

ADVISORY

# Affordable Housing – A key growth driver in the real estate sector?

KPMG IN INDIA



## Foreword

The real estate world has changed significantly after the global financial meltdown caused by defaults on sub-prime loans in US. India was no exception and the real estate market witnessed a contraction in both volume and value. Real estate developers were gripped with the liquidity crisis and were forced to change the ways of doing business.

Downturn and liquidity crunch forced developers to adopt a two pronged strategy - smaller units at lesser prices. This oriented developers focus on the Affordable Housing segment, which has become the buzz word in the real estate market for the last few months. We at KPMG and CREDAI believe that the significant demand in Affordable Housing would be a key growth driver for the real estate sector.

In this study we have attempted to define Affordable Housing by using three key parameters viz. income level, size of dwelling unit and affordability. While we have assessed the demand and supply constraints, we have also highlighted the initiatives taken by key stakeholders and their perspective concerns. We hope this study will throw light around enabling better collaborative partnerships between all the stakeholders.



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## 1

# Introduction and definition of “Affordable Housing” in India

## Introduction

Home buyers face challenges while deciding “when” to purchase houses. While favorable economic conditions lead to higher incomes for home buyers, it also leads to spiraling real estate prices making it difficult for a buyer to purchase homes even given their higher incomes. On the other hand, during economic downturns while real estate prices decline, people become skeptical about their incomes and adopt a more cautious approach to purchases.

Affordable housing may be a good strategy to this home-buyers dilemma and can help ensure housing across different sections of society.

In the United States and Canada, a commonly accepted guideline for affordable housing is that the cost of housing should not be more than 30 percent of a household's gross income

## Affordable Housing - Definition

“Affordability” as a concept is very generic and could have different meanings for different people based on differences in income levels.

*Affordable housing refers to any housing that meets some form of affordability criterion<sup>1</sup>.*

Different countries have defined affordable housing to present the economic potential of an individual buying a house. In the United States and Canada, a commonly accepted guideline for affordable housing is that the cost of housing should not be more than 30 percent of a household's gross

income. Housing costs here include taxes and insurance for owners, and utility costs. If the monthly carrying costs of a home exceed 30–35 percent of household income, the housing is considered unaffordable for that household<sup>2</sup>.

Defining affordable housing in India is a difficult task given that at every square kilometer of the country, the dynamics of the market are different. At KPMG and CREDAI, we have therefore broadly defined affordable housing in India for Tier I, II and III cities based on three key parameters:

## Defining Affordable Housing

	1 Income Level	2 Size of Dwelling Unit	3 Affordability
<b>EWS*</b>	<INR 1.5 lacs per annum	Upto 300 sq. ft.	<b>EMI to Monthly Income</b> • 30 to 40 percent
<b>LIG **</b>	INR 1.5 to 3 lacs per annum	300 to 600 sq. ft.	<b>House Price to Annual Income Ratio</b> • Less than 5.1 (Deepak Parekh Task Force)
<b>MIG***</b>	INR 3 to 10 lacs per annum	600 to 1200 sq. ft.	

\*Economically Weaker Section

\*\*Lower Income Group

\*\*\*Higher Income Group

Source: KPMG Analysis, Knight Frank

Affordable housing can be defined using three key parameters viz. income level, size of dwelling unit and affordability. While the first two parameters are independent of each other, the third parameter is correlated

to income and property price, and hence can be termed a dependent parameter. While the above definition is a generic representation at an all India level, the actual definition of affordable housing may

vary with regions and income levels. Another point to note is that the definition of affordable housing is not just restricted to the three categories mentioned above, but applies to people across the country.

1. New Options for Affordable Housing? Shelter WA Occasional Paper 2003-1, by Karel Eringa (April 2003)

2. [www.answers.com/topic/affordable-housing](http://www.answers.com/topic/affordable-housing)

Is affordable housing and low-cost housing the same?

Affordable and low-cost housing are often interchangeably used, but are quite different from each other. Low-cost housing is generally meant for EWS category and comprises bare minimum housing facilities

while affordable housing is mostly meant for LIG and MIG and includes basic amenities like schools, hospitals and other community facilities and services.

Parameters	Low-Cost Housing	Affordable Housing
Amenities	Bare minimum to none	Basic
Target Income Class	EWS & LIG	LIG & MIG
Size of Dwelling Unit	<=300 Sq. Ft.	300 – 1200 Sq. Ft.
Location	Generally within city but can also be located on city peripheries due to high cost of land	Within city
Project Developer	Mostly Government agencies	Private Developers and Government
Mostly available source of finance	Micro finance institutions	Traditional banking system
EMI to Monthly Income	Not exceeding 30 percent of gross monthly income	Not exceeding 40 percent of gross monthly income

Source: Credit Suisse, Knight Frank, KPMG Analysis





## 2

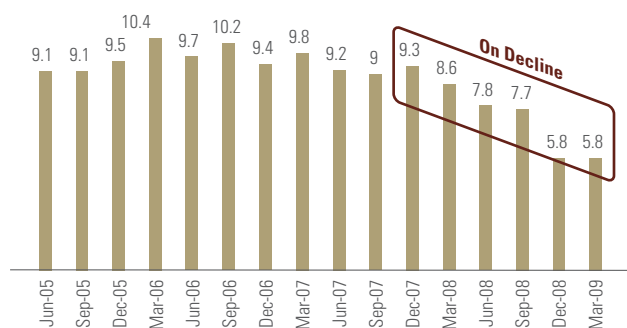
## Change of focus towards Affordable Housing and its indicative potential

### So what has led to the sudden spurt in affordable / low-cost housing?

While the real estate industry across developed countries went through one of its worst downturns, the Indian real estate industry, which was considered “shock-proof”, was also badly hit. The tremors of

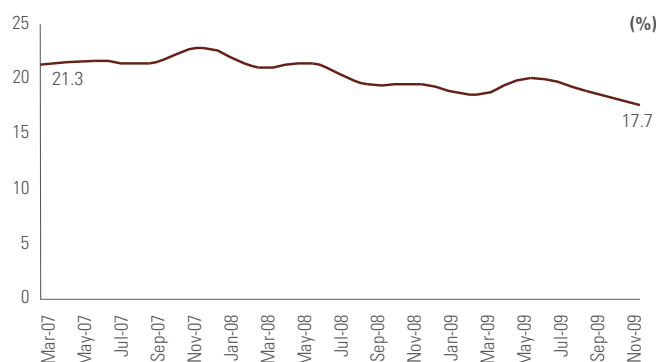
the global liquidity crisis led to price corrections in the domestic real estate industry leaving developers with land parcels acquired at peak prices and with considerable stress on their balance sheets.

Indian Quarterly Real GDP Growth (%) - Impacted by global financial crisis



Source: Report on India Strategy, Motilal Oswal, 30 September 2009

Money Supply Growth (M3) – Liquidity crunch



Source: Bloomberg

The Indian economy witnessed a gradual deceleration in its growth post March 2008 till March 2009 with a similar impact on the money supply (M3) growth. This led to some serious funding problems for real

estate developers as traditional banking channels became more cautious in providing credit and consumer demand witnessed a slump due to the uncertain economic environment.

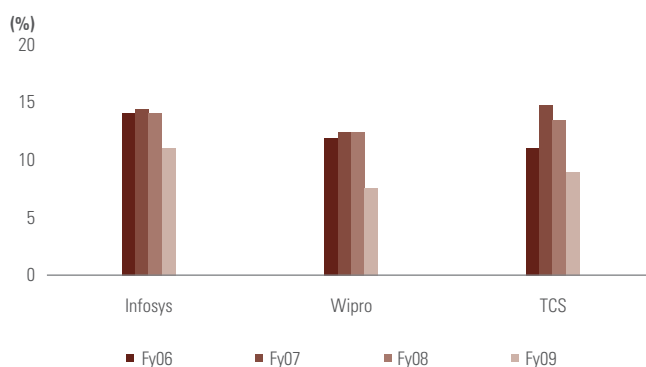
### Consumer demand taking a backseat - A sample case of IT (Information Technology) industry in India

IT companies net addition in a slow lane...



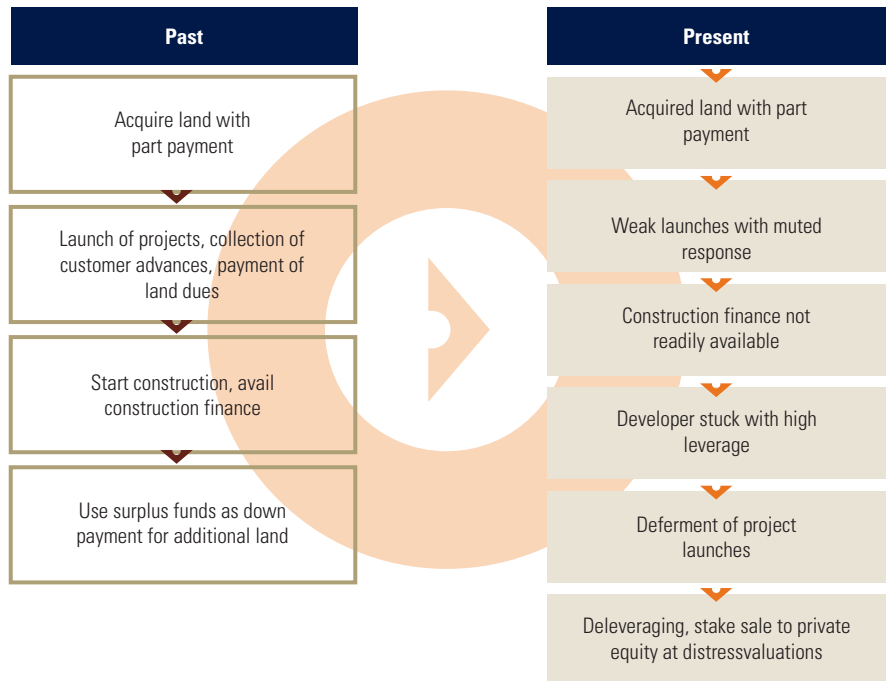
Source: Report on India Property Sector, Credit Suisse, 14 November 2008

... and so do the fixed wage hikes for IT firms



The real estate business in India underwent considerable changes post the global liquidity crisis. Prior to the crisis, developers bought land with part payment and launched projects; this meant regular cash flows from upfront payments was required to fund chain of projects. The developers continued with this practice and acquired huge land parcels by leveraging their balance sheets. With the liquidity crisis, availability of construction finance became a challenge and muted consumer demand meant very little upfront payments due to concerns on timely project completion, thereby affecting regular cash inflows for developers. All these factors resulted in developers resorting to alternative revenue generation strategies such as stake sale, sale of non-core assets and even freebie offers like cars, gold medallions etc. To improve the cash flows further many developers across India reduced property prices on an average by 20-30 percent<sup>1</sup>.

The correction in prices was a boon for people who wanted to purchase houses for a long time but could not earlier due to steep property prices and high costs of finance. It is interesting to note this section of the population is actually willing to pay and make necessary sacrifices for owning a home even in present economic scenario.



Source: Realty Blues, Edelweiss, 24 November 2009



1. Sify Business, 'Buyers negotiate prices as property value dips', 09 March 2009

## Indicative size and potential of Affordable Housing in India

Tier I, II and III demand estimation (by number of households)					
Housing Category	Income Class (INR Million p.a.)	No. of Households – 2009-10 E (Million)	YoY Growth (%)	Value of House (INR Million)	Avg. Apartment Size (Sq. ft.)
Low Income	0.2 – 0.5	8.3	8.2	1 – 2	400 – 800
Mid Income	0.5 – 1.0	3.5	17.6	2 – 4	800 – 1000
Higher Mid Income	1.0 – 2.0	2.2	21.5	3.5 – 8	1000 – 1300
High Income	2.0 – 5.0	0.9	22.9	7.5 – 20	1250 – 1750
Luxury	5.0+	0.4	26.6	20+	2500+

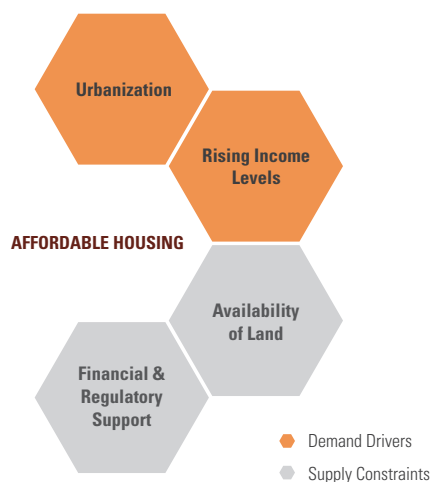
Source: Credit Suisse, Knight Frank, KPMG Analysis

- Nearly 12 million households (owned / rented) in the INR 0.2 – 1.0 million per annum category
  - 4 – 5 million of these are in urban areas assuming 34 - 40 percent urbanization ratio
- 2.1 million houses required in seven major cities alone for LIG and MIG population
- This translates into a potential opportunity of close to INR 3 trillion
- Including the EWS category, this number more than doubles to INR 7.5 trillion

Source: Credit Suisse, Knight Frank, KPMG Analysis

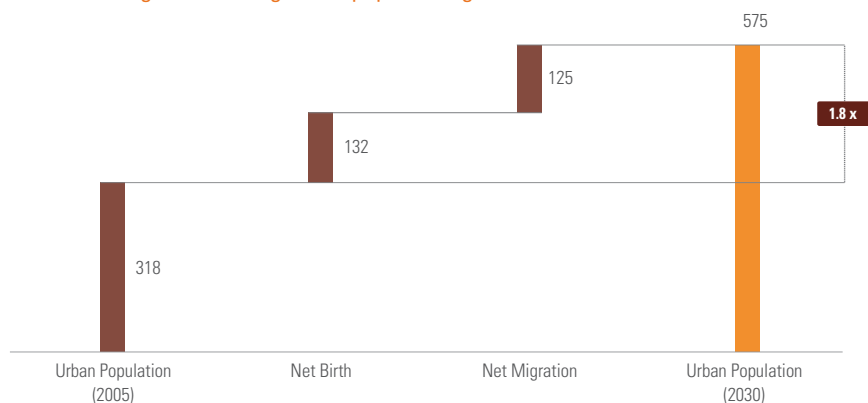
## Demand and supply constraints

### Demand drivers and supply constraints for affordable housing in India



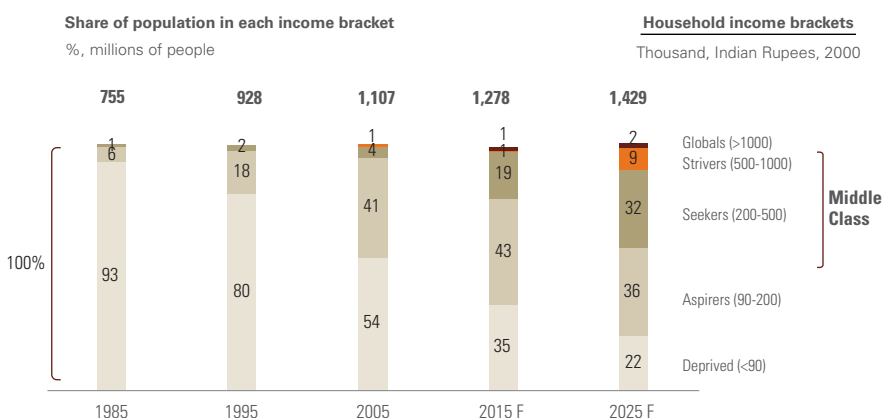
Source: KPMG Analysis

### Births and migration driving urban population growth



Source: India – Urban Poverty Report, UNDP, 2009

### Indian income class and population dynamics – Moving towards a sizeable middle class



Note: Figures are rounded to nearest integer and may not add up to 100%  
Source: The 'Bird of Gold': The Rise of Indian Consumer Market, 2007

### The demand drivers for affordable housing are as below:

**Urbanization:** Urbanization is an “index of transformation from traditional rural economies to modern industrial one<sup>1</sup>.” India’s urban population is increasing at a faster rate than its total population. At 28 percent, the pace of urbanization in India has been slower than the average pace of urbanization in Asia. However, the absolute number of people in urban cities and towns has gone up substantially. In India, urbanization can be described as a product of demographic explosion and poverty induced rural-urban migration. This situation has resulted in pressure on urban infrastructure and in an increase in the number of homeless people living on the streets. As per the 2001 census the total urban homeless population was 7, 78,599 people, which would be much more currently given the inadequate availability of affordable / low-cost housing<sup>2</sup>.

**Rising income levels leading to a sizeable middle class segment:** The past few years have seen tremendous economic growth in the country and one of the implementation of one of the most

successful anti-poverty programmes in the country’s history. While 93 percent of the total population in 1985 was under deprived category, this declined to 54 percent of total population in 2005 and is expected to further decline to 22% by 2025<sup>3</sup>. The economic growth is also expected to dramatically change India’s income pyramid by creating a sizeable layer of middle class<sup>3</sup>. This middle class segment is expected to be the primary driver for affordable housing

1. Paper on Urbanization in India, Indian Statistical Institute, 2006  
2. India: Urban Poverty Report, UNDP, 2009

3. The 'Bird of Gold': The Rise of Indian Consumer Market, 2007



As per 2001 census, the country's urban land mass (2.4 percent of total land mass) houses approximately 28 percent of the country's population, excluding people who live on the streets

Commercial banks and traditional means of housing finance typically do not serve low-income groups

Lack of developed debt market places considerable challenges for microfinance companies depriving them of long-term affordable money and what they currently have is a maximum of three to four year money available at a cost of 15-17 percent

The key supply constraints for affordable housing are as follows:

**Availability of land:** One of the biggest questions that India needs to answer going forward is with respect to adequate supply of land for housing purposes. The Government's vision of "Affordable Housing for All" will require acquisition / supply of large land parcels on a regular basis. As per 2001 census, the country's urban land mass (2.4 percent of total land mass) houses approximately 28 percent of the country's population, excluding people who live on the streets. According to calculations made by the Town and Country Planning Organization (TCPO), to cater to the demand of EWS and LIG category alone would require 84, 724 to 120,882 hectares of additional land<sup>4</sup>. Land cost is another crucial factor affecting supply of land. Given limited availability of land in urban areas, it becomes unviable for developers to provide affordable housing without Government support. On the other hand, the Government holds substantial amount of urban land under ownership of port trusts, the Railways, the Ministry of Defence, land acquired under the Urban Land (Ceiling and Regulation) Act, the Airports Authority of India and other government departments<sup>5</sup>.

**Financial and Regulatory Support:** Financial and regulatory constraints have plagued the housing sector in India. Current financing mechanism prevalent in the country mostly targets MIG and HIG sections of the society while the households falling under LIG and EWS category find it difficult to secure formal housing finance. Commercial banks and traditional means of housing finance typically do not serve low-income groups, whose income may be vary with crop seasons, or is below the 'viable' threshold to ensure repayment, or who cannot provide collateral for loans<sup>6</sup>. Microfinance institutions are considered to be the next best alternative to for financing the EWS and LIG category. However, there are challenges faced by microfinance institutions which prevent them from

extending housing loans. Challenges faced are primarily due to the longer period of housing loans (typically between five to seven years minimum, if not more) and due to the larger amount of loan compared to typical loans extended by MFs. Typically, a house, particularly in the urban areas, will be about INR 1 lakh, whereas when microfinance institutions give for livelihood financing, they give INR 10,000 to maximum INR 35,000. If they have to lend to a significant numbers of people, the amount to be loaned goes into crores of rupees which can be a problem for microfinance institutions<sup>7</sup>. Another problem with microfinance institutions is of refinance. While National Housing Bank (NHB) provides refinancing facility, interest rates are not fixed but reviewed periodically. Lack of developed debt market places considerable challenges for microfinance companies depriving them of long-term affordable money and what they currently have is a maximum of three to four year money available at a cost of 15-17 percent, making it difficult to lend for mortgages. Even if they are willing, the rate will be some 18-19 percent, which, while it may be way cheaper than what a moneylender would ask for, doesn't really help the cause<sup>8</sup>. According to CREDAI, real estate also faces multiplicity of taxes at different points of housing transactions and average to a little over 25 percent of the property rate<sup>9</sup>.

4. National Conference of the Ministers dealing with Housing, Urban Development and Municipal Administration, 20 January 2009, Ministry of Housing Poverty and Urban Poverty Alleviation  
5. The Hindu Business Line, 'Window of opportunity in affordable housing', 07 December 2008  
6. www.changemakers.net, 'Competition Framework: How to Provide Affordable Housing', June 2006

7. Fortieth report of Standing Committee on Urban Development, Ministry of Housing and Urban Poverty Alleviation, 2008-09  
8. Business Standard, 'Who'll finance 'affordable' housing?', 20 November 2009  
9. CREDAI

## 4

## Stakeholder's Perspective – Key initiatives & concerns

For the purpose of our study we will consider three stakeholders viz. Government, Real Estate Developers and Financial Institutions.

### Key initiatives

Government	Real Estate Developers	Financial Institutions
<p><b>Interest Rate Subsidy</b></p> <ul style="list-style-type: none"> <li>One percent subsidy on loans upto INR one million for purchase of houses costing less than INR two million</li> </ul> <p><b>FSI (Floor Space Index)</b></p> <ul style="list-style-type: none"> <li>Haryana &amp; Tamil Nadu Government have announced increase in FSI for housing projects targeting lower and middle income groups</li> <li>Tamil Nadu has announced 50 percent extra FSI for projects targeting EWS in Chennai Metropolitan Area (CMA)</li> <li>Tamil Nadu has further announced 30 percent extra FSI for projects targeting MIG</li> </ul> <p><b>Resumption of 80 IB</b></p> <ul style="list-style-type: none"> <li>Profits from housing projects approved between April 01, 2007 and March 31, 2008 will be made tax free if they are completed by March 31, 2012</li> </ul> <p><b>PPP Measures</b></p> <ul style="list-style-type: none"> <li>EWS rental project at Virar, Mumbai by MMRDA (Mumbai Metropolitan Regional Development Authority) and HDIL (Housing Development and Infrastructure Limited); Bengal Ambuja Housing Project</li> <li>Modification in JNNURM (Jawaharlal Nehru National Urban Renewal Mission) to encourage affordable housing on PPP (Public Private Partnership) basis</li> </ul> <p><b>Policies</b></p> <ul style="list-style-type: none"> <li>Launch of Rajiv Awas Yojana to promote slum free India</li> </ul>		

**Source:** Guidelines for Interest Subsidy Scheme for Housing the Urban Poor, MHUPA, February 2009; The Times of India, 'City could face shortage of 8 lakh dwelling units by 2026', 07 September 2009; www.taxguru.in, 'Amendments made in Union Budget 2009 in Section 80 IB (10) Related to Housing Projects', 10 July 2009; The Hindu Business Line, 'HDIL, MMRDA to develop low rent homes in Mumbai suburb', 03 June 2009; Financial Express, 'Affordable housing for poor under JNNURM', 27 February 2009

Government	Real Estate Developers	Financial Institutions
<ul style="list-style-type: none"> <li>Private developers have been aggressively pursuing affordable housing post the economic slump of 2008</li> <li>Developers have realized the opportunity and need of affordable housing and have taken several steps to tap the same</li> <li>Developers have on an average reduced the prices by 30 percent in last one year and are willing to operate at a lower margins</li> <li>Players like Tata Housing, DLF, Unitech, etc. have multi-city, pan-India plans of developing 10,000 -15,000 units over next four years</li> <li>Tata Housing has taken the lead by launching an affordable housing project in Boisar <ul style="list-style-type: none"> <li>Phase I will be allotted to LIG families – one room kitchen and one bed room hall kitchen (BHK) flats upto INR 0.7 million</li> <li>Phase II to MIG families – 2/3 BHK apartments at INR 1.2 million and above</li> </ul> </li> </ul>		

**Source:** Company Websites; Express India, 'Falling property prices fail to lift sales', 27 March 2009

Government	Real Estate Developers	Financial Institutions
<p><b>Banks and MFIs (Microfinance Institutions) are willing partners</b></p> <ul style="list-style-type: none"> <li>Banks are willing to fund suitable projects, provided that adequate checks are in place to monitor credit risk</li> <li>MFIs have expressed interest in funding EWS dwelling units upto INR 0.5 million</li> <li>Micro Housing Finance Corporation is an MFI that is exclusively focused on housing finance</li> </ul>		

**Source:** Micro Finance Housing Corporation (MFHC)

## Stakeholder concerns

<b>Government</b>	<ul style="list-style-type: none"> <li>• 'Ghettoization' of marginal population</li> <li>• Speculative interest</li> <li>• Timely completion of projects</li> <li>• Delivery of flats to target segments without cost escalations</li> <li>• Diversion of land / funds by developer</li> </ul>
<b>Real Estate Developers</b>	<ul style="list-style-type: none"> <li>• Volume off-take</li> <li>• Profitability</li> <li>• Availability of cheap land</li> <li>• Hassles in land acquisition</li> <li>• Delay due to regulatory approvals</li> <li>• Restrictive density norms</li> </ul>
<b>Financial Institutions</b>	<ul style="list-style-type: none"> <li>• Access to low-cost funds</li> <li>• Government support to lower cost of capital</li> <li>• Credit risk</li> <li>• Profitability</li> </ul>

Source: Knight Frank, NAREDCO (National Real Estate Development Council), KPMG Analysis



## Role of PPP in Affordable Housing

PPP can be effectively used to address stakeholders concerns

<b>Land Availability &amp; Cost</b>	<b>Effective use of available Government land</b> <ul style="list-style-type: none"> <li>Land parcels currently in possession can be used for development, thereby reducing the cost of land</li> <li>Government can enter into joint ventures with developers with land as equity</li> </ul> <b>Land Banking</b> <ul style="list-style-type: none"> <li>Purchase of large strips by State Governments / Agencies</li> <li>Distribution of land to private developers through a transparent process</li> </ul> <b>FSI</b> <ul style="list-style-type: none"> <li>Relaxation of FSI norms to reduce per flat land cost</li> <li>FSI is an effective tool to provide a cashless subsidy to builders</li> </ul> <b>Cross Subsidization</b> <ul style="list-style-type: none"> <li>Joint development of MIG, LIG and EWS flats – MIG to subsidize others</li> <li>Built-up space covering LIG and EWS to be sold / rented by Government agency; developer can be allowed to sell MIG flats at market rates</li> </ul> <b>Redevelopment / Rehabilitation</b> <ul style="list-style-type: none"> <li>Increasing availability of prime land by redevelopment / rehabilitation</li> </ul>
<b>Construction &amp; other Costs</b>	
<b>Connectivity &amp; Infrastructure</b>	
<b>Credit Delivery &amp; Risk</b>	
<b>Others</b>	
<b>Land Availability &amp; Cost</b>	<b>Single window approval for projects</b> <ul style="list-style-type: none"> <li>Delays incurred in project approvals result in substantial cost overruns.</li> <li>A single window will help reduce delays and contain costs</li> <li>Reduction in approval related costs</li> </ul> <b>Subsidizing construction costs</b> <ul style="list-style-type: none"> <li>Reduction / exemption / deferment of taxes and duties on construction materials</li> <li>Subsidy to developers for R&amp;D in new low cost materials and technologies</li> <li>Subsidy to developer in view of employment generated</li> <li>Lower cost of borrowing for development of affordable housing projects - can be achieved if Government agencies have a participatory interest in the project and guarantee the loans</li> </ul> <b>Sales Tax and Stamp Duty</b> <ul style="list-style-type: none"> <li>Exemption from sales tax and reduction in stamp duty</li> </ul>
<b>Construction &amp; other Costs</b>	
<b>Connectivity &amp; Infrastructure</b>	
<b>Credit Delivery &amp; Risk</b>	
<b>Others</b>	
<b>Land Availability &amp; Cost</b>	<b>Development of urban infrastructure</b> <ul style="list-style-type: none"> <li>PPP projects for accelerated urban infrastructure <ul style="list-style-type: none"> <li>Metro rail, Inter-city highways, Mono rail</li> </ul> </li> <li>Increase budgetary focus on urban infrastructure</li> <li>Increase support to State Governments to engage in PPP projects</li> </ul> <b>Integrated Townships</b> <ul style="list-style-type: none"> <li>Joint developers with private players</li> <li>Development of infrastructure and residential space</li> <li>Planned expansion of city limits</li> </ul> <b>Development of Satellite Towns</b> <ul style="list-style-type: none"> <li>Upfront infrastructure development around major cities a pre-requisite for planned development of satellite towns</li> <li>Mumbai and NCR have successfully developed satellite towns, which other cities can emulate</li> </ul>
<b>Construction &amp; other Costs</b>	
<b>Connectivity &amp; Infrastructure</b>	
<b>Credit Delivery &amp; Risk</b>	
<b>Others</b>	



Land Availability & Cost
Construction & other Costs
Connectivity & Infrastructure
<b>Credit Delivery &amp; Risk</b>
Others

#### Access to lower cost of capital

- Relaxation of ECB norms for housing companies
- Increase in income tax ceiling on housing loans will reduce post tax cost of capital for borrowed
- Increase support to State Governments to engage in PPP projects

#### Housing as a priority sector

- Increase current limits on interest subsidies from INR 2 million to INR 4 million

Land Availability & Cost
Construction & other Costs
Connectivity & Infrastructure
Credit Delivery & Risk
<b>Others</b>

#### Profitability of developers and housing finance companies

- 80 IB benefits for all approved affordable housing projects and developers
- Extension of 80 IB benefits for housing finance companies lending to LIG and EWS lenders

#### Special focus on EWS segment

- Significantly higher Government involvement and subsidiaries are required to provide equitable housing for EWS segment
- Innovative cross-subsidization schemes, extensive subsidies and suitable credit delivery mechanisms needed to address the specific challenges of EWS segment

Source: Knight Frank, NAREDCO, KPMG Analysis, MFHC (Micro Finance Housing Corporation)



## Conclusion

While the basic necessities of life – food, clothing, and shelter – are increasingly becoming a luxury and unaffordable, luxury items such as televisions, mobile phones, refrigerators, etc. are become affordable! While we are often amazed at the progress our country has made when we see an auto rickshaw driver with a mobile phone, we fail to notice that he is still living in a slum-like dwelling.

It is understandable that economic growth leads to rise in income but this has led to even faster rise in property prices leaving it unaffordable for majority of population. Affordable housing is expected to have a positive by improving basic quality of life. Problems like traffic congestion, air quality, commute times, etc. can be resolved by providing proper housing facilities to the weaker sections of the society. While the concept of affordable housing seems to be a simple solution to current housing woes, its execution remains complicated due to the unclear policy framework. To make affordable housing work in India, it would require “will” from all the stakeholders by slightly adjusting their interests towards a wider social cause.

## Case Study: Affordable Housing in Brazil (Minha Casa, Minha Vida)

### Background

Brazil is one of the emerging economies globally. Like many other emerging economies Brazil is also facing housing problems, especially for the population falling in bottom of pyramid. Official estimates suggest housing deficit varying from 5.4 – 6.3 million households. Therefore we introduce you to measures taken by Brazilian Government to tackle housing problems.

### Measures

Traditionally, the Brazilian Housing Finance System relied on two basic funding sources: savings deposits held by the public with financial institutions authorized by the Central Bank of Brazil; and mandatory deposits made by employers in accounts held in the names of their employees in the Fundo de Garantia do Tempo de Serviço or FGTS. However, many potential borrowers were deemed ineligible to receive loans from these sources of financing due to concerns over the difficulty and expense involved in foreclosing on property. This ineligibility led to the creation of a new source of funding. Law 9514 of 1997 changed the face of the Brazilian mortgage industry, principally through the introduction of a new securitization vehicle (CIBRASEC-Companhia Brasileira Securitização or the Securitization Company) that will improve liquidity in the mortgage marketing and a new type of real estate investment instrument-the CRI (Certificado de Recebíveis Imobiliários or Certificates of Real Estate Receivables), which is a note issued exclusively by securitization companies.

### Program

In April 2009, the Brazilian Government launched National Housing Plan named Minha Casa, Minha Vida scheme ('My House, My Life') that aims to build one million properties in Brazil for those earning low wages. More than 400,000 units will be built for families each with a monthly income of less than GBP 416 on payment of 10 percent of their monthly income. Families with a monthly income between GBP 416 and GBP 1388 will be able to receive subsidies from the Government and pay as much as 20 percent of their monthly income for the access to the new homes. The program has also devised a back up plan for families, who lose their jobs on allocation of homes, with a special fund of GBP 294 million for covering their defaults.

Law 9514 of 1997 changed the face of the Brazilian mortgage industry, principally through the introduction of a new securitization vehicle (CIBRASEC-Companhia Brasileira Securitização or the Securitization Company) that will improve liquidity in the mortgage marketing

In April 2009, the Brazilian Government launched National Housing Plan named Minha Casa, Minha Vida scheme ('My House, My Life') that aims to build one million properties in Brazil for those earning low wages

**Source:** Report on Low-income Housing in Latin America and the Caribbean, The World Bank, January 2007; [www.nubricks.com](http://www.nubricks.com), 'Brazil Government Launches My House My Life Housing Plan', 28 April 2009

## KPMG in India

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