, approximately 1,000 more loans were made for home improvement to eligible beneficiaries, which the JHB did not submit as eligible for the program; if these mortgages are included the total becomes even more impressive.

Table 2

Jordan Housing Bank
Summary Individual Loan Program

LOANS	1985	1986*	1987	1988	1989*	TOTAL
UDD LOANS						
No. Loans		309	628	463	356	1,756
Volume (000)		1,241	2,303	1,452	546	6,503
Avg. Loan		4,019	3,668	3,137	1,534	3,690
NON UDD LOANS						
No. Loans[6]	733	668	645	588	311	2,945
Volume(000)	2,771	2,376	2,073	2,139	1,073	10,432
Avg.Loan	3,781	3,557	3,215	3,638	3,452	3,543

*indicates partial year

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[6] This number includes 667 mortgages at non subsidized interest rates, which totaled 10.5%. because the unit size (usually an addition to an existing unit) was larger than the 200 square meter limitation set by the Government for low-interest 8.5% loans.

The summary Table 2 indicates that the total number of mortgages for construction alone by far exceeded the target established for all loans combined (2,400 loans). A number of interesting observations can be made about the above table; the non-UDD loans declined each year, as did the average amount of the loan. However, the UDD loans peaked in 1987 (UDD loans were only eligible as of 1986) and then declined, reaching an average loan amount which was less than the cost of a plot. The peak year corresponded to the time when UDD third project plots were being sold. The reason for the decline in loan amount has not been determined, and it can only be speculated that UDD beneficiaries were using their own resources and informal financing to a greater degree than before to lower the cost of financing loans.

It also indicates that in the case of construction loans as well as UDD loans, the average loan amount was lower than expected, but very similar for the two sub-components.

There are several similarities and differences in the lending patterns between these two beneficiary groups which can be mentioned here, and which will be detailed the this section; in terms of income percentile reached, 42% of UDD loans went to the 20th percentile of the population or below, as compared to 49% for non-UDD loans which is very impressive. Table 3 below indicates income percentiles, according to the National Housing Strategy Survey, 1986.

Table 3

Income per Month in JD
Source: World Bank 1987 Appraisal Report

Percentile	Greater Amman	Other Urban
10th	137	103
20th	165	137
30th	206	165
40th	233	186

58% of UDD beneficiaries borrowed less than JD 4,000 compared to 72% for non-UDD beneficiaries; finally, only 15% of UDD loans were for made for less then 10 years, while 62% of non-UDD loans were for under 10 years. One can conclude that a much lower target group was served than had been anticipated, but that the needs of the two beneficiary groups differed; the UDD beneficiaries wanted larger loans over a longer period, in order to pay for plot plus core house, while the non-UDD beneficiaries, who already owned land, wanted a smaller loan which they repayed much more quickly.

2. Analysis of UDD Lending

Table 4 indicates that for the UDD program, 42% of the borrowers had reported incomes at or below the 20th percentile, and only 24% of loan recipients were at the(Amman) 40th percentile. As mentioned in previously, income reported for loan purposes is not nessarily an accurate representation of household income, but in any case a good spread of incomes has been attained.

The number of loans diminished in 1988 (which was the beginning of hard times in Jordan) and almost half of that year's beneficiaries had incomes under 150 JD per month; in 1989 the average loan amount fell from an overall average of 3,690, to just 1,534 JD.

Table 4

Jordan Housing Bank
Beneficiary Income and Volume of Loan
Individual Loan Program:UDD

Family income	No.Loans	%of Total	Volume	% Total Volume
<120 JD	288	16%	792,542	12%
121-150 JD	449	26%	1,389,462	21%
151-200 JD	599	34%	2,387,515	37%
201-250 JD	418	24%	1,934,036	30%
TOTAL	1,754	100%	6,503,555	100%

Table 5 confirms the need for long term loans for low-income families, with over 80% of beneficiaries taking loans for more than 10 years. Reference to the print-out table summarizing the ILP program (in Annex) shows that the only exception occurred in 1988 when the % of beneficiaries taking loans for less than 10 years dropped to 10%, perhaps indicating a need for ever lower monthly repayments.

Table 5

Jordan Housing Bank
Beneficiary Loan Term and Volume
Individual Loan Program:UDD

Years	No.Loans	%	Volume	% Total Volume
1- 5	88	.5	201,440	3.0
6-10	272	15.5	865,710	13.0
11-15	1,380	78.7	5,384,425	83.2
over 15	14	.8	51,980	.8
TOTAL	1,754	100.0%	6,503,555	100.0%

Table 6 indicates that although approximately 24% of UDD loan beneficiaries were in the 40th percentile, they did not use their borrowing potential to the maximum (above 6,000 JD) but prefered to finance their purchase and construction through savings or informal loans, which is consistent with Jordanian savings and home financing practices.

Table 7 confirms the observation made in discussions with the Urban Development Department personnel that beneficiaries were, on the whole, unable to afford both purchase loans and construction loans, as their financial situation was too precarious to permit it. However, in the opinion of J. Erbach, the reason for the small number of construction loans is that beneficiaries preferred in any case to consolidate their housing units using their own resource, so that they could link construction with informal financing as it became available. By obtaining a construction loan, a family would be obliged to begin to pay interest immediately.

Table 6

Jordan Housing Bank
Size of Beneficiary Loan
Individual Loan Program:UDD

Amount JD	No.Loans	%	Cumulative %
1000-2000	246	14	14
2001-3000	392	22	36
3001-4000	383	22	58
4001-5000	361	21	78
5001-6000	280	16	94
6001-7000	91	5	99
7001-7616	1	-	100 %
TOTAL	1,754	100 %	

Table 7

Jordan Housing Bank
Purpose of Loan
Individual Loan Program:UDD

Purpose	No.Loans	%Total Loans
Purchase	1,671	95.2
Construction	31	2.0
Purchase Plus Construction	6	.3
Completion Plus Enlargement	46	2.5
TOTAL	1,754	100.0%

Whatever the reason, Table 7 indicates the very small percentage of loans going for all but outright plot purchase.[7]

In summary, the UDD program not only advanced more loans than had been originally expected, but it also made long term credit available to a low income group which was clearly in need of the terms on offer. According to the Urban Development Department, the JHB loan facilites have been invaluable in carrying out the program; although UDD project beneficiaries prefer to deal with the UDD directly, the UDD itself has great problems in cost recovery,whereas the JHB has not encountered this problem because of the different way in which it is perceived by borrowers; it is not the government, who is "supposed to"be giving something free. Borrowers fully realize that if they default on their payments they will be penalized by the Bank. While UDD does make loans to some project beneficiaries(those who cannot qualify for JHB loans or who refuse to deal with a Bank for religious reasons)it depends heavily on this program for its project lending.[8]

An informal study undertaken by the UDD of beneficiaries'attitudes towards the JHB revealed significant differences in the way it is perceived compared to the UDD itself. The JHB is perceived as more formal and institutional, one has to "dress up" to go there to make payments; relatonships are bureacratic, not personal, as at the UDD (which is staffed with social workers) and where one can discuss difficulties in loan repayments. In general, loan procedures at JHB were seen as more difficult and strict, and there was general dislike of both penalties on defaults, and on the fact that payments do not decline as principle is repayed. According to UDD staff, the repayment rate

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[7] For example, in the Marka site, a plot of about 158 square meters with a two-room core house plus construction loan cost JD 5061,with a monthly payment of JD 51. 95% of the UDD program beneficiaries took loans which would have only covered purchase costs.(Source: World Bank)

[8] Under the UDD program, a beneficiary who pays entirely in cash deals directly with the UDD;in UDP 1 this amounted to 35-40% of all plots,which lends credibility to the view that Jordanians dislike taking loans.(Source: World Bank Project Completion Report) Of those who take loans, many can only afford a purchase loan;construction loans place too heavy a burden on the family finances.In interviews,UDD staff raised the issue of better counseling to potential beneficiaries about the financial implications of borrowing so as to avoid the problem of over-indebtedness and hence skimping and suffering to meet debt obligations,and to help beneficiaries realize the long-term implications of borrowing.

on JHB loans is much better than to UDD, for the above reasons. (JHB reports that only one half of one percent of monthly payments

are late, compared to 12% owed to the UDD: Source, World Bank)

3. Analysis of Non-UDD Lending

As the summary table indicated, while the number of non-UDD loans declined each year, the average value of the loans did not, although the loan size was always below the JD 6,854 predicted in the project paper. This may be due to the Jordanian desire to borrow the minimum amount possible and use savings for the major part of housing costs. Table 8 below indicates that in addition to borrowing less than expected, beneficiaries were ready to pay more than 25% of the appraised value of construction, although this was not true in 1989.

Table 8 also clearly shows that land costs were not included in the appraised value of the unit, despite JHB's change in policy on this issue. The JHB used an average appraisal cost of JD 50/m2; as most units average about 90 m2 the appraised value would be JD 4500, close to the average appraised value in the table below.

Table 8

Jordan Housing Bank
Individual Loan Program: Non-UDD
Appraised Value/Loan Value Ratio

	1985	1986	1987	1988	1989
Avg.Appraised Value	4468	5079	4390	4547	4823
Avg Value Loan	3545	3790	3427	3602	3426
Cost/Value ratio	79%	75%	78%	79%	71%

* for these calculations a number of loans have been eliminated because loan information was incomplete

80% of the total number of loans were made to the 30th percentile and under groups.(The same qualifications about real income hold true here as have been previously stated; it is probable that the real family income was higher, but the JHB only considered the income of the titular borrower). Nonetheless, it is very impressive that the loans were made across such a broad spectrum of the below-median income population, especially as the project paper had hypothesized that they would be clustered at the 40-50th percentile (over JD 200 per month). Table 9 below indicates the distribution of loans related to beneficiaries' incomes.

Table 9

Jordan Housing Bank
Individual Loan Program:Non-UDD
Beneficiary Income Related to Volume of Loan

Income JD	No. Loans	%Total	Total Volume	% Volume
<120	1,026	35	2,939,130	28
120-150	680	23	2,165,204	21
151-200	634	22	2,422,271	23
201-250	605	20	2,908,201	28
TOTAL	2,945	100%	10,434,810	100%

Table 10 indicates that most popular loan period appears to be 6-10 years, but the annual breakdown of lending (see Annex) shows that this has varied considerably from year to year, depending on the economic situation in Jordan. Since 1987 an ever- increasing number of loans were made for 11-15 years, which could be explained by a growing need of borrowers to keep their monthly payments as low as possible due financial pressures, especially as the largest group of borrowers fall into the lower income categories. However, even in difficult times, a substantial proportion of borrowers will not make long-term debt committments, an aspect of Jordanian financial behavior which was recognized in the project paper (see Social Soundness Analysis).

Table 10

Jordan Housing Bank
Individual Loan Program:Non-UDD
Loan Term

Term	No. Loans	% loans	Volume	% Volume
1- 5 yrs.	291	10	806,014	8
6-10 yrs.	1,814	62	6,376,737	61
11-15 yrs.	837	28	3,231,269	31
over 15 yrs.	3		20,790	
TOTAL	2945	100%	1,0434,810	100 %

The most frequent amount borrowed in the ILP Non-UDD component was between JD 2000-4000, which stayed constant through the program lifetime (see Table 11 below). This might be interpreted as a confirmation of all other sources of information that mortgage financing is seen as only a partial source of housing financing (with savings, disposal of other assets and informal family loans making up the bulk of the resources).

4. Summary of Individual Loan Program

The Individual Loan Program - both the UDD and non-UDD components - very successfully served a population which far exceeded the original program estimates, and reached an income group below what had been expected. While the goals and objectives of making long-term mortgage credit available for affordable housing, have certainly been attained, it is useful to keep in mind the conditions upon which mortgages were taken; for as short a time period as possible, and for the lowest amount possible, family financial conditions permitting. As a result, the JHB has been able to make loans to a greater number of below median income families than anticipated, and helped these families bridge the gap beween reliance on savings and dependance on credit.

Table 11

Jordan Housing Bank
Individual Loan Program:Non-UDD
Size of Loan

Amount JD	No Loans	% Loans	Cumulative %
1000-2000	423	14	14
2001-3000	968	33	47
3001-4000	717	25	72
4001-5000	417	14	86
5001-6000	220	8	94
6001-7000	187	6	100
7001-7616	13		
TOTAL	2,945	100 %	100 %

4.2. PRIVATE DEVELOPER PROGRAM

A total of only 350 mortgages were made to purchasers of privately constructed units, of which 65% were granted before the mid-term evaluation in July 1987. For the purpose of this program, all purchased units are presumed to be private developer-built (it was previously mentioned that it is difficult to make a distinction between owmer-builder and small private developer); however, virtually all of the loans made by the JHB were for purchase of units produced by small and medium sized developers, rather than large scale developers,and as there is no formal registration of developers in Jordan, anyone who builds housing and sells it is by definition a private developer.

The most common type of development is one building containing 7 apartments, but if the plot is on a slope more could be fitted in.(In addition, developers can build more units than allowed and pay the fines which are highly variable in severity.) Because most developers who were (previously) active in building also offered some sort of financing, their purchasers did not necessarily come to the JHB for loans, or took loans for small amounts only.

This section will first analyse trends in mortgages under the private developer program, followed by an analysis of the construction loan program since the mid-term evaluation. Finally, an analysis will be made of the private developer sector over the period of the HG-001 program, and prospects for the future.

1. Private Developer Program: Beneficiary Loans

Borrowing for the purchase of finished units built by private developers resembles that of borrowing under the ILP/Non-UDD component, in that the assessed value, the term and the average size of the mortgage were all lower than expected.

Table 12

Jordan Housing Bank
Private Developer Program
Summary Beneficiary Mortgages

	1985	1986	1987	1988	1989	TOTAL
No.loans	120	75	67	59	29	350
Volume	629,489	329,207	271,794	249,374	91,130	1,570,994
Avg.Loan	5,245	4,122	4,056	4,226	3,142	4,488
Avg.Cost*	7,111	6,499	7,258	6,382	5,348	
Avg.Value*	5,225	4,461	4,923	4,362	3,302	
Cost/value*	73%	68%	67%	68%	68%	

*some loans have been eliminated because the information was incomplete(1985 and 1989 are partial years)

Table 12 indicates that the number of loans and the average cost of the unit declined (as did the average loan) but the percent of down payment barely varied after the first year, and was consistantly more than the minimum required 25% of the purchase price.

Table 13

Jordan Housing Bank
Private Developer Program
Incomes and Volume of Loans

Family Income	No.loans	% loans	Total Volume	% volume
<120 JD	91	26	390,526	25
121-150 JD	73	21	265,225	81
151-200 JD	81	23	347,285	22
201-250 JD	105	30	557,958	36
TOTAL	350	100 %	1,570,994	100 %

As demonstrated in Table 13, the largest single beneficiary group had the highest income, in direct contrast to the Individual Loan Program. Moreover, the data on annual lending presented in Annex indicate that since the mid- term evaluation, the number of purchasers in the highest income group rose progressively reaching 44 % of purchasers in 1989. This confirms the predictions of the project paper, that the program would mainly appeal to the 40-50th income percentile of the population. As the cost of the units purchased in 1989 were in fact lower than in other program years, the reason for this may be that only the upper limit of the below-median income group was willing to make such an investment in a time of economic difficulty.

Table 14 shows that the most popular term of lending was 6-10 years until 1987, when the balance shifted to long term loans. This may have been related to deteriorating economic conditions, necessitating lower monthly payments despite the cultural value of borrowing for as short a time as possible.

As Table 15 indicates, the PDP loans also were for lower than anticipated amounts. Two thirds (65%) of the loans were for amounts under JD 5000, and only 20% of all loans were made for over JD 6,000 (the 40th income percentile). Furthermore, there was a gradual, but steady decline in the size of the loan, and by 1988, 30% of the beneficiaries were borrowing less than JD 3000 . (Information was not available as to the income distribution of those borrowing less than JD 3000).

Table 14

Jordan Housing Bank
Private Developer Program
Loan Term

Years	No.loans	% Loans	Volume	% Total Volume
1- 5	44	13	177,090	11
6-10	199	57	890,461	57
11-15	106	30	49,943	32
15+	1		4,040	
TOTAL	350	100 %	1,570,994	100 %

Table 15

Jordan Housing Bank
Private Developer Program
Size of Loans

Amount JD	No.loans	%	Cumulative %
1000-2000	29	8	8
2001-3000	61	18	25
3001-4000	68	19	45
4001-5000	70	20	65
5001-6000	48	15	79
6001-7000	71	20	99
7001-7616	3		100
TOTAL	350	100 %	100 %

2. Construction Loans

As described previously, construction loans on commercial terms were available to private developers prior to the Housing Guaranty program out of the JHB's own funds. The interest rate for these loans was initially 10.5% (subsequently raised to 12%), and developers could only borrow a maximum of 75% of the value of the construction and land and 20% of the financing was withheld until construction was completed. The change under the Housing Guaranty program was in the percent of cash the private developer had to put up, which diminished to 25% from 40%. Also, the developer now had a program which supplied permanent financing to beneficiary purchasers.

Since the mid-term evaluation in July 1987, only one construction loan was made for an amount of 30,000 JD to finance a 7 unit apartment house. The situation of constructic lending up to that time is adequately described in that report and can be summarized as follows: 131 units were financed, with construction loans totaling JD 615,000. The average amount loaned per unit varied from a low of 3,571 JD to a high of 6,350 JD per unit. Only five developers took construction loans,and the number of units built by each varied from 17 to 42.

According to the JHB, of the one dozen private developers with whom it had been in contact before 1987 for the purpose of low income housing construction, many have ceased their activities or have stopped constructing in Jordan. REFCO took one construction loan to build 20 units.

It could be argued that if JHB had lowered the interest rate on construction loans this would have improved the profitability /attractivity for private developers. It is true that turn-around time for construction and sales is normally 18 months to two years, (according to developers recently contacted) and a lower interest rate could have helped to raise the profit margin. However, the estimated return on low-income contruction is far below the return previously possible on high-income construction (15-20% as compared to 40% and up), so the effect of lowering interest rates would probably have been negligible. One can only conclude that the large profits presumed to be made on more expensive housing contributed to the overall reluctance to go into lower income-and lower profit making-markets. As to availability of mortgages to eligible purchasers, it does not appear to have had any impact in improving the effective market for these units.

In this respect, the experience of REFCO, the largest private developer of housing until 1987, gives an insight into why private developers (other than very small ones) became very reluctant to take what they saw as a big risk.

ANNEXES 7.5

Table 3.2: Estimated Numbers and Percentages of Housing Units Produced by Supplier During the Period 1980-1985

Housing Suppliers	Urban Areas		Rural Areas		East Bank	
	Number of Units	% of Urban Units	Number of Units	% of Rural Units	Number of Units	% of All Units
Private Sector	**57347**	**85.15**	**39464**	**97.08**	**96811**	**89.64**
• Individual Construction	53137	78.90	39464	97.08	92601	85.74
• Cooperatives	2050	3.04	0	0.00	2050	1.90
• Corporate Developers	2160	3.21	0	0.00	2160	2.00
Public Sector	**10003**	**14.85**	**1186**	**2.92**	**11189**	**10.36**
• Housing Corporation	4814	7.15	286	0.70	5100	4.72
• U.D.D.	4357	6.47	0	0.00	4357	4.03
• Military Housing Corp.	832	1.24	0	0.00	832	0.77
• JVA	0	0.00	900	2.21	900	0.83
Total	**67350**	**100.00**	**40650**	**100.00**	**108000**	**100.00**

Source: Five Year Plan for Economic and Social Development (19986-1990),
Agency Reports, Shelter Unit Analysis

HDA

Table 4.1: Primary Sources of Housing Finance

(in % of households)

	Formal Loans	Informal Finance	Other
Greater Amman	22	24	54
Other Urban	28	28	44
Rural	10	44	46
East Bank	18	34	48

Sources of Financing Related to Monthly Household Incomes

(in % of households)

Greater Amman			
50 or less	-	5.6	10.0
51-100	6.3	11.1	7.5
101-150	-	16.7	15.0
151-200	6.3	16.7	12.5
201-300	50.0	22.2	27.5
301-500	25.0	22.2	15.0
Over 500	12.5	5.6	12.5
Other Urban Areas			
50 or less	-	5.0	16.7
51-100	5.0	35.0	23.3
101-150	25.0	-	16.7
151-200	10.0	20.0	3.3
201-300	35.0	25.0	10.0
301-500	15.0	5.0	30.0
Over 500	10.0	10.0	-
Rural Areas			
50 or less	-	7.8	3.8
51-100	27.3	33.3	24.5
101-150	-	37.3	28.3
151-200	27.3	9.8	18.9
201-300	9.1	7.8	11.3
301-500	36.4	3.9	9.4
Over 500	-	-	3.8
East Bank			
50 or less	-	5.7	8.9
51-100	10.6	29.5	18.7
101-150	10.6	25.0	21.1
151-200	12.9	13.6	13.0
201-300	34.0	14.8	16.3
301-500	23.4	8.0	16.3
Over 500	8.5	3.4	5.7

Notes:
- Formal loans include loans from banks, financing companies and developers
- Informal finance includes assistance from relatives and friends, loans from relatives and friends, loans from employes.
- Other includes savings, sale of jewels, sale of property, remittances and other.

Source: National Housing Survey, Shelter Unit, Ministry of Planning, 1986

TABLE NO. 5.2

COMPARATIVE TABLE FOR INVESTMENT IN THE HOUSING SECTOR ACCORDING TO FINANCIAL SOURCES FOR THE FIVE YEAR PLANS 1981-1985 AND 1986-1990

(JD: MILLION)

	FINANCIAL SOURCE	5 YEAR PLAN 1981-1985		5 YEAR PLAN 1986-1990		1986	1987	1988	1989	REMARKS
		ACTUAL	%	PLANNED	%					
1	SELF FINANCING	83.2	10.64	72.5	14.00	14.5	14.5	14.5	14.5	
2	GOVERNMENT BUDGET	18.0	2.29	45.3	8.74	9.06	9.06	9.06	9.06	
3	HOUSING BANK	185.0	23.66	126.0	24.32	25.2	25.2	25.2	25.2	
4	SOCIAL SECURITY CORPORATION	19.46	2.48	46.0	8.88	9.2	9.2	9.2	9.2	
5	FOREIGN LOANS	7.0	0.9	41.62	8.03	8.32	8.32	8.33	8.33	
6	MILITARY HOUSING CORPORATION	17.2	2.20	45.0	8.68	9.0	9.0	9.0	9.0	
7	COMMERCIAL BANKS	16.9	2.16	8.5	1.64	1.7	1.7	1.7	1.7	
8	HOUSING FUNDS	6.74	0.8	19.5	3.76	3.9	3.9	3.9	3.9	
9	LOCAL LOANS	8.5	1.08	12.5	2.41	2.5	2.5	2.5	2.5	
10	PORTS AUTHORITY	--	--	5.0	0.96	1.0	1.0	1.0	1.0	
11	PRIVATE SECTOR (INDIVIDUALS)	420.0	53.70	96.25	18.58	19.25	19.25	19.25	19.25	

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TABLE NO. [illegible]

COMPARATIVE TABLE FOR INVESTMENT IN THE HOUSING SECTOR ACCORDING TO IMPLEMENTATION BODY FOR THE FIVE YEAR PLANS 1981-1985 AND 1986-1990

(JD: MILLION)

	IMPLEMENTATION BODY	5 YEARS PLAN 1981-1985		5 YEARS PLAN 1986-1990							REMARK
		ACTUAL	%	PLANNED	%	1986	1987	1988	1989	1990	
1	HOUSING CORPORATION	48.5	6.20	112.8	21.77	28.16	15.20	17.55	20.50	31.39	
2	URBAN DEVELOPMENT DEPARTMENT	20.0	2.56	101.41	19.57	8.87	10.01	22.0	26.40	34.13	
3	PRIVATE AGENCIES JHB.	678.8	86.80	252.25	48.68	19.62	26.56	39.24	81.03	85.80	
4	REAL ESTATE CO.	24.7	3.16	43.21	8.34	8.64	8.64	8.64	8.64	8.65	
5	COOPERATIVES	10.0	1.28	8.5	1.64	1.7	1.7	1.7	1.7	1.7	
	TOTAL	782.0	100.00	518.17	100.00	66.99	62.11	89.13	138.27	161.67	

* PRIVATE AGENCIES INCLUDE, HOUSING BANK, MILITARY HOUSING CORP. HOUSING FUNDS AND SOCIAL SECURITY.

By 1987 REFCO, one of the only large private developers in Jordan, had constructed 1,500 low cost units,(They also submitted a portfolio of 27 loans to the JHB to serve as collateral for a line of credit of 360,000 JD but they are the only developer to use this mechanism) and offered its own financing to purchasers (up to 30 years term with only 5% downpayment and 11% interest).

In 1987 the Housing Corporation dumped 3,500 units of subsidized housing in its Abu Nusair project on the market at highly favorable terms (no down payment, 30 year terms, 5% interest), because they could not be sold otherwise (The Housing Corporation constructs subsidized housing for Civil Servants.). While many of the units were too expensive for the HG target population (8,500JD-18,000JD) the terms offered to the general public were so favorable that no private developer could compete. Worse than that, according to REFCO, many of their own purchasers defaulted, got out of their contracts, and bought Housing Corporation units at a lower rate. Consequently, the private developer which was supposed to be the role model for the industry was very severely damaged financially, and refuses to participate in building any low-cost housing to this day, until assurances are given by the government that it will absorb its own losses.

The problem of defaulting clients is very serious and moreso for smaller developers, because of their own personal financial involvement and because they cannot cover cash flow problems easily. Generally, developers allow purchasers to pay on credit, and the property can be registered either (1) under the developer's name, in which case the client can default on his purchase and reclaim all the money he has already paid, or (2) the property can be registed in the name of the client, in which case he can stop paying and the developer has no recourse. For this reason, once defaults began to occur, developers became very cautious.

<u>3. The Housing Market Since 1987</u>

In order to understand why a combination of construction financing and guaranteed mortgage financing and technical assistance to developers was insufficient to stimulate private developers to engage themselves in a new market, one needs to examine other factors influencing the economy during the program period.

Between the signature of the Implementation Agreement in 1986, and the date of final disbursement in 1989, the Jordanian Dinar had been twice devalued, due to many external factors, namely: lower oil prices and less subsidy to the Jordan government from other Arab countries, lowered Saudi contributions, less work in the Gulf

States and hence less remittances coming into Jordan, and Jordan's formal withdrawal from the West Bank.

The result of this substantial decline in exchange rates and in resources has been twofold; inflation, and decline in purchasing power of the local population. The effect on the private construction industry has been, firstly, to raise construction prices because of the cost of imported materials; secondly, to make developers more dependent upon Jordanians working abroad earning foreign currency which now purchases more within Jordan; thirdly, to put developers out of business entirely (see the mid-term evaluation).

For all of these reasons, the initial interest expressed by private developers in building low cost housing has foundered . Developers are still building middle and high priced units, because the Jordanians living outside the country still have foreign currency for investment. [9] However, the risk involved in building has increased, and no one is certain whether the new units will sell.

A second concern on the part of private developers is the type of unit which can be built at a price affordable by low-income purchasers and which would be marketable. At the moment, because of subdivision restrictions and plot size regulations, the only type of unit which can be constructed at the appropriate price is a flat, but private devlopers now claim that there is little interest in this sort of housing, firstly because Jordanian families are large (over 7 persons per family) secondly because these units cannot be extended as the family expands, and thirdly because the real estate transfer taxes of on sale and purchase of units make it unlikely that a family will ever own more than one house, essentially negating the concept of a "starter home"(4% of the value by the vendor, 6% by the purchaser, and if the developer purchases land and resells it, the tax is chargeable twice).

Developers recently contacted in Amman maintainted that families earning JD 200 JD per month or above will not buy into a flat (even a 70-80 square meter flat) because it is not expandable. They want a small plot. Unfortunately the housing aspirations of this group do not correspond to what private developers can produce under current planning and subdivision regulations, and while the owner- builder route would satifsy their needs, plots which are

[9] All the private developers interviewed were worried that this market may well collapse within the next year, as Jordanians outside the country hold out for lower prices,given the large number of units currently on the market. At the moment the attitude is very much"wait and see."

small enough are difficult to find.

Those earning under JD 200 per month will look towards the UDD for a plot, where they can build as their finances permit. Again, the problem is access to small enough plots of land, which, for the moment, only the UDD and Housing Corporation can produce.

The solution for the private developer is the same as that for the owner- builder; more small plots. On a 150 square meter plot, a 70 square meter expandable unit could be built for 6,500 JD excluding land and infrastructure. Developers could build on 150 square meter plots if areas were rezoned from C to E zoning (smaller plots). However, the problem lies in the amount of compensation that the municipality has to pay to landowners for road rights-of-way. At the present time, the municipality can claim 25% of the land for roads without compensation to the landowner, but a 25% area for circulation corresponds to site develoment on plots larger than 150 square meters. If the municipality downzoned areas to E zoning (150m2) the area for circulation would be greater than the 25% they can claim free of charge, and they would have to pay compensation, which they clearly want to avoid. Although there is sufficient serviced land available for housing construction, (according to J. Erbach, in Amman there is currently enough vacant and zoned land for three times the current population) it is not appropriately zoned for the type of housing construction needed, and cannot be subdivided, and for the above-mentioned reason, is difficult to rezone.

In addition, other planning regulations have an effect, in that the land prices in buildable zones are roughly twice that outside the buildable perimeter (at least for Amman)[10] . Private developers would like to be able to develop land outside the perimeter of Amman to benefit from lower land costs, but the developers do not have the ability to provide the community facilities needed (in contrast to the UDD, which was able to acquire and subdivide outside of the perimeter and take advantage of low land costs) For the moment, private developers are in the same bind as owner-builders; they must seek vacant, small in-fill plots within the perimeter. However, whether there is market for the resulting apartments is questionable.

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[10] current land prices are 35 JD/square meter in the most expensive part of Amman;20 JD/square meter elsewhere in Amman;10 JD/square meter in suburban Amman; 5 JD/square meter outside the perimeter of Amman. For purposes of comparison, in 1985 the most desirable land in Amman cost 40 JD/ square meter, while after the economic downturn of 1987 this dropped to 20-25 JD /square meter.(Source: J. Erbach and Private Developers)

As has been stated previously, while some of the regulatory constraints to private development of low-cost housing (as well as cultural housing preferences) were known at the time the project was initiated, the strategy was to test whether financing, and assistance to private developers would overcome these problems. As it turned out, financing was not the main problem facing private developers, and the changing economy has added an additional constraint to those which already existed.

5. THE JORDAN HOUSING BANK

The Individual Loan Program was based upon a pre-existing Jordan Housing Bank program to assist medium and low income individuals to access to housing ownership. At the time the Housing Guaranty Program was established, the lending under this program had been in decline. A main objective of the Program was to improve access to long-term mortgage credit for below median incomes families, and therefore it is importantto review the effectiveness of the JHB's efforts to meet this objective.

5.1. TRENDS IN LENDING TO LOW-INCOME BORROWERS VS. ALL JHB LOANS

Tables 16 and 17 indicate that low-income lending as a portion of the overall JHB individual loan portfolio peaked in 1987 and has been declining since that time. It should be noted however that for the purposes of this analysis, low-income is defined by the criteria used in the 278-HG-001 program, which differs from that of the general JHB low-and middle-income lending criteria (now at 10,000 JB loan and 375 JD monthly income); were these criteria to be used, the percent of low-income loans would be higher.

Table 17 shows that the volume of low income lending is declining, while the overall volume of JHB lending is rising. While it may be due to the decline in the economy, leading families to seek less, and smaller loans as their financial circumstances change, the two tables taken together indicate a very sharp decline in lending under the ILP program. The success of the ILP component of the Housing Guaranty program clearly demonstrated the strength of demand for loans, but in light of the decline in low income lending compared to the overall portfolio, it is worth asking the question whether even less would have been allocated to low income borrowers , had the ILP component of the Housing Guaranty Program not existed. The second tranche borrowing of $20 million had not

Table 16

Jordan Housing Bank
Number of Loans

Year	Low Income**	All*	% Low Income
1985	853	3,358	25 %
1986	1,052	3,304	32 %
1987	1,340	2,720	50 %
1988	1,110	2,712	41 %
1989	699	3,638	19 %

*Lending to Individual Households
**HG-001 Beneficiaries only

been on-lent to the JHB six months after borrowing, indicating a certain reluctance on the part of the JHB to commit itself further for ILP mortgages.

As has been already mentioned, a main objective of the Housing Guaranty Program was to insure that financing was available to low income borrowers. The data show that the HG funds were very important in keeping financing available through the JHB in the period following 1987; what is not known is whether, in the absence of further HG funds, the ILP lending will continue.

Table 17

Jordan Housing Bank
Loan Volume(000's JD)

Year	Low Income	All	% Low Income
1985	3.4	32.8	10 %
1986	3.9	39.5	10 %
1987	4.6	30.9	15 %
1988	3.6	44.2	9 %
1989	1.7	40.0	4 %

5.2. CHARACTERISTICS OF LOW INCOME BENEFICIARIES

The tables which follow compare each HG-001 sub-companent lending over the entire project period, with that of the JHB household lending for the past three years. It is apparent that the characteristics of the low income beneficiaries are substantially different from the above median income JHB borrowers: by 1989, over 90% of the volume of JHB's individual loans were for amounts exceeding JD 7000, while well over half the volume of low-income beneficiary loans totaled less than JD 4,000. However, according to the JHB, individual borrowers rarely take loans for more than JD 10,000 , even those whose incomes are above the JD 375 per month eligibility ceiling set for JHB's own low and middle income ILP program. The mid-term evaluation states that only 16% of all individual loans made by the Bank exceeded JD 10,000 .If all the JHB ILP program loans had been counted as low-income loans, there would be a significant number in the JD 7,000-10,000 range in the table below, and relatively few above JD 10,000.

The mid-term evaluation also noted that over 80% of JHB lending was composed of loans above 7,000, but the figures available for analysis are for all JHB loans, including large loans to public sector institutions, private developers, etc.(these loans are not easily separated from readily available statistics).

Table 18

Jordan Housing Bank
Size of Loan by Loan Volume

	Low Income Loans(1985-89)			JHB All Loans		
Amount:JD	**ILP**	**UDD**	**PDP**	**1987**	**1988**	**1989**
1000-2000	14 %	14 %	8 %	.7 %	.7 %	1.1 %
2001-3000	33 %	22 %	18 %	2.4 %	1.4 %	1.6 %
3001-4000	25 %	22 %	19 %	2.1 %	1.6 %	1.4 %
4001-5000	14 %	21 %	20 %	2.5 %	2.1 %	2.4 %
5001-6000	8 %	16 %	15 %	2.3 %	1.2 %	1.5 %
6001-7000	6 %	5 %	20 %	2.8 %	1.8 %	1.5 %
7000+				87.2 %	91.2 %	90.5 %
	100 %	100 %	100 %	100 %	100 %	100 %

Between 45-52 % of JHB borrowers have monthly incomes in excess of JD 250, but a similar percentage of low -income borrowers earn less than JD 150 per month. Even disregarding the income category JD 250-375 (the current cap on JHB low interest rate ILP loans) a surprisingly wide income range is served. 55% of all loans go to below median income families, and 44% of borrowers fall in what the National Housing Strategy considers the 30th percentile of household income in Greater Amman, and 32% are in the 20th percentile. Although the JHB only takes into consideration "verifiable " income of the titular borrower, and thus the family income is somewhat higher, an impressive range of the income groups has been served.

Table 19

Jordan Housing Bank
Household Income by Number of Loans

	Low Income Loans (1985-89)			JHB All Loans		
Income:JD	ILP	UDD	PDP	1987	1988	1989
<120	35%	16%	26%	13.6%	13.6%	22.6%
121-150	23%	26%	21%	11.6%	10.7%	9.2%
151-200	22%	34%	23%	14.3%	11.5%	12.1%
201-250	20%	24%	30%	12.2%	11.6%	11.0%
250+				48.3%	52.4%	45.1%
	100%	100%	100%	100%	100%	100%

Table 20 indicates that over 20% of the total volume of loans is still going to households earning less than JD 250 per month, despite the decreasing percent of "low-income" loans compared to the total loan volume of the Bank. It appears that the Individual Loan Program is successfull in making mortgage credit available to a very different population than otherwise served by the JHB.

Table 20

Jordan Housing Bank
Household Income and Loan Volume

	Low Income Loans (1985-89)			JHB All Loans		
Income:JD	ILP	UDD	PDP	1987	1988	1989
<120	28%	12%	25%	4.2%	3.7%	3.5%
121-150	21%	21%	17%	5.4%	4.5%	4.0%
151-200	23%	37%	22%	8.6%	5.9%	7.0%
201-250	28%	30%	36%	8.8%	7.9%	7.5%
Over 250				72.9%	78.0%	78.0%
	100%	100%	100%	100%	100%	100%

Table 21 demonstrates the similarities and differences in loan terms for low-income borrowers compared to other borrowers. Low income borrowers resemble other borrowers in loan term with the exception of UDD beneficiaries, who borrow for the longest term available. Other borrowers rarely take loans for more than a ten year period. Presumably this is because high monthly payments over a short time period are not feasible for the low income families served by the UDD projects; as was noted previously, UDD loans tend to be for slightly higher amounts than non-UDD loans, necessitating a longer repayment term when coupled with low monthly income.

Large loans to public sector and other institutions distort the figures on term of loan in Table 21, as these loans are primarily short term. Within the 6-10 year term, the number of overall bank loans has diminished, countered by a significant rise in the numbe of short term (1-5 year) loans, which might be accounted for by construction loans to private developers for high-income housing, or to institutional borrowers.

In conclusion, while the decline in number and volume of ILP loans has not been arrested, the lending which did occur clearly served a broad clientele with different needs than the rest of the JHB portfolio. Whether the JHB can continue to afford to adequately serve this population in the future is addressed below.

Table 21

Jordan Housing Bank
Term of Loan by Loan Volume

	Low Income Loans (1985-89)			JHB All Loans		
Years	ILP	UDD	PDP	1987	1988	1989
1- 5	7.8%	3.0%	11%	67.3%	58%	65%
6-10	61.0%	13.0%	57%	26.6%	37%	30%
10-15	31.0%	83.2%	32%	5.6%	5%	5%
over 15	.2%	.8%		5.0%	3%	2%
	100%	100%	100%	100%	100%	100%

5.3. COST TO JHB OF LENDING TO LOW INCOME BENEFICIARIES

At the present time, deposit accounts earn 8.5%, while loans to target beneficiaries are made at 8% (until 1989 this rate was 8.5%). The JHB has a five year agreement with the government under which it is required to lend at this rate to eligible borrowers, which for JHB's own Individual Loan Program purposes means a family income currently set at 375 JD/month and a maximum loan of 10,000JD)

According to Mr. Khoury, the General Director, the JHB must cross-subsidize loans made under this program to cover the spread between 8% and 12.5% which is the highest rate currently charged, although it is not clear why the JHB feels it is subsidizing the rates to the highest amount charged, rather than up to the effective lending rate. Other interest rates include 10.5% for mortgages to individuals on units larger than 200 square meters, or for purchase of land plus housing construction. However, the previous section has shown that since 1985 no more than 15% of the total loan volume has been at subsidized rates, and more and more lending is at full commercial rates which were raised in June 1988 to allow the JHB, among other institutions, to raise the commission on loans, which effectively raised interest rates for most of the loan portfolio, and as the following section will show, raised its profits.

In terms of defaults on target beneficiary versus non-target beneficiary loans, the information received indicates that at any given moment, approximately 20 % of the total volume of JHB lending is late, and subject to late fees. On the volume of target beneficiary loans (as defined by JHB terms, which includes a higher income group as well, as explained above) only one half of one percent of payments due are not paid on time.

Because the losses from the low income loans result from direct and indirect costs of issuing the loans (75% of UDP-1 beneficiaries obtained their units through JHB loans) rather than defaults, concerns about the cost of the program should not focus on defaults, but on lowering the direct and indirect costs.[11] The World Bank Project Completion Report for UDD 1 states that once UDD repays its loan to JHB, the estimated annual loss for JHB resulting from granting loans to beneficiaries would be about JD 92,000. According to supplementary studies done for the National Housing Strategy, UDD loans were found to be more expensive to administer, and received greater subsidy than non-UDD ILP loans.

Table 22 compares the cost of lending as reported in the mid-term evaluation, with today's costs. Within the past three years the JHB has almost halved its operational costs on loan accounts, reduced by two thirds its administrative costs and indirect overhead,and yet managed to reduce its break- even lending rate while still increasing interest on deposits. The drastic reduction in administrative costs raises questions about the original calculations of the costs of running the ILP program.

The average lending rate of the JHB for the first quarter of 1990 is in fact 9.923%, a spread of half a percent above the break -even lending rate. However, the break-even rate is only one half percent above the lending rate to eligible low-income target beneficiaries, indicating that the subsidy required in the ILP program has declined as the administrative costs have declined.

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[11] The same report indicates that UDD-issued loans do experience a default rate which in one upgrading project reached 12% of loans which were 3 months late. As noted previously, UDD prefers that beneficiaries deal with the JHB as the default rate is ultimately far lower.JHB claims that they do not have a significant default rate amongst UDD borrowers because they will not accept those who do not meet their criteria.

TABLE 22

COST OF JHB LENDING
SOURCE:JORDAN HOUSING BANK

	1987	1990
Weighted avg.interest on deposits	5.382	6.102
Cost of reserve requirements set by CB	.086	.160
Operational costs;loan accts	2.027	1.162
Operational costs;deposit accts	.667	.860
Admin.costs+indirect overhead	1.278	.419
JHB break even lending rate	9.440	8.703
Life insurance premium on borrower	.720	.720
Effective lending rate	10.160%	9.423%

5.4. JHB'S ABILITY TO CONTINUE TO MEET PROGRAM GOALS AND OBJECTIVES

In 1989 JHB lowered the interest rate on ILP loans to 8% and raised the maximum mortgage to JD 10,000. As has been shown in the tables in section 5.1. the number of loans and volume of ILP loans has decreased. On the other hand, JHB reports an overall increase in other medium and long term financing to individuals at higher interest rates. Presumably the rise in lending to non-subsidized borrowers has enabled the JHB to cover the subsidy costs of the ILP loans .It should be noted that the second borrowing under HG-001, of $20 million dollars, has not yet been drawn upon by the JHB, six months after disbursement, indicating that the JHB was able to finance a large part of the low-income lending out of its own funds, and that at least part of the HG loan was not needed. This money will remain available to the JHB, should it be needed in the future to finance low income beneficiary lending.

The annual reports indicate that the JHB net profit rose to JD 3.42 million in 1989 from JD 3.16 million in 1988. The balance of savings accounts also registered a substantial increase in 1989, of JD 32.3 million (a 22 %.increase). The balance of savings accounts at the bank exceed total savings accounts at all Jordanian banks combined by 11 %. Total assets increased from JD 518.2 million in 1988 to JD 573.8 million JD in 1989 (a 15% increase).

JHB has made substantial loans over the past years to both the Housing Corporation and the Urban Development Projects of the World Bank. A total of JD 53 million was lent to the Housing Corporation for the ill-fated Abu Nusair project; JD $7.4 million was lent for UDP-1, and and an estimated JD $29.3 million is targeted for UDP-3 now in progress. The Urban Development Department depends heavily upon JHB resources for its funding and will presumably continue to do so in the future. The working relationship between these two institutions appears to be very good; the JHB performs pre-appraisal analysis of all new UDD projects, thus insuring the financial soundness of the investments.

The recent reorganization of the UDD and the Housing Corporation under a combined Board of Directors will hopefully lead to better planning, targeting and marketing of the Housing Corporation's future endeavors. Since Abu Nusair, one more project was undertaken by the HC comprising 500 flats for civil servants which will be sold on highly favorable terms. As the financial arm of the GOJ housing policy, the JHB must finance projects of these two government institutions; as the Abu Nusair experience has shown, it is imperative that the JHB insists on sound financial and market feasibility as pre-condition, so the bank retains its ability to continue to serve individual low-income borrowers.

However, as the foregoing analysis indicates, the JHB demonstrably has the ability to finance ILP loans. The declining trend raises the question of whether the JHB has the desire to do so.

5.5. LEGAL, INSTITUTIONAL AND FINANCIAL POLICIES OF THE JHB WHICH IMPEDE PRIVATE SECTOR LOW INCOME HOUSING DEVELOPMENT

While the JHB's charter sets down certain requirements for all loans, such as a minimum 25% down payment for lending, these requirements do not as such form an impediment to private sector progress in development, construction and financing of low income housing. However, the interpretation and practices have had the effect of making the lending terms more difficult for the borrower. For example, the practice of using a standard rate for assessing cost of construction has meant that purchasers of finished units may not get a mortgage for the full 75% of purchase price.

In addition, allowing only one low income subsidized loan per family in a lifetime effectively encourages this group to wait to buy or build until the ultimate dream house can be bought, and inhibits possibility of trading up over a lifetime.

JHB's obligations to lend for institutionally-sponsored low income housing developments such as the Housing Corporation's, could potentially encroach on its ability to cross-subsidize its low-income loan program. Roughly 80% of housing in Jordan is constructed by owner -builders while corporate developers build only 2% of the housing, and the remaindure is built by institutions and cooperatives.

6. CONCLUSIONS

6.1. PROGRAM ACCOMPLISHMENTS

The Housing Guaranty Program very successfully met the goal of increasing the availability of long-term mortgage credit for housing that is affordable to low income families, through the Individual Loan Program of the Jordan Housing Bank. Moreover, the creation of the Low Cost Housing Unit, and the obligation of the JHB to make the JD equivilent of $22.5 million in mortgages to the below median income population insured that the JHB ILP program did not disappear in a period of economic pressure, where the JHB tendancy was to reduce the program. That the ILP component of the program produced over 4,500 loans, when the original estimate only was 2,400 for all program components combined, can be taken as proof of its success in meeting a demonstrable need. The JHB has also demonstrated that it is able to reduce the cost of administering such a program, and of covering the necessary subsidies.

The Private Developer Program did not reach its lending targets because it was impossible, given unforseen circumstances to increase the participation of private developers in the low income housing market, as had been anticipated. However, several positive results can be noted from the activities within this project component. Firstly, the JHB has gained in experience and familiarity in working with small private developers. Secondly, a Private Housing Developers Association was created in 1988, uniting approximately 35 developers. This organization is an excellent vehicle to channel the concerns of private developers and to act as a lobby group with the government. The third result of the PDP has been to vastly increase the understanding of the role that private developers play in meeting housing needs in Jordan. What was learned during the first Housing Guaranty Program was incorporated in the design of the next program (HG 004) which is already underway.

6.2. LESSONS LEARNED DURING THE COURSE OF THE PROGRAM

According to the National Housing Strategy Study, the recommendations of the Private Developers Seminar and reports prepared by consultants for USAID, the real impediments to both owner-builder construction, and private developer construction were the zoning, planning and taxation policies which are still in force. It is hoped that the implementation of the recommendations of the National Housing Strategy, and the transformation of the Shelter Unit into a permanent Strategic Planning and Policy Unit within the Ministry of Public Works and Housing will lead to the revision of the most obvious constraints to the production of low-cost housing.

It became clear during the project that there needs to be some change in the regulatory framework in which private developers operate before they will enter into a game which they perceive as being not only stacked against them, but too risky because of uncertainty about future Housing Corporation projects, competitive advantage to both the Housing Corporation and the UDD in terms of access and subdivision of land, transfer taxes, and zoning. Furthermore, a new income tax law whereby profits on constructions will be taxed, will drive up the sales prices, and be yet another problem for private developers.

Over the course of project it was realized that private developers, on the whole, operate on a relatively small scale, as a way of guarding their flexibility and of limiting financial risk. Given that so much of their own capital must be tied up in each operation, and the risk under the present circumstances-both economic and regulatory-is high, this is logical.

The project also showed the importance of the owner-builder, both in building for himself and as an occassional small developer, and indicated that more attention should be paid to helping this group who are responsible for the production of some 80 % of all housing in Jordan.

It was also shown that the owner-builder/small scale developer was more capable of providing low cost housing solutions in Jordan than private developers, in the given circumstances.

6.3. RECOMMENDATIONS FOR SUBSEQUENT HOUSING GUARANTY PROGRAMS

The Housing Guaranty Program 004 should concentrate on modifying those regulations which have proven to be the biggest impedements to both private developer construction of low cost housing, and to individual construction by low income owner-builders as well. The most necessary changes are outlined in the Housing Strategy, and have been included in the HG-004 Program.

It is also important to get Jordanian policy makers to agree on the roles of the different participants in housing delivery (UDD, Housing Corporation, private developers, owner-builders) and to sort out more systematically the target group each participant should address. Once this has been clarified, measures appropriate for producing the required number of each type of units can be agreed upon.

7. ANNEXES

7.1. DOCUMENTS CONSULTED

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7.2. PERSONS CONTACTED

1. Jordan Housing Bank

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Ms. Hidayah Khairi, Studies Division, Urban Development Department

Ms. Susan Jones, Llewelyn Davies Planning, Consultant to UDD.

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Mr. Mohammed Ali El Quaq, Assistant Manager, REFCO

Mr. Hamid Kahair Al-Kilani, developer

Engineer Mohammed Diad Al-Sati, developer

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Dr. Douglas Heisler, USAID, RHUDO/NENA

ILP - UDD LOANS

SUMMARY I IVDIAL LO PR AM

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	11/09/86-31/12/86				1/1-31/12/87				1/1-31/12/88				1/1-26/09/89		
	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM
NCOME															
0-120	184402	14.8	59	19.0	294269	12.7	104	16.6	183513	12.6	83	17.9	130358	8.6	42
1-150	254926	20.5	74	23.9	485319	21.0	155	24.7	407461	28.0	150	32.3	241756	16.0	70
1-200	450022	36.2	104	33.6	951429	41.2	238	38.0	399429	27.4	123	26.5	586635	38.9	134
1-250	352472	28.3	72	23.3	572731	24.8	129	20.6	462375	31.8	107	23.1	546458	36.3	110
TAL	1241822	100.0	309	100.0	2303748	100.0	626	100.0	1452778	100.0	463	100.0	1505207	100.0	356
ERMS															
5 YRS	29213	2.3	13	4.2	88413	3.8	39	6.2	55405	3.8	22	[illegible]	28409	1.8	14
10 YRS	95198	7.6	27	8.7	429638	18.6	130	20.7	147195	10.1	55	11.3	193679	12.8	60
-15 YRS	1108635	89.2	267	86.4	1757460	76.2	449	71.7	1240916	85.4	383	82.[illegible]	1277414	84.8	281
ER 15	8776	0.7	2	0.6	28237	1.2	8	1.2	9262	0.6	3	0.5	5705	0.3	1
TAL	1241822	100.0	309	100.0	2303748	100.0	626	100.0	1452778	100.0	463	100.[illegible]	1505207	100.0	356
IZE															
00-2000	41485	3.3	25	8.0	103201	4.4	58	[illegible]9.2	222420	15.3	139	30.[illegible]	36606	2.4	24
01-3000	148629	11.9	60	19.4	463795	20.1	184	29.3	222812	15.3	87	18.[illegible]	146158	9.7	61
01-4000	283239	22.8	78	25.2	505034	21.9	138	22.0	378358	26.0	107	23.1	214992	14.2	60
01-5000	228529	18.4	50	16.1	576232	25.0	128	20.4	412544	28.3	91	19.[illegible]	418768	27.8	92
01-6000	353919	28.4	66	21.3	529689	22.9	98	15.6	179057	12.3	33	7.1	454860	30.2	83
01-7000	186021	14.9	30	9.7	118661	5.1	19	3.0	37587	2.5	6	1.2	233823	15.5	36
01-7616	0	0.0	0	0.0	7136	0.3	1	0.1	0	0.0	0	0.0	0	0.0	0
TAL	1241822	100.0	309	100.0	2303748	100.0	626	100.0	1452778	100.0	463	100.0	1505207	100.0	356
URPOSE															
construct	17662	1.4	5	1.6	26652	1.1	7	1.1	48767	3.3	15	3.2	16848	1.1	4
completion	32670	2.6	9	2.9	65142	2.8	20	3.1	39499	2.7	13	2.8	13580	0.9	3
enlargement	0	0.0	0	0.0	2175	0.0	1	0.1	0	0.0	0	0.0	0	0.0	0
purchase	1191490	95.9	295	95.4	2209779	95.9	598	95.5	1364512	93.9	435	93.9	1449735	96.3	343
Purch + cons	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	25044	1.6	6
[illegible]	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
TOTAL	1241822	100.0	309	100.0	2303748	100.0	626	100.0	1452778	100.0	463	100.0	1505207	100.0	356

	1/03/85-31/12/85				1/1-31/12/86				1/1-31/12/87				1/1-31/12/88				1/1-26/09/1		
	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM
INCOME																			
0-120	1116949	40.2	314	42.8	521904	21.9	190	28.4	554491	26.7	229	35.5	470970	22.0	184	31.2	274820	25.6	10
121-150	566456	20.4	167	22.7	522978	22.0	162	24.2	446710	21.5	154	23.8	420480	19.6	131	22.2	208580	19.4	6
151-200	525535	18.9	132	18.0	579840	24.3	156	23.3	495266	23.8	138	21.3	551385	25.7	137	23.2	270245	25.1	7
201-250	562948	20.3	120	16.3	751686	31.6	160	23.9	577176	27.8	124	19.2	696541	32.5	136	23.1	319850	29.7	6
TOTAL	2771888	100.0	733	100.0	2376408	100.0	668	100.0	2073643	100.0	645	100.0	2139376	100.0	588	100.0	1073495	100.0	31
TERMS																			
1-5 YRS	331235	11.9	109	14.8	182389	7.6	63	9.4	137595	6.6	59	9.1	106695	4.9	41	6.9	48100	4.4	1
6-10 YRS	1775170	64.0	453	61.8	1780279	74.9	501	75.0	1387363	66.9	440	68.2	991770	46.3	280	47.6	442155	41.1	1[illegible]
11-15 YRS	665483	24.0	171	23.3	406940	17.1	103	15.4	548685	26.4	146	22.6	1026921	48.0	265	45.0	583240	54.3	1[illegible]
OVER 15	0	0.0	0	0.0	6800	0.2	1	0.1	0	0.0	0	0.0	13990	0.6	2	0.3	0	0.0	
TOTAL	2771888	100.0	733	100.0	2376408	100.0	668	100.0	2073643	100.0	645	100.0	2139376	100.0	583	100.0	1073495	100.0	3[illegible]
SIZE																			
1000-2000	143262	5.1	87	11.8	140445	5.9	82	12.2	198020	9.5	133	20.6	134120	6.2	73	13.2	75400	7.0	
2001-3000	569644	20.5	214	29.1	604700	25.4	226	33.8	606512	29.2	227	35.1	516850	24.1	190	32.3	294640	27.4	1
3001-4000	675234	24.3	187	25.5	625177	26.3	171	25.5	519630	25.0	143	22.1	512295	23.9	141	23.9	270915	25.2	
4001-5000	464280	16.7	99	13.5	489180	20.5	104	15.5	399560	19.2	85	13.1	385441	18.0	82	13.9	223190	20.7	
5001-6000	397030	14.3	70	9.5	269706	11.3	48	7.1	170830	8.2	30	4.6	293500	13.7	52	8.8	111350	10.3	
6001-7000	477208	17.2	70	9.5	225300	9.4	34	5.0	179091	8.6	27	4.1	268070	12.5	41	6.9	98000	9.1	
7001-7616	44350	1.5	6	0.8	21900	0.9	3	0.4	0	0.0	0	0.0	27100	1.3	4	0.6	0	0.0	
TOTAL	2771808	100.0	733	100.0	2376408	100.0	668	100.0	2073643	100.0	645	100.0	2139376	100.0	588	100.0	1073495	100.0	[illegible]
PURPOSE																			
CONST.	2771088	100.0	733	100.0	2376408	100.0	668	100.0	2073643	100.0	645	100.0	2139376	100.0	588	100.0	1073495	100.0	[illegible]
COST AVR	4468				5079				4390				4547				4023		
VALUE AVR	3545				3790				3427				3602				3426		

Construction

Annex 7.4.

File For Tran?
Harrington

November 17, 1988

Dear Mr. Khoury:

Subject: Program Implementation Letter No. 1
Jordan Low Cost Housing Finance Program (HG-001)

We have had under advisement your letter, REF. 12/1/677541, dated 20 August 1988, requesting that the original distribution of eligible mortgages between the Private Developer Program (PDP) and the Individual Loan Program (ILP) be amended so that all eligible mortages currently in the portfolio can be considered for reimbursement under HG-001. We understand that this request is due to a more rapid disbursement of eligible mortgages under the ILP and a slower pace in making loans under the PDP than was originally envisaged under the program. The lack of demand for loans under PDP is due to the predominance of owner builders in providing housing and to a variety of circumstances which have curtailed the production of low cost housing by private developers and which cannot be directly influenced by this program. Up to June 30, 1988, approximately $32.0 million in eligible mortgages had been made under the ILP versus only $4.4 million under the PDP.

The Housing Program Implementation Agreement currently stipulates that at least $12.5 million under the program shall be used to reimburse eligible mortgages made under the PDP. The agreement also states that AID may agree to changes in the conditions for dollar disbursements. Given the desire of the Housing Bank to meet the needs of eligible owner builder beneficiaries under the

Mr. Suhair Khoury
Chairman, General Director
Jordan Housing Bank
Amman, Jordan

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ILP and its committment to continue to work with private developers in increasing their participation in the provision of low cost housing, we are pleased to concur in your request. Our concurrence is made with the understanding that the JHB will continue the special conditions of the PDP program for construction financing at least until $12.5 million in eligible mortgages have been made.

Sincerely,

L. P. Reade
Director

Clearances:

PRM:JErbach
PEPD:BMacDonald
RLA:DRobertson
D/DIR:RJohnson

(DRAFTED BY PEPD:WRILEY:HA, 11/16/88)
DOC:LETKHURY, DISK:WRILEY NOV 88

ILP - ODD LOANS

JORDAN HOUSING BANK
SUMMARY INDIVDIAL LOAN PROGRAM

Annex 7.3 Pages 58

	11/09/86-31/12/86				1/1-31/12/87				1/1-31/12/88				1/1-26/09/89		
	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM
NCOME															
0-120	184402	14.8	59	19.0	294269	12.7	104	16.6	183513	12.6	83	17.9	130358	8.6	42
1-150	254926	20.5	74	23.9	485319	21.0	155	24.7	407461	28.0	150	32.3	241756	16.0	70
1-200	450022	36.2	104	33.6	951429	41.2	238	38.0	399429	27.4	123	26.5	586635	38.9	134
1-250	352472	28.3	72	23.3	572731	24.8	129	20.6	462375	31.8	107	23.1	546458	36.3	110
TAL	1241822	100.0	309	100.0	2303748	100.0	626	100.0	1452778	100.0	463	100.[illegible]	1505207	100.0	356
ERMS															
5 YRS	29213	2.3	13	4.2	88413	3.8	39	6.2	55405	3.8	22	4.[illegible]	28409	1.8	14
10 YRS	95198	7.6	27	8.7	429638	18.6	130	20.7	147195	10.1	55	11.3	193679	12.8	60
-15 YRS	1108635	89.2	267	86.4	1757460	76.2	449	71.7	1240916	85.4	383	82.[illegible]	1277414	84.8	281
ER 15	8776	0.7	2	0.6	28237	1.2	9	1.2	9262	0.6	3	0.5	5705	0.3	1
TAL	1241822	100.0	309	100.0	2303748	100.0	626	100.0	1452778	100.0	463	100.[illegible]	1505207	100.0	356
IZE															
00-2000	41485	3.3	25	8.0	103201	4.4	58	[illegible]9.2	222420	15.3	139	30.[illegible]	36606	2.4	24
01-3000	148629	11.9	60	19.4	463795	20.1	184	29.3	222812	15.3	87	18.[illegible]	146158	9.7	61
01-4000	283239	22.8	78	25.2	505034	21.9	138	22.0	378358	26.0	107	23.1	214992	14.2	60
01-5000	228529	18.4	50	16.1	576232	25.0	128	20.4	41254[illegible]	28.3	91	19.[illegible]	418768	27.8	92
01-6000	353919	28.4	66	21.3	529689	22.9	98	15.6	1790[illegible]7	12.3	33	7.1	454860	30.2	83
01-7000	186021	14.9	30	9.7	118661	5.1	19	3.0	37587	2.5	6	1.2	233823	15.5	36
01-7616	0	0.0	0	0.0	7136	0.3	1	0.1	0	0.0	0	0.0	0	0.0	0
TAL	1241822	100.0	309	100.0	2303748	100.0	626	100.0	1452778	100.0	463	100.0	1505207	100.0	356
URPOSE															
construct	17662	1.4	5	1.6	26652	1.1	7	1.1	48767	3.3	15	3.2	16848	1.1	4
completion	32670	2.6	9	2.9	65142	2.8	20	3.[illegible]	39499	2.7	13	2.8	13580	0.9	3
enlargement	0	0.0	0	0.0	2175	0.0	1	0.1	0	0.0	0	0.0	0	0.0	0
purchase	1191490	95.9	295	95.4	2209779	95.9	598	95.5	1364512	93.9	435	93.9	1449735	96.3	343
ich+cons	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	25044	1.6	6
un Appr	0	0.0	0	0.0	0	[illegible].0	0	0.0	0	0.0	0	0.0	0	0.0	0
otAL	1241822	100.0	309	100.0	2303748	100.0	626	100.0	1452778	100.0	463	100.0	1505207	100.0	356

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	1/03/85-31/12/85				1/1-31/12/86				1/1-31/12/87				1/1-31/12/88				1/1-26/09/		
	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM	PERC	AMOUNT	PERC	NUM
INCOME																			
0-120	1116949	40.2	314	42.8	521904	21.9	190	28.4	554491	26.7	229	35.5	470970	23.0	184	31.2	274820	25.6	10
121-150	566456	20.4	167	22.7	522978	22.0	162	24.2	446710	21.5	154	23.8	420480	19.6	131	22.2	208580	19.4	6
151-200	525535	18.9	132	18.0	579840	24.3	156	23.3	495266	23.8	138	21.3	551385	25.7	137	23.2	270245	25.1	7
201-250	562948	20.3	120	16.3	751686	31.6	160	23.9	577176	27.8	124	19.2	696541	32.5	136	23.1	319850	29.7	6
TOTAL	2771888	100.0	733	100.0	2376408	100.0	668	100.0	2073643	100.0	645	100.0	2139376	100.0	588	100.0	1073495	100.0	31
TERMS																			
1-5 YRS	331235	11.9	109	14.8	182387	7.6	63	9.4	137595	6.6	59	9.1	106695	4.9	41	6.9	48100	4.4	1
6-10 YRS	1775170	64.0	453	61.8	1780279	74.9	501	75.0	1387363	66.9	440	68.2	991770	46.3	280	47.6	442155	41.1	1
11-15 YRS	665483	24.0	171	23.3	406940	17.1	103	15.4	548685	26.4	146	22.6	1026921	48.0	265	45.0	583240	54.3	1
OVER 15	0	0.0	0	0.0	6800	0.2	1	0.1	0	0.0	0	0.0	13990	0.6	2	0.3	0	0.0	
TOTAL	2771888	100.0	733	100.0	2376408	100.0	668	100.0	2073643	100.0	645	100.0	2139376	100.0	588	100.0	1073495	100.0	3
SIZE																			
1000-2000	143262	5.1	87	11.8	140445	5.9	82	12.2	198020	9.5	133	20.6	134120	6.2	73	13.2	75400	7.0	
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3001-4000	675234	24.3	187	25.5	625177	26.3	171	25.5	519630	25.0	143	22.1	512295	23.9	141	23.9	270915	25.2	
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6001-7000	477208	17.2	70	9.5	225340	9.4	34	5.0	179091	8.6	27	4.1	268070	12.5	41	6.9	98000	9.1	
7001-7616	44350	1.5	6	0.8	21900	0.9	3	0.4	0	0.0	0	0.0	29100	1.3	4	0.6	0	0.0	
TOTAL	2771808	100.0	733	100.0	2376408	100.0	668	100.0	2073643	100.0	645	100.0	2139376	100.0	588	100.0	1073495	100.0	3
PURPOSE																			
CONGT.	2771000	100.0	733	100.0	2376408	100.0	660	100.0	2073643	100.0	645	100.0	2139376	100.0	588	100.0	1073495	100.0	3
COST AVR	4468				5079				4390				4547				4023		
VALUE AVR	3545				3790				3427				3602				3426		

Construction

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Annex 7.4.

File For Tran - Harrington

November 17, 1988

Dear Mr. Khoury:

Subject: Program Implementation Letter No. 1
Jordan Low Cost Housing Finance Program (HG-001)

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Mr. Zuhair Khoury
Chairman, General Director
Jordan Housing Bank
Amman, Jordan

65

ILP and its committment to continue to work with private developers in increasing their participation in the provision of low cost housing, we are pleased to concur in your request. Our concurrence is made with the understanding that the JHB will continue the special conditions of the PDP program for construction financing at least until $12.5 million in eligible mortgages have been made.

Sincerely,

L. P. Reade
Director

Clearances:

PRM:JErbach
PEPD:BMacDonald
RLA:DRobertson
D/DIR:RJohnson

(DRAFTED BY PEPD:WRILEY:HA, 11/16/88)
DOC:LETKHURY, DISK:WRILEY NOV 88

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TABLE NO. 5.2

COMPARATIVE TABLE FOR INVESTMENT IN THE HOUSING SECTOR ACCORDING TO FINANCIAL SOURCES FOR THE FIVE YEAR PLANS 1981-1985 AND 1986-1990

(JD: MILLION)

	FINANCIAL SOURCE	5 YEAR PLAN 1981-1985		5 YEAR PLAN 1986-1990		1986	1987	1988	1989	REMARKS
		ACTUAL	%	PLANNED	%					
1	SELF FINANCING	83.2	10.64	72.5	14.00	14.5	14.5	14.5	14.5	
2	GOVERNMENT BUDGET	18.0	2.29	45.3	8.74	9.06	9.06	9.06	9.06	
3	HOUSING BANK	185.0	23.66	126.0	24.32	25.2	25.2	25.2	25.2	
4	SOCIAL SECURITY CORPORATION	19.46	2.48	46.0	8.88	9.2	9.2	9.2	9.2	
5	FOREIGN LOANS	7.0	0.9	41.62	8.03	8.32	8.32	8.33	8.33	
6	MILITARY HOUSING CORPORATION	17.2	2.20	45.0	8.68	9.0	9.0	9.0	9.0	
7	COMMERCIAL BANKS	16.9	2.16	8.5	1.64	1.7	1.7	1.7	1.7	
8	HOUSING FUNDS	6.74	0.8	19.5	3.76	3.9	3.9	3.9	3.9	
9	LOCAL LOANS	8.5	1.08	12.5	2.41	2.5	2.5	2.5	2.5	
10	PORTS AUTHORITY	--	--	5.0	0.96	1.0	1.0	1.0	1.0	
11	PRIVATE SECTOR (INDIVIDUALS)	420.0	53.70	96.25	18.58	19.25	19.25	19.25	19.25	

TABLE NO. 5;1

COMPARATIVE TABLE FOR INVESTMENT IN THE HOUSING SECTOR ACCORDING TO IMPLEMENTATION BODY FOR THE FIVE YEAR PLANS 1981-1985 AND 1986-1990

(JD: MILLION)

	IMPLEMENTATION BODY	5 YEARS PLAN 1981-1985		5 YEARS PLAN 1986-1990		1986	1987	1988	1989	1990	REMARK
		ACTUAL	%	PLANNED	%						
1	HOUSING CORPORATION	48.5	6.20	112.8	21.77	28.16	15.20	17.55	20.50	31.39	
2	URBAN DEVELOPMENT DEPARTMENT	20.0	2.56	101.41	19.57	8.87	10.01	22.0	26.40	34.13	
3	PRIVATE AGENCIES JHB.	678.8	86.80	252.25	48.68	19.62	26.56	39.24	81.03	85.80	
4	REAL ESTATE CO.	24.7	3.16	43.21	8.34	8.64	8.64	8.64	8.64	8.65	
5	COOPERATIVES	10.0	1.28	8.5	1.64	1.7	1.7	1.7	1.7	1.7	
	TOTAL	782.0	100.00	518.17	100.00	66.99	62.11	89.13	138.27	161.67	

* PRIVATE AGENCIES INCLUDE, HOUSING BANK, MILITARY HOUSING CORP. HOUSING FUNDS AND SOCIAL SECURITY.