

# Final Evaluation: Transforming Access to Housing Microfinance in India

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Sub-Contractors: Development Innovations Group  
Opportunity International  
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## ABBREVIATIONS

AHTAC	Affordable Housing Technical Assistance Centre
APO	Asia Pacific Office
BHC	Beehive Center
BOP	Bottom of the Pyramid
BPL	Below Poverty Line
CEO	Chief Executive Officer
CISF	Centre for Innovation in Shelter and Finance
CRO	Client Relationship Officer
CRGFT	Credit Risk Guarantee Fund Trust
CTA	Construction Technical Assistance
CTS	Construction Technical Services
DIG	Development Innovations Group
EWS	Economically Weak
FI	Financial Institution
GOI	Government of India
HFC	Housing Finance Company
HFHI	Habitat for Humanity International
HIG	High Income Group
HMF	Housing Micro Finance
HMFTAC	Housing Micro Finance Technical Assistance Centre
HRC	Habitat Resource Centres
IFC	International Finance Corporation
IFMR	The Institute for Financial Management and Research
IGP	Implementation Grant Program
INR	Indian Rupee
ITA	Institutional Technical Assistance
LIG	Low Income Group
MBI	MicroBuild India
MFI	Microfinance Institution
MIG	Middle Income Group
MORD	Ministry of Rural Development
NBFC	Non-bank Finance Company
NGO	Non-governmental Organizations
NHB	National Housing Bank
OI	Opportunity International
RBI	Reserve Bank of India
TA	Technical Assistance
TOR	Terms of Reference
TOT	Training of Trainers
USAID	United States Agency for International Development

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## ACKNOWLEDGEMENTS

This report evaluates the United States Agency for International Development (USAID) Implementation Grant Program (IGP) program, *Transforming Access to Housing Finance in India*, awarded to Habitat for Humanity International (HFHI), with sub-awardees, Development Innovations Group (DIG), and Opportunity International (OI), in 2009 to build on each organizations' core competencies to improve housing conditions in low income communities through technical assistance in construction and housing microfinance (HMF.)

The evaluation benefited immensely from the comments, suggestions and key takeaways of interviews with various stakeholders across the IGP partners, in India as well as at their international headquarters and regional offices.

We would also like to acknowledge the contribution of employees and clients of Growing Opportunity, IGP partner who proactively participated in the Focus Group Discussions.

Finally, the evaluation would have not been possible in the span of 21 days without the support of Henry Waller, Program Director, HMFTAC and his team who willingly shared data, case studies, reports, information, insights, inputs and facilitated access to IGP Partner network throughout.

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## 1. EXECUTIVE SUMMARY

### *PROJECT SYNOPSIS*

Habitat for Humanity International (HFHI), Development Innovations Group (DIG), and Opportunity International (OI) came together as a consortium led by HFHI in 2009 under a United States Agency for International Development (USAID) Implementation Grant Program (IGP) program called “Transforming Access to Housing Finance in India” that would build on each organization's core competencies to improve housing conditions in low income communities through technical assistance in construction and housing microfinance (HMF.) The 36 month program ran from August 18, 2009 to August 17, 2012. A no cost extension of 10 months, from August 18, 2012 to June 30, 2013 was granted by USAID to complete unfinished activities under program description, and in particular, to allow for complete development, testing and roll out and write up of learning of costing and pricing tool for HMF.

HMF can be an important input to the self-build incremental construction process, serving as a driver of the improvement of housing conditions for the informal sector poor in India. If the microfinance sector in India were to increase the percentage of microfinance portfolio in HMF from the current 1% to just 6% (on par with the Philippines, but still short of leaders such as Bolivia and Peru where HMF reaches over 10% of portfolios) over one million households could gain access to improved shelter<sup>1</sup>.

Joining forces, the partners aimed at improving housing conditions for a range of clients, from the unbanked to the poor and very poor, by developing and testing innovative HMF products through local microfinance institutions (MFIs) and complementing them with appropriately designed and outsourced household level construction technical assistance. Capstone Financial Services (a subsidiary of DIG) was and Growing Opportunity Finance India Private Limited (a member of the Opportunity International network) is a pro-poor financial service provider working in southern India that partnered with Habitat for Humanity India (Habitat India) to roll out demand-driven HMF products. In complement, HFHI and DIG would also combine their market intelligence, know-how, and linkages to innovate business models for delivering non-financial housing services as a supplement to HMF.

The working hypothesis was that new business models are needed to drive scale and to connect financial and non-financial services in a manner that loans can translated into meaningful housing solutions for the poor. When these business models are developed and proven, the program will aim to replicate it in an effort to mainstream HMF into portfolios of MFIs in the southern states of India.

To this end, the program intended to pursue four objectives, namely:

- 1 Establish a HMF Technical Assistance Center (HMFTAC)
- 2 Innovate with business model(s) that seek to provide housing-related services in a scalable and impactful way
- 3 Provide institutional technical assistance to key partners Capstone Financial Services and Growing Opportunity Financial Services in their development of viable, demand-driven HMF products, and
- 4 Influence a vibrant HMF sector through advocacy and replication of the business model(s).

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<sup>1</sup> Bankable Frontier Associates: Capitalizing Housing for the Poor: Findings from Five Focus Countries

This program intended to take advantage of the participation of three organizations that are global leaders in their respective fields (refer table below), with a combined network of 135 MFIs and programs worldwide.

Program Partner	Leadership	Network
Habitat for Humanity International (HFHI)	Non-Profit Global Housing Organization	90+ Countries
Development Innovations Group	Consulting and Implementation Services in Housing Microfinance	Global Consulting with a focus on HMF
Opportunity International	Non-profit Organization with one of the largest network of MFIs	42 MFIs across 28 Countries

Their design and implementation of a business model that serves the poor with integrated housing and microfinance services promised to provide a potential model for replication and scale. The respective networks of each organization would offer extensive channels for processing learnings that emerge from these project activities.

*PERFORMANCE AGAINST TARGETS*

The project resulted in a strong body of learning, and the potential basis for a long-term housing finance intervention in India. The performance against its three stated objectives, however, fell short.

1. *Develop commercially viable HMF product:* A promising product has been developed with Growing Opportunity and Grameen Financial Services reaching 100% women with PAR<sub>30</sub> of 0%. It did not, however, achieve the planned disbursement targets, reaching only 1,549 of the projected 2,550 loans. Data was not tracked to allow for an assessment of the cost recovery of the product. The projected client retention rate target of 25% also could not be validated because the loan terms extend beyond the life of the project.
2. *Develop innovative business model for CTA:* With the registration of that AHTAC, Habit India has demonstrated its commitment to making the efforts sustainable. There is a promising low cost model that was developed in the “BeeHive.” That said, systematic tracking of client satisfaction still in testing stage (as opposed to the targeted “4 out of 5,” the business model has yet to be validated as sustainable and replicable. Cost recovery was 0.06% (based on consulting fees paid for by institutions and families) as opposed to 100% by the end of the project. On this last point, however, it should be noted that the reality in the Indian market (see Section 8.2) calls for a more diversified approach to achieve sustainability, including the management of sector level projects. For this reason, the evaluators also considered cost recovery including an IFC contract. From this perspective, the project achieves approximately 57%, which is still short of target, but useful ifor looking at the way forward.
3. *Roll-out HMF and CTA in other MFIs:* It was anticipated that the three international partners (HFHI, OI and DIG) would collectively roll out HMF throughout their networks, reaching a targeted total of 161 institutions globally. The project fell far short of this objective, achieving 45 for HFHI, approximately 2-5 for OI, and DIG’s outreach is unreported. Additionally, within India there was a target of having signed 7 new MFIs out of a pipeline of 12. HMFTAC has signed 1 out of a pipeline of five.

Various external factor contributed to the challenges, most importantly:

- The Andhra Pradesh microfinance crisis (2010) occurred in the middle of the program “which ran from 2009-2012, and had negative implications for the program partners. The regulation impacted normal business continuity resulting in substantially reduced equity inflows, slowing of fresh bank funding to the microfinance sector and an overall decline in GLP and client numbers.
- The regulatory framework for HMF in India is less than supportive. Narrow definition of qualifying asset, cap of maximum loan size and stringent conditions on MFI’s qualifying asset limit an MFIs’ access to finance for HMF products which acted as the key deterrent for banks to lend to MFIs for HMF.
- There is no funding source available for providing debt funding to MFIs for HMF. Micro Build India is the sole, new player.

### KEY ACCOMPLISHMENTS AND LEARNINGS

Despite this, the project can boast of some important accomplishments and learnings, most notably:

*At the client level:*

- *Impact:* Interviewed clients have seen improvements in their housing through the HMF loan (toilet instillation, the erection of a wall, new roofing.) None indicated that the loan terms or conditions were too burdensome
- *Timing of Services:* CTA services for clients are most critical at the orientation for prospective clients. The project found that post loan disbursement intervention offered no valuable impact to the client or the institution.
- *Value of Pre-Loan On-Site Technical Visits.* HMFTAC initiated the on-site construction technical visit to assess the construction technical considerations for the home improvement needs of the client. Research revealed that 90 percent of clients were unable to determine the correct loan amount on their own because they did not have the technical knowledge to estimate the costs.
- *Technical visits were an important factor for helping clients with loan utilization.* Housing Loan Managers of Growing Opportunity found that 78 percent of clients have completed the intended home improvement. The utilization visit revealed that unexpected events such as monsoons delayed implementation and clients required more time to complete the work. Growing Opportunity has found that periodic and continuous loan utilization checks with larger loan amounts encourage clients to use their loans efficiently which in turn minimizes lending risk. In cases where there was a time lag between the orientation and the disbursement, there was an increase in the number of diverted loans.
- *Loan utilization visit.* The loan utilization visit were made by a construction technical team member. This was an opportunity to verify loan usage as well as to review with the client any outstanding construction activities and potential next steps. The pilot revealed that 60 percent of improvements fall between a low and medium complexity level

*At the MFI-Level:*

- *Existence of demand is insufficient to attract MFIs:* While evidence exists of a potentially large demand for HMF, the regulatory barriers, lack of knowledge and perceived cost, coupled with limited capital access has discouraged significant supply of HMF by MFIs to date.

- *Availability of timely capital is critical* to the success of a HMF product. Lack of access to capital resulted in both Capstone and Growing Opportunity making a lot fewer housing loans than planned. For instance at Growing Opportunity, while 1300 clients have gone through the training, 622 applications sourced and 431 applications approved, only disbursed 321 loans to date. Whereas Grameen Financial Services has managed to make 750 loans.
- *Although small, strong performance* of two present HMFTAC MFI partners (PAR 0%) demonstrates HMF as an asset class with strong potential.
- *Variety of Services:* A housing support services model that responds to the varying technical needs of the clients and helps the institution ensure positive financial and social outcomes.
- *Commitment:* Finally, the success of a pilot in a country with such high demand requires leadership and transformation throughout the MFI to get the product right and grow.

*At the sector level:*

- *Growing awareness of and interest in HMF can be attributed in part to HMFTAC's efforts:* HMFTAC organized 17 workshops, participated in 12 conferences and attended four meetings with key stakeholder. Exchanges also offered opportunities for peer learning, policy discussion and an advocacy agenda. Peer exchanges permitted as many as 15 Indian MFIs to learn from the project, and presentation of conferences potentially reached thousands of participants. One obvious impact of the HMFTAC's peer learning events is that a discussion around HMF is budding in India.
- *Recognition of the efforts has included funding from the IFC to develop a new toolkit:* The IFC contracted the HMFTAC to develop and train in a new housing microfinance toolkit, demonstrating growing interest among diverse stakeholders.

*At the program level:*

- *It was clear from early reports that the project was falling behind target, and both MFI partners were having legitimate challenges in meeting their obligations. The structure of the agreements in retrospect had two important shortcomings:* 1) it did not oblige the sub-awardees to ensure sufficient funding to roll-out the product within a specific period and 2) it did not permit either sub-awardee to be dropped or suspended from the project due to underperformance.
- *Need for sufficient Partners –* A project of this scale and scope should have selected more partners at the inception stage itself. Growing Opportunity was an established small MFI, Capstone was a new MFI which still had to find its space in India's microfinance ecosystem. The project did not call for bringing in additional partners until Year 3. Had the project envisaged more MFI partners at an earlier, HMFTAC may have had more output.

## RECOMMENDATIONS

In looking at the future sustainability and growth of HMFTAC programming, some important considerations include:

*Working with HFHI's newly established Housing Finance Company:* MicroBuild India is a lender offering wholesale finance to MFIs to support their HMF portfolios. Partnership with MicroBuild India provides an important opportunity for future HMFTAC programming, as it will require services to perform a TA needs assessment on MFIs applying for financing. While HMFTAC will need to review its staffing and skills to

ensure that they match the needs of MicroBuild India, this could result in a line of business for MFTAC programming in the future.

*Offering technical support to other MFIs:* It is unclear, however, that this partnership will be sufficient to sustain the cost of HMFTAC operations. Additional business lines or client may be needed. This will likely include offering technical support to MFIs and NGOs not funded by MicroBuild India. Habitat India's network may be a good place to start.

*Building a practice in project management:* In India, historically technical services are provided gratis by way of coverage under a grant. Major technical service providers in the Indian microfinance sector such as MicroSave and Intellectap, rely on grant and funding from large multilaterals, foundations or corporates for much of their business. In India, expecting MFI to willingly pay consulting or technical assistance may be optimistic. As such, HMFTAC may need to build on its work with IFC to find other donors and investors interested in its services for sector-wide initiatives through contract or grant funding. This could also position it to play an effective advocacy role.

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## 2. EVALUATION PURPOSE AND SCOPE

HFHI was awarded a grant for "Transforming Access to Housing Finance in India" from USAID IGP in 2009. The grant period will come to an end in June 2013. To capture learning from this grant, HFHI invited an independent consultant to evaluate the success of this initial project and to provide recommendations for future HMF programming. The on-site portion of the assignment was based in Chennai, India, with significant off-site contact with key personnel in Atlanta, Bangkok, Manila, Bangalore, Delhi and Mumbai.

The objectives of the final evaluation are as follows:

1. Evaluate progress and performance towards achieving the intended objectives and projected outputs of the program.
2. Identify and document unintended outcomes of the grant.
3. Provide recommendations for achieving any unfilled objectives.

In line with the USAID evaluations policy, Ayani has adopted an evidenced-based approach with the goal to assess the inputs, outputs, outcomes and impacts of the project as well as perform an analysis of unit costs and cost structure to assess effectiveness and efficiency in the use of funds.

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## 3. METHODOLOGY

**Overall Approach:** The evaluation methodology is based on the assignment terms of reference (TOR) as clarified during the Inception Phase described below. The evaluation is evidence based and utilization focused. Stakeholder participation is an integral component of evaluation planning, information collection, the development of findings; evaluation reporting and results dissemination.

**Evaluation Framework:** The evaluation matrix presented in Appendix II addresses the key foci that are of interest for this evaluation and formed the basis for guiding all data collection, analysis and reporting.

**Evaluation Phases:** The evaluation was carried out four distinct phases as described below.

*Phase I: Inception:* During the inception phase, Ayani verified the assignment purposes, objectives and other questions and assumptions with HFHI and built an evaluation matrix outlining the main evaluation dimensions, key questions, indicators, and means of verification within the overall framework of assignment TOR. HFHI provided feedback and assisted in planning the logistics during a kick-off meeting.

*Phase II: Desk Study:* The evaluation team performed a document and systems review, covering 20 key documents as identified with HFHI support during the Inception Phase. A literature review of industry studies of relevance to this assignment provided insight on the latest trends, practices and lessons, presented in the following table. A complete list of documents is presented in Annex I.

*Phase III: Primary Data Collection:* A three-pronged approach was taken to primary data collection, including interviews with key stakeholders, focus groups with existing and former clients as well as a workshop to harness lessons learned with project staff. See Annex IV for a full list of interviews and other participation.

*Phase IV Analysis and Writing:* Data analysis combined three approaches: 1) descriptive analysis and interpretation, describing processes and strategies to plan, implement, monitor and evaluate progress; 2) content analysis identifies common trends, themes, and patterns for each of the key units of analysis. Content analysis is also be used to flag diverging views and opposite trends, and 3) comparative analysis has been used to examine findings between different partner institutions and to examine best practices and/or lessons learned.

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## 4. CONTEXT

### 4.1 HOUSING IN INDIA

India remains primarily rural, with 68.4% of the population in rural areas<sup>2</sup>, where housing is often a challenge. One out of every five rural households is living in poorly constructed buildings made of mud, thatch, grass or other non-lasting natural materials. As per the *Working Group Report on Rural Housing*, by the Ministry of Rural Development (MORD) of the government of India (GOI), there is a total housing requirement of 43.93 million units required in rural areas during 2012-16. Assuming 90% of total rural housing shortage for families below the poverty line (BPL) 2012 -2017, the total shortfall stands at 39.30 million

Urbanization, however, is on the rise, bringing with it new issues in terms of poverty and housing. Urban poor often live in slum areas, where adequate housing is scarce. As the level of urbanization in India has increased from 27.81% to 31.16% in the last decade, it has placed tremendous pressure on land, civic infrastructure, transport, open spaces etc. especially on housing for economically weak (EWS) and low income (LIG) populations. (See table below.) India's National Housing Bank estimated in 2011 an unmet

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<sup>2</sup> UNDP, Human Development Report 2013, p196

demand for 74 million houses. With an increasing and urbanizing population, this shortage can be expected to grow<sup>3</sup>. The total urban housing shortage estimated at 18.78 million units<sup>4</sup>.

Category	Shortage (Millions of Units)	Shortage (%)
EWS (Economically Weaker)	10.55	56%
LIG (Low Income)	7.41	39%
MIG (Middle Income)	0.82	4%
HIG (High Income)	0%	0%
Total	18.78	100%

The Ministry of Housing & Urban Poverty Alleviation (2011) defines affordable housing by income bracket in terms of size and percentage of income spent on housing.

Category	Size (Sq. Ft of Super Built Up Area)	Equated Monthly Installment(EMI)/Rent
EWS	Minimum 300 sq. ft./ Maximum 500 sq. ft.	Not exceeding 30-40% of gross monthly income of buyer
LIG	Minimum 500 sq. ft./Maximum 600 sq. ft.	
MIG	600 – 1200 sq. ft.	

It understands the supply of affordable housing, to result from a combination of:

1. Affordable land and infrastructure
2. Affordable building design, technology, materials and labour etc.
3. Affordable housing finance

A major policy concern for the GOI is the widening gap between demand and supply of affordable housing units and inadequate housing finance solutions. “Affordable housing” has crucial implications for the country as the market needs balanced and sustainable funding models, and pro-active participation of all stakeholders. This has resulted in a variety of government initiatives aimed at promoting housing for the poor in both rural and urban areas. The table below summarizes some of the key initiatives.

R/U	Scheme	Outreach	Purpose and Benefits	Limits on Subsidy
Rural	Indira Awas Yojana (IAY)	Pan India	Aid in building of new homes for poor population.	Sub INR 48,000
Rural	Two Million Housing Program	Pan India	Construction of 2 million households every year, 700,000 in Urban areas and 1,300,000 in rural areas.	INR 35,000 (EWS) INR 100,000 (LIG)
Rural	Golden Jubilee Rural Housing Finance Scheme - NHB Scheme	Pan India	Promoting houses for individuals via credit delivery at commercial rates	N/A

<sup>3</sup> Habitat, India Country Profile: <http://www.habitat.org/where-we-build/india>

<sup>4</sup> Ministry of Housing & Urban Poverty Alleviation, Report of the Technical Group, 12th 5 Year Plan.

R/U	Scheme	Outreach	Purpose and Benefits	Limits on Subsidy
Rural	Stipulation for providing urban facilities in rural areas	Pan India	Offering solutions to individuals in rural areas such as physical infrastructure and information leading to development of homes	N/A
Rural	Bharat Nirman	Pan India	The plan was introduced in 2005. The scheme was time bound meant for improving the infrastructure in the rural areas. By 2014, a new target of 120,000 homes has been set forth.	N/A
Rural	Rural Housing Fund (RHF)	Pan India	During financial year 2008-2009 and 2009-2010 under RHF, a sum of INR 20 billion was allocated each year	N/A
Urban	Interest Subsidy Scheme for Housing the Urban Poor (ISHUP)	Pan India	The scheme was introduced in December 2008, to serve the interests of the poor residing in cities so as to assist them in availing long term institutional finance.	Approximately 310,000 households to be covered
Urban	Affordable Housing in Partnership	Pan India	Government has invested INR 50,000 million in building 1 million homes for EWS/LIG/MIG.	
Urban	Rajiv Awas Yojana	Pan India	This scheme was promoted to remove slums from the country.	

Of note, in March 2012, The Union Cabinet approved the establishment of the Credit Risk Guarantee Fund Trust (CRGFT) for Low Income Housing. The CRGFT will have an initial corpus of Rs.1200 crore of which Rs.1000 crore is being contributed from the GOI and the remaining Rs.200 core will come from state governments who draw on it, in accordance with their slum populations. This is a component of the Rajiv Awas Yojana Scheme mentioned in the table above.

#### 4.2 HOUSING MICROFINANCE – AN EMERGING SECTOR IN INDIA

HMF is defined as the provision of unsecured microcredit to meet the demand of low-income households to repair or improve their existing homes or build their own homes over time one loan at a time<sup>5</sup>. These loans are typically unsecured, and credit assessment is similar to the cash flow of the family income and character analysis process. The distinction is that HMF often includes additional documentation to verify residence, and assess the proposed construction product (such as a list of building materials and an estimate of labor costs. Sometimes a photo of the previous housing upgrade is required for a repeat housing loan.<sup>6</sup>

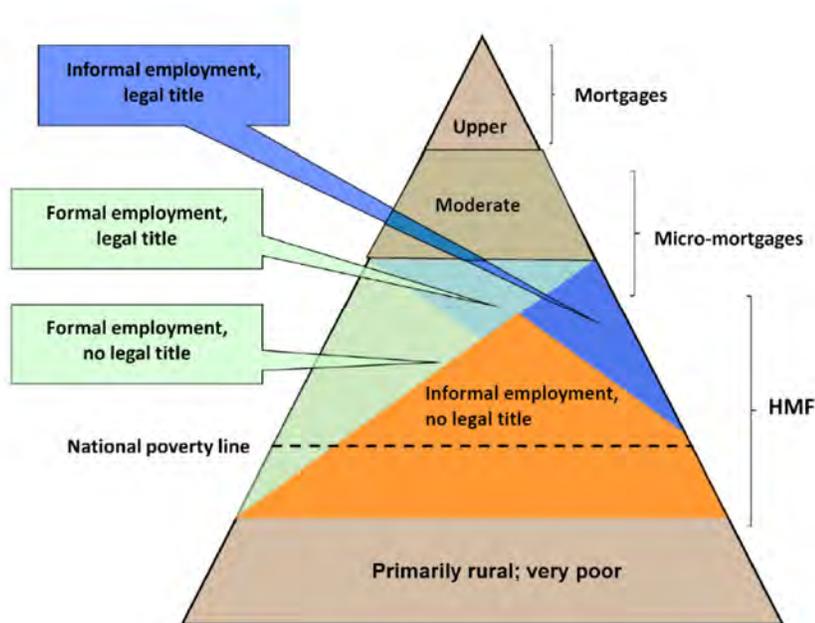
The figure on the following page shows a stylized national income pyramid. The top income segment of households is able to qualify for a mortgage. The bottom layer represents primarily rural, very poor households who cannot afford credit (but could still benefit from subsidized construction technical

<sup>5</sup> Bankable Frontier Associates: Capitalizing Housing for the Poor: Findings from Five Focus Countries, Page 9

<sup>6</sup> Bankable Frontier Associates: Capitalizing Housing for the Poor: Findings from Five Focus Countries, Page 11

assistance if it were available). The typical market segments targeted for HMF lies within the broad middle to low income range. Four market segments are color highlighted. The market segment of near poor urban households, who derive their incomes primarily from formal employment and who also reside on formally titled land often have access to consumer credit companies and some banks in many countries, such as in Mexico, Peru or India or the Philippines. This segment poses potential credit risk as these households are more prone to over-indebtedness and MFIs have to be especially adept at cash flow analysis for this segment and not simply rely on payroll deduction. There are also those who are formally employed but have no formal title to land. This segment may be a target group for HMF but they may also be over-indebted if they have signed up for payroll deductible loans. As often as not, this segment may be a good target rental market in urban areas, though in Mexico MFIs report that more than 70 percent of their clients are now registered with one of two credit bureaus, a development that bodes well for more targeted lending to the low-wage formal worker in this country.

An important and under-served market segment with which many MFIs are very familiar is those households which derive their income from predominantly informal sources, e.g. micro-entrepreneurs. Some of these households may have formal title, but probably more possess informally recognized documented rights to their land, especially in urbanizing rural towns. They may have no documentation but have informal rights to the land on which they reside and feel sufficiently secure to invest their time, “sweat equity” and savings to build and improve their housing.<sup>7</sup>



Source: Bankable Frontier Associates: Capitalizing Housing for the Poor: Findings from Five Focus Countries, Page 12

While the demand is clearly present for HMF in India, certain other pre-requisites for large scale market penetration of HMF must also be considered if the supply is to reach scale:

<sup>7</sup> Bankable Frontier Associates: Capitalizing Housing For The Poor: Findings From Five Focus Countries, Page 12

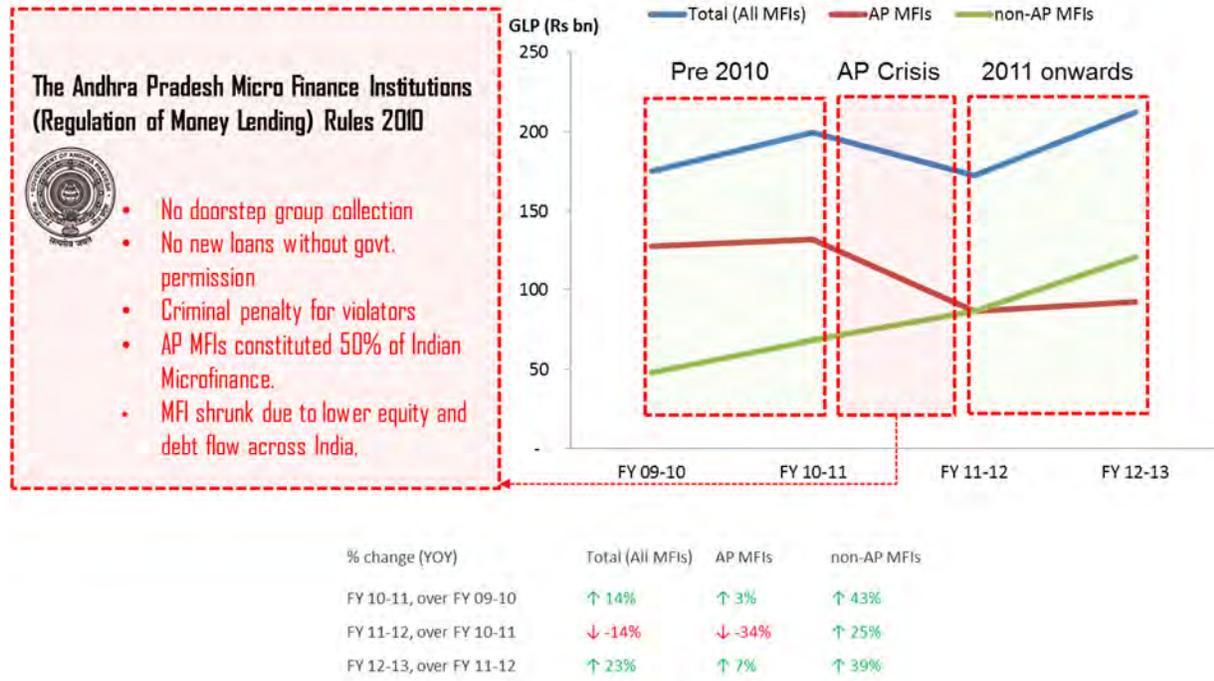
No	Pre-requisites for large scale HMF penetration	India Status
1	Large and Profitable Microfinance Industry	Present with over 200 MFIs, 30 Million Clients and \$5Bn Portfolio Outstanding
2	Supportive Regulatory Framework and Enabling Environment	No specific regulations for HMF. A 15% cap of MFI GLPs for doing non-qualifying products (HMF Included). Narrow definition of HFC limits MFIs' access to finance for HMF products.
3	Access to Dedicated Debt Funding for HMF products	Absent, with MicroBuild India as the Sole New Player
4	Institutional Champions such as MFIs, NBFIs and HFCs	MicroBuild India and HMFTAC are the first two institutional champions for HMF in India.

### 4.3 INDIAN MICROFINANCE SECTOR

The Indian microfinance sector is composed of approximately 200 MFIs, serving 30 million clients. It is dominated by 50 large institutions, which combined represent 75% of the sector. The majority of the institutions offer group-based lending products, but product diversity is growing, especially with innovations around mobile banking. Since 2005, the Indian microfinance sector was seen as a success story with growing, indigenous institutions serving a majority of the demand and the capacity to attract commercial capital.

The microfinance sector grew at a 50% annual growth from 2005 to 2010 delivering high returns to investors but employing certain unacceptable collection practices, ignoring multiple borrowing warnings leading to over indebtedness of clients which eventually led to a draconian intervention in the form of a pro client state regulation. The regulation led to complete cessation of microfinance activities in Andhra Pradesh, then India's largest market for microfinance, home to six of the largest 10 Indian MFIs headquarters. The regulation impacted normal business continuity resulting in substantially reduced equity inflows, slowing of fresh bank funding to the microfinance sector and an overall decline in GLP and client numbers. In Andhra Pradesh particularly, the industry faced an existential crisis. And, even outside Andhra, many small and midsized MFIs appeared to wilt. The sector has seen it all regulatory uncertainty, negative media sentiment, funding constrains, high borrowing costs with margin caps, increasing operational cost on back of inflationary pressures and compliance costs and has exhibited its resilience. Since 2010, the growth levels have now moderated and the industry is exhibiting signs of maturity. *It is pertinent to mention that the microfinance crisis in India occurred in the middle of the USAID IGP program "Transforming Access to Housing Microfinance" which ran from 2009-2012 and had negative*

*implications for the program partners.*



Against this backdrop, the Indian microfinance in its present state faces both challenges and opportunities in terms of offering HMF on a significant scale, resulting from the following factors:

**Challenges:**

*Funding:* In India, Tier I and a few larger Tier II MFIs have enjoyed continued access to both debt and equity. Even mid-size MFIs with good credit ratings will constitute a sustainable market for investors. Small MFIs, however, are especially dependent on government wholesalers and a few commercial lenders.

*Product-related investments:* HMF calls for an individual lending product. Group lending remains the dominant product in Indian microfinance, especially in rural areas. For smaller MFIs, systems are unlikely to track individual loans or loan performance by product lines meaning that they would require institutional technical assistance (TA) for systems development, product development and for individual lending techniques in general to offer HMF. For larger MFIs, as long as group lending remains profitable, they may be reluctant to adopt the cash flow analysis techniques necessary for successful HMF lending.

*Capacity-related challenges:* Absorptive capacity is a concern among smaller MFIs as human capacity and equity are relatively scarce.

**Opportunities:**

*Large Market:* “Tens of millions of India’s low-income urban families live in poorly constructed houses, with deplorable sanitary conditions and lacking in basic amenities. Housing is not only an end in itself, but also a gateway to wider benefits that can fundamentally alter a household’s quality of life — such as improved healthcare and asset creation. However, despite strong demand, lack of access to quality affordable housing has been a critical challenge for this group. Low-income housing supply — in the range of `3-10

lakhs (US\$6,600-22,000) — is now rapidly increasing, but access to affordable mortgages for low-income customers remains a critical bottleneck. This financial exclusion results not only in a glaring gap in social equity, but also in a missed commercial opportunity: the market for mortgages relating to `3-10 lakh houses comprises more than 20 million households and is an enormous `825,000 crore (US\$182 billion)".<sup>8</sup>

*Interest from MFIs:* There is growing interest from those MFIs which do make individual loans, primarily in urban areas in HMF.

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## 5. PROGRAM OVERVIEW AND BACKGROUND<sup>9</sup>

### 5.1 PROGRAM OVERVIEW:

A 2007 study conducted by the Centre for Microfinance Research at The Institute for Financial Management and Research (IFMR) in Chennai, India, revealed that even though the microfinance sector has expanded exponentially in India, there remains limited access to HMF at the bottom of the pyramid (BOP). The research identified two main factors preventing access:

1. *Capital:* MFIs in India lack dedicated funding for HMF products due to the short tenor of available finance. MFIs generally borrow for up to 24 months from banks to finance their short term working capital loans, whereas HMF loans can stretch to 60 months.
2. *Capacity:* MFIs lack experience in designing, managing and delivery HMF products, and have no capacity in construction-related technical services.

To address this challenge, HFHI, DIG, and OI came together as a consortium in 2009 that was awarded a USAID IGP grant, "Transforming Access to Housing Finance" to research a learning agenda that would build on each organization's core competencies to improve inadequate housing conditions through technical assistance and HMF. Working together, the partners aimed at improving housing conditions of a range of clients, from the unbanked to the poor and very poor, by developing and testing innovative HMF products to be available at local MFIs and complemented by appropriately designed and outsourced household level construction technical assistance.

Their design and implementation of a business model that that serves the poor with integrated housing and microfinance services promised to provide a potential model for replication and scale. The combined networks the three partners covered 135 MFIs/programs worldwide and provide extensive channels for processing learnings that emerge from these project activities on a global scale.

The consortium brought with it two MFI partners, both pro-poor financial service providers working in southern India, to roll out demand-driven HMF that would be developed in partnership with the technical expertise and services of the Housing Microfinance Technical Assistance Center (HMFTAC) of Habitat

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<sup>8</sup> MicroMortgages: A macro opportunity in low-income housing finance (October 2010):Monitor

<sup>9</sup> Reference USAID Cooperative Agreement No: EEM-A-00-09-00002

India. Both MFIs had expressed a strategic interest in developing and rolling out a HMF product within their portfolios. These MFIs were

1. Capstone Financial Services Private Limited (a DIG affiliate) and
2. Growing Opportunity Finance India Private Limited (a member of the Opportunity International network)

The working hypothesis of the project was that new business models are needed to drive scale and innovatively connect the financial and non-financial services that turn loans into meaningful housing solutions for the poor. When these business models are developed and proven, the program will aim to replicate it in an effort to mainstream HMF into portfolios of MFIs in the southern states of India.

The program intended to pursue the following objectives:

- 1.) Establish an HMF Technical Assistance Centre (HMFTAC)
- 2.) Innovate with business model(s) that seek to provide housing-related services in a scalable and impactful way
- 3.) Provide institutional technical assistance to key partners Capstone and Growing Opportunity in their development of viable, demand-driven HMF products, and
- 4.) Influence a vibrant HMF sector through advocacy and replication of the business model(s).

*5.2 ROLES AND RESPONSIBILITIES OF EACH PARTNER<sup>10</sup>*

HFHI served as the overall lead organization for the HMFTAC, and its affiliate **Habitat India** would house the HMFTAC. **DIG** was a key partner in the execution of this program due to their expertise as the global leader in technical assistance to MFIs integrating HMF into their portfolios. DIG also oversaw the work of its affiliate, **Capstone**, an implementing partner MFI which would test an HMF product. Finally, **OI** would play a coordinating and oversight role for its MFI subsidiary, **Growing Opportunity**, which would also be testing an HMF product. The roles of each partner in achieving each of the four objectives were distinct and interdependent.

1. Establish an HMF Technical Assistance Centre (HMFTAC)

The project called for HFHI and DIG to establish a local technical assistance center that will provide a local presence of consulting services, know-how, and learning to advance housing microfinance. The establishment of the HMFTAC, creating an administrative presence and awareness within the microfinance sector was responsibility of HFHI. The HMFTAC is a program of Habitat India, and Habitat India would handle all human resource, administrative, and logistical considerations in its launching. Partnerships were pivotal to this program. DIG’s global leadership on HMF was expected to bring credibility to the services and tools provided by the HMFTAC. Partnership with HFHI in the development of the HMFTAC in India provided extension services to DIG's expertise, and the possibility of sustained longer term follow-up at the local level.

Roles and Responsibilities for HMFTAC	Consortium Partner
Acquire HMFTAC with office space and administrative structures.	HFHI

<sup>10</sup> Reference USAID Cooperative Agreement No: EEM-A-00-09-00002)

Roles and Responsibilities for HMFTAC	Consortium Partner
Hire HMFTAC leadership and staff.	HFHI
Program Budgeting and financial reporting	HFHI
Development and management of annual and full program work plans	HFHI
Craft market positioning of HMFTAC	HFHI
Technical Know How - including sharing of toolkits (marketing, costing of TA, etc.) <sup>11</sup>	DIG

2. Innovate with business model(s) that seek to provide housing-related services in a scalable and impactful way.

HFHI had a leadership role in the development of innovative business models for linking housing-related services to financial services. The HFHI role was to lead the creative innovation in this space, finding solutions to needs and demands revealed in the market.

As per the USAID Cooperative Agreement, DIG was expected to have a considerable role as technical specialist and through the provision of customizing training and tools for the HMFTAC to employ and roll-out.

- DIG was to work closely with HMFTAC to strengthen its provision of institutional technical support to MFIs to develop HMF products.
- DIG's role was that of technology transfer, facilitating their growth and stimulus to the social housing and microfinance sector in India.
- DIG was to work with HMFTAC staff to develop necessary skill sets to enable them to provide a broad range of housing related TA to MFIs; to include market analysis, peer learning, manuals, training, budgeting and client construction services.

Growing Opportunity and Capstone would roll-out of innovative housing services in an open-minded, collaborative, and adaptable manner for what is expected to be a steep learning curve and some likely missteps. All organizations were to play a role of action learning in this process, which was a differentiating feature to this program and one that strives to add something new to the practice of HMF globally.

Roles and Responsibilities for Objective # 2	Consortium Partner
Market research - household/community level technical support needs	HFHI
Research private sector and social sector supply side of housing	HFHI
Design of delivery mechanisms for non-financial housing interventions/products that meet gaps or create connectivity to existing services.	HFHI
Develop business model for non-financial services, hopefully involving demand driven fees from both MFIs and directly from clients.	HFHI
Consult on design and analysis of market research for housing needs	DIG
Consult on design of non- financial service delivery and strategies for integrating financial and non-financial services.	DIG
Approve of business plan.	DIG

<sup>11</sup> Refer to DIMP

Roles and Responsibilities for Objective # 2	Consortium Partner
Purchase services that provide value.	Growing Opportunity
Collaborate on product concepts and potential product integration	Growing Opportunity
Purchase services that provide value.	Capstone
Collaborate on product concepts and potential product integration	Capstone

3. Provide institutional technical assistance to key partners Capstone and Growing Opportunity in their development of viable, demand-driven HMF products

Roles and responsibilities in this objective were very **collaborative** compared to other objectives. Every organization (HFHI, DIG, OI) had a considerable role and commitment to participate. The HMFTAC was the convener, but DIG's expertise was critical. In this role of providing institutional TA, the **HMFTAC was to work alongside DIG** in the provision of TA to Capstone and Growing Opportunity. This joint TA provision was planned to equip the HMFTAC with the knowledge set required to replicate these services to other MFIs. DIG was expected to have a considerable role as technical specialist and through the provision of customizing training and tools for the HMFTAC to employ and roll-out. Growing Opportunity and Capstone, the financial retailers were committed to the development of new HMF products that are designed with the intent to be mainstreamed within their portfolio. Through the development of the HMFTAC, this program aimed to develop commercially viable HMF for both individual and group lending models at partners Capstone and Growing Opportunity.

Roles and Responsibilities for Objective # 3	Consortium Partner
Organize training on market research	HFHI
Assist partners in design and execution of market research	HFHI
Organize training on product data analysis and product development	HFHI
Organize training on business planning and org. change strategies.	HFHI
Provide training and tools for market research	DIG
Provide consulting services to product development process	DIG
Design and execute market research	Growing Opportunity
Design and roll out pilot product	Growing Opportunity
Develop product planning/business plan that integrates housing.	Growing Opportunity
Design and execute market research	CAPSTONE
Design and roll out pilot product	CAPSTONE
Develop product planning/business plan that integrates housing.	CAPSTONE

4. Influence a vibrant HMF sector through advocacy and replication of business model(s).

Roles and responsibilities for influencing a vibrant microfinance sector lied most heavily with **HFHI**. The HMFTAC had the responsibility of positioning itself and its services within the industry. Publications and capacity-building offerings needed to provide value that catalyses the growth and expansion of HMF within the growing microfinance sector in India. **DIG, through the life of this grant, had the responsibility to collaborate as agreed and was contracted to provide these services to the industry.** Additionally, HFH and DIG sought to build a partnership that would last beyond the scope of this project. Growing Opportunity and Capstone had much less of a role in this objective, but through the learning agenda of this grant agree to share lessons and case studies of their experiences to sector peers.

Roles and Responsibilities for Objective # 4	Consortium Partner
HMFTAC reaches out to broader industry with workshops and trainings to broaden industry awareness and engagement with HMF.	HFHI
HMFTAC develops case studies and toolkits to advance local sector know-how for HMF.	HFHI
Participates as trainer and capacity builder	DIG
Consultant to the development of case studies and toolkits	DIG
Promotion of HMF through local MF conferences and venues, sharing project successes.	HFHI and DIG

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## 6. PROGRESS AND PERFORMANCE

### 6.1 OBJECTIVE 1: ESTABLISHMENT OF HMFTAC

#### Overview

The project called for HFHI and DIG to establish a local technical assistance center that would provide a local presence of consulting services, know-how, and to advance learning. The establishment of the HMFTAC, creating an administrative presence and awareness within the microfinance sector was responsibility of HFHI.

#### Achievement of Targets:

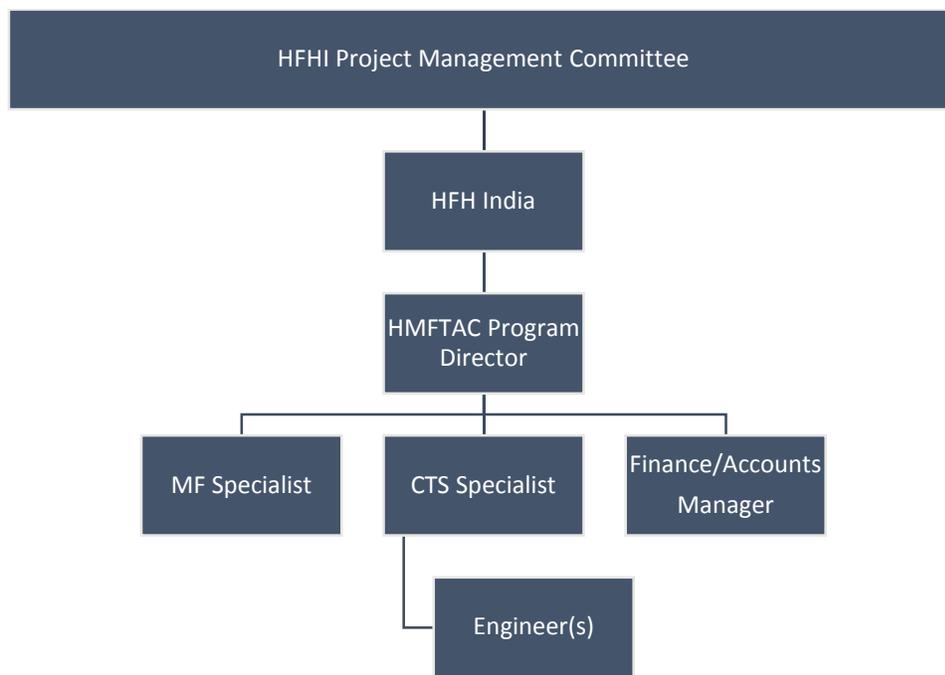
The Detailed Implementation and Monitoring Plan (DIMP) meeting held over four days at Chennai, India from 27th October to 30th October 2009 with active participation from representatives of Development Innovations Group (DIG) / Capstone, Growing Opportunity Finance (GOF), and a team from Habitat for Humanity International kicked off the USAID IGP. As a result the following four major objectives and a detailed implementation plan for Housing Microfinance Technical Assistance Center (HMFTAC) were finalized. After an intensive screening process, on 2nd November 2009, Habitat for Humanity International appointed Henry Waller as Director for HMFTAC in Chennai, India. During the first quarter of the IGP, the project director established an office and the required infrastructure for the HMFTAC team, within the premises of HFH India office in Chennai.

#### **HMFTAC Program Director – Henry Waller**

Henry Waller joined Habitat India in November 2009 to lead the Housing Microfinance Technical Assistance Center as the Program Director. Prior to Habitat, he served with World Vision International in 10 different countries. He has pioneered microfinance and MED programs in Asia, steering from assistance to operational sustainability, including establishing an operationally sustainable microfinance program amidst sponsorship funded programs in Myanmar. Henry Waller holds an M.S. in economic development from Eastern University (Pennsylvania, U.S.A.), an MBA in human resources from XLRI (Jamshedpur, India) and a master's degree in commerce from Loyola College (Chennai, India).

**HFHI Operations Structure:** HFHI operates under a matrix management system and through semi-autonomous national organizations. Habitat India is registered as a charitable trust, governed by predominantly local board of trustees. As the “settler” (founder), HFHI has certain rights and obligations, but it is not considered a subsidiary of HFHI or a consolidating entity. Programmatic support is provided to Habitat India by HFHI’ geographic program management experts, as well as by technical program matter experts. Line management for this program flowed from the Program Director to the Habitat India Chief Executive Officer (CEO) and then to HFHI through the HFHI Project Management Committee, upon which Kyle Scott/Patrick McAllister, Rajan Samuel, and Patrick Kelley participated. Technical support to the program design and rollout would be provided by technical subject matter advisors Rajan Samuel, who works throughout the Asia Pacific region, and by Patrick Kelley, who is based at HFHI headquarters and serves as the US based program manager. Communication between line management and program management is collaborative in nature.

The HMFTAC comprises of a team of additional members, including a Construction Technical Service Team Leader, two Construction Services Associates, a Product Development Manager for HMF, and an Administrative support person. The full team was in place in June 2010.



The HMFTAC is structured uniquely within HFHI’s Asia Region. At its creation, there was no Director for Housing Finance in Asia Pacific Region. In order to ensure sufficient technical oversight, HFHI’s head office worked directly with Habitat India to launch and monitor its operations. As a result of this, oversight of HMFTAC does not flow through the regional management structure, i.e. Habitat India’s managements would manage a project and report to the HFHI regional office. In this instance, there was a direct relationship between HMFTAC and HFHI’s technical unit at its headquarters in the United States.

The role of Asia Pacific Office (APO) of HFHI in the program was to provide support for the TAC and learning agenda of USAID project. The support services came in the form of workshops, housing forums and sharing of best practices from the Asia region, such as Nepal, Philippines, Vietnam and Cambodia. The Project management committee was often represented by the APO. The APO also provided support in linking HMFTAC with various MFIs in India, as well as in financial education, case studies and promoting the toolkit. Finally, the APO assisted in building linkages with MicroBuild India.

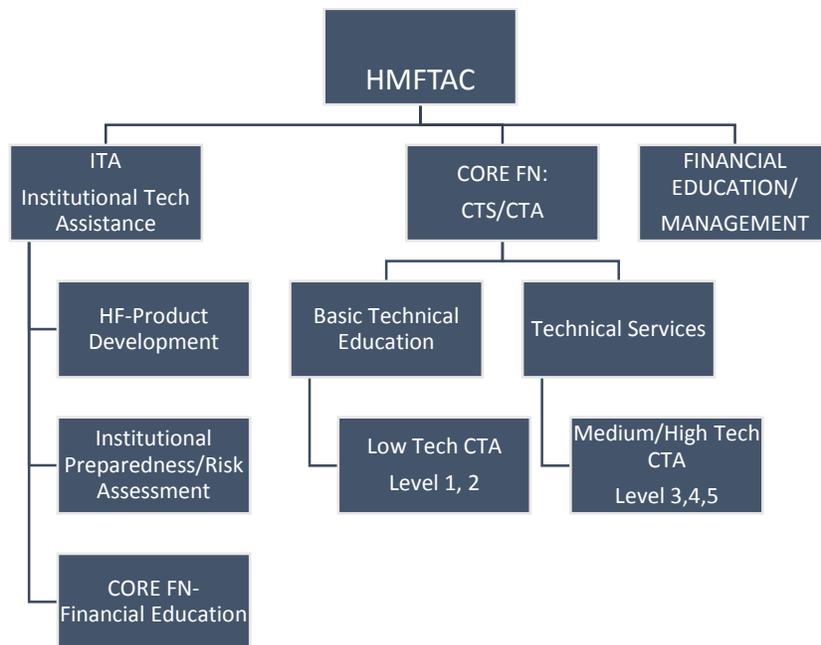
The following table presents the key personnel involved in the implementation of HFHI/DIG’s program in India:

Institutions	Local	Name	
Habitat India	Program Director of HMFTAC	Henry Waller	Local
Habitat India	Country Director Habitat India	Eric Christopher	Local
Habitat India	CFO Habitat India	Georgina Kurien	Local

Institutions	Local	Name	
DIG	Director of Operations, Capstone	Bryan Winston	Local
DIG	Director of Operations, Capstone	Eric Adams	Local
OI	Executive Director Growing Opportunity	Jim Reiff	Local
HFHI	Asia Pacific HMF Manager	Rajan Samuel	Regional
HFHI	South Asia Regional Program Manager	Kyle Scott / Patrick McAllister	Regional
DIG	DIG President and CEO/Technical Advisor to Project	Frank Daphnis	Global
HFHI	US Based Program Manager	Patrick Kelley	Global
DIG	DIG Project Manager - US Based	Tara Panek Bringle	Global
HFHI	US Based Learning Coordinator	Amy Davis	Global

**Outcome:**

The HMFTAC is established and working well with the following clear wins. The current and emerging products and services under Institutional Technical Assistance (ITA) and Construction Technical Assistance (CTA or Housing Support Services) of HMFTAC, tested and offered to the HMF sector are listed below:



*ITA services:* Includes market mapping, market research, Product development, and pilot/ prototype testing. Based on testing with IGP partners and other MFIs, preparatory support services on Financial Education, training on basic CTA are offered as well.

*CTA services:* CTA related support services range from hands-on client training on prioritization of loans/amount and materials, off-site/on-site low complexity support (through booklets/ brochures/video) to On-site high complexity construction services with design, cost estimate and support for new house construction. The CTA products offered relate to:

1. Institutional Preparedness/Risk assessment
2. Financial Education- video and training
3. Financial literacy and CTA orientation
4. Sharing of tool kits, booklets, training materials
5. Market research and product development –ITA
6. CTA (ranging from low complexity to high complexity)
7. Beehive centers developed offering low complexity CTA in remote places. (Managed locally by non-governmental organizations (NGOs)/MFI/HRCs).
8. Training of Trainers (TOT) services to Habitat Resource Centers (HRCs) on CTA, financial education and CTA

*HMFTAC Partners and Clients:* During the USAID IGP, HMFTAC built the following client and partner relationships with Multilaterals, NGOs, MFIs, Consulting and HFCs:

No	Entity Type	Partners	Relationship	Services
1	MFI	Capstone	IGP Partner	ITA & CTA
2	MFI	Growing Opportunity	IGP Partner	ITA & CTA
3	Multilateral	IFC	Independent	Tool Kit
4	NGO	SAMARASA	Independent	ITA
5	NGO	KDDC (Karwar Diocesan Development Council)	Independent	ITA
6	NGO	CARE India	Independent	ITA
7	MFI	Grameen Koota	Independent	ITA & CTA
8	NGO	POWER	Independent	ITA & CTA
9	NGO	WEEDS (Womens Education and Economic Development Society)	Independent	ITA & CTA
10	NGO	Habitat Resource Centre – Chennai, Bangalore & Delhi	Main unit of Habitat India	ITA & CTA
11	Multilateral	NHB / NABARD / SIDBI	Independent	ITA (Discussion Stage)
12	Consulting	Worldhaus	Independent	CTA
13	NGO	Gramavidya	Independent	Received CTA
14	HFC	Micro Build India	Independent	MFI Due Diligence
15	MFI	Mahaseman	Independent	MoU Stage
16	MFI	ECLOF	Independent	MoU Stage
17	MFI	Smile	Independent	MoU Stage
18	Consulting	Micro Home Solutions (MHS)	Independent	MoU Stage
19	MFI	Ujjivan Financial Services	Independent	MoU Stage
20	MFI	Fullerton India	Independent	MoU Stage
21	MFI	BWDA	Independent	Pre-Clearance Stage
22	MFI	ESAF	Independent	Pre-Clearance stage
23	NGO	NDFS (Nanayaturabhi Dev Financial Services)	Independent	Discussion Stage
24	NGO	SOSOD (Society for Social Development)	Independent	Discussion Stage
25	NGO	RFMC(Repco Foundation for Microcredit)	Independent	Discussion Stage

The HMFTAC during the course of the IGP program provided the following CTA Training and Financial Education services

No	HMFTAC's Direct and Indirect Service to IGP's and other MFIs	Impact
1	Training Housing loan team of Capstone	3 sessions (14 staff)
2	Direct Financial Education to Growing Opportunity Clients till May 31,2013	1190
3	Direct Financial Education to HRC, Bangalore Clients till May 31,2013	249
4	Financial Education Video viewed by Growing Opportunity and HRC Bangalore Clients, Growing Opportunity and Grameen Staff	166
5	Direct On-Site CTA to IGP Clients till May31,2013	530
6	Assessment of Loan Utilization	300
7	Direct on-site CTA to HRC-Bangalore Clients Till May 31,2013	38
8	In-Direct CTA to Growing Opportunity clients (BHC)	14
9	Training housing loan staff of Growing Opportunity	12 sessions ( Avg. 10 staff per session)
10	Training housing loan staff of Grameen Financial Services	3 sessions (45 staff)
11	Training Housing loan team of Capstone	3 sessions (14 staff)
12	Loan Utilization visits fro GFS clients by the TAC, May 2013	111 Clients

### Impact:

There are two main impacts worthy of note in how the HMFTAC was established and structured.

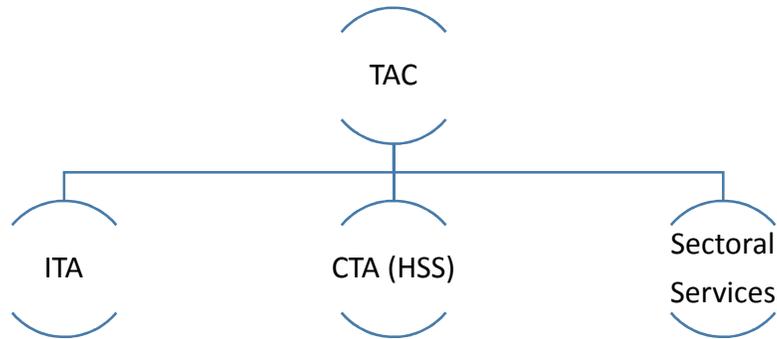
*HMFTAC as part of Habitat India:* The short-term impact of placing HMFTAC within Habitat India, was that it struggled to work within the branding that was Habitat India (i.e. grant-based approach to partnerships with MFIs). In other words, as the HMFTAC approached MFIs to market its services for a fee, it was an apparent contradiction with the image that MFIs had of Habitat India, which typically offered grants for service. This apparent contradiction between HMFTAC's approach and Habitat India's branding may have contributed to HMFTAC's difficulty in identifying MFIs willing to pay for its services.

The long-term impact of this structure, however, is likely to be very positive. HMFTAC's model is better oriented than other Habitat India programming to HFHI's new market-based approach. Its existence & the direct link to HFHI headquarters has positioned Habitat India to move ahead with HFHI's new strategic plan, refocusing on market-based initiatives, in a way that they would not be able to without it.

*Readiness for Separation from Habitat India:* Having developed tools and models for delivery of advisory services and CTA to MFIs for the last three years, HMFTAC has crossed the preparatory stage; it now plans to consolidate its experience, network, competence and knowledge with the planned launch of the Affordable Housing Technical Assistance Centre (AHTAC). Having effectively worked outside of the standard reporting lines of Habitat India will make it easier for HMFTAC to spin off as a

separate legal entity than if it had been more closely linked with the Habitat India management structure<sup>12</sup>.

With MicroBuild India support and through direct interventions, HMFTAC seeks to collaborate with MFIs and NGO-MFIs to promote hybrid service delivery model and build the capacity to launch and scale-up HMF loans thereby setting the trend for HMF in India. HMFTAC would also explore options to partner with NHB and IFC to provide the capacity building services to the sector. The knowledge management and development unit of HMFTAC would help to conduct workshops and conferences on Housing to various stakeholders.



Going forward, the newly registered company proposes to offer the following services to HFCs, MFIs, sector stakeholders, etc.:

No	Proposed AHTAC Services	Target Clientele
1	Sector-Level Services – Policy, Information, Discussion	Sector Stakeholders
2	MicroBuild India – Bundled Advisory Services – ITA & CTA	Wholesale Debt Providers for HMF (e.g. MicroBuild India)
3	Housing Support Services	Habitat India HRC Partners
4	Fee based advisory services	NBFC-MFI
5	Capacity building and innovation capital	NGO-MFI
6	Fee Based CTA	Housing Finance Companies

<sup>12</sup> It should be noted that while the evaluation did find that the separate operations of HMFTAC will likely facilitate its eventual legal separation, this finding does not imply that the newly established entity should work in isolation of Habitat India. In fact, clear and deliberate coordination is recommended, explored further in Section 8.

## 6.2 OBJECTIVE 2: INNOVATE WITH BUSINESS MODELS

### Overview

The second objective was to develop a service to MFIs that allows them to scale HMF products without reducing the non-financial services that can enhance demand, lower risk, and ensure better housing outcomes for households. This objective was predicated on the assumption that there is still much to learn about the poor's housing choices and the dimensions of their demands, needs, and willingness to pay for housing solutions. Therefore, a large feature of this second objective was to gain a much deeper understanding of these demands and helping MFIs translate those needs into holistic products.

The types of housing related services envisaged under this objective included:

- Construction support services offered by HMFTAC to low income homeowners, and linked to loans offered by MFIs
- HMF offered by MFIs to low income home owners

Innovative business models which would be tested included but were not limited to:

- Fee-for-service construction support services by HMFTAC to low income home owners, providing potential for sustainability
- Technical support in designing and implementing HMF products offered by HMFTAC to MFIs, which could enable them to outsource this expertise rather than bring it in-house, and could potentially be offered to MFIs on a fee-for-service basis
- New MFI model in Capstone, which sought to focus on urban areas offering individual loan products to a market segment falling between MFI and commercial bank markets.

## Achievement of Targets:

Objective 2 OUTPUTS - Develop Innovative Business Model for Household Level Technical Assistance							
	Method	Year 1 Targets	Year 1 Actual	Year 2 Targets	Year 2 Actual	Year 3 Targets	Year 3 Actual
		Promising Practice Case Study #1 on Outsourcing Model.	Case study could not be completed on outsourcing hubli innovations	- Promising Practice Case Study #2 on Outsourcing Model.	Case study on capstone client project profiles drafted	- Promising Practice Case Study #3 on Outsourcing Model.	GO case study and Service delivery models completed
				- Presentation at SEEP Annual meeting	Presentation made in SEEP, Micro credit summit in Delhi,	- Business model replication guide.	Business plan drafted for review. Costing tool used for ITA and CTA costing
Objective 2 INDICATORS - Develop Innovative Business Model for Household Level Technical Assistance							
% receiving CTA	MIS	-	Capstone 6%- light CTA	60%	GO- 100%	70%	100%
Operational Self-Sustainability of Household TA Biz Model	Acctg System	-	TAC offered pro bono service to capstone	60%	Pilot Tested with Go Fin	100%	0.06% during 2nd quarter of 3rd year
Client Satisfaction with Household Level TA	Survey tools- Questionnaire	-	Limited sample early stage - not done by Capstone	3.5/5 score	Satisfaction survey not done after closure of Capstone	4/5 score	Loan officers are trained for Gofin and Grameen Financial Services (field based training) to provide basic CTA to clients. Tested with Gofin and GFS
Housing Technical Center Remote hotline usage	Call records		Capstone clients in urban chennai. Hence no need for remote hotline	10 calls/month	TAC continued direct TA due to limited clients	30 calls/month	Beehive center concept with cell phone, computer internet and GPS for remote clients. Testing with Gofin in progress. 3 NGOs trained.

There were three anticipated outputs for this objective, presented with their achievements in the following table.

Envisaged Outputs	Achievements
1. Two to three case studies as business models for integrated housing/HMF progress	<p><i>Two MFI case studies</i> as business models for integrated housing/HMF progress were built by the HMFTAC to showcase the in-house and outsourced service delivery models:</p> <ol style="list-style-type: none"> <li>HMFTAC Capstone Case Study and</li> <li>HMFTAC Growing Opportunity Case Study.</li> </ol> <p>There were also other business models tested, but not yet documents, including "Beehive" and Capstone (see "Additional Achievements" for more details).</p>
2. Presentation at learning events including Asia Pacific Housing Forum and SEEP	<p>HFHI presented to approximately 100 SEEP members in October 2010 at SEEP Annual Conference in Washington DC, together with USAID and other IGP-funded programs related to low income housing solution.</p> <p>In July 25-27, 2012, HFHI presented learnings from HMFTAC to the Housing IGP Learning Workshop, sponsored by USAID in Washington DC, and facilitated by consultants from SEEP. Presentations included HFHI (HMFTAC), Aga Khan Foundation USA (FMFB Afghanistan) and OI (Ghana). There were 15 participants.</p>

Envisaged Outputs	Achievements
3. Development of a business model replication guide	<p>A draft business model was developed by HMFTAC with the help of HFHI's Asia Pacific Office (APO) during May 2013, and is presently under review. HMFTAC represents a service company model with multiple lines of business and potential income streams. Given the nascent nature of HMF in India, no one of these income streams is likely sufficient to establish a sustainable operation, but with the combination, there is a possibility for sustainable business model. The different services include:</p> <p><i>Long-term technical engagements with MFIs in the development of HMF products:</i> HMFTAC promotes HMF and technical services to assist horizontal and vertical growth of the MFIs. It also provides leadership, training, and incentives to MFI technicians and design policies and services that are appropriate for that market.</p> <p><i>Short-term for service to MFIs for Housing Technicians</i> (specialists in appropriate construction technology and project costing) to analyze and prepare project budgets and provide efficient demand-driven technical support to households. Fees are charged by loan.</p> <p><i>Short-term construction support services for HMF clients:</i> The HMFTAC has developed a package of services that can be attached to any MFI's HMF product. The fee-for-service model is flexible and accommodate multiple target segments and housing product variations with the potential to become sustainable in the near term. For example:</p> <hr/> <p><i>45 Grameen Financial Services (GFS) staff –availed a Three days Training to training before the launch of Home improvement loans. Post-training, GFS disbursed 750 loans as of 31<sup>st</sup> May 2013, through 17 branches with plans to disburse 1000 loans by 30<sup>th</sup> June 2013. The loan officer/Branch Manager/Area Manager provided the financial orientation, wherever needed, and filled the Technical Assessment sheet which enabled them to speed up the approvals and disbursements which means all branches are quasi-local BHCs . These local BHCs will become more efficient with another training.</i></p> <hr/> <p><i>Project management:</i> The first project taken on by HMFTAC was financed by the IFC develop a toolkit and provide trainings<sup>13</sup>.</p>

<sup>13</sup> While the activities were similar to ITA and CTA services, in Section 8, the evaluation will recommend that this be further explored as a separate business line in the future. As such, it is introduced here as specific service.

### Additional Achievements:

While the project did yet not succeed in developing a proven business model to be replicated, it did have other important achievements around this objective which are worthy of note.

*Collaboration with technical service providers:* HMFTAC collaborated with Worldhaus to promote cost effective technology for roofing, soil block adobe brick making, filler slab training and rat trap bond walls for new and existing homes; training of masons and clients on alternate technology and materials aimed at building green and safer homes were some of the added contribution from CTA to the communities and clients. However TAC did realize the acceptance of alternate materials and technology is rather slow/low- with clients and local Masons!

*Bee Hive Knowledge Hub for Housing Support Services:* HMFTAC has been piloting over three years a strategy called the 'Beehive Center' (BHC) which works to make CTA accessible to rural and urban areas for new homes and home repairs. The 'Beehive Center' operates as an active resource center/knowledge hub where specialized information on home improvements is offered in the form of technology, a library, toolkits, education, and other housing materials to the community, each center is expected to serve a minimum of 200 families. The budget for each Bee Hive Center ranges between US \$ 500-1000 approximately. Currently, HMFTAC is looking at 15 BHCs: 3 in Karnataka (POWER, SAMARASA and KDDC), 10 rural branches of Grameen, and 2 Growing Opportunity branches in Tamilnadu. More collaboration with MFIs like Ujjivan, SMILE and ESAF might result in more BHCs in their respective states of operations in future

In order to expand the services in Rural Karnataka to serve the lower income clients, HMFTAC organized a consultation sessions with NGO-MFIs and Bangalore Habitat Resource Centre. The Director of HMFTAC conducted the sessions with three prospective NGO-MFIs of Karnataka viz. POWER, SAMARASA and KDDC on implementing the BHCs. The senior management team of the NGO-MFIs participated and shared their housing experience and plans for the future. The NGO-MFIs are positive about the BHC approach as it would create value for the clients seeking inputs for home improvement /new house. A real time illustration of how BHC will function locally with the help of available technology was also shared with the NGOs. (Benefiting the rural people of Bijapur through POWER, a locally operated BHC with HMFTAC virtual support).

*Capstone*, was also explored as a *specialized urban MFI* offering HMF as a key product. See "Objective 2A" below for details on this case.

*Deeper understanding of the demand for HMF:* Market research was done to gain information on progressive building/incremental housing strategies used by the poor, and technological issues and gaps in knowledge on the part of clients.

*Client case studies:*

1. 6 Growing Opportunity case studies were done in January 2013 showcased during the IFC HMF Toolkit workshop with MFIs/NGOs and housing finance companies (HFCs.)
2. Two Clients Case Studies were done in June 2011 to show-case during the Marketing and Product Development workshop to Growing Opportunity and other MFIs
  - Vinoth Kumar – Capstone Client – HMFTAC revealed the danger of risky construction, and Capstone did not disburse the loan.
  - Prema –Post-loan study done by HMFTAC of client who did not avail CTA showing client overpaid for materials and labor.

### Challenges:

While HMFTAC led the development of innovative business ideas for linking housing-related services to financial services, the outputs achieved fell short of target. It should be noted that from the outset, the plan to make HMFTAC sustainable and build its pipeline with new partners existed. The idea was the pilot with Growing Opportunity and Capstone, and then with those learnings build out the business. This is very much in line with the way the global approach. The project, however, faced a series of challenges:

1. *Capacity of partner MFIs to achieve the intended scale.* Both IGP partner MFIs, Capstone and Growing opportunity were new entrants in the Indian microfinance sector, both had their own regular challenges faced by any startup enterprise. Moreover, the less than enabling regulatory environment for housing microfinance deterred banks and financial institutions from lending to MFIs for housing microfinance, these which made it difficult for Growing Opportunity and Capstone to reach their outreach targets. As the target clients served fell far short of target, it is anticipated that the HMFTAC was unable to earn the expected income.
2. *Legal Structure of the TAC:* The HMFTAC was housed within Habitat India, which is registered as a charitable trust. Housing within HFH India, the TAC could not charge fees as Habitat India would lose its income tax exemption on all revenue (charitable or otherwise) if it booked revenue for services. The option, then, was for TAC to deliver services but ask MFIs to make a donation to Habitat India. It was determined that this would not be a good way to face the market. Finally, as a result Habitat India began researching the different options available to book revenue for services, which eventually led to the registration of the Affordable Housing Technical Assistance Center as a non-charitable trust, with a separate board of trustees. While HMFTAC lost out on potential opportunities to market and bill for its services, AFHTAC is well positioned to sell services in the future without compromising Habitat India's tax exemption. It is pertinent to mention has the HMFTAC been registered as a separate legal entity, the issue of inability to charge clients would have not arisen.
3. *The MFI partners took less advantage of the HMFTAC than initially anticipated:*
  - Both partners had their own international networks which could provide ITA for HMF, so may have seen less value in using HMFTAC than building in-house capacity. In particular, Capstone was staffed with experts in HMF, and they did not see the HMFTAC as offering anything to them technically.

- While MFIs wanted HMFTAC’s ITA/CTA product, in neither case was it their biggest priority, with capital constraints trumping other challenges. This may have also affected the interest/willingness to use services to the maximum degree.
  - There was an expectation that partners be open-minded, collaborative, and adaptable to what is expected to be a steep learning curve and some likely missteps. This assumes a level of capacity and commitment that combined the partners were unable to bring to the project<sup>14</sup>.
4. *HMFTAC did not benefit as much from DIG’s international expertise as hoped:* DIG was expected to be involved in a consultative role, providing inputs and advice and tools where needed. DIG was expected to have a considerable role as technical specialist and through the provision of customizing training and tools for the HMFTAC to employ and roll-out. To quote the USAID Cooperative Agreement No EEM-A-00-09-0002:
- *DIG was to work closely with HMFTAC to strengthen its provision of institutional technical support to MFIs to develop HMF products.*
  - *DIG’s role was that of technology transfer, facilitating their growth and stimulus to the social housing and microfinance sector in India.*
  - *DIG was to work with HMFTAC staff to develop necessary skill sets to enable them to provide a broad range of housing related TA to MFIs; to include market analysis, peer learning, manuals, training, budgeting and client construction services.*

Further,

- *DIG President and CEO, Franck Daphnis was the Technical Advisor to Project, who was expected to assist with design, implementation and dissemination of lessons learned throughout the HMF community. He neither communicated nor ever visited the HMFTAC during the course of the IGP, nor was involved with any partners outside of CapStone itself.*
- *DIG Indian Representative, Bryan Winston was to provide project leadership on ground in India, working directly with HMFTAC housed in India. There is not much on record to suggest that he worked directly with HMFTAC in building its products and services outside of those provided to CapStone itself.*

There is little evidence to support that DIG offered the anticipated inputs, advice and tools to the HMFTAC in its formative stage, though it did co-facilitate two workshops in Chennai jointly organized with the HMFTAC. (See Section 6.7 for more details on the workshops.) Technically speaking, DIG sought to fulfil its role by building a leading example of how to do HMF by trying to make the CapStone product be successful and one the HMFTAC and Indian sector could later learn from as a product prototype. It is reasonable to think that had all gone well with CapStone, much of HMFTAC’s learning may have come from the MFIs’ own methodologies and experiences.

It was seen as early as the first year that the project was not on target. Reportedly, within 6 months, it was clear that the HMFTAC was not working as it should.

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<sup>14</sup> All parties did contribute to some degree, and the individual contributions of each are discussed under Objectives 3A and 3B.

## Impact:

Due to the challenges enumerated above, the project failed to achieve its intended impact with regards to this objective. As of the end of the project, there are interesting business models on paper, including the BeeHive Model and the evolution of the HMFTAC into a separate legal entity, but the project was unable to validate a sustainable business model within three years. The HMFTAC achieved a sub 1% operational self-sufficiency against a target of 100%. Client satisfaction surveys and the “hotline” (which has since morphed into the BeeHive Model) has been tested in Bangalore, but is not yet sustainable. For these reasons, no quantitative achievements can be assessed. As of the end of the project, the concept of a sustainable business model remains promising but yet to be confirmed.

### *6.3 OBJECTIVE 2.A: INNOVATE WITH BUSINESS MODELS – CAPSTONE EXAMPLE*

Although the establishment of Capstone was not part of this project, its business model was very much one of the innovations brought to the project, and its success or failure adds to the learnings. For this reason, Capstone’s business model is briefly analyzed in this section.

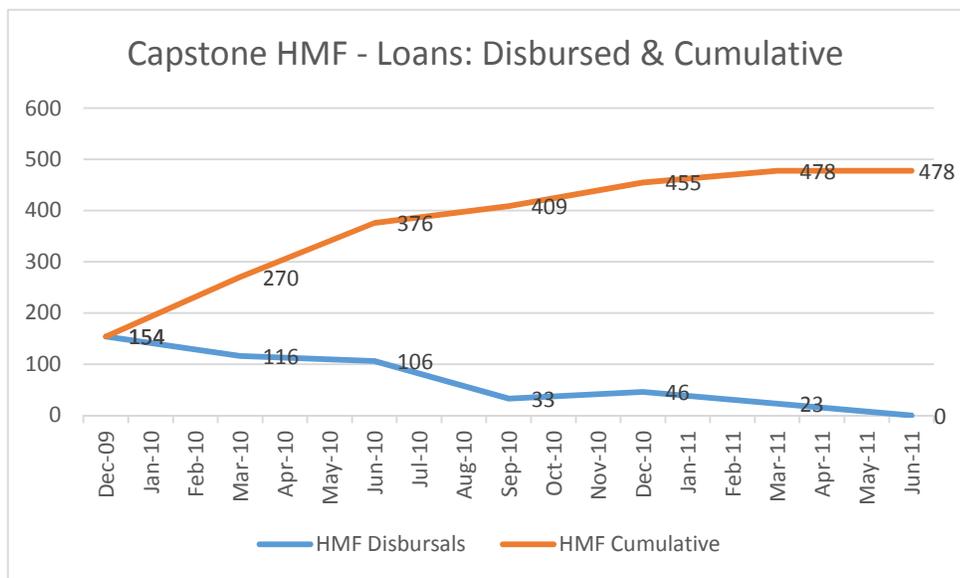
DIG set up Capstone Financial Services in India (set up as a ‘For Profit’ Trust) in 2008, to offer affordable individual loans to lower income families, enabling them to improve their livelihoods and living conditions. Before entering the Indian market, DIG conducted extensive market research funded by The Bill & Melinda Gates Foundation's and realized that a gap existed between loans offered by MFIs and those offered by formal lending institutions. This was especially true in urban areas, as most MFIs has their roots in rural settings. Thus, Capstone was designed to target the missing middle, and work as a specialized, urban MFI with housing as a core engine for growth.

When Capstone began operations in India, it was promised funds by India’s leading private sector bank and champion of financial inclusion, ICICI bank under a ‘partnership model’<sup>15</sup>, wherein the MFI worked as Business Correspondent for the bank. This type of entity did not keep the loans on its balance sheet, rather originated and serviced the loans for the bank, being paid a margin for its services. Few months into operations, India’s Central Bank, Reserve Bank of India disallowed this model due to issue with KYC (Know Your Customer) regulations. From here on, Capstone struggled to raise funds from banks and financial institutions due to its low capitalization, new and unproven business model, extremely high operating cost and the nascent organization had not yet achieved sustainability. This was compounded by the unforgiving environment that prevailed in the microfinance sector in the first part of 2011, as a fallout of the Andhra Pradesh crisis. (See “Context.”) HMFTAC’s efforts to canvas for capital or debt with such investors as

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<sup>15</sup> The partnership model evolved through ICICI Bank’s initial experiences with studying the microfinance sector on the ground, three years ago. One of the challenges faced by the microfinance sector at the time was an access to funds. The partnership model sought to remove this vital constraint. Within this model, the loan contract takes place directly between the bank and the borrower although the MFI continues to service the loan until maturity. However, the bank relies on the MFI for field operations and local knowledge for day to day monitoring of its activities. However, in order to preserve MFI incentives in the interest of maintaining a good portfolio, the model requires the MFI to provide a guarantee (typically a First Loss Default Guarantee (FLDG) ) through which it take the first risk up to a defined limit. An FLDG makes the MFI liable to bear losses up to a specified limit-usually the first 10 per cent-of loss on the portfolio. The MFIs collect a service charge from the borrowers to cover transaction and margin costs and the bank receives a fixed amount as interest on its loans. This approach removes the constraints of growth, which includes the constant search for lending capital. An MFI under this model can therefore focus on maintaining a stable and growing field operation. The adoption and implementation of this model within ICICI Bank as well as other players in the sector contributed to the rapid scaling up of such institutions for three years. However the Reserve Bank of India (India’s Banking Regulator) found issues with the model and it was abruptly halted, affecting several MFI, particularly those who relied solely on this model

Manaveeya holdings (OIKO Credit in India) for Capstone did not prove fruitful. Investors viewed the cost of operations for a small portfolio, over a period of three to five years, as too high for a feasible investment.



Capstone disbursed around 478 housing loans (value of loans \$272,323) till June 2011 and closed its lending operations in Chennai in September 2011 at which time, their housing loan portfolio was around 56% of their total portfolio growing from 24% of portfolio in 2008. There are several reasons for its demise:

- *Sole Reliance on ICICI Banks' Partnership Model:* ICICI bank is amongst India's leading private sector bank and also champion of financial inclusion, ICICI Bank introduced partnership model wherein ICICI Bank would forge an alliance with existing micro finance institutions (MFIs). The MFI would undertake the promotional role of identifying, training and promoting the micro-finance clients and ICICI Bank would finance the clients directly on the recommendation of the MFI. The MFI would earn a fee for its service. A shift in regulations banning the service company made the anticipated CapStone-ICICI Bank partnership impossible. The planned business model as a service company resulted in low levels of capitalization relative to other MFIs. In retrospect, a more diversified model could have cushioned Capstone against this change.
- *Capstone's inability to mobilize additional loan capital through Indian banks or financial institutions (FIs):* While Capstone made slow progress disbursing loans, disbursing 992 loans over three years (out of which 478 loans were listed as housing loans), Capstone was unable to access loan capital or leverage their existing loan capital from Indian commercial banks or FIs for both internal and external reason:
  - *Internal:*
    - Weak Capitalization: Capstone capitalization (~\$ 200,000) was perhaps amongst the lowest in the Indian Microfinance sector.
    - Capstone's interest rates was over 50%<sup>16</sup>. This was almost twice as high as other lenders in the market, making it difficult to compete. Regulations recommending a

16

**Product : IRR 52.25% (Microfinance Transparency Tool)**

Loan Amount	Rs.8,000 to Rs.50,000 (\$172 to \$1,072) – first loan and renewals
Term	Upto 12 Months



- The long pending proposal of DIG to collaborate with SEWA's housing operations, called Manila Trust, did not materialize, as there was liquidity crisis in the MF industry.
- The National Housing Bank a government body (part of India's Central Bank, Reserve Bank of India (RBI) revised the foreign capital required for HFC license to Rs 10 crores (US \$ 2,000,000) in July 2011, severely constricting the new entrants in housing with small portfolio.

As a result of its closure, DIG and Capstone were not be able to meet the HMF loan targets of 2000 loans, set under IGP. The highly publicized microfinance crisis in India can in part be blamed for the lack of liquidity (at least since 2011), but not for the failures of Capstone in Chennai, as many MFIs operating in Tamil Nadu continued to do well throughout this crisis.

### Lessons Learned

The lessons learnt, lead to the following recommendations:

- An environmental analysis (STEP analysis) should ideally be a part of the initial market study before setting up operations. Understanding the context (legal climate, regulation, previous history, culture, etc.) is primary before entering a new market. To its credit, DIG conducted a full market review to determine demand and willingness to pay for individual lending products, and to price its services appropriately. Unfortunately, the RBI change after CapStone had set up operations caught both CapStone and ICICI Bank off guard and was a game-changer.
- Capital needs will be phenomenal for housing and therefore sources of funds need to be secured before an MFI enters HMF.
- Organizational and client preparedness is essential before the launch of a housing product. ITA inputs in terms of the best legal status that would help raise or bring in capital, staff orientation, client orientation were all needs that were identified.
- Lack of clearly defined home loan requirements and estimates can result in loan being utilized for purposes other than housing, jeopardizing repayment
- Indian MFIs tend to use lien on household goods more to create a psychological impact on clients' minds than to actually use them as collateral. Some non-banking finance companies however, offer gold loans – i.e., all-purpose loans against gold. Borrower's inability or unwillingness to provide collateral might have prevented clients with good repayment capacity from obtaining these loans.

### *6.4 OBJECTIVE 3: PROVIDE ITA TO KEY MFIS*

#### Overview

The lessons from the experiences of providing TA to Capstone and Growing Opportunities' are quite distinct. For this reason, they are presented separately in Section 3A and 3B below.

## Achievement of Targets

Objective 1 INDICATORS - Develop Viable HMF products that improve housing for the poor and very poor							
Number HMF loans (CapStone / GO)	MIS		33 clients - capstone; 0-Go Fin	1,000 (Capstone) / 200 (GO FIN)	478 (Capstone -DIG) 6 ( GO FIN)	2,000 / 550	GOFIN 321/ Grameen Financial Services -750
% of Women Clients (CapStone, GO)	MIS	-	Capstone: 39% Go Fin : all MF clients women	25%,75%	43% (DIG); GO 100%	25%,75%	100%
Client satisfaction with HIL	survey	-	PAR 3%	PAR = ME loans	16% PAR (DIG)	PAR = ME loans	PAR target: 0%
Number of repeat loans	MIS	-	Capstone -22% GO fin 0%	10% clients repeat	6% Capstone / Go disbursed first loan in Sep2011 and loan tenure is 24 months	25% clients repeat	Repeat loans occur in 4th year.
Profitability of HMF product (CapStone, OI)	Financial analysis	50%	details not available	85%, 50%	details not available		Details not available
Disbursed Portfolio in HMF (CapStone, GO)	Financial reports	Target : \$ 100,000	\$ 231,237	\$1m, \$100k	Capstone \$ 272,323 / GO \$ 96780	\$2m, \$500k	Capstone - Nil / Gofin \$ 121748 / Grameen Financial Services \$181818 (replacement for Capstone)

Due to Capstone's limited portfolio and lack of additional capital, the sustainability of its operations was at stake, which led to the ultimate decision to close Capstone's operations in Chennai. As a result of Capstone's closure, the targeted outreach could not be achieved. Growing Opportunity also struggled to meet its target, due in a large part to capital constraints. That said, Growing Opportunity has built a portfolio of 307 clients, and reportedly is on target to have a pipeline of 250 clients by the end of the project. Its PAR is 0%. It does not yet have details on repeat clients because the loan terms have yet to expire. No data is available on cost recovery, and client satisfaction is yet to be tracked systematically. New partner, Grameen, is growing quickly with 400 loans and 0% PAR, but it is still in its first year, so information on client satisfaction, repeat loans and cost recovery is not available.

## Impact

Growing Opportunity and Grameen Financial Services are the first two MFIs in India to offer HMF with a tailored product. Both have benefited immensely from participation in the project, and with the HMFTAC, and both appear to have sufficient in-house expertise to scale up the product if sufficient funding were available<sup>17</sup>. Though the outreach remains small, an important impact of this project may very well be the capacity it left behind, and potential future returns which come about once these institutions have the resources scale up.

At the client level, there too appears to have been some initial signs of positive impact, but it depends on the product and its offering. Building on client surveys carried out by HMFTAC in 2012, which found that client understood how to calculate an affordable loan size, and the clients had saved on the cost of the construction the CTA, the present assessment conducted focus groups with a total of 12 clients and

<sup>17</sup> This assessment is based on interviews and secondary sources. No formal institutional assessment was carried out in either partner as part of this evaluation.

individual interviews with six clients and former clients. Growing Opportunities clients have seen improvements in their housing through the HMF loan (toilet installation, the erection of a wall, new roofing.) None indicated that the loan terms or conditions were too burdensome. Additionally, clients also indicated some intangible impact including greater levels of pride in their improved home, and also in the visit by the HMFTAC engineer to their home, which they paid a token amount. They also expressed satisfaction with the CTA services, most importantly the understanding of costs associated with the project.

As a counterpoint, it should be noted that a few Capstone clients who could be identified had a somewhat different experience. It was not apparent that the loans had been used for home improvements, they all noted the high interest, but also it was not clear that they were low income homeowners. This point is raised because it underlines the importance of close monitoring of the loan, design of the product to meet clients' needs and capacity to repay, and client targeting. Although Growing Opportunity is showing early signs of positive impact, the sample size is small, and more deliberate client impact assessments could provide important learnings for institutions trying to offer HMF linked with CTA on a larger scale.

### Lessons

*Demand for HMF by MFIs:* From HMFTAC's experience in the field and through market research, it is clear that there is demand for housing finance. However the channels of delivery (MFIs) often do not see value in such client empowerment. However, CTA and Responsible Finance (Financial Education) are viewed as important credit risk management mechanisms by wholesale lenders like IFC and NHB. These institutions also expect social impact.

*Underpenetrated Market:* The Microfinance Bill allows (for-profit) MFIs to do non-microenterprise lending of not more than 15% of their total loan portfolio. Although this is a sizeable percentage and even in a mature market like Latin America, housing has not exceeded 10% of the portfolio on average, it must be understood that this would, to some extent limit an MFI's willingness to spend on setting up and running housing finance. The margin cap that has been put in place by regulation, would have a similar impact.

*Capacity needs of institutions:* From the program's experience, it is clear that MFIs (NBFCs and NGOs) are especially suited to lend to the low income group. Having already established with a large client base, MFIs are aware of the nature of their cash flows, limitations in proving their income, etc. However, being unfamiliar with construction technology and the unique nature of housing loans, MFIs often struggle with offering customized loans for housing, even though they are aware that over 20% of their micro business loans get diverted for housing.

*Client Willingness to Pay for CTA:* From the project's experience, it has been found that end clients are willing to pay a separate fee for technical assistance (CTA) offered if bundled with a home improvement loan from an MFI. It should be noted, however, that due to limited outreach, this finding has not been sufficiently market tested to assume it is representative of low income home owners throughout India.

*Viability of HMF:* The feedback collected during the training workshops on HMF toolkit (NHB/IFC supported) for low income housing across the country, the industry now views CTA as a viable approach that could ensure that the resultant housing loans are low on credit risk and high on impact.

*Challenges of HMF for MFIs:* Providing housing finance to low- and lower middle-income customers in India poses several challenges for lenders. These customers may not have identity cards or income statements. They often construct their own homes, requiring special technical appraisal. Their loan repayments can be affected by irregular cash flows. And unclear land titles can cause legal issues. MFIs need to find innovative ways to address these challenges to provide housing finance to this target segment.

- Lack of Income Documentation
- Instability and Informality of Income
- Lack of a firm, clear, defensible property title as collateral.

### 6.5 OBJECTIVE 3 (A): PROVIDE ITA – CAPSTONE EXPERIENCE

#### Overview

Capstone sourced prospective clients from the open market, using word of mouth and cold calling. Its initial loan offering were individual business loans, but by August 2009, HMF was also introduced. Over 99 percent of Capstone’s HMF customers possessed no previous loan experience with banks. Nearly 85 percent of customers were self-employed and many conducted their businesses out of their homes.

Some issues were encountered in the early operations. It soon became apparent the some of the standard practices established by Capstone did not apply to this market for various reasons:

- *Collateral:* Between 2005 and 2008 several nonbank financial institutions focused on the consumer finance segment entered the market and gave away way too many loans – leading to gross over-borrowing and building a culture of default. Capstone’s requirement that borrowers provide a guarantor was insufficient to induce borrowers to repay. Portfolio at Risk quickly rose. This called for stronger measures and therefore physical collateral was introduced.
- *Lack of credit bureau* for this segment leading to inability to cross check repayment history
- *Cumbersome legal enforcement:* Capstones legal structure did not avail it to easily pursue defaulting clients because most remedies are only available to entities set up as licensed banks or Non-banking Financial companies. Also, because of the culture of default noted above, many clients knew that the legal ramifications of not paying were minimal, if any.

From April to August of 2010, HMFTAC met with Capstone seeking to understand the organization, its clients and the business model. Capstone had already designed an HMF product, so the areas of collaboration would focus on marketing and CTA.

Product: HMF + Gold product ('Swarna Boomi')	
Loan Amount	Rs.8,000 to Rs.25,000 (\$172 to \$1,072) – first loan Rs.8,000 to Rs.50,000 (\$172 to \$1,072) – renewal loan
Term	Up to 12 Months
Repayment	Monthly
Interest Rate	1.8% per month flat
Fee	2.5% of loan amount
Annualized Percentage Rate	50%

Product: HMF + Gold product ('Swarna Boomi')	
Guarantee	Minimum 50% collateral coverage from gold or physical assets (two-wheeler). Appraisal according to market value based on 100% of the gold value and 80% of the physical asset value.
Other	Micro insurance coverage for death and hospitalization.
Eligibility	Age 21-60; "Know Your Client - KYC" documentation; income and affordability analysis; minimum one year in business or job; character/background checks.
Loan Purpose	(Max. 75% for home improvements; 25-50% for gold purchase)

In Sep 2010, HMFTAC visited three clients and developed case studies based on the experience. HMFTAC also offered support for market development in the form of designing a brochure that could help source clients. The Construction Technical Services (CTS) team of HMFTAC joined the loan officers of Capstone, on their cold calls, projecting the CTS as Capstone's unique selling proposition. The results were very encouraging. The next month the demand for housing loans showed marked improvement (by 100%) and 28 – 30 loan applications were sourced, compared to the 12 – 14 loan applications that had been sourced in the previous month

HMFTAC then proceeded to visit around 40 Capstone clients, with the intention of better understanding the housing needs of these clients and how these needs could be met. An analysis of these 40 cases (out of which, 90% interventions were post-disbursement) brought out a good understanding of the housing and construction needs in this market. This resulted in tools and training being developed by HMFTAC, which included:

- An orientation training manual for housing loan officers. This would train them to estimate construction or renovation costs, categorize repairs, renovations and new construction, understand basic terminology used in construction, industry calculations, building elements and bye laws with case studies. Also alternate technologies that increase quality, and livelihood options, that save the cost and add to savings on construction techniques/materials was introduced to them.
- A CTS matrix or a 'menu card' that would help give clients the different options available for a range of costs – without an architect or engineer having to be involved in each case.
- This was further developed into 9 booklets, with a focus on home improvements. These could be used to help clients choose between options available, based on cost and need and basic dos and don'ts
- Possible supplier and service provider database for construction and renovation. Clients are interested to know if the CTS team knows any masons who will implement the solutions suggested. However, it needs to be understood if liability issues would arise, if such services were offered
- On account of a cocktail of reasons, Capstone stopped disbursing housing loans from March 2011, making it impossible for HMFTAC to offer any more CTS to them.

## Lessons

Although only limited intervention was possible within the given timeframe, a wealth of lessons was learnt.

- The main learning was that post loan disbursement intervention offers no valuable impact to the client or the institution, limiting the ability to save cost or improve safety. Even worse, Habitat's technical staff was seen as collection agents since they visited clients along with loan officers at the time of collection. That way, the client did not see the value addition offered through the technical services. CTS for the clients should start at the orientation for prospective clients.
- Monitoring of loan utilization is important especially for HMF loans, to ensure future repayments.
- A nominal fee could be charged directly to the client for CTS a) so they realize the value of the services offered b) to cover a portion of the costs, since interest rates are capped.
- CTS is better offered to the institution right from product design and set up in order to ensure staff understanding of CTS and its use.

All of these were implemented while offering CTS to Growing Opportunity.

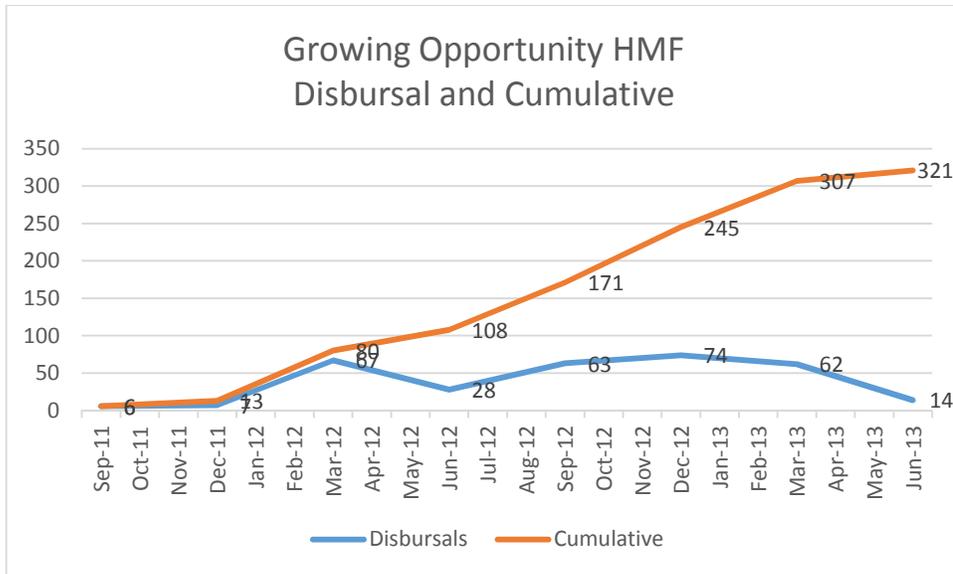
### *6.6 OBJECTIVE 3(B): PROVIDE ITA – GROWING OPPORTUNITY EXPERIENCE*

#### Overview

Growing Opportunity was one of the first MFIs to pilot test a HMF product with TA. HMFTAC provided institutional technical assistance to Growing Opportunity and housing support services to its HMF clients. This value-added approach helped Growing Opportunity to launch affordable HMF products and also assisted homeowners to make well-informed decisions about improving their homes.

The result is a HMF product with housing support services for Growing Opportunity's well performing clients who have graduated from the group lending model. The home improvement loan product is offered in several urban, semi-urban and rural branches.

The below chart depicts Growing Opportunity HMF loans disbursements and cumulative between July 2011 and June 2013.



As of May 2013, Growing Opportunity had distributed 300 housing loans averaging \$5018. Additionally, 850 clients had received technical services. Sixty six percent of these clients have paid a fee for the housing support services. Valuable lessons on partnership and demand for outsourced housing support services have already emerged.

Growing Opportunity Product: HMF	
Loan Amount	\$184-\$920, Individual loan, graduated from group
Term	12-24 months
Repayment	Monthly
Interest Rate	24% declining
Fee	1% of loan amount
Guarantee	Cash flow based loan with guarantors and co-applicants. In the absence of title, the following documents are accepted: Purchase Agreement, Property Tax receipts, Government Allotment, EB / water bill copy; Identification; One Guarantor. These documents only serve as surrogate documents for proof of title.
Technical Services Fees	\$4.50 per engineer's visit
Eligibility	Excellent repayment record for 2-3 cycles in the group setting.
Loan Purpose	Minor and major repairs Extensions/Additions House completions and Improvements (including water and sanitation) Incremental/progressive Build

<sup>18</sup> 100 per cent of loans are to female clients

From August 2010 through February 2012, HMFTAC and Growing Opportunity collaboratively implemented the following four-phase approach for the product development process: market research, product design, pilot testing and product monitoring and revision.

The first stage was to carefully survey the market both in terms of financial product considerations and housing support service needs. Drawing from the Opportunity International network's experience with housing finance and Growing Opportunity's experience with individual loan product development, Growing Opportunity conducted a survey of their existing clients to understand the needs, preferences and capacities of their clients. Praveen Samuel, Marketing Manager for Growing Opportunity described the process: "Growing Opportunity conducted its own market research and product development exercises, however HFHI-HMFTAC's team helped us sort out the housing needs of our clients. At first, we were very stringent with the [home improvement loan] requirements but this process helped us to navigate and build the product."

HMFTAC also conducted more broad based market research, surveying 425 randomly selected individuals in Tamil Nadu associated with NGOs, MFIs and other associations, using a mixture of structured interviews and focus group discussions. 89 percent of respondents were women. The market research looked into past and future housing needs in order to design the housing support services product features, which revealed the following:

- Proof of ownership: 50 percent of Respondents at Urban and Semi-urban have some kind of document to prove house ownership. In Rural areas, 70 percent of respondents have ownership proof.
- Loan Mechanism: 73 percent seek to avail housing as an Individual loan vs. 21 percent group loan.
- Expenses incurred to improve housing: Across urban, semi-urban and rural areas, 84 percent of respondents spent approximately \$1,000 towards home improvements in the last two years.
- Future housing need: 62 percent required loans for home improvements including fixing ceiling or floor, building room extensions and purchasing land.
- Fee for service: There is a willingness to pay for housing support services (95 percent) across Urban, Semi-Urban and Rural respondents.

It was clear from the results of the market study that both the demand for housing finance was high and there was an interest in housing support services. Based on the market research, Growing Opportunity positioned the product for well-performing group lending clients who were ready to graduate to individual loans. CTA was provided by HMFTAC. The client is charged a fee of \$4.50 per engineer's visit and 1% of loan amount as processing charges and a life insurance one-time premium of \$12.

Growing Opportunity and HMFTAC have rolled out the product in nine branches across three districts (Urban and Rural) in Tamil Nadu. Growing Opportunity has one housing loan manager who liaises directly with the technical team. The Client Relationship Officers (CROs) promote the housing loan product and source applications with the support from the Branch Manager. The Housing Loan manager currently oversees 9 branches.

Technical assistance is delivered at three points of contact: pre-application orientation (90 minutes); technical assessment visit (45 minutes); and loan utilization and outcome observation visit (30 minutes). Each plays a specific role in helping Growing Opportunity clients to access housing while also reducing the lending risk.

- *Pre-Application Housing Support Services.* Experience showed that clients were interested in availing housing loans but did not always know how to prioritize their housing needs and match those needs

with their affordability. Early in the pilot phase, HMFTAC observed that clients' self-estimation resulted in escalated pricing of sometimes four to six times more than the maximum loan size. There was a risk that clients would request a high loan amount without really having thought through the improvements they were to implement resulting in either unfinished housing improvements or unutilized or diverted loan amount.

HMFTAC recommended a pre-application orientation to improve the efficiency of the loan process and make the home improvement loan procedures transparent to clients. The orientation session is marketed to successful group lending clients those have minimum two to three successful loan periods. The session is facilitated by the Housing Loan Manager and a HMFTAC staff member. The pre-loan orientation covers the following topics: Home Improvement Loan Orientation; Basics of Financial Education; Introduction to Home Improvement technical considerations; and Q & A. The Housing Loan Manager assists applicants in completing the housing loan application.

- *Pre-Loan On-Site Technical Visits.* HMFTAC initiated the on-site construction technical visit to assess the construction technical considerations for the home improvement needs of the client. Research revealed that 90 percent of clients were unable to determine the correct loan amount on their own because they did not have the technical knowledge to estimate the costs.

The technical visit helps clients through personalized technical information by using a technical assessment sheet to assess the existing housing condition, the proposed housing improvements and estimated costs. The first visit is a preliminary assessment where the technical sheet is filled in and later becomes part of the client's loan application. Recommendations regarding loan usage and amount are provided by a technical team, and a second visit is arranged in high-complexity cases. The technical visits are an opportunity for the technical team to raise any risk concerns such as structural damage that may affect the loan. The value of the 'door step' service is that the client receives a preliminary assessment technical sheet, estimated costs and materials as well as any booklets or technical sheets on relevant home improvement needs. Additionally, a helpline is available for clients to access technical advice any time before or after the loan has been disbursed.

- *Loan utilization visit.* The loan utilization visit is made by a construction technical team member. This is an opportunity to verify loan usage as well as to review with the client any outstanding construction activities and potential next steps. The pilot revealed that 60 percent of improvements fall between a low and medium complexity level (see table 2 complexity matrix).

### Challenges:

The pilot has not explored extensively the issue of cost in delivering customized housing support services. The true cost of delivering the services needs to be considered in order to assess the sustainability of these services to Growing Opportunity's clients. At present, the housing support services research and development costs have been subsidized by the USAID funding. However the market study and pilot reveal that clients are willing to pay. Additionally, the pilot experience with charging fees has been focused around low-complexity improvements. While the product was developed to offer subsequent technical visits to support the construction of the home improvement, this case study does not provide further insights into how many visits the client is willing to pay for as the complexity or loan amount increases. Further piloting is necessary to understand the cost issue in more depth.

There is also a limitation with the product on the staffing side. While Growing Opportunity has a Housing Loan Manager, the product is primarily marketed using existing loan officers with a separate incentive scheme for HMF. Additionally the Housing Loan Manager has to manage 9 branches. When considering offering the product in more branches, Growing Opportunity will need to consider different staffing strategies to ensure the staff have adequate skills and training as well as time to dedicate to the product.

### Lessons Learned

The pilot revealed the following key lessons about the provision of CTA:

1. *The financial and technical orientation utilizing the group system helps Growing Opportunity prepare clients before the loan application process.* In the first year, 1300 clients attended the financial and technical orientation in the pre-application stage, of which 431 applied for home improvement loan. Growing Opportunity felt that the piloting of the pre-application steps improved the efficiency of the loan approval for its home improvement product. Additionally, 60 percent of the clients felt confident to apply for the housing loan product. Growing Opportunity has made the financial and technical orientation a mandatory requirement for all housing loan clients. Not only has this created a pipeline of clients for Growing Opportunity, but clients are learning about different kind of improvements and how they may save money in the process. For example, decentralizing loan approvals up to \$540 to the branch managers helped to cut down on the processing time of the loans.
2. *The tech sheets proved an essential tool* in making the loan decision by Growing Opportunity's loan committee. The recommendations help break down the client's housing need into manageable steps. The tech sheet is a good communication tool between the client, the institution and the technical services. Growing Opportunity sees the value of the tech sheet in ensuring effective loan usage by the client.
3. *Technical visits were an important factor for helping clients with loan utilization.* Housing Loan Managers of Growing Opportunity found that 78 percent of clients have completed the intended home improvement. The utilization visit revealed that unexpected events such as monsoons delayed implementation and clients required more time to complete the work. Growing Opportunity has found that periodic and continuous loan utilization checks with larger loan amounts encourage clients to use their loans efficiently which in turn minimizes lending risk. In cases where there was a time lag between the orientation and the disbursement, there was an increase in the number of diverted loans.

We can also draw a few important general lessons from this pilot experience between Growing Opportunity and HFHI-HMFTAC:

*Responsible lending practices are synergistic with value-added services.*

Given the tremendous demand in the country, MFIs interested in HMF offerings must consider how to ensure responsible lending practices. Clients often want a higher loan amount irrespective of the needs and affordability. Growing Opportunity has created a two-pronged approach to ensuring client protection. To prepare clients for housing loans, Growing Opportunity and HMFTAC has introduced the financial and technical orientation training. This short but effective orientation is delivered in the form of classroom sessions including a short video screening and helps clients to understand the value proposition of a non-income generating loan. The results of providing this service are promising and show that the training helps the clients prepare for housing loans and decide an affordable loan amount, sometimes in stages. Growing Opportunity requires the regularly held group meetings where educational topics are often covered in

additional to normal business. On the loan application side, Growing Opportunity uses the Highmark credit bureau which helps avoid processing clients with two outstanding loans or more from other MFIs. Together these two elements help Growing Opportunity promote both client protection and responsible lending practices.

#### *Successful housing support services*

This pilot has grappled with how to provide high quality but low cost technical assistance that can be accessible to a large number of people in order to increase the quality of housing conditions and mitigate the risk of the client and institution. A product review six months into the pilot test resulted in the following recommendations:

1. Categorize the home improvement loans according to type and complexity of improvements to be made. This included major/minor repairs, extensions, house construction completion and improvements (including water and sanitation), and incremental/progressive building. This helped clients understand that not all improvements could be made at once given what they could afford to borrow at that time. This focus on small repairs and improvements has also helped Growing Opportunity deal with constrained capital dedicated for housing.
2. Given that the demand in India for low-complexity improvements is very high HMFTAC has focused much of its effort in developing booklets and tech sheets to help clients with low complexity improvements that don't require the guidance of skilled workers or engineers make small but impactful improvements. While the pilot of the technical hotline has revealed that clients prefer the face to face contact and information, the technical booklets and technical sheets have supported families in thinking through options and ideas for low complexity improvements.
3. Clients are willing to pay for services that help them achieve their housing goals. Services that are personalized including the technical booklets and the associated technical services, further confirm that a fee for service model has proven to be effective when matched with the right product mix of housing support services.

#### *Ensuring Timely Access to Capital*

Availability of timely capital is critical to the success of a HMF product. Lack of access to capital has resulted in Growing Opportunity making a lot fewer housing loans than planned. For instance, while 1300 clients have gone through the training, Growing Opportunity has only disbursed 321 loans to date. In the absence of capital, Growing Opportunity has focused instead on making housing loans for small improvements such as sanitation or toilet loans of smaller amounts of \$460. While Growing Opportunity is dedicated to building the portfolio with the HMF product and the board has developed a strategy for HMF moving forward, the major hurdle to move beyond the first 200 loans is the timely raising of capital. The availability of housing-specific loan capital continues to be a constraint in piloting HMF due to the microfinance crisis in India.

#### Conclusion

The pilot with Growing Opportunity revealed:

1. *New Home Improvement Product:* Growing Opportunity has 321 loans with an 18 month vintage tenor and a 0% PAR. This demonstrates the home improvement loans are an Established Asset Class. Home improvements provide the opportunity for higher productivity and thus, higher income.

2. *Variety of Services*: A housing support services model that responds to the varying technical needs of the clients and helps the institution ensure positive financial and social outcomes.
3. *Commitment*: Finally, the success of a pilot in a country with such high demand requires leadership and transformation throughout the institution to get the product right and grow.

#### 6.7 OBJECTIVE 4: INFLUENCE A VIBRANT HMF SECTOR

One of the key objectives of the project was catalyzing a vibrant HMF market by influencing the sector through advocacy of HMF success at Growing Opportunity and Capstone and capacity building at institutions through consulting, training, and facilitating learning. The working hypothesis was that when a sustainable business model is established, refined, and proven with Capstone and Growing Opportunity, it should be portable to other institutions and their clients. The program aimed to establish, through the subsidized learning curve of this project with Growing Opportunity and Capstone, what a mechanism for such a service for housing might be.

#### Achievement of Targets:

Objective 3 OUTPUTS - Roll-out HMF and Household TA Business model to other MFIs in S. India							
			HMF introductory meetings for 10 MFIs	Conduct Sector Workshop – Market Research	10 MFIs attended intro and dialogue sessions on TAC, HMF, HFC	- Sector Workshop – Pricing for sustainability.	IFC's HMF Toolkit 2 Workshops completed with NGOs and MFIs (30 nos) in North and South India TAC trained the MFI (Grameen Koota) staff on Housing Microfinance. Basic CTS and Financial Education training will be done in the next quarter. capacity building plans for MFIs in pipeline in collaboration with IFC. Peer exchange within HFH partnership continues.
			Shared TAC in Micro credit round table forum delhi, hosted by IFC-- 28 MFIs attended	- Sector Workshop – Product Design	2 workshop on Market research & product design conducted for 5 MFIs	- Peer Exchange – Inst. Capacity for HMF	
			TAC Advice/feedback on HMF products shared with capstone.	- Peer Exchange – HMF Financing Strategies	International and local exchange took place with MFI and NGOs	International and India networkexchange	
Objective 3 INDICATORS - Roll-out HMF and Household TA Business model to other MFIs in S. India							
Number of pre-identified MFIs in India doing HMF	MFI site visits	7	12	5/12	2 MFIs in south india	7/12	5 MFIs identified and nurtured to work with TAC. TOR signed with 1 MFI and 4 more in the pipeline.
Number partnering with Household TA biz model	Ops agreements	2	2 partners	2	partner MFIs for TAC : 2	5	MFIs partnering with TAC: 2
Number of HFH network partners involved in program knowledge sharing.		93	at least 12	93	10	93	at least 50%
Number of DIG Community of Practice partners involved in		12	Not aware	15	not sure	20	not feasible to commit as capstone is closed in India
Number of OI network partners involved in program knowledge		42	GO Fin yet to start the housing program	45	2 for OI ( Ghana and India)	48	possibly two to five
If proving to be successful, HFH replications outside of India			Too early to share	2	TAC model shared with HFH partnership in Nicaragua and AP housing Forum for Asia	4	possibly two

The program's expected outputs were:

- Sector Workshop - Market Research
- Sector Workshop - Product Design
- Peer Exchange- HMF Strategies
- Sector Workshop - Pricing HMF for Sustainability
- Peer Exchange - Institutional Capacity for HMF
- Periodic peer learning exchanges also took place to address institutional capacity issues and strategies for financing HMF portfolios.

Over the period, the HMFTAC was actively engage in sponsoring, facilitating and participating in workshops and peer learning events. All of the anticipated topics were covered. Additional topics included financial literacy and the IFC HMF Toolkit. As noted in *Objective 2*, the project was not able to refine a sustainable business model, so the key output of documenting a replicable, scalable model was not achieved, but the HMFTAC did actively promote learnings and exchanges based on what was accomplished during the project.

There were several sector strengthening and peer learning events organized, conducted or had participation by the program partners. HMFTAC organized 17 workshops, participated in 12 conferences and attended four meetings with key stakeholder. (Seen Annex V for a summary of events). Main topics included market research, product development, operational challenges in launching HFM, costing and pricing, financial education, presentation of CTA, and introduction to the IFC Toolkit. Exchanges also offered opportunities for peer learning, policy discussion and an advocacy agenda. Peer exchanges permitted as many as 15 Indian MFIs to learn from the project, and presentation of conferences potentially reached thousands of participants. One obvious impact of the HMFTAC's peer learning events is that a discussion around HMF is budding in India. The IFC's contracting of the HMFTAC to develop and train in the new toolkit is evidence of this. As more attention is given to and more interest is demonstrated by MFI in HMF, the HMFTAC's impact can grow.

Additionally, the HMFTAC succeeded in building a variety of tools and trainings which could be used in the future. The following is a list of learning products that have been created and constantly revised and refined:

No.	Description
1	CTA Matrix
2	Tech sheets for use by MFIs,
3	27 Booklets and Catalogues on Home Improvements, WatSan and Incremental Homes
4	Poverty Assessment Tool (PAT) completed and submitted to the US office.
5	Training plan manual -used for loan officers on Basic CTS
6	Market research booklet – under progress
7	Financial Education modules adapted for the MFI housing clients ( under revision)
8	DVD on Financial education ( 10 minutes)
9	Mason training modules on alternate technology- under progress
10	Livelihood training for Adobe block– an alternate technology/material
11	Loan Flow Chart of Housing loan process and Operation manuals

No.	Description
12	CTA Cycle

### 6.8 UNINTENDED PROJECT OUTCOMES

*MAP Approach for Habitat India:* Habitat India, which began operations in 1983, is among Habitat's largest programs in the Asia-Pacific region. Habitat India works in partnership with local, grassroots non-government organizations, MFIs and other partners throughout India to provide decent housing. Till date, Habitat has served over 45,000 families across 17 states in India. The HMFTAC provided Habitat India with an opportunity to try a new market-driven approach. It was a complete change from the type of programming offered by Habitat India, which typically relied on subsidies. Since the creation of this project, HFHI's strategy has changed, and in the future, its approaches will be more market-oriented. It may not have been completely foreseen at the time of the project creation, HMFTAC's new approach has positioned Habitat India to take on this new market orientation, in a way that it may not have been otherwise prepared for. The HMFTAC has demonstrated the potential of HMF through its pilot with Growing Opportunity and most recently Grameen Koota and its ability to catalyze and promote the same. Habitat India has registered a new legal entity, Affordable Housing Technical Assistance Centre (AHTAC) which aims to build on the work done by HMFTAC.

*Policy Advocacy:* While HMF is emerging as a promising area due to its huge potential for asset creation, visible impact and enable decent, affordable shelter, the current legislative and operating environment for HMF is less than enabling. For example, in order to receive funds from National Housing Bank (NHB) – the primary refinance bank for housing in India - an institution needs to be a Section 25 company or a licensed Housing Finance Company (HFC). Non-bank Finance Company (NBFC) MFIs are ineligible to tap into this fund at this point. The HMFTAC has for the first time initiated dialogue with National Housing Bank (Regulator for Housing Finance in India) to discuss HMF.

*Collaboration with the International Finance Corporation (IFC) & IFC HMF Toolkit (March 2012 to March 2013):* The focus on sharing learnings in a way placed the HMFTAC as a very public promoter of HMF and leader in generating best practices. An unanticipated outcome of this was that HMFTAC was able to develop a partnership with IFC. In Sep 2010, the first activity was a training on micro-mortgages, through that relationship, the HMFTAC was able to advocate to the IFC on the need for a sector-level toolkit on the ITA and CTA concept. HMFTAC was selected by IFC in March 2012 based on its pilot testing experience and ground level exposure on HMF to work jointly with Vinod Kothari Consultants (VKC) to develop HMF toolkits on five modules:

- Market Opportunity
- Legal and Regulatory Environment
- Product Development
- Construction Support
- Internal Systems/ Controls,
- Customer Awareness/Staff Training).

The winning of the bid/contract in itself goes to prove the level of interest generated in the country in the area of HMF and CTA awareness created through the USAID project. The HMF toolkit provided detailed

guidance to MFIs and HFCs (and even trusts and societies – NGOs) to move ahead and strengthen housing loan programs in the micro-mortgage, home Improvements and Incremental Housing loans. The toolkit covers the Affordable Housing and HMF segments and intends to capture global best practices, identify the pilot tested models and best practices in India to adapt them for local MFI/HFC needs.

*Technical Assistance Services to Financial Institutions for HMF – From India to the World:* When the project in India was created, HFHI did not have a very systematic approach to providing TA for FIs in HMF. This project gave HFHI the opportunity to build and test a theory: could its global structure (as planned) be replicated in a single country if the market was large enough? Essentially the same ideas that are now in place globally were tested in India to see if they would work. The idea worked, the methodology is starting with value chain mapping, then moving to market research and product development. HFHI now has developed experts (hired people with skills and industry experience and trained in their methodology). The HMFTAC ended up creating a laboratory for HFHI’s global strategy and forced HFHI to think through the mechanisms, processes, structures needed in creating a successful global strategy. It made some adjustments along the way, including mechanisms for partner selection and the development of a more systematic TA approach. The project has not yet proven that this strategy can be replicated within a single country. (MicroBuild India has not yet disbursed any loans at the HMFTAC is not yet sustainable), but it did offer an important base on which HFHI has developed a global market-based strategy.

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## 7. PROJECT MANAGEMENT

### 7.1 STRUCTURE OF PARTNERSHIP

As noted above, this project relied on each partner to play its role in order for it to succeed. The roles and responsibilities of each are described in Section 5.2.

Sub-award agreements were appropriately structured overall, deliverables, level of effort, nature of interventions, and time-lines based on the detailed implementation plan. They also included obligations and activities to be rolled out.

HFHI provided oversight and coordinated grant administration including monitoring grant implementation and preparing, reviewing and issuing financial reports for this USAID IGP. HFHI reviewed and certified all financial reports for the USAID IGP and ensured:

- Grant funds are drawn and disbursed in a timely manner.
- Coordinated with HFHI Asia Pacific Office’s finance and administration in supporting the grant management of Habitat India and ensuring that grant funds are used as approved by USAID.

That said, it was clear from early reports that the project was falling behind target, and both MFI partners were having legitimate challenges in meeting their obligations. The structure of the agreements in retrospect had two important shortcomings: 1) it did not oblige the sub-awardees to ensure sufficient

funding to roll-out the product within a specific period and 2) it did not permit either sub-awardee to be dropped or suspended from the project due to underperformance.

## 7.2 MONITORING AND EVALUATION

Various tools and were used in monitoring the program. For the most part, they were sufficient for HFHI to monitor the project achievements, match requirements, as well as the use of funds. Some of the key tools are described here:

1. *Partner reports:* narrative quarterly and annual management from the HMFTAC Program Manager & from key partner MFIs which included quarterly/monthly variance reports on key portfolio and financial indicators were submitted to HFHI by HMFTAC, DIG and OI. Monitoring was part of HMFTAC’s mandate, and that included visits to clients, review of reports, etc. The HMFTAC did not monitor the use of funds, in part because much of the funding was not spent in country, but at IGP partner headquarters. So, reports were consolidated at the IGP partners’ headquarters and submitted HFHI. Project outputs were therefore monitored by HMFTAC and use of funds by HFHI.

2. *Monitoring and evaluation planning matrix:* This was used to monitor project outputs and targets.

3. *Financial Reports:* Regular reports with budget to actuals enabled HFHI to sufficiently monitor use of funds by its partners.

Although reporting was generally complete, the evaluation did note that neither MFI partner reported on the cost recovery of the HMF product. In reality, since the pilots did not reach the intended scale, cost recovery may have been less than anticipated, but without consistent tracking, it is impossible for the project to know what kind of scale/pricing is required to make an HMF loan product profitable for an MFI.

## 7.3 BUDGET AND COST-EFFECTIVENESS

The initial budget over three years was \$2,467,762. Of this amount, \$1,199,316 (49%) was requested from USAID. Matching funds from the three partners totaled \$1,104,547, including program income from fee charged for services rendered to Partners/Clients.

Partner	Total Program expenses	Federal Share	Recipient's share	%
HFHI/headquarters	290,190	316,781	166,831	15%
Habitat India	362,426	235,489	126,937	18%
DIG	1,059,040	424,919	898,880	54%
OI / Growing Opportunity	248,271	222,127	75,798	13%
Total	2,467,762	1,199,316	1,268,446	100%

Of the USAID IGP funding, Habit received 46%; DIG 35% and OI 18%. In consideration of the anticipated workload, this breakdown was appropriate, especially as DIG had a dual role to play in providing technical inputs to HMFTAC as well as oversight of Capstone.

In retrospective, the project did not get value for money from the DIG share. Technical inputs were not provided as anticipated to HMFTAC, and Capstone went out of business before the end of the project. The project budget was eventually cut, but most of the funding was cut to OI and then Habitat. The outcomes could not have been anticipated at the outset, but as noted above, a differently structured sub-award agreement may have enabled the project to suspend funding to DIG with early signs that some of the performance targets were not met.

#### *7.4 IGP NO COST EXTENSION*

A no-cost extension (NCE) was sought to complete unfinished activities under program description, and in particular, to allow for complete development, testing and roll out and write up of learning of costing and pricing tool for HMF. As per HMFTAC, the reasons for granting the NCE from August 18, 2012 to June 30, 2013 to the three global IGP partners (HFHI, OI and DIG) were:

1. Delayed start by IGP
2. The challenges of new HMF product roll out with partners and MFIs, and
3. Facilitation of the learning agenda being shifted from internally in the group to the SEEP Network. (Point person on learning agenda left HFHI in 2012.)

Justification provided by the program partners to USAID:

4. Closure of Capstone in September 2011, a year before planned program completion date.
5. Late start to Growing Opportunity's housing loan product in January 2011.
6. Adding another NCE year would complete testing and assess the impact of CTA and ITA to Growing Opportunity for at least 500 loans.
7. An extension year would provide an opportunity to leverage with select 15 MFI links (beyond the IGP) facilitated through the recent IFC funding for HMF toolkit. The MFIs would be trained by HFHI with the HMF and market opportunities toolkits by Sep/Dec 2012. (The opportunity to train and test with MFIs was an expectation in the USAID Project and actually fulfilled in March 2013)
8. Enable the replacement partner (Grameen Financial Services as Capstone's replacement) sufficient time to test out the relevance and impact of TAC, an expected 500 to 1000 clients using another service delivery model. (Grameen Financial Services disbursed 360 loans by 31st march 2013, 750 loans by 31st may 2013 and expected to disburse 1000 loans by 30th June 2013)

The highlight of the achievement during the NCE was the ability of Growing Opportunity to disburse 321 loans by March 31, 2013, and Grameen Financial Services to disburse 1000 loans by June 30, 2013 especially after the training provided by TAC.

## 7.5 LESSONS<sup>19</sup>

1. *Legal Entity of the HMFTAC:* The HMFTAC was housed within Habitat India, a non-profit entity with tax exemption. Habitat India cannot retain tax exemption as well as earn revenue for ITA/CTA services. Had this issue been recognized at that outset, the registration of a separate entity at project start-up would have represented the first step towards sustainability.
2. *Partner Relationships:* Partnership should be compatible and be driven and committed to reaching the targets prior to the start. A clear agreement and implementation plan at the ground level, with clear roles, responsibilities, targets, showing buy-in would have helped kick-start the project earlier and move things along better. Apart from that, a mid-term review could have helped ensure that targets were realistic, performance was on track and the success of the partnerships. These mid-term reviews need to be planned prior to the start.
  - To succeed in this project, HFHI needed to partner with DIG for their HMF consulting experience to create the HMFTAC.
  - Likewise, local financial institutions, Growing Opportunity and Capstone, were essential to actually delivering HMF to clients.
  - Like most partnerships, differences in expectation and contributions did arise. HFHI hoped to reduce or avoid these circumstances by documenting as much as possible regarding the relationship details and agreements made with partners.
  - HFHI used documentation tools such as memorandums of understanding, annual proposals, quarterly activity reports, annual performance appraisals, external evaluations, and audited financial statements. However there was no mechanism to raise red flags / early warning signs in the planned project execution nor was there an exit clause or partner replacement clause. The Sub-Contractor agreement with DIG/OI should have captured the same. For example, it could have been considered in the agreement that failure to source sufficient funding for the product by the second year was reason to be dropped or suspended from grant funding<sup>20</sup>. Such mechanisms could have enabled the project to use its limited grant funding for MFIs with both commitment and capacity.
3. *Need for sufficient Partners* – A project of this scale and scope should have selected more partners through a selection process at the inception stage itself. Growing Opportunity was an established small MFI, Capstone was a new MFI which still had to find its space in India’s microfinance ecosystem. The project did not call for bringing in additional partners until Year 3. Had the project envisaged more MFI partners at an earlier, HMFTAC may have more output.
4. *Need for flexibility with Partners:* The USAID IGP might have achieved more through a flexibility to drop off IGP partners which fell short of meeting critical benchmarks, both qualitative and quantitative. The program, should have offered the flexibility to substitute/add on partners who could support the project goals of transforming housing microfinance in India.

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<sup>19</sup> Inputs received during the KII with Henry Waller, Program Director, HMFTAC

<sup>20</sup> For example, CapStone and DIG understand that they met all targets, with the exception of the loan disbursements. And informed HFHI as soon as regulations became problematic. Nonetheless, the project was unable to meet its major targets in a large part because some of these key mechanisms were not in place.

5. *Need for Synergy between Habitat India and HMFTAC:* Synergy potential is the potential benefit that can be realized by exploiting interrelationships between business units. It has long been present in many diversified firms. While HFHI and Habitat India did appear to understand that HMFTAC was different and made a decision to have it function outside the existing Habitat India structure, they did not appear to recognize that there would also be benefits from a deliberate strategy to build on the existing strengths of Habitat India. Failure to realize synergy stems from the inability of companies to understand the benefits of interrelationships. There seems no evidence to indicate that any attention was paid to analysing and implementing them systematically and hence, many synergies have remained untapped.
  - The HMFTAC Program Director had a line reporting to the India Country Director and then to HFHI through the HFHI Project Management Committee. Technical support to the program design and rollout was provided by the Asia Pacific team (i.e. Rajan Samuel and Patrick McAllister), and by HFHI headquarters (Patrick Kelley, who is the US based program manager.)
  - While communication between program management was collaborative in nature. The communication, synergies etc. between Habitat India and the HMFTAC were missing.
  - It would have been good had Habitat India played a more proactive role in the Project drawing on apparent synergies.
  
6. *Should have explored partnerships with Habitat India Partner NGOs* – The HMFTAC should have explored partnerships with existing Habitat India partners. NGOs in India are good partners as they have access to grant funding which is more readily available than commercial funding for HMF<sup>21</sup>.
  
7. *Need for Financial Closure of Pilot Loans Committed by Partner Institutions:* In the program proposal, lack of capital was highlighted as a potential risk, and a proposed Housing Finance Company (HFC) was presented as the mitigating strategy. There proved to be three challenges with this approach:
  - a. The HFC was not yet in existence and would take time to come on line;
  - b. The HFC could represent a potential lender to the IGP partners, but would make its own independent investment decisions;
  - c. It implicitly took some of the responsibility away from the MFIs to ensure their own financing. At the inception stage of the project, both Growing Opportunity and Capstone should have committed to arrange capital to disburse the minimum number of loans as agreed in the monitoring and evaluation part of the project for the pilot before the start of the program.

With limited funds, Growing Opportunity was now forced to cap its loans to Rs.25,000 (\$500), which could lead to issues like borrowing from other sources, loan being diverted due to insufficient resources, etc. It is also bound to send unhealthy signals to clients, which could eventually affect repayment. At a time when there are many large and moneyed MFIs waiting in the wings. This has become an issue for small MFIs like Growing Opportunity at a time of industry consolidation. Capstone also had to wrap up its operations mainly because of non-availability of funds.

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<sup>21</sup> It is understood that much of this approach is looking at sustainability, and this recommendation on the service may appear to suggest otherwise. In reality, however if the HMFTAC is seeking to be sustainable, it needs to function within the market realities of India. This recommendation is not intended to globalized or suggest that grant funding is a long-term goal for HMF.

It would have been easier to achieve targets, if TA was offered along with loan funds – especially when it is for a new area of business like housing, since new sources of funding have to be identified and tapped for the pilot. The lack of funds was singularly responsible for most of the delays and the inability to achieve numbers in this project.

8. *Delay in HFH India's Housing Finance Company:* HFH India's Housing Finance Company, which aimed to mobilize public and private investment resources targeting housing for low income, the poor, and very poor was expected to be a pillar of the project, and a key mitigant for the anticipated risk of lack of access to capital for the MFI partners. The HFC was registered in 2012, after the original completion date of the project, and thus was not able to play the anticipated mitigation role with regards to the capital risk, which turned out to be the major challenge to the project.

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## 8. RECOMMENDATIONS

### 8.1 RECOMMENDED STEPS TO ACHIEVING UNFULFILLED OBJECTIVES:

Although the program truly contributed to learnings in the field of HMF, as well as to HFHI's own global approaches, the planned objectives remain unfulfilled, summarized here:

1. *Develop commercially viable HMF product:* A promising product has been developed with Growing Opportunity and Grameen Financial Services reaching 100% women with PAR<sub>30</sub> of 0%. It did not, however, achieve the planned disbursement targets, reaching only 1,549 of the projected 2,550 loans, broken down as follows: Capstone (478), Growing Opportunity (321) and Grameen Financial Services (750). Data was not tracked to allow for an assessment of the cost recovery of the product. The projected client retention rate target of 25% also could not be validated because the loan terms extend beyond the life of the project.
2. *Develop innovative business model for CTA:* With the registration of that AHTAC, Habit India has demonstrated its commitment to making the efforts sustainable. There is a promising low cost model that was developed in the "BeeHive." Additionally, HMFTAC's three service delivery models are also being tested<sup>22</sup>. That said, with a cost recovery of 0.06% based on consulting fees (paid for MFIs and their clients) services as opposed to 100% by the end of the project<sup>23</sup>, the business model has yet to be validated as sustainable and replicable. The reality in the Indian market (to be discussed further in Section 8.2) calls for a more diversified approach, including the management of sector level projects. For this reason, the evaluators also considered the cost recovery if project management fees from an IFC contract were to be included. From this perspective, the project achieves approximately 57% cost recovery, which is still short of target, but a useful indicator for looking at the way forward.

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<sup>22</sup> **Three Service Delivery Models:** 1.) In-house CTA: The MFI has an in-house technical resource person, trained by HMFTAC for offering CTA across various levels of complexity. 2) Outsourced CTA: The MFI outsources the entire CTA to HMFTAC, and 3) Hybrid CTA: A mix of In-house and outsourced, wherein lower levels of complexity are managed in-house and more complex home improvements are outsourced to HFMTAC

<sup>23</sup>Recommendations with regards to AHTAC are not covered this sub-section, as they will be addressed in the following sub-sections.

3. *Roll-out HMF and CTA in other MFIs:* Here it can be said that there are two very clear success stories: HFHI has used the HMFTAC lessons to develop its global strategy, with the program knowledge sharing reaching 45 HFHI network partners. Additionally, within India, the HMFTAC has taken on a new partner i.e. Grameen Financial Services, where an approximate 750 clients have received HMF (May 2013). That said, the performance still fell short of objectives. It was anticipated that the three international partners (HFHI, OI and DIG) would collectively roll out HMF throughout their networks, reaching a targeted total of 161 institutions globally. The project fell far short of this objective, achieving 45 for HFHI, approximately 2-5 for OI, and DIG's outreach is unreported. Additionally, within India there was a target of having signed 7 new MFIs out of a pipeline of 12. HMFTAC has signed 1 out of a pipeline of five.

In order to achieve the unfulfilled objectives, the following approaches could be taken in the future.

1. *Develop commercially viable HMF product:*

- *Reach targeted number of MFIs by diversifying to other regions in India:* HMFTAC has focused on MFI and HRC partnerships only in South India. It should spreading to other regions in India by partnering with select MFIs. Unlike the past half-decade where microfinance was largely concentrated in South India, it has now spread across India. For example, India's largest MFI is now head quartered in East India.
- *Reach targeted number of clients by ensuring financial commitment to disburse pilot loans committed by new partner institutions:* One of the key learning was that at the inception stage of the project, both Growing Opportunity and Capstone should have committed to arranging capital to disburse the minimum number of loans as agreed in the monitoring and evaluation part of the project. Hence, for all future HMFTAC partners, a commitment, in 'letter and spirit' to champion HMF should be made mandatory.
- *Build into future ITA capacity building to cost products and monitor client satisfaction:* HMFTAC has done training on product costing and client satisfaction and has to some degree tested this with Growing Opportunity. It would be wonderful if Growing Opportunity fully rolled out these tools and started to track it, providing this information to HMFTAC into the future, to enable its own learning around this. Even if that commitment cannot be had from Growing Opportunity, it is something that HMFTAC could try to build into its ITA to new partners, and possibly something that its partnership with MicroBuild India could require (in terms of reporting to MicroBuild India.)

2. *Develop innovative business model for CTA:* See Sections 8.2 and 8.3 for recommendations on achieving this objective.

3. *Roll-out HMF and CTA in other MFIs:* HFCs in India are regulated by NHB, which was established in 1988 as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support to such institutions and for matters connected therewith or incidental thereto. While housing finance is emerging as a promising area due to its huge potential for asset creation, visible impact and capacity to support decent, affordable shelter. The current legislative and operating environment for housing microfinance in India is less than enabling with the following issues:

- Refinance Facilities for HMF: specifically, make NBFCs and MFIs eligible to tap into this fund for HMF loans.
- Priority Sector Lending Qualification for HMF: HMF should qualify under the priority sector lending criteria set by India's central bank, Reserve Bank of India.
- Conducive Regulation like considering HMF to qualifying under NBFC-MFI notification of the RBI.
- SARFAESI<sup>24</sup> clearance for micro housing portfolio of MFIs

HMFTAC can use the learnings of this project. Growing Opportunity has 321 loans with an 18 month vintage tenor and a 0% PAR, though small, it demonstrates some capacity by MFIs to reach this market. An important constraint in growth was capital. This example, as well as others which HMFTAC learns from its future partners can help it to build a policy platform for advocacy.

## 8.2 RECOMMENDATIONS FOR SUSTAINABILITY OF HMFTAC SERVICES TO MICROBUILD INDIA PARTNER MFI'S

As noted throughout this evaluation, capital constraints posed a major challenge to the program's ability to achieve most of its targets. Even while the HMFTAC built tools, provided TA and facilitate sector-level learnings, without capital, the project did not succeed in offering a large number of loans to low income homeowners. As such, HMFTAC will necessarily need to link its services to capital resources in order to have a larger outreach moving forward.

MicroBuild India (see adjacent box) has succeeded in building a pipeline of loans to 5 MFIs worth INR 250-300 Million due to be disbursed by 2014. An important service for the next phase of HMFTAC (i.e. AHTAC) will be support to MicroBuild India and its partners with ITA and CTA services.

Due to the nascent stage of both the HMF sector and MicroBuild India, it shall seek HMFTAC assistance for conducting Technical Due Diligence on MFIs seeking debt funding for rolling out Housing Improvement Loans, which will inter alia, cover:

- Willingness of MFI Management to enter into HMF
- Ability of MFI to rollout HMF

<sup>24</sup> The Securitization and Reconstruction of Financial Assets and Enforcement of their loans. It enables banks to reduce their non-performing assets (NPAs) by reconstruction.

## MicroBuild India

Incorporated in 2010 and registered as an HFC in 2012, MicroBuild India is a subsidiary of HFHI and the Mumbai-based ASK Group, that invests in HMF products provided through local FIs.

**Ownership:** 49% ASK, 51% HFHI

**Vision:** catalyze innovative, scalable financial solutions to the poverty housing situation in India

**Target:** 60,000 low income families accessing HMF over 5 years

**Capital:** Rs 100 Million with an additional Rs 60 Million infusion in 2014. The capital would be leveraged 3x through borrowings from Indian Banks and financial institutions.

**Product and Services:** Offer wholesale debt financing to MFIs which, in turn, offer affordable HMF loans to low-income families and ensures that products and services meet housing quality standards

**Objective:** Be a driver of social impact by being the most competitive wholesale lender for India's MFIs, so they can provide financial assistance to low-income families for home improvements and repairs. MicroBuild India's operational objectives are to reduce poverty housing, and improve health and living environments for low-income families across India, by providing:

1. Attractive wholesale pricing will incentivize FIs to engage in the field of housing microfinance.
2. ITA that will ensure the quality of the product and that it meets the requirements of the intermediary FI, as well as the needs of the family end user building a new house or undertaking home improvements or repairs

- Institutional Preparedness of MFI – Staff Training, Product Development, Underwriting)
- CTS – Train The Employees and Clients.

AHTAC will need to figure out the following for offering the above services to Micro Build:

1. How much does AHTAC depend on MicroBuild India to build its portfolio?
2. What percentage of AHTAC’s cost can likely be supported by the line of business?
3. What products/services are most needed for this line of business and why?
4. How willing will the MFIs be to pay for these services?
5. What changes in composition, skills or staff might be required?

*MicroBuild India as a line of business:* Linkage with MicroBuild India alone cannot be a sustainable business model for AHTAC. In India, historically technical services are provided gratis by way of coverage under a grant. For example: MicroSave in India, does research and consulting with MFIs, which is covered under some program grant. Similarly Intellectap, most of the work is funded by large multilaterals, foundations or corporates. In India, expecting MFI to willingly pay consulting or technical assistance may be optimistic. That said, MicroBuild India will still need some services to be provided, and may provide a regular income stream. Having a realistic picture from MicroBuild India as well as its borrowers as to the likely demand for AHTAC services will help determine the likely income/level of effort to be expected over the next five years, as MicroBuild India builds its portfolio.

*Products:* AHTAC aims to offer the following services to MicroBuild India:

Services to MicroBuild India (Paid for, by MicroBuild)	Services to MFIs (Paid for, by MFIs)
Pre clearance report on MFIs	ITA for MFIs, Paid for by MFIs
Market Assessment and Research on HMF – New products, New Locations	CTA to MFI clients, paid for by clients if they decide to hire AHTAC
Institutional Preparedness Assessment	
Capacity Building for MFIs	
Toolkits on HMF	
Financial Education	

*Willingness to pay:* MicroBuild India Target Clientele MFI should meet the following parameters

Eligibility of an MFI to avail loan from MicroBuild India
Lending to only Tier 1 MFIs in Year, (no Tier 2/3 MFIs in Year 1)
Minimum Rating of BBB or B and above
CAR:15% in preceding 3 years
No loss in preceding 3 years
Minimum Years of Operations: 3 Years, Profitably
OSS of 100%
PAR not above 2%

These are leading institutions, which have the capacity to pay for services, but AHTAC will need to further build the skills/capacity to perform a technical due diligence and offer the services that are needed.

For CTA services, HMFTAC has a detailed summary of the types of home improvement projects, ranging from Level 1 (basic services such as painting, connection to utilities) to Level 5 (construction of a full house). According to this framework, only Levels 3-5 require an engineer. Levels 1-2 can be done through building in-house capacity at an MFI. At Growing Opportunity, all clients, regardless of level received the support of an engineer. On a fee-for-service model, this may turn into a luxury. The evaluation team did not see a report tracking the clients by level, but suggests that it would be very helpful to track within its present partners a well a future, the level of each loan. This would give an idea of the intensity of CTA services required by engineers. (The focus group and interview samples were too small to be considered indicative.) The staffing needed to build capacity to offer Level 1-2 CTA services within MFIs may be the same or different from the engineers offering Level 3-5 services.

With more information about the complexity of the projects being demanded, the AHTAC will also need to figure out which skills it needs in-house and which can be done through consultants. Especially as its regional coverage grows, it may not be viable to keep all engineers on staff. It may be important to keep those that train MFIs on staff, and outsource those that work with clients.

For ITA services, HMFTAC presently has a very skilled manager, who is qualified to carry out the technical assessment. AHTAC may need to be ready for some changes to the type of services that MFIs require. Tier 1 MFIs likely have their own in-house market research and product development skills, but they may not have an appropriate organization structure to handle individual lending (if they are primarily group lenders). TA may require more of a focus on business approaches and structures as well as product-related questions. While this is being done to some degree in existing partners, HFMTAC needs to consider whether below the level of management, it has appropriate skills to offer high quality ITA to Tier 1 MFIs.

*Other strategies to consider or leveraging MicroBuild India*

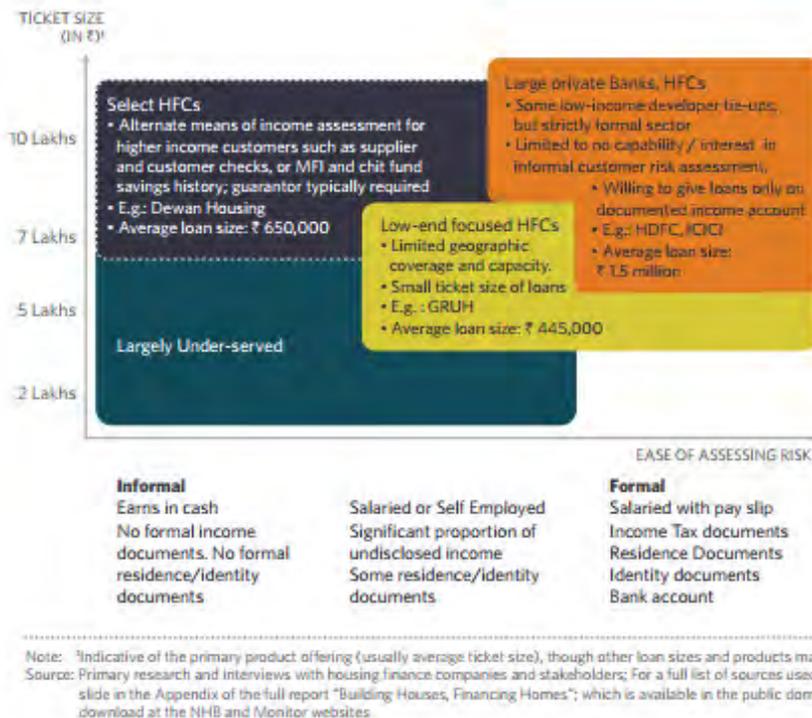
1. *Build HMFTAC Organizational Effectiveness to cater to MicroBuild India:* This will require a good understand of the needs, market and expectations (as discussed above)

Organisational Effectiveness	Remarks
Leadership	Henry Waller provides great leadership with necessary experience
Decision making and structure	Fine
People	Need to develop 2 <sup>nd</sup> line of leadership and people, build people capabilities and competencies.
Work processes and systems,	Need for Knowledge Management, Internal Training
Culture	Need to build an entrepreneurial culture.

2. *Use bundling of services with MicroBuild India Loans to its advantage:* Given the recent vintage of HMF India, for the first 3 years, all loans disbursed by MicroBuild India would have a mandatory ITA Assessment, training needs analysis and (if found to be necessary) training for the MFI. The HMFTAC should capitalize on this opportunity by offering world class services to both MicroBuild India and MFIs. The HMFTAC should leverage MicroBuild India investee MFIs to showcase both ITA

and CTA. Building on the success of these, the HMFTAC can built reputation, earn goodwill and potentially generate more business.

3. *Consider bundling TA with MicroBuild India only as a single product line, but also focus on building a sustainable “free market” offering:* The HMFTAC should consider bundling TA with MicroBuild India only an interim solution with focus on building a ‘free market’ sustainable offering. HMFTAC would need to build an entrepreneurial culture.
4. *HMF is bound to grow, MicroBuild India and HMFTAC can jointly ride the growth wave:* The affordable housing and HMF market in India shows huge promise, and MicroBuild India addresses a key constraint, capital. Catalyzed by a lower demand of high and middle-income households, more and more lenders are starting to offer housing financial services to low income markets, and have found the market to be profitable.



It is estimated that a housing finance company (HFC) serving low income markets could achieve a Return on Equity (RoE) of 18-25%, which the researchers saw as encouraging that services will come in these low income markets even when demand of higher income groups increases<sup>25</sup>. This presents a large opportunity for debt wholesaler like MicroBuild India which eventually the HMFTAC is well placed to capitalize upon.

25 Deb, A., Karamchandani, A. & Singh, R(2010), Building Houses, Financing Homes: India’s Rapidly Growing Housing and Housing Finance Markets for the Low-Income Customer, Monitor Inclusive Markets <http://www.mim.monitor.com/downloads/whitepaper-BuildingHousesFinancingHomes-final-screen.pdf>

### 8.3 RECOMMENDATION TO ACHIEVE SCALE OF HMFTAC OPERATIONS

#### Background and Overview

MFIs often struggle with offering customized loans for housing, even though they are aware that over 20% of their micro business loans get diverted for housing. They struggle with such challenges as: how to ensure proper loan utilization, how to deal with lack of clear title to land, etc. That said, several large MFIs do plans to set up HFCs for HMF, and eventually mortgages. ITA services may be in demand as interest grows.

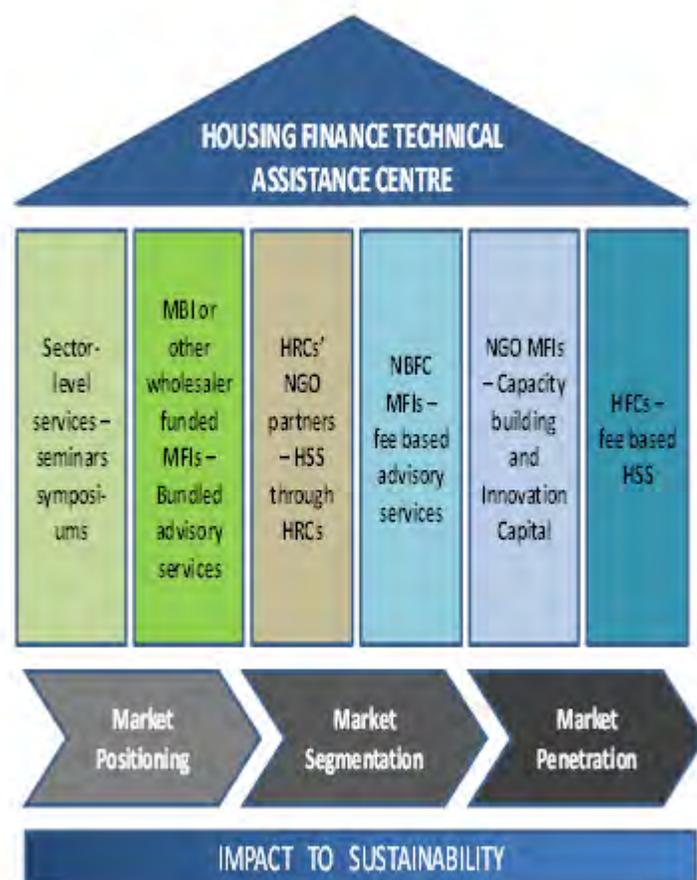
Additionally, as seen from feedback during the training workshops on HMF Toolkit, the industry now views CTA as a viable approach that could ensure that housing loans are low on credit risk and high on impact.

Having developed tools and models for delivery of ITA and CTA to MFIs for the last three years, HMFTAC has ample market experience, learnings about need and demand, products and services etc.

*Market Positioning:*<sup>26</sup> AHTAC intends to position itself as the preferred service provider for MFIs / NGOs who are entering housing finance or looking to expand and scale up their low income housing operations. This would be done through sector-level workshops and symposiums working with Regulators and wholesale funders like NHB, IFC, MicroBuild India, Dia Vikas and perhaps even Swarnapragati. The USP of HMFTAC which includes ITA and CTA, coupled with international best practice experience through HFHI, would be projected and disseminated at symposiums and seminars.

*Market Segmentation:*<sup>27</sup> For ITA services, AHTAC would then start working with the different segments of FIs and other institutions which lend to the low income group for housing, as shown below. The needs of each would differ and would need to be catered to differently.

1. MicroBuild India funded MFIs (Tier 1)– bundled advisory service along with MicroBuild India funding
2. NBFC MFIs (Tier 2) – Fee-based advisory and capacity building ITA services
3. NGO MFIs (Tier 3 MFIs) – Capacity Building + Lending by a partner company
4. Habitat India’s NGO partners – Advisory/capacity building services through HRCs
5. HFCs – will be targeted later, when more HFCs start looking at the lower income group
6. Grant Funding for special projects, for e.g. IFC Tool Kit.



<sup>26</sup> AHTAC Business Plan shared by HMFTAC

<sup>27</sup> AHTAC Business Plan shared by HMFTAC

Metrics like a) number of institutions reached in each segment, b) level of uptake of advisory services c) number of end clients reached – through CTA (through each model), Financial Education, d) operational sustainability, e) repeat clients, f) product cost recovery, g) client satisfaction should be tracked on a quarterly basis, to check effectiveness of the plan and work on course correction if necessary. It may help AHTAC to eventually focus on one or two of the potential segments over time. (We are making the assumption that CTA services will always be linked to HMF in the AHTAC model.)

*Market Penetration:*<sup>28</sup> This would be the time of scaling up, when institutions that are cash-strapped can be lent ‘Capital for Innovation in Housing’, which will be coupled with the capacity building – particularly CTA and Financial Education– enabling these institutions to not only build necessary technical infrastructure facilities (for the Beehive Centre), but also lend for the pilot and beyond. This should take place in the 3<sup>rd</sup> year onwards. For example, Dia Vikas a wholesale lender and wholly owned subsidiary of Opportunity International Australia now encourages all its borrowing institutions to offer the National Pension Scheme to their clients. Just as the National Pension Scheme offered to clients as a service by ESAF has been received very well, CTA and financial education have tremendous scope.

The drivers for HMFTAC at the sector level are:

1. Growing demand for and supply of affordable housing, including through self-construction
2. Increasing demand though limited availability of housing finance for low-income customers
3. Government incentives—including interest rate subsidies and refinancing— for affordable housing
4. Growing number of housing finance lenders

Review of Business Plan and Financials: The AHTAC business plan can be summarized as below:

Business Line - 1 (Institution Focused)	Delivered to	Revenue Generation Capability
Advisory Services (Advocacy, Marketing, Inst. Preparedness and Launch)	MBI-MFI/MFI	High
Capacity Building Services (HMF, basic CTA and FE-ToT)	HRCs /NGO-MFI/BHC	Low
Peer Learning Workshops	MFIs / NGOs	Low
Symposium/Conference (Sector Strengthening)	MFIs/NGOs	High
ITA Services to whole sale lenders	NGO_MFIs	Medium
Knowledge Management and Development	HMF Sector	High
Business Line - 2 (Client Focused)		
Technical Validation (off-site)	MBI-MFI & NGO-MFI,	Low
On-site CTA	MBI-MFI & NGO-MFI,	Low

<sup>28</sup> AHTAC Business Plan shared by HMFTAC

Income from MFIs: In India, historically technical services are provided gratis by way of coverage under a grant. For example: MicroSave in India, does research and consulting with MFIs, which is covered under some program grant. Similarly Intellectap, most of the work is funded by large multilaterals, foundations or corporates. In India, expecting MFI to willingly pay consulting or technical assistance may be optimistic.

Income from MicroBuild India: That said, MicroBuild India will still need some services to be provided, and may provide a regular income stream. Having a realistic picture from MicroBuild India as well as its borrowers as to the likely demand for AHTAC services will help determine the likely income/level of effort to be expected over the next five years, as MicroBuild India builds its portfolio.

The below chart summarizes the projected financial summary of the AHTAC business plan, both moderate and high growth:

<b>AHTAC: Projected Financial Summary - Moderate and High Growth</b>							
		Scenario 1: Moderate-Growth			Scenario 2: High-Growth		
		Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
<b>1</b>	<b>Outreach</b>						
1.1	# of Institutions	6	11	13	11	12	19
1.2	# of Transactions	6480	7380	8460	9720	11520	14400
1.3	Families served	7200	8200	9400	10800	12800	16000
<b>2</b>	<b>Sources of Income</b>	\$	\$	\$	\$	\$	\$
2.1	Grant/CB Funds	9,000	3,000	4,000	12,000	7,000	4,000
2.2	Fee	4,880	10,880	57,560	7,320	23,200	115,080
	Total Income	13,880	13,880	61,560	19,320	30,200	119,080
<b>3</b>	<b>Projected Expenses</b>	\$	\$	\$	\$	\$	\$
3.1	Fixed Cost	69579	88537	109391	69579	98974	135718
3.2	Variable Cost	15433	16976	18674	15433	18150	21043
<b>4</b>	<b>Key Ratios</b>						
4.1	% of FC on Total Cost	82%	84%	85%	360%	328%	114%
4.2	% of VC on the Total Cost	18%	16%	15%	80%	60%	18%
4.3	PBT	-512%	-660%	-108%	-340%	-288%	-32%
4.4	PAT	-532%	-680%	-128%	-360%	-308%	-52%
4.5	Operational sustainability	6%	10%	45%	9%	20%	73%
4.6	% of Donation on the total income	65%	22%	6%	62%	23%	3%
4.7	% of fee on the total income	35%	78%	94%	38%	77%	97%

As can be seen from both scenarios, the majority of the income is expected to be generated from MFIs and their clients. Additionally, the cost structure is heavy on fixed costs. AHTAC must seriously analyze whether this is a realistic income and cost structure, given that MFIs in India are not accustomed to paying for consulting services without donor subsidies; that HMF remains nascent in India; and that

Microbuild India is just starting operations. The following recommendations can be analyzed to make suitable amendments to the business plan.

### Business Lines and Clients

1. *The AHTAC needs to clearly define product lines in an understandable framework, such as:*

- a. ITA
- b. CTA
- c. HMF Due Diligence
- d. Grant Management

As with MicroBuild India, it needs a good projection as to how much each line of business will bring in each year, and it may need to depend a lot more on grant management in the early stages.

2. *Proactive Grant Raising:* India has a matured microfinance market where MFIs may not be very willing to pay for consulting services, this further compounded by the fact that historically technical services are provided gratis by way of coverage under a grant. For example: MicroSave in India, does research and consulting with MFIs, which is covered under some program grant. Similarly Intellectap, most of the work is funded by large multilaterals, foundations or corporates. In India, expecting MFI to willingly pay for non-bundled consulting or technical assistance is very difficult. HMFTAC should look at proactively raising grants for serving clients. We strongly suggest HMFTAC to empanel a professional grant writer on a performance driven incentive basis who can:

- Generate Leads from Foundations, Multilaterals, Corporates etc. (Domestic and Overseas)
- Develop Targeted Proposals
- See the process from proposal to award

Target-based grant generation will enable HMFTAC to meet its funding needs for providing TA and CTA to MFIs/NGOs, investment in resources to build innovative products and services, develop learning and training products etc.

3. *Business of Information and Knowledge: The below initiatives can be monetized:*

<b>Recommended Initiatives:</b>	<b>Monetization Strategy</b>	<b>Potential for Program Grant</b>
Build an Industry Association of HMF Stakeholders (MFI, HFC, Banks, HMF Consultants) in India	Membership Fees from Members	Yes
Build a learning network for HMF in India	Membership Free from Members	Yes
Produce/Co-Produce an annual conference on HMF in India	Sponsorships and Delegates Fee	Yes
Publish an annual State of the HMF Sector Report in India	Sponsorships and Publication Sales	Yes

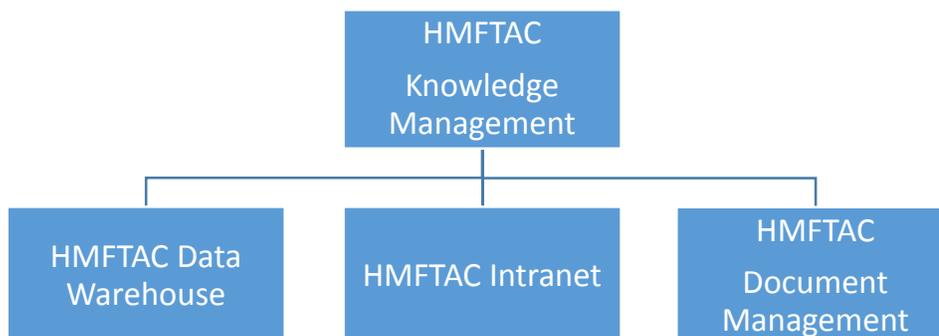
## Market Positioning

4. *Occupy the Leadership Position as HMF Champion: HMFTAC was 'the' earliest champion of HMF in India. HMFTAC was mentioned as an innovation in the Indian Microfinance State of Sector Report 2012. It should further build on the position through all/either of the following:*

Recommended Initiatives:
Build an Industry Association of HMF Stakeholders (MFI, HFC, Banks, HMF Consultants) in India
Build a learning network for HMF in India
Produce/Co-Produce an annual conference on HMF in India
Publish an annual State of the HMF Sector Report in India

5. *Knowledge Management Capability within HMFTAC*

Many large companies and non-profit organizations have resources dedicated to internal knowledge management efforts, often as a part of their business strategy. Knowledge management efforts typically focus on organizational objectives such as improved performance, competitive advantage, innovation, the sharing of lessons learned, integration and continuous improvement of the organization. Given HMFTAC role as consultant/technical assistance/services provider, it becomes imperative for it to build a knowledge management system. Suggested knowledge management technologies for HMFTAC:



Knowledge captured can build an organizational memory by refining, organizing, and storing knowledge using structured repositories. Knowledge will be distributed through education, training programs, automated knowledge based systems, expert networks.

6. *Partnerships:*

Partnerships across functions and regions are critical. HMFTAC should consider partnering with regional entities (e.g. Micro Home Solutions (MHS)) that are working in the Housing Microfinance Sector as consultants, implementers etc. Partnering with regional entities will provide experience as well opportunity to outsource non-core activities. Potential partnerships are presenting in the table on the following page.

Illustrative Set of Entities for Potential Partnerships	Description
Microfinance Institutions Network	Industry Body
Sa-Dhan	Industry Body for Microfinance
Confederation of Real Estate Developers' Associations of India	Industry Body
Micro Home Solutions	Consulting
USAID (India)	Donor
GIZ	Donor

## Structure and Costs

### 7. *Build a Low Operating Cost Model:*

A Fixed Cost model will be too expensive for the HMFTAC. The HMFTAC should NOT hire on-roll consultants but empanel consultants to be deployed on a project basis. HMFTAC should look at developing consulting skills and a network of consultants that can be brought in as engagements expand.

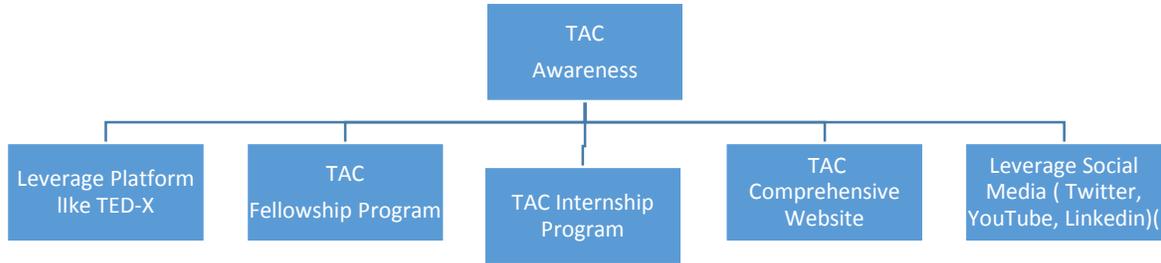
AHTAC Structure	Outsource/In-House
Director	In-House
Sales and Client Engagement Manager	In-House
Market Analyst and Knowledge Manager	In-House
Accounts and Administration	Outsource
Consultant – ITA	Outsource
Consultant – ITA	Outsource
Consultant - CTA	Outsource
Grant Proposal Writer	Outsource

Importantly, it needs be realistic as to how much direct TA the Director can do, especially if he will also continue to play an advocacy and fundraising role. Likely in the first years, some percentage of time will need to be on ITA, especially with large MFIs in order to ensure an appropriate quality, but the workload needs to be realistic, and with an intended decrease in direct ITA as the business grows.

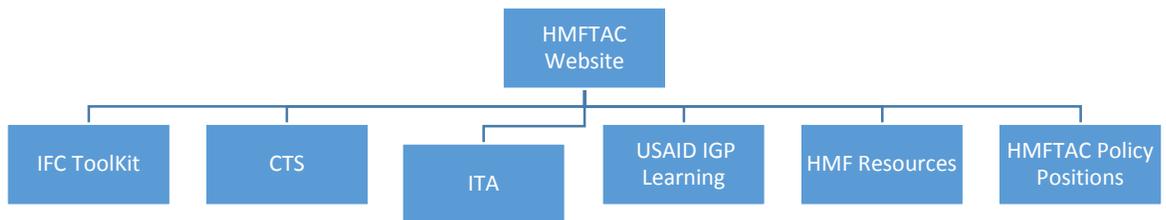
8. *Build Bee Hive Centres, Knowledge Hub for Housing Support Services:* HMFTAC's should target to set up multiple Bee Hive Centers across India. There 'Beehive Centers' should work to expand the effectiveness of Housing Support Services (CTA) by making it accessible to rural and urban areas. The 'Beehive Center' can act as active resource center where specialized information on home improvements is offered in the form of technology, a library, toolkits, education, and other housing materials to the community, each center will be expected to serve a minimum of 200 families. Partnership Strategies for setting up BHC
- a. Industry level collaboration with MFIs
  - b. Collaboration with large NGOs

Marketing Strategies

9. Awareness building of HMFTAC and Housing Microfinance through the following means:



- Platforms like TED should be used for spreading awareness about the HMFTAC and potential of HMF.
- HMFTAC Annual Fellowship Program: HMFTAC should seek grant funding to build and offer HMFTAC fellowships. The fellowship which will offer professional development of individual fellows to become future HMF leaders.
- HMFTAC should hire Interns on a rolling basis as they could lead to the following benefits:
  - a. Offers a cost-effective program for recruiting highly qualified and motivated students to meet HMFTAC needs
  - b. Provides well-prepared short-term employees to assist current employees, so they have opportunity to pursue higher projects
  - c. Meets peak or seasonal needs without a long-term commitment
  - d. A way to gain short term talent
  - e. Provide the organization with fresh ideas
  - f. Fulfill a civic and professional responsibility by providing students with real work experience
  - g. Increase Diversity
- Leverage Social Media – Twitter, Facebook, You Tube Channel (For CTS)
- HMFTAC Website – Comprehensive Website, which could be structured as below:



- *“One Habitat India Approach”*: Ensure complete synergy between the new AHFTAC Management and Trustees

The AHTAC management and trustees should have complete synergy and concurrence on the strategy, market opportunity, product and service offering. For example, Habitat India, AHTAC and MicroBuild India need to develop a unified approach. Habitat India has historically offered gratis services, and for them to move into a social business and charging the customer is new. An NGO/MFI which has been approached by HRC/Habitat India for 'free' partnerships and then gets approached by HMFTAC for 'paid' services has and will create issues going forward. With a '**One Habitat India**' approach, any Habitat India entity i.e. HRC or HMFTAC approaching an MFI/NGO partner should offer a complete bouquet of services with differing value propositions. This would make it feasible for AHTAC to explore partnerships with existing Habitat India partners, which are typically NGOs. The benefit of partnering with NGOs in the present market conditions is that they can access to grant funding which is more readily available than commercial funding for HMF.

#### *10. Promotion of IFC HMF Toolkit:*

The 'HMF toolkit for Low Income Housing Finance' should be promoted aggressively across MFIs, NGOs and HFCs through the following strategies:

- a. HMFTAC should build a comprehensive website which can house the IFC toolkit.
- b. Crisp notes detailing an Idea or Innovation from the HMF toolkit which can be circulated to sector stakeholder

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## 10. CONCLUDING REMARKS

**The USAID IGP "Transforming Access to Housing Finance in India" Program envisaged** an action research learning agenda that would improve poor housing conditions through TA and HMF.

While the quantitative parameter, including numbers of HMF loans disbursed, acutely fell short of the plan, the partners were able to identify and pilot test approaches to CTA and loan products that can potentially improve housing conditions of a wide range of clients from the unbanked to the poor. The products tested at Capstone and Growing Opportunity provide valuable lessons which can be used by HMFTAC to other MFIs, suitably complemented by appropriately designed and outsourced household level CTA.

More importantly, the HMFTAC played its role in strengthening of the nascent HMF sector through multiple workshops, meetings with key stakeholders, research on the IGP partner's clients and presentation at key symposiums, both domestic and overseas. The IFC grant to HMFTAC for developing a HMF toolkit is a testimony to the capabilities and competencies built by HMFTAC as a result of the USAID IGP. The HMF toolkit provides detailed guidance to MFIs and HFCs (and even trusts and societies – NGOs) to strengthen housing loan programs (micro-mortgage, home improvements and incremental housing loans.)

It was always the program plan to make the HMFTAC sustainable, and build new partners. This is very much in line with the way the program has evolved with the incorporation of AHTAC (Affordable Housing and Technical Assistance Centre).

**An Untapped Market:** During the last decade, Indian MFIs have made phenomenal progress in serving low income groups - reaching 35 million households in 2013. In spite of evidence of fungible use of Micro

credit's business loans by MFI clients for housing improvements and additions, many MFIs appear slow or reluctant to launch housing loans for the following reasons:

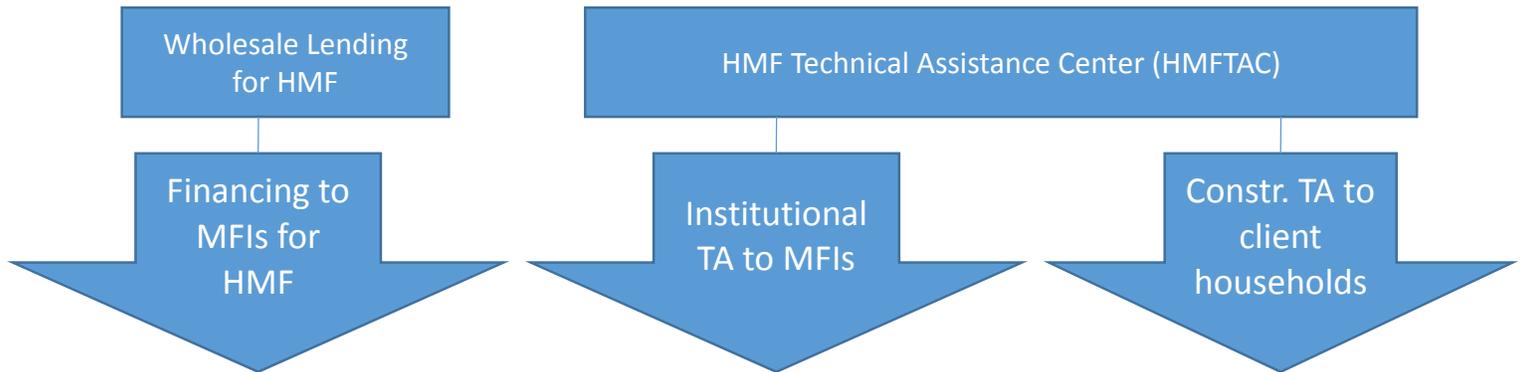
- a) MFIs lack access to loan capital for Housing Microfinance;
- b) MFIs need more knowledge/capacity to design, manage and deliver Housing Microfinance products along with construction related Technical services.

Both MicroBuild India and now AHTAC are well positioned to capitalize on the above opportunity through their products and services respectively. AHTAC's business model, however, will require thoughtful planning into its business lines, market positioning, cost/staffing structure and marketing to be sustainable, and it may require some subsidies in its early years.

The HMF market is still in its infancy, HMFTAC has been the earliest champion of HMF in India and there lies ample opportunity for it take a leadership position and carve out a niche as the sector grows. There are various roles which the HFMTAC can don i.e. as the HMF sector's first consultant, builder of an HMF industry association, creator of a HMF sector network and an incubator for HMF innovation.

I. The consulting assignment

**HFH India's Housing Microfinance (HMF) Sector Strengthening Approach**



General Objective

1. Evaluate progress and performance towards achieving the intended goals and projected outputs of the program.
2. Identify and document unintended outcomes of the grant.
3. Provide recommendations for achieving any unfilled objectives.

Scope

To complete the assignment, the consultant will primarily review documentation and interview key staff involved in producing or supporting grant outcomes including:

1. Document review:
  - o Detailed Implementation Plan
  - o HFHI quarterly reports to USAID
  - o Other documentation produced under the grant
  - o Other secondary sources related to housing microfinance such as housing studies performed by third parties, relevant web sites, etc...
2. 20-30 Interviews including:
  - o HFHI key staff in Atlanta, Bangkok and Manila
  - o HFH India key staff in Chennai, Mumbai, and Delhi
  - o Grant partners in Chennai plus head office staff in the USA
  - o Other partners in India such as industry bodies, MFIs and MicroBuild India

Deliverables

- Approved evaluation plan including interview guides (due 10 days after signing of consulting agreement)
- Draft Evaluation Report in four parts (due by June 1)
  1. Progress and performance towards achieving the goals and outputs of the grant
  2. Recommended steps to achieving unfulfilled objectives

3. Recommendations to the HFH India TAC to sustainably provide Technical Assistance to MFIs borrowing from MicroBuild India. This section should have some analysis of the degree of technical difficulty in the population of home interventions pursued as a result of HMF, and whether the TAC services are well aligned to support that.
  4. Recommendation to achieve scale of TAC operations in India.
- Final Evaluation Report (due by 15 June)

#### Place and dates for the consulting assignment

The assignment will be carried out on-site in Chennai and possibly other program-related locations in India if necessary. Pre-work and preparation can be done off-site in advance, including review of documentation and preliminary interviews via Skype or phone.

#### Coordination and Supervision

The assignment will be planned and coordinated by the Atlanta USA based project lead. The on-site portion of the evaluation will be led by the local project manager.

#### Qualifications

- Experience working with Indian microfinance institutions; experience in housing microfinance strongly preferred
- Experience working with and evaluating programs that seek to catalyze market responses that benefit the poor (M4P)
- Experience evaluating USAID funded projects
- Experience analyzing financial sector data
- Excellent English
- Superior writing and communication skills (writing sample required)
- Flexible schedule permitting after hours calls and travel to/within India
- Ability to travel to Chennai India within the timeframe for the on-site portion of the assignment

ANNEX II: EVALUATION MATRIX

Foci	Sub Foci	Evaluation questions	Indicators <sup>29</sup>	Sources of data	Interviewees
1 Context	National context	What have been the key changes in the political, regulatory, social, economic, technological contexts since project has started that have had effects on project implementers or its target groups and/or its target groups?	Policy Announcements <b>Regulation</b> Externalities Trends, lessons, issues, competition challenges	HFHI and USAID publications Project Annual reports Key Informant Interviews (KIIs) Industry studies Literature	KIIs with: HMFTAC, HBH India, Growing Opportunity, Experts
		What have been the positive and/or negative effects of these changes on HMFTAC, Growing Opportunity, Capstone (i.e. its organizational context, performance and/or capacities)? What have been the key trends, lessons, issues, challenges related to housing financial and non-financial services to low income communities since the project inception?	Trends, lessons, issues, competition, players challenges	HFHI and USAID publications Project Annual reports Industry studies	KIIs with: HMFTAC, HBH India, Growing Opportunity, Experts
	HFHI / Project Context	To what extent has HFHI responded to the above changes? How has HFHI global and national strategies evolved since the inception of the project?	Initiatives	KIIs HFHI Annual and Project reports	KII with: HFHI Senior Management HFHI Project Management Partner Institutions (PIs)

<sup>29</sup> We have included indicators where relevant to do so

Foci	Sub Foci	Evaluation questions	Indicators <sup>29</sup>	Sources of data	Interviewees
2 Relevance	Project distinctiveness, niche	To what extent is the HFHI project distinct from other industry players in any of its services in the area of housing and housing finance to low income communities? What is the comparative advantage of the project over other industry players?	Number of organizations that provide similar services to HFHI at international, national levels.  Number and types of MFIs offering Housing Microfinance in India.	KIIs	HFHI Management  Project Management Partners  HFHI project “competitors”  Industry leaders
	Congruence with HFHI mission, values and strategy	To what extent are the HMFTAC planned annual activities and outputs since project inception congruent with the HFHI and HBH India mission, vision, strategy? What are the explanations for any key variances, if any? And how have these affected the outcomes?	Number and types of exceptions	HFHI publications  Project reports and workplans  KIIs	HFHI Senior management  Project Management
	Planned goals (HFHI Results Framework)	To what extent has HFHI realized planned project goals? What have been the effects of HFHI support on its target groups?	Evidence that HFHI support has supported the realization of stated goals	Project documents  Annual workplans and reports  Partner reports  External reports and evaluations  Focus Groups  KIIs	HFHI Senior Management  Project Management Partners
	Governments and Policy makers	To what extent has HFHI realized planned HFHI goals at the policy level? What have been the effects of HFHI support on legal, regulatory and policy frameworks? And has this support or lack thereof affected the outcomes?	Evidence that HFHI support has supported the realization of stated goals	Project documents  Annual workplans and reports  Partner reports	Govt/Industry Stakeholders

Foci	Sub Foci	Evaluation questions	Indicators <sup>29</sup>	Sources of data	Interviewees
<b>3 Effective ness<sup>30</sup></b>	Sector Actors	To what extent has HFHI had an impact at the industry level locally, nationally or globally on good practices?	Evidence of demonstrated impact resulting from lessons or demonstration of the project	External reports and evaluations Focus Groups KIIs Publications KIIs	Partners Industry Experts Competitors
	Clients	To what extent has HFHI's work had the intended outcomes and impacts at the client and beneficiary levels?	Evidence of changes in client assets or well-being correlated to project activities	Focus group Reports KIIs	Project Management Partners USAID
	Unintended effects and impacts	Have there been any unintended (positive or negative) effects and impacts on HFHI or its target groups? OK	Evidence of unintended effects and impacts	Annual workplans and reports Partner reports KIIs Focus Groups	HFHI Senior Management Project Management Staff Partners Industry Leaders Competitors
	Sustainability of results	To what extent are (will) the results of HFHI's programming being (will be) sustained over time by the partners, clients and beneficiaries?  To what extent does the project take a market-oriented/business approach and how can this be improved?  Demand for HMFTAC services, how much can be paid and by whom. TAC as a consulting service in the future?	Evidence that HFHI partners and clients have initiated and/or institutionalized changes to their housing or housing finance policies and/or practices  Evidence of HFHI exit plans in place and used over time  Number of HFHI initiatives successfully devolved to others over the period.	KIIs Focus Groups Reports Partner reports	Project Management Staff Old and New Partners Industry Experts

<sup>30</sup> See also section 2.2

Foci	Sub Foci	Evaluation questions	Indicators <sup>29</sup>	Sources of data	Interviewees
<b>4. HFHI Program Management</b>	Alignment of Design with Best practices	To what extent was the project design and approaches adopted aligned with best practices in housing, microfinance and M4P	Evidence that methodology followed standard, accepted practices within the relevant sectors	Design documents Policies, reports, systems on methodological approaches Analysis of partner institutions' portfolio performance Industry reports	
	Output and Outcome Management	To what extent have project outputs and outcomes contributed to its goals?	% of realized outputs and outcomes which can be clearly linked to project goals	Design documents Policies, reports, systems on methodological approaches Analysis of partner institutions' portfolio performance Evaluation reports	
	Program Management	To what extent have HFHI and its project managers provided appropriate leadership to achieve its mission? To what extent do HFHI's managers' backgrounds and expertise reflect program management needs	Evidence demonstrating that the management team had the competency to lead the project	Biographies of project and oversight management team KIs Project reports	HFHI Senior Management Project Management Staff Partners USAID

Foci	Sub Foci	Evaluation questions	Indicators <sup>29</sup>	Sources of data	Interviewees
	Monitoring and evaluation	To what extent does HFHI have effective and efficient M&E systems in place that produce timely and useful information needed by its key stakeholders?	Evidence of completeness and timeliness and content of HFHI reporting and monitoring practices and information and satisfaction by stakeholders	MIS Reporting tools Reports KIIs	HFHI Senior Management Project Management Staff Partners USAID
	Monitoring and evaluation	What changes in current systems would have been how useful to enhance project monitoring and reporting on its performance?	List of needed changes	MIS Reporting tools Reports KIIs	HFHI Senior Management Project Management Staff USAID
	Learning	<p>Does the HFHI Operational Team learn from its external and internal evaluations and monitoring systems?</p> <p>Are learnings systematically used to improve project approaches?</p> <p>Are learnings documented and distributed for wider use within HFHI or the industry?</p> <p>Does the project participate in sector studies, etc., as appropriate to contribute to learning?</p>	<p>Examples of lessons learned and utilized</p> <p>Examples of lessons distributed</p>	Reports KIIs Publications / Presentations	HFHI Senior Management Project Management Staff Partners USAID
	Financial reports	To what extent does HFHI have appropriate systems in place to generate the kinds of financial reports needed to support project implementation as per USAID requirements?	Evidence of congruence between the systems and HFHI implementation needs	MIS / reporting templates Financial reports KIIs	HFHI Senior Management Project Management Partners USAID

Foci	Sub Foci	Evaluation questions	Indicators <sup>29</sup>	Sources of data	Interviewees
		To what extent are funding arrangements affecting, positively or negatively, the project focus or implementation as per USAID requirements?	Evidence of congruence between the funding arrangements and project needs	Agreements KIIs	HFHI Senior Management Project Management USAID
		To what extent does the project have adequate oversight and management systems that are transparent and thorough, yet pragmatic, in providing information about the project?	Perception of partners Perception of donors Perceptions of staff Observations on existing systems	MIS / reporting templates Reports KIIs	HFHI Senior Management Project Management Staff Partners USAID
<b>5 Account ability</b>		To what extent have HFHI partners been compliant with their responsibilities under the project agreements and performance indicators?	Proportion of members who have been compliant with their responsibilities	Reports	
	Cost effective ness	To what extent to the outputs and outcomes of each project activities correspond with the resources allocated? Is there evidence that project managers have sought to re-allocated resources in the event of inefficiencies?	Existence of substantial differences in cost/benefit analysis between and among project activities	Financial reports Budget Activity/outcome reports KII	HFHI Senior Management Project Management Staff USAID
	Lessons learned	What are the main operational and developmental lessons from the project? Analysis of lessons learned, and how they are being applied to the current work being done. Steps to achieve unfulfilled objectives		Lessons Learned Workshop Focus Groups KIIs	All stakeholders interviewed will inform this questions

Foci	Sub Foci	Evaluation questions	Indicators <sup>29</sup>	Sources of data	Interviewees
6 Lessons learned and Recommendations	Areas for improvement	In what specific areas (if any) could HFHI, its partners or USAID improve its developmental or operational performance in the future projects? For e.g. Sustainable model of providing TA and How to achieve scale.		All data sources used will inform this question	All stakeholders interviewed will inform this question

## ANNEX III: TEAM

Ayani has put together a team of experts to carry out this assignment. One consultant will carry out the field work, and will receive technical backstopping from an off-site expert, and management backstopping from a member of Ayani’s management team. Our proposed team offers a deep knowledge of housing and microfinance markets in India, as well as global expertise in housing microfinance and M4P best practices. The evaluation team has lead global as well as project-level evaluations for USAID funded projects among others.

Name and Position	Summary of Relevant Expertise
Vibhu Arya Field Consultant	Mr. Vibhu Arya has over a decade of professional and consulting experience with corporations like MFIN, Citibank, GE, and BHP Billiton. He managed the microfinance business in West, North, and East India for Citibank, where he developed partnerships with debt and equity investors. He also led Citibank’ efforts to develop linkages with firms such as Unilever and Phillips to distribute low cost water purifiers and LED lanterns. He has recently carried out an assessment of the housing microfinance market in India. His work in microfinance, housing and policy has included various studies, white papers, comparisons, evaluations, due diligences, primary and secondary research. He has also provided technical assistance to MFIs and partners in the area of risk monitoring, ratings, portfolio monitoring, financial modelling, and strategy and business development. He has significant experience in the M4P approach. Mr. Arya focuses on low cost housing initiatives, and their linkage to sustainable and appropriate financial services. Other areas of expertise include branchless banking, agribusiness, social performance management, client protection and credit bureau administration.
Joan Hall Technical Backstopping	Ms. Joan Hall is a financial services expert, offering technical assistance missions focusing on microfinance, housing finance, SME lending, and rural finance institutions, as well as cooperatives and credit unions. Skills include evaluation, strategic planning, financial analysis, training and technical assistance, product development, youth financial services, and monitoring. She has a solid understanding of housing issues globally, having worked with CHF International, DAI and HFHI in providing technical support, drafting case studies and contributing to toolkits in the areas of housing and housing microfinance. Ms. Hall’s focus on the end market enables financial institutions to improve their services, and her evaluations provide clear insight into improvements which can be made to operations or strategy. In addition to her technical advisory services, Ms. Hall is also widely published with both technical pieces as well as evaluations for such institutions as IFC, UNCDF, USAID, SEEP and IFAD.
Eileen Miamidian Program Management	Ms. Eileen Miamidian brings over 15 years of global consulting and management experience in access to finance. She oversees the technical quality of Ayani’s research and advisory services and leads business development efforts. Prior to this, she was responsible for the transformation of the Global Communities (formerly CHF) microfinance network subsidiaries from non-profit status to a commercially-oriented holding company, the Vitas Group. This included institutional preparedness in growth readiness, creation of banking operations, streamlining credit operations, and establishment of key departments such as Human Resources, Internal Audit and Marketing. Her consulting experience ranges from technical support in market research, product development, commercialization and strategic planning to leading global evaluations for such organizations as UNCDF, IFAD, Tuft University and USAID in

	over 30 countries. She has served both as manager and a board member for several microfinance institutions. She has managed and evaluated USAID IGP programs.
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## ANNEX IV: RESOURCES

No	Documents Reviewed
1	Detailed Implementation Plan agreed between USAID IGP and HFHI, DIG and Growing Opportunity
2	Project Quarterly Reports to USAID
3	HMFTAC Presentation made at SEEP conference
4	HMFTAC Costing (CTA etc)
5	HMFTAC ITA Tool Kits (Market assessment, Research, Brochure, Loan Manuals, etc)
6	HMFTAC CTA Tool Kits (Collaterals)
7	Internal HFHI Grant Implementation Report
8	Growing Opportunity Case Studies & Report
9	Capstone Case Studies & Reports
10	Project Milestones Achieved
11	Results of HMFTAC Survey – NGO and MFI Clients
12	Results of Partner Survey and Studies (Growing Opportunity/Capstone)
13	Project Objectives and Achievement – Year 1, 2, 3
14	HMFTAC Business Model
15	Other HMFTAC Partners Reports ( Grameen Koota, MicroBuild India)
16	Beehive (Concept, Rollout)
17	Future of HMFTAC – Business Plan, Implementation Plan
18	Secondary Data – Sector Reports
19	Secondary Data – PESTEL Analysis
20	Others

### Literature review:

EXTERNAL DOCUMENTS (Literature Survey) - Reviewed	
No	Description
1	Government of India Reports on Housing (Housing Shortage, Key Policies)
2	National Housing Bank
3	Existing Reports ( Monitor etc)
4	Sectoral Reports
5	MFI Housing Loan Products
6	Other Reports to understand Trends, practices, lessons in housing, microfinance and M4P
7	USAID policies relevant to project performance

**Interviews with key program stakeholders:** The evaluation team conducted individual and small group interviews. In preparation for the interviews, the evaluation team drafted interview protocols for various stakeholder groups, using the evaluation matrix as the guiding framework. Key informants included HFHI key global, regional and country-level staff; grant partners in Chennai and their head offices in the United States and other project partners such as industry bodies, MFIs and MicroBuild India. The semi-structured interviews were carried out in person, by telephone or by Skype. The consultants have aggregated the

information and opinions collected in the interviews in order to protect the confidentiality of the discussion.

No	Key Information	Institution	Location	Mode
1	Henry Waller, Director	HMFTAC	Chennai	In Person
2	K Davidson, Product Dev Mgr	HMFTAC	Chennai	In Person
3	Henrietta Issac, Consultant	HMFTAC	Chennai	In Person
4	Sam Devanukragam, Asst Mgr, Finance	HMFTAC	Chennai	In Person
5	Doraiswamy Paul Sunder, Director	HRC Chennai	Chennai	In Person
6	V Samuel Peter, Director Disaster Response	Habitat India	Chennai	In Person
7	Theophilus Manohar, Asso Fin. Manager	HRC Chennai	Chennai	In Person
8	K.Senthilvel, Engineer HMFTAC	HMFTAC	Chennai	Joint Capstone Client Visit
9	Abishega Gangotri, Engineer HMFTAC	HMFTAC	Chennai	
10	Praveen Samuel, Manager – Marketing	Growing Opportunity	Chennai	In Person
11	TP Vargese Linson	Growing Opportunity	Chennai	In Person
12	Eric Adams, Formerly, Capstone Managing Director	Partner	USA	Phone
13	Franck Daphnis, DIG	Partner	USA	Not Done
14	Eric Christopher, CEO, Habitat India	Habitat India	Delhi	Not Done
15	Deepak Vishvanathan, COO, Habitat India	Habitat India	Mumbai	Phone
16	Georgia Kurien, CFO, Habitat India	Habitat India	Mumbai	Phone
17	Patrick Kelley, Director of International Housing Finance	HFH International	Atlanta	Phone
18	Patrick McAllister, Director of Housing Finance, Asia/Pacific	HFH International	Bangkok	Phone
19	Rajan Samuel, Housing Finance Manager	HFH International	Bangkok	In person
20	Ramchandra Vaidya, CEO	MicroBuild India	Bangalore	Phone
21	Suresh Krishna, MD	Grameen Koota	Bangalore	Phone
22	Joe Mathai	Habitat HRC Bangalore	Bangalore	Phone
23	Samuel Chandar, CEO	Growing Opportunity	Chennai	In Person
24	Dana Lunberry	Opportunity International	USA	Skype

**Focus Groups:** The evaluation team conducted 2 focus groups to complement the interviews proposed above. Ayani appreciates the support of HMFTAC and Growing Opportunity (India) in locating focus group participants and inviting them to the meeting location. This is lower than the number originally envisaged due to of paucity of time. However, additional client visits cum personnel interviews with both Growing Opportunities and Capstone clients have been conducted outside the original scope of the evaluation.

No	Participants	Institution	Institution	Branch	Strength
1	Growing Opportunity Employee	Growing Opportunity	Chennai	Tambaram	12
2	Growing Opportunity Clients	Growing Opportunity	Chennai	Tambaram	10

#### Client Field Visits and Personnel Interviews with Growing Opportunity and DIG Clients

No	Participants	Institution	Institution	Branch	Strength
1	Growing Opportunity Clients	Growing Opportunity	Chennai	Tambaram	3
2	Capstone Clients	Capstone	Chennai	Urban	4

**Lessons learned workshop: Growing Opportunity** The evaluation took advantage of the experience and expertise of the IGP Partner Growing Opportunity team identify key lessons and good practices which have emerged from the project. Ayani held a 2 hour workshop in which key Growing Opportunity project staff worked together to reflect on the project and establish key lessons which have been documented and can ideally be used for future programming.

No	Participants	Institution
1	Henrietta, Consultant	HMFTAC & Ex- Growing Opportunity
2	Praveen Samuel, Manager – Marketing	Growing Opportunity
3	TP Vargese Linson	Growing Opportunity
4	Vibhu Arya	Ayani

#### Lessons learned workshop: HMFTAC

The evaluation took advantage of the experience and expertise of the HMFTAC project team to identify key lessons and good practices which have emerged from the project. Ayani held a 2 hour workshop in which key project staff reflected on the project and establish key lessons which have been documented and can ideally be used for future programming.

No	Participants	Institution
1	Rajan Samuel	HMFTAC
2	Henry Waller, Director	HMFTAC
3	K Davidson, Product Dev Mgr	HMFTAC
4	Henrietta, Consultant	HMFTAC
5	Engineer	HMFTAC
6	Engineer	HMFTAC
8	Vibhu Arya	Ayani

## FINDINGS FROM FOCUS GROUP DISCUSSION – GROWING OPPORTUNITY INDIA STAFF

Background: Growing Opportunity, a member of the Opportunity International Network operates in India as Non-Banking Finance Company-microfinance institution (NBFC-MFI) dedicated to helping the working poor escape poverty. Growing Opportunity empowers poor entrepreneurs to positively transform themselves, their family and their community through income-generating loans, business training and social development. It works work closely with its clients to expand their business, grow their income, improve their financial security and provide better education and nutrition for their families. Since its inception in 2006, Growing Opportunity provides over 60,000 poor entrepreneurs an opportunity to improve their life. Growing opportunity has disbursed over 307 Home Improvement Loans across 9 branches in one state of Tamil Nadu and facilitated provision of HMFTAC’s CTA to over 500 clients

Focus Group with Growing Opportunity Staff	
Participants:	16 Growing Opportunity staff attended the focus group discussion which included 10 Loan Officers, 2 Team Leaders, Home Improvement Loan Product Manager, Branch Manager and Regional Manager.
Time	1030hrs
Venue	Growing Opportunity Tamabaram Branch, Chennai
Moderator	Vibhu Arya

### Key Consensus Takeaways:

1. The Tamabaram branch has disbursed 77 Home Improvement Loans with an outstanding of Rs 25 Lakhs (~\$50,000) and an average size of Rs 35,000 (~\$800), the delinquency in HMF portfolio is Nil.
2. Home improvement loans are very popular amongst clients.
3. Due to shortage of Funds at the Organization level, the home improvement loans have been restricted to few clients. There is a huge pipeline of clients wanting to avail home improvement loans and if funding were to be made available, the loans can be made.
4. Loan sizes should be increased to a minimum Rs 50,000 (~\$1000).
5. Loan Officers prefers the HMFTAC Engineer CTA services and they should remain outsourced due to the expert nature of services and also to avoid conflict of interest.
6. Assessment by the HMFTAC engineer is very critical to ensure:
  - a. Client is not heading towards over indebtedness
  - b. Optimal use of loan
  - c. Loan Utilization check
7. Client Helpline is incredibly useful.
8. Lessons:
  - a. Electricity Bill as proof while underwriting HMF loans

**Dissents:** One of the loan officer indicated that CTA services are useful, but instead of availing the services of the HMFTAC engineer, the Growing Opportunity loan Officer can themselves offer these services to the MFIs.

### *FINDINGS FROM FOCUS GROUP DISCUSSION – GROWING OPPORTUNITY INDIA CLIENTS*

Growing opportunity has disbursed over 321 Home Improvement Loans across 9 branches in one state of Tamil Nadu and facilitated provision of HMFTAC’s CTA to over 500 clients

Focus Group with Growing Opportunity Staff	
Participants:	12 Clients of Growing Opportunity’s Home Improvement Loan attended the focus group discussion.
Time & Venue	1230pm
Venue	Growing Opportunity Tamabaram Branch, Chennai
Moderator	Vibhu Arya

The Tamabaram branch is the oldest with over 77 Home Improvement Loans with an outstanding of Rs 25 Lakhs (~\$50,000) and an average size of Rs 35,000 (~\$800).

Home Improvement Loan Product Features:

Product	Loan Amount	Pricing	Term	Repayment Frequency	Collateral Substitute	No of Client
Home Improvement Loan	Rs 15,000 to Rs 50,000	28%	12/24 months	Monthly	Guarantor	Individual Loan

Key Consensus Takeaways:

1. Loan sizes should be increased to a minimum Rs 50,000 (~\$1000).
2. Client could have never imagined to avail the services of an **“engineer”** if it were not the HMFTAC **“Engineer”** providing the CTA services.
3. All of the clients, found the Construction Technical Assistance useful.
4. Clients do not mind paying Rs 250/- towards the CTA fee, with for larger projects they are happy to consider paying a bigger fee.
5. Clients found the process of availing a Home Improvement Loan reasonable and simple.
6. Assessment by the HMFTAC engineer assist them to:
  - a. Get the right advice
  - b. Save money on labor and material costs

7. Clients prefer the HMFTAC Engineer over a trained MFI loan officer for the specific purpose of providing CTA.
8. The HMFTAC Client Helpline is incredibly useful, and is particularly used to seek CTA opinion
9. Home Improvement Loan is very popular and other members of the group are waiting for the availing the loan.
10. Some of the clients suggested that HMFTAC should expand the CTA services to actual construction!

### LESSON LEARNT WORKSHOP: HMFTAC INTERNAL

Lessons Learnt Workshop – HMFTAC Internal	
Participants:	Rajan Samuel, Manager-Housing Microfinance Finance, HFHI APAC Henry Waller, Director, HMFTAC K. Davidson, Product Development Manager, HMFTAC Henrietta Isaac, Consultant, HMFTAC K.Senthilvel – Masters in Design, Bachelors in Architecture, HMFTAC Abishega Gangotri - Bachelors in Architecture, HMFTAC
Time & Venue	1030am
Venue	HMFTAC, Chennai
Moderator	Vibhu Arya

#### Key Consensus Takeaways:

1. Partnerships with MFIs are key for sustainability of the HMFTAC.
2. Proactive Policy Advocacy will play a definitive role in building an enabling environment for housing microfinance in India. The HMFTAC should importantly, bring the experience and lessons from the ground to the policy making process in order that right kind of policies are evolved for addressing housing microfinance.
3. An Association for Housing Microfinance in the near term is likely and the HMFTAC should play a proactive role.
4. Funding is key and the banks / financial institutions must be sensitized towards the need, demand, supply and performance of the housing microfinance loans
5. Synergies between MicroBuild India, Habitat India and HMFTAC are important:
  - a. Process: Efficient and Effective
  - b. People: Competent and Engaged
  - c. Goals: Strategic and Specific
  - d. Culture: Conducive and Collaborative
6. DIG could have played a more proactive role in building the foundation of the HMFTAC for offering ITA services to MFIs, including Capstone. In absence of adequate technical know-how provided, HMFTAC leadership took the onus to build the ITA component almost independently<sup>31</sup>.

<sup>31</sup> It should be noted that because DIG had no representatives on site, it was not in attendance at this meeting. This finding represents the outcomes of the meeting.

7. HMFTAC services can be validated by the fact that IFC commissioned them to develop a tool kit for HMF.
8. Clients prefer the HMFTAC Engineer over a trained MFI loan officer for the specific purpose of providing CTA. Assessment by the HMFTAC engineer assist them to:
  - a. Get the right advice
  - b. Save money on labor and material costs

### *LESSON LEARNT WORKSHOP: GROWING OPPORTUNITY*

<b>Lessons Learnt Workshop – GROWING OPPORTUNITY</b>	
Participants:	Praveen Samuel, Manager – Marketing, Growing Opportunity TP Vargese Linson, Product Manager – Housing, Growing Opportunity Henrietta Isaac, Consultant, HMFTAC (Ex Growing Opportunity)
Time & Venue	1400 hrs
Venue	HMFTAC, Chennai
Moderator	Vibhu Arya

#### **Key Consensus Takeaways:**

1. Home Improvement Loans as an asset class have proven itself (321 HMF loans with 0% PAR) at Growing Opportunity. Growing Opportunity offers HMF across 9 branches in Tamil Nadu
2. Delay in HFHI’s Housing Finance Company, MicroBuild India, which aimed to mobilize public and private investment resources targeting housing for low income, the poor, and very poor was expected to provide support to Growing Opportunity’s HMF program. The Housing Finance Company (HFC) was registered only in mid-2012, after the original completion date of the project, and thus was not able to play the anticipated mitigation role with regards to the capital risk, which turned out to be the major challenge to the project.
3. Funding is key: If funding for HMF is made available, Growing Opportunity /other MFIs can scale up the housing microfinance program.
4. Proactive Policy Advocacy will play a definitive role in building an enabling environment for housing microfinance in India. The HMFTAC should importantly, bring the experience and lessons from the ground to the policy making process in order that right kind of policies are evolved for addressing housing microfinance. The key asks from an MFI perspective are:
  - a. Refinance Facilities for HMF: Make NBFCs and MFIs eligible to tap into the fund for HMF loans.
  - b. Priority Sector Lending Qualification for HMF: HMF should qualify under the priority sector lending criteria set by India’s central bank, Reserve Bank of India.
  - c. Conducive Regulation like considering HMF to qualifying under NBFC-MFI notification of the RBI.
  - d. SARFAESI<sup>32</sup> clearance for micro housing portfolio of MFIs

<sup>32</sup> The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, allows banks and financial institutions to auction properties (residential and commercial) when borrowers fail to repay

5. Clients prefer the HMFTAC Engineer over a trained MFI loan officer for the specific purpose of providing CTA. Assessment by the HMFTAC engineer assist them to:
  - a. Get the right advice
  - b. Save money on labor and material costs

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their loans. It enables banks to reduce their non-performing assets (NPAs) by adopting measures for recovery or reconstruction.

ANNEX V: SUMMARY OF LEARNING EVENTS

LEARNING WORKSHOPS ORGANIZED		Location	Dates	Participants
1	Learning introductions and workshop on Market Research by Amy Davis	Chennai	July 21-22, 2010	Program Partners
2	MFI Dialogue Session - Challenges involved in launching HMF	Chennai	23-Jul-10	10 MFIs
3	IFC's Mortgage/ HMF Toolkit Training for MFIs / HFCs with Vinod Kothari, IFC, ICRA, Monitor	Chennai	Sep 15-18, 2010	8 MFIs
4	MHF round table speaker session on HMFTAC– sponsored by IFC and WB with NHB	New Delhi	Nov 17, 2010	15 MFIs
5	Learning Workshop for IGPs from HFH Global Partners	Chennai	Feb 21st-25th 2011	Program Partners and Global Partners
6	Training to MFIs on Market Research and Product Development	Chennai	July 25-26, 2011	10 MFIs
7	Training to MFIs on Costing and Pricing at Chennai	Chennai	5-Sep-11	10 MFIs
8	Financial Education workshop(Training of Trainers) by Habitat International	Bangkok	Sep 13-17, 2011	Global Partners
9	Training to Growing Opportunity staff on HMF and Basic CTA	Chennai	25th Oct 2011	15 Growing Opportunity staff (Loan officers and Managers)
10	Training MFIs clients on making Stabilized Adobe Blocks	Bangalore	3rd Nov2011	50 Grameen Clients
11	Financial Education TOT - Global Housing Trainers Community Networking Session	Chennai(virtual mode)	4thNov2011	Global Partners
12	Training to Habitat Resource Centre on CTA	Bangalore and Delhi	Nov-11	30 nos - HFH India office staff
13	Dissemination and presentation in HFH International's HSS workshop/partnership at Atlanta	Atlanta	Feb-12	15 Countries Partners
14	Advocacy for innovative products - Growing Opportunity India	Chennai	29 <sup>th</sup> March 2012	1500 Growing Opportunity Clients
15	Market Mapping Workshop at Bangalore	Bangalore	June 4-7, 2012	Global Partners
16	Workshop on Product Development (HMF Toolkit) by CISF Team	Chennai	June 11-12, 2012	10 Nos - IGP and HRCs
17	Training to MFI staff (Grameen Financial Services)	Bangalore	Dec 20th,2012 & Jan - 21,22 2013	45 staff ( Front and Backend)
18	Training on Incremental Housing, Adobe stabilized soil block making to MFI and NGO-MFI clients		21st & 22nd Sep 2011, 24th Sep 2011 , 30th Sep 2011 , 16th Nov	MFI and NGO-MFI clients

			2011 & 10th Sep 2012	
19	Training on Alternate technology (Rat Trap Bond) to Masons		28th Sep 2011	Masons
<b>PRESENTATION MADE /PARTICIPATION AT CONFERENCES</b>		<b>Location</b>	<b>Dates</b>	<b>Participants</b>
1	SEEP presentation in Washington DC	DC	Oct-29- 31st,2010	100 Seep Delegates
2	India Microfinance Summit	New Delhi	15-16, Nov 2010	500 Delegates (MFIs, HFCs, NGOs, Policy Makers, Funders etc.)
3	Presentation in Asia Housing forum Bangkok – organized by HFH international	Bangkok		75 persons. 30 Countries.
4	India Urban Conference 2011	Mysore	Nov, 17-20 <sup>th</sup> , 2011	800 Delegates - (MFIs, HFCs, NGOs, Policy Makers, Funders etc.)
5	Roundtable on Financial Literacy – Opportunities and Challenges	Chennai	25-Nov-11	15 Delegates - RBI, Banks and NGOs
6	“Innovations In Affordable Housing Conference: -Speaker	Bangalore	Dec,7-8, 2011	15 MFIs and HFCs
7	Presentation on HMFTAC -HSS for Asian countries – AP housing forum	Bangkok	16-20thMay 2011	12 persons. 8 countries
8	Implementing Grant Programs- Peer Learning workshop, Washington DC	DC	July 25-27, 2012	Global Partners
9	Impact and Policy Conference - Evidence in Governance, Financial Inclusion and Entrepreneurship	Bangkok	28thAug to 2nd Sep2012	200 Delegates (MFIs, Academics and Researchers)
10	Urban & Housing Development – Marcus Evans Regional Conference	New Delhi	October 15- 17, 2012	50 No’s - NHB, Monitor Group, MFI Consultants, Developers and Construction Experts
11	India Microfinance Summit	New Delhi	27-28 <sup>th</sup> Nov2012	700 Delegates (MFIs, HFCs, NGOs, Policy Makers, Funders etc.)
12	Development Dialogues-2013 : Tipping Point - by Deshpande Foundation	Hubli	30 <sup>th</sup> Jan-1 <sup>st</sup> Feb 2013	1000 Delegates (MFIs, Investors, NGOs and Policy Makers)
13	Presentation in Asia Housing Program Bangkok		7th to 9th September 2011	700 participants from 37 countries

14	Workshop on Housing Support Services in Nicaragua -		March 2011	
15	Housing Quality Standard(HQS) conference – Bangkok – May 17th – 21st , 2011 –		Bangkok	30 participants from 12 countries
16	Housing Support Services in Atlanta – March 2012		Atlanta	
17	Workshop on HSS Frame Work Nepal – 8th to 14th May 2011 -		Nepal	12 participants from 6 countries
<b>KEY MEETINGS</b>		<b>Location</b>		
1	Meeting with Manaveeya holdings and SEWA and MHS on HMFTAC for their clients	Hyderabad		
2	Meeting with leading HFC and MFIs along with IFC rep for the toolkit preparations all over India – Bangalore, Chennai, Delhi & Mumbai	Pan India		
3	Direct meetings with MFIs in southern India area	South India		
4	Meetings with NABARD and HUDCO reps explaining HMFTAC	Pan India		

Some of the key events are summarized here:

<b>July 21-22, 2010 and February 24, 2011 - Learning Workshop to IGPs at Chennai</b>	
<b>Participants:</b>	Capstone, Growing Opportunity and HMFTAC
<b>Description</b>	Amy B Davis, Learning Coordinator from HFH International conducted the learning workshop with HMFTAC and IGPs and provided various tools to support Market research of HMFTAC and Growing Opportunity Fin.
<b>Agenda</b>	<ol style="list-style-type: none"> <li>1. Sample Research Questionnaire</li> <li>2. FGD with MFI clients</li> <li>3. FGD with Loan officer</li> <li>4. Housing Prioritization survey</li> </ol>

<b>July 23, 2010 – Dialogue session with MFIs on ‘Challenges involved in launching HMF’ at Chennai.</b>	
<b>Participants:</b>	Growing Opportunity, Grameen, Ujjivan, BWDA, IMPACT, ESAF, Capstone, TBF and Equitas.
<b>Description</b>	The session helped to receive inputs from MFIs on the HMF and enable HMFTAC to position to deliver effective ITA and CTA. The participants felt the need of CTA for home improvement and new home loans. It was also revealed that leading MFIs such as Equitas, Basix, Grameen Koota, Ujjivan and SEWA interested to float their own HFC

**September 15-18, 2010 – IFC’s Mortgage and HMF Toolkit Training at Chennai for MFIs and HFCs**

<b>Participants:</b>	<b>HMFTAC, DIG, Capstone, Growing Opportunity, True Aptus Value</b>
Description	HMFTAC coordinated with the International Finance Corporation (IFC) and organised the IFC’s Affordable Housing Capacity Building Program in Chennai. Both IGP and MFIs are benefited. The IFC recently launched a low-cost housing finance capacity building program workshop for housing finance companies and MFIs that are either: (i) currently offering housing finance products; or (ii) interested in providing housing finance for low-income and low-middle-income households. The training included delivery of IFC's Global Mortgage Toolkit, customized for India.

**July 25-26, 2011 – Training to MFIs on HMF Methodology and Product Development at Chennai**

<b>Participants:</b>	Growing Opportunity, ESAF, BWDA, IFMR Capital, Grameen Financial Services, Ujjivan, Repco, IMPACT and The Bridge Foundation.
Description	Development Innovations Group (DIG) and Habitat India conducted two training workshops to MFIs under the Implementation Grant Program (IGP). This training provided Indian MFIs with the essential knowledge and skills for developing their institutional capacity to design and implement HMF (HMF) loan products in their existing markets with their current clients. The first training workshop on Market Research and Product development covered the following: <ul style="list-style-type: none"><li>• Market assessments for HMF;</li><li>• Product development; and</li><li>• The HMF product development mechanism.</li></ul>

**June 11-12, 2012, Workshop on Product Development (HMF Toolkit) by CISF team at Chennai**

<b>Participants:</b>	HMFTAC, HRC Staff and Growing Opportunity
Description	2 day workshop on Product Development conducted by Habitat’s Centre for Innovation in Shelter and Finance (CISF) in Chennai. The workshop consisting of break-out sessions, exercises and case studies showcased useful experience from Latin America and the rest of the world to adapt/refine the product development section of the HMF toolkit.