

Financing Homes Global Data and Report

**Presentation for the South Asia Regional Housing
Finance Conference
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The World Bank Group**

Financing Homes – *Data and Global Report*

- Initiative undertaken jointly by the World Bank (Monitoring and Analysis) and IFC (Global Financial Markets)
- Measures two essential building blocks necessary for well-functioning HF system
- **Mortgage Registration (Time and Cost)**
 - Notary Involvement
 - Efficiency of the Registry
- **Foreclosure (Time and Cost)**
 - Judicial versus Non-Judicial Proceedings
 - Public versus Private Auction
- **Links to mortgage markets; Mortgage Debt Outstanding**

- **Benchmarking results across 42 countries**

- Two indicators developed and assessed using surveys: mortgage registration and foreclosure
- Country Selection
- 3 S. Asia, 1 E. Asia, 10 Sub-Saharan Africa, 5 MENA, 11 Latin America, 10 Eastern Europe, 4 OECD

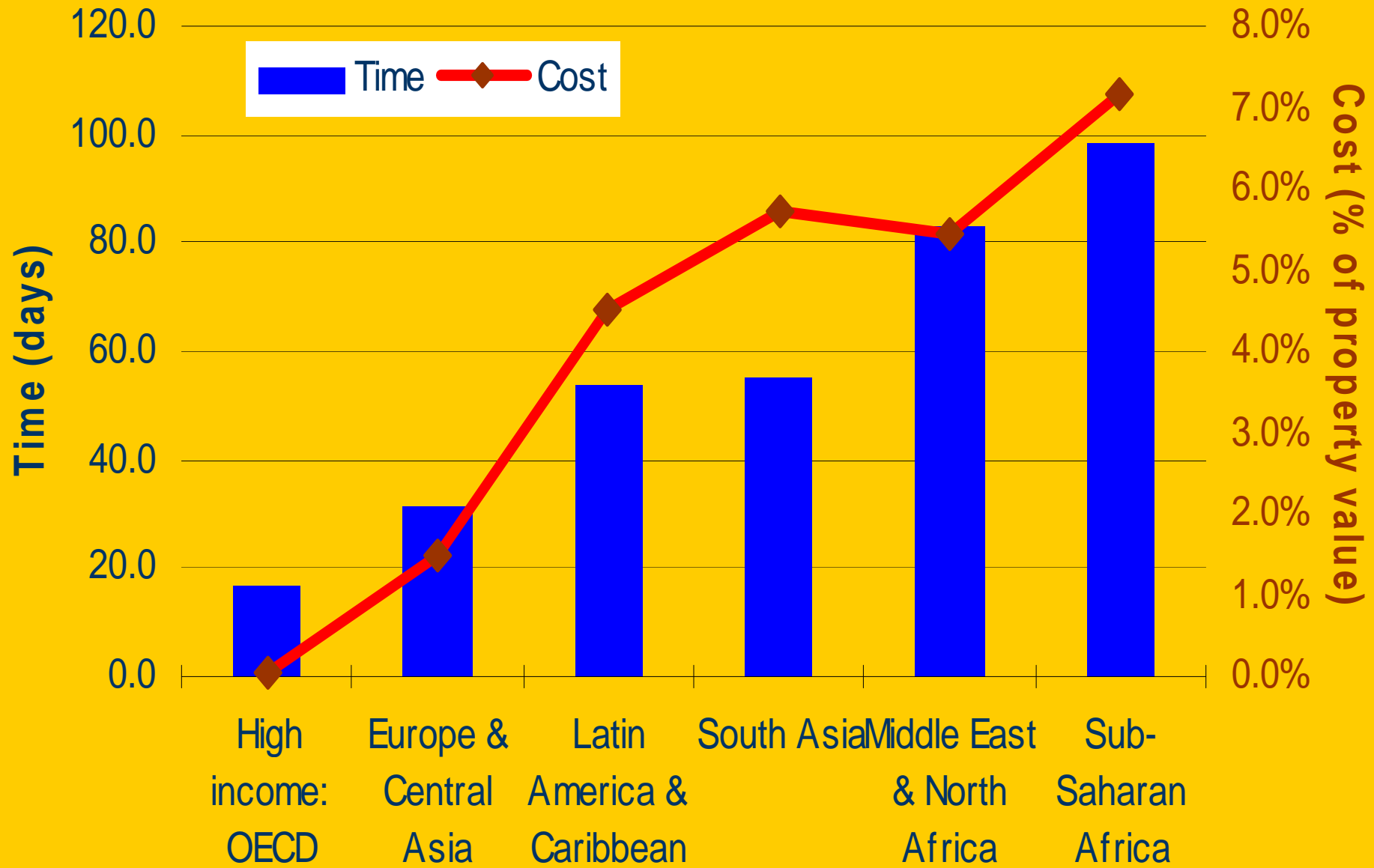
- **Time and Motion Case Study**

- Follow the perspective home owner/financial institution from the beginning to the end of the transaction
- Record every step of the process, and the associated time and cost
- Gather all the relevant laws, regulations, decrees, fee schedules

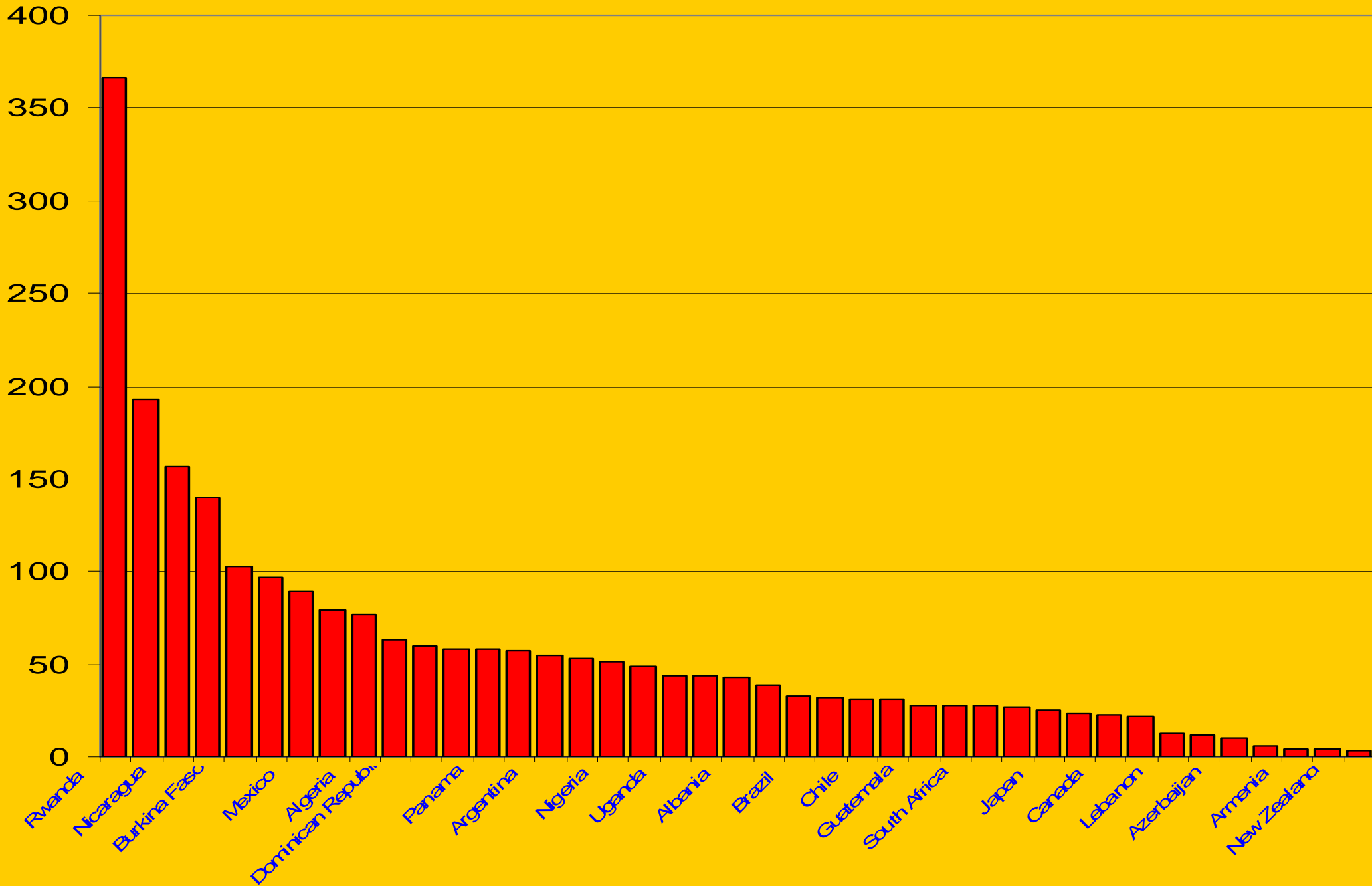
- **Property is located in an urban residential area of the country's capital**
- **Down-payment is 20%**
- **Time recorded in calendar days, capturing the median duration necessary to complete the transaction**
- **Cost is recorded as a percentage of property value**
- **Only official costs are recorded**

Mortgage Registration and Title Transfer

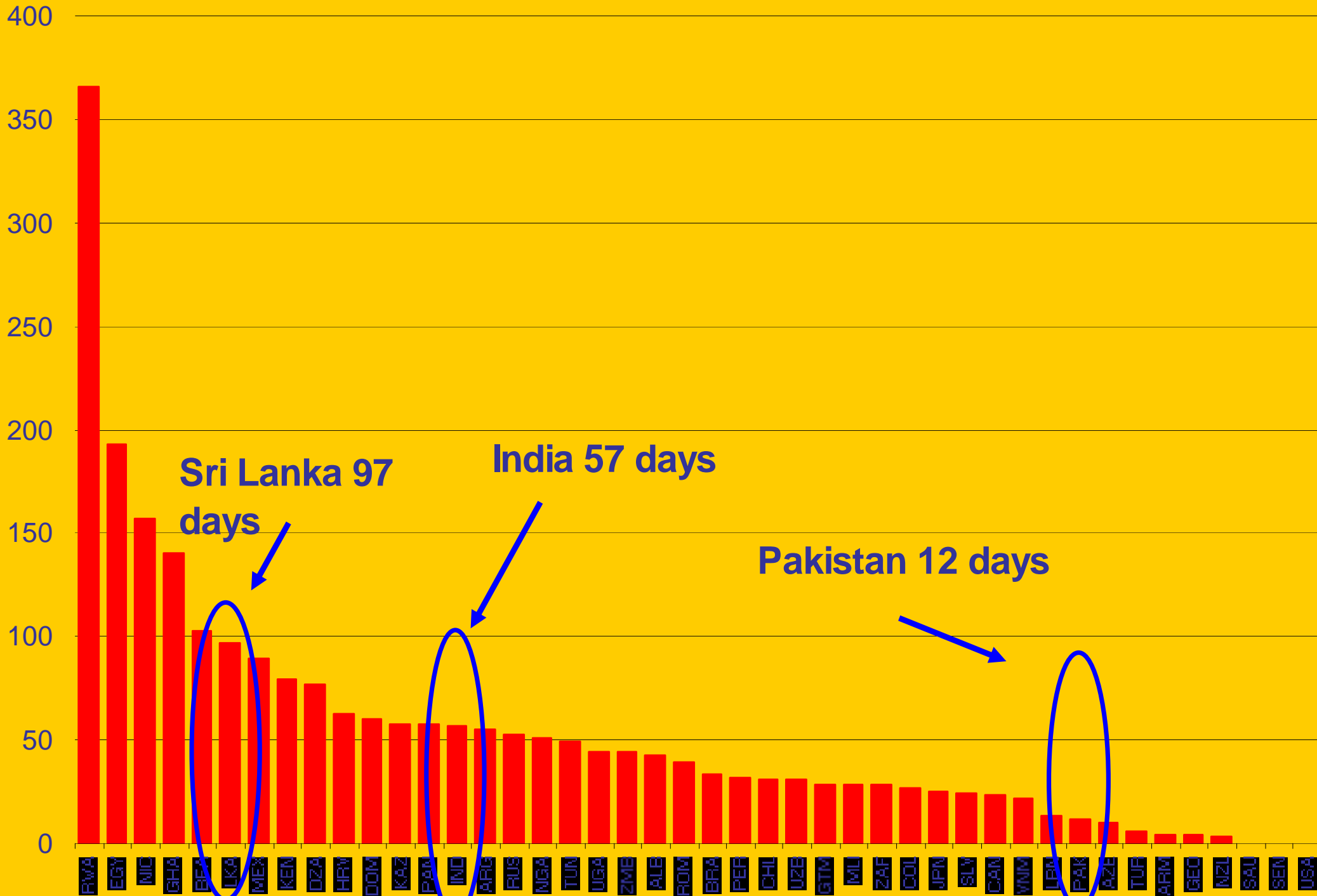
Time and Cost to Register Mortgage - Regional Averages



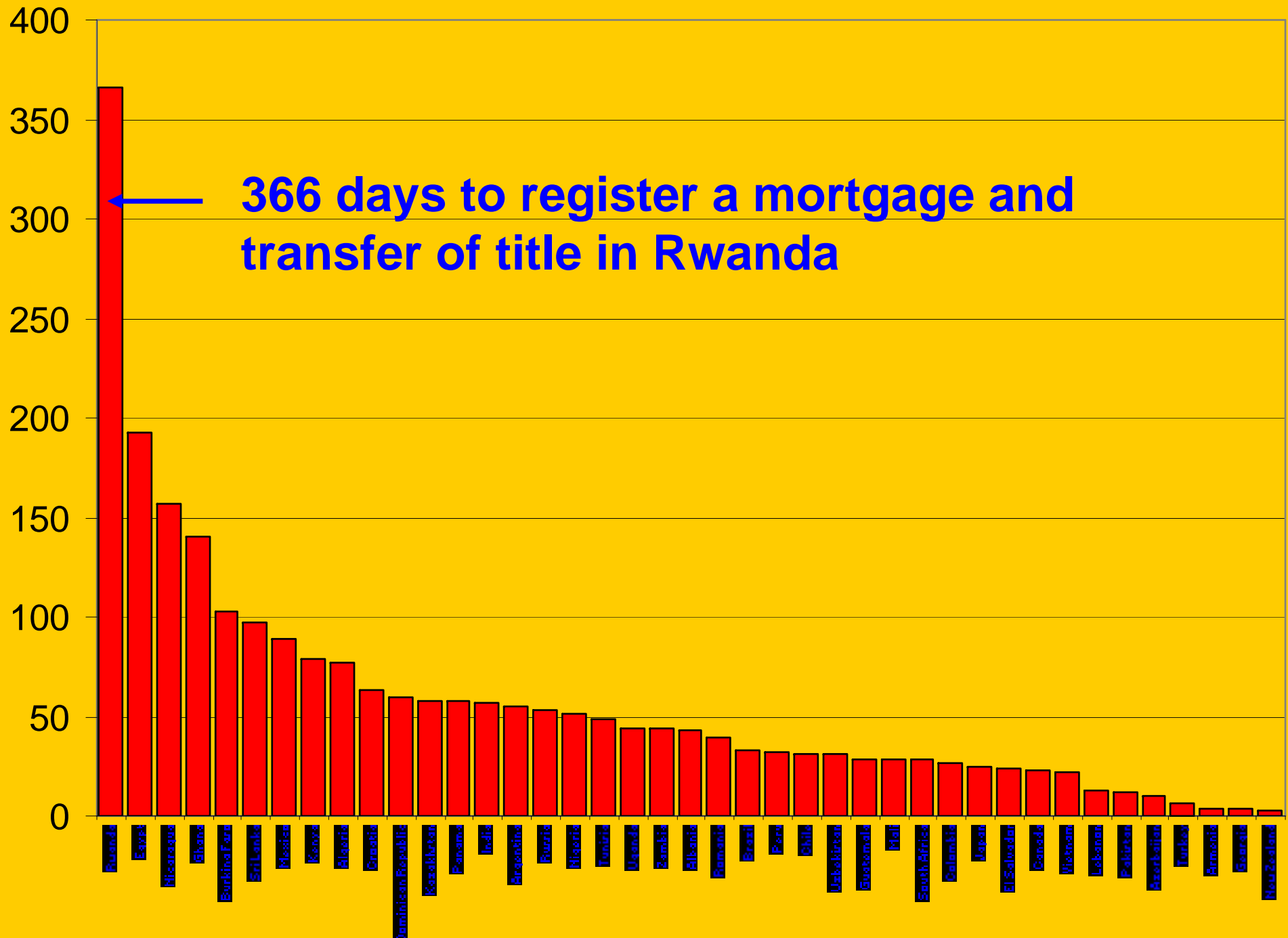
Total Time to Register a Mortgage (days)



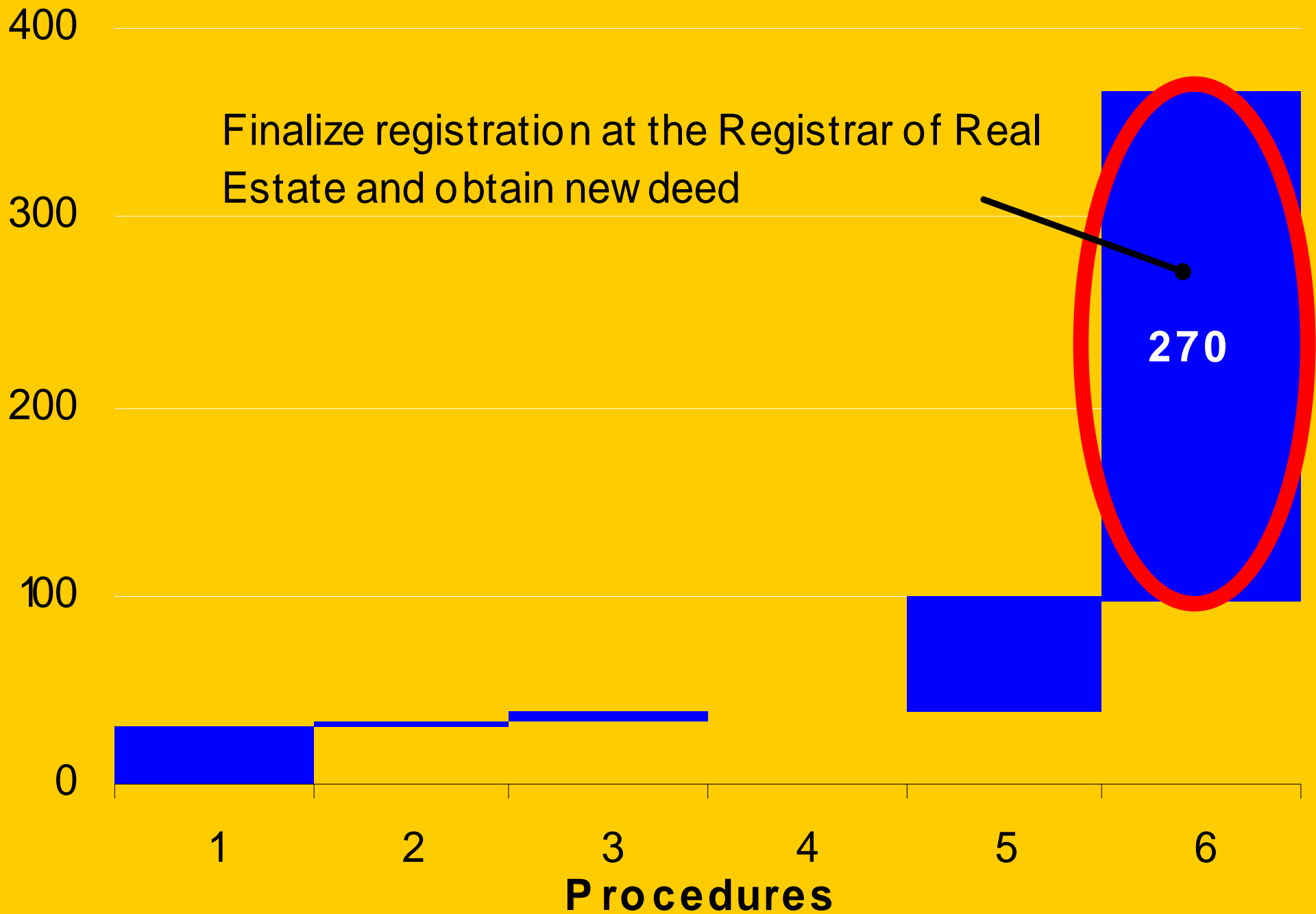
Time to Register a Mortgage (Days)



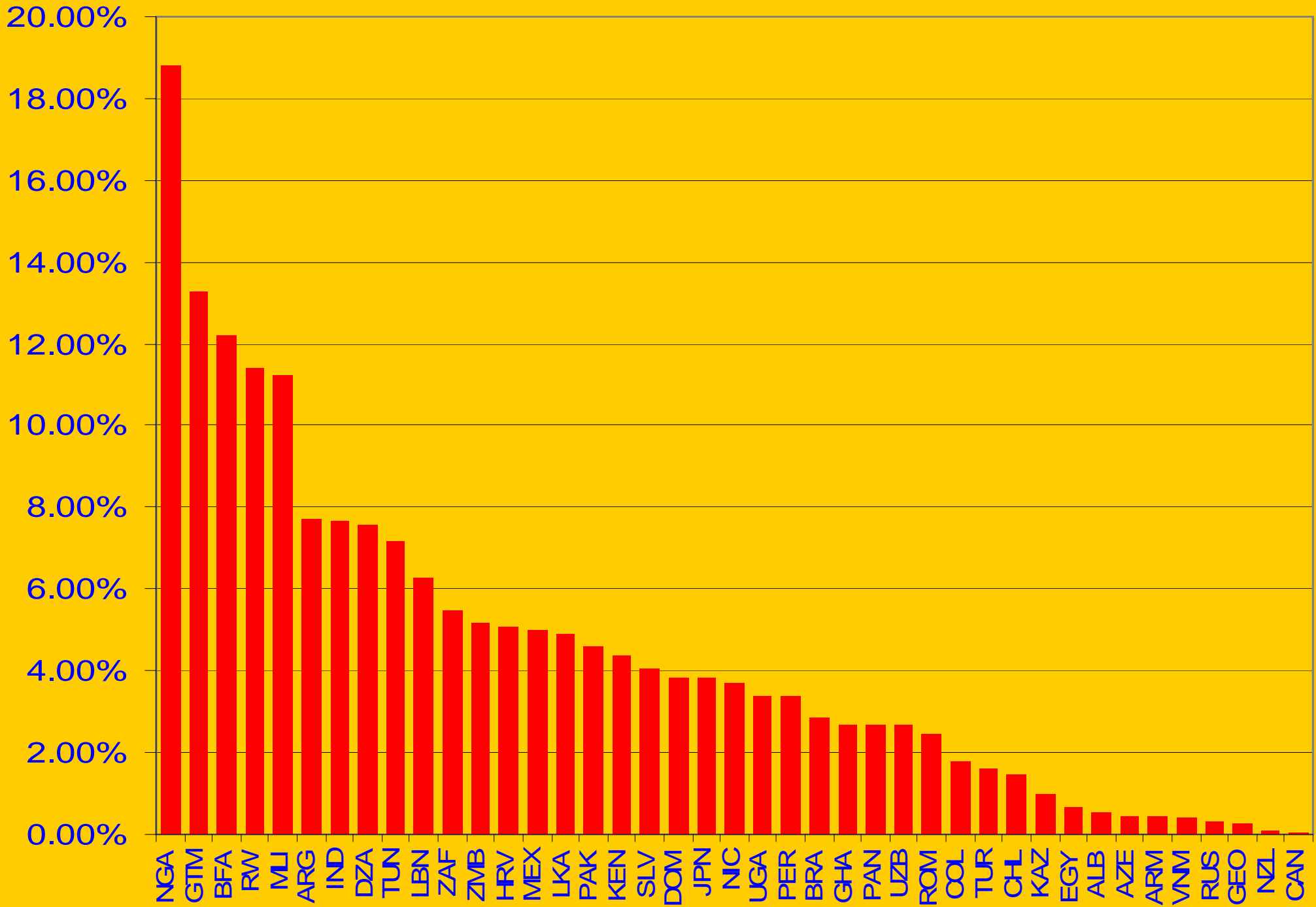
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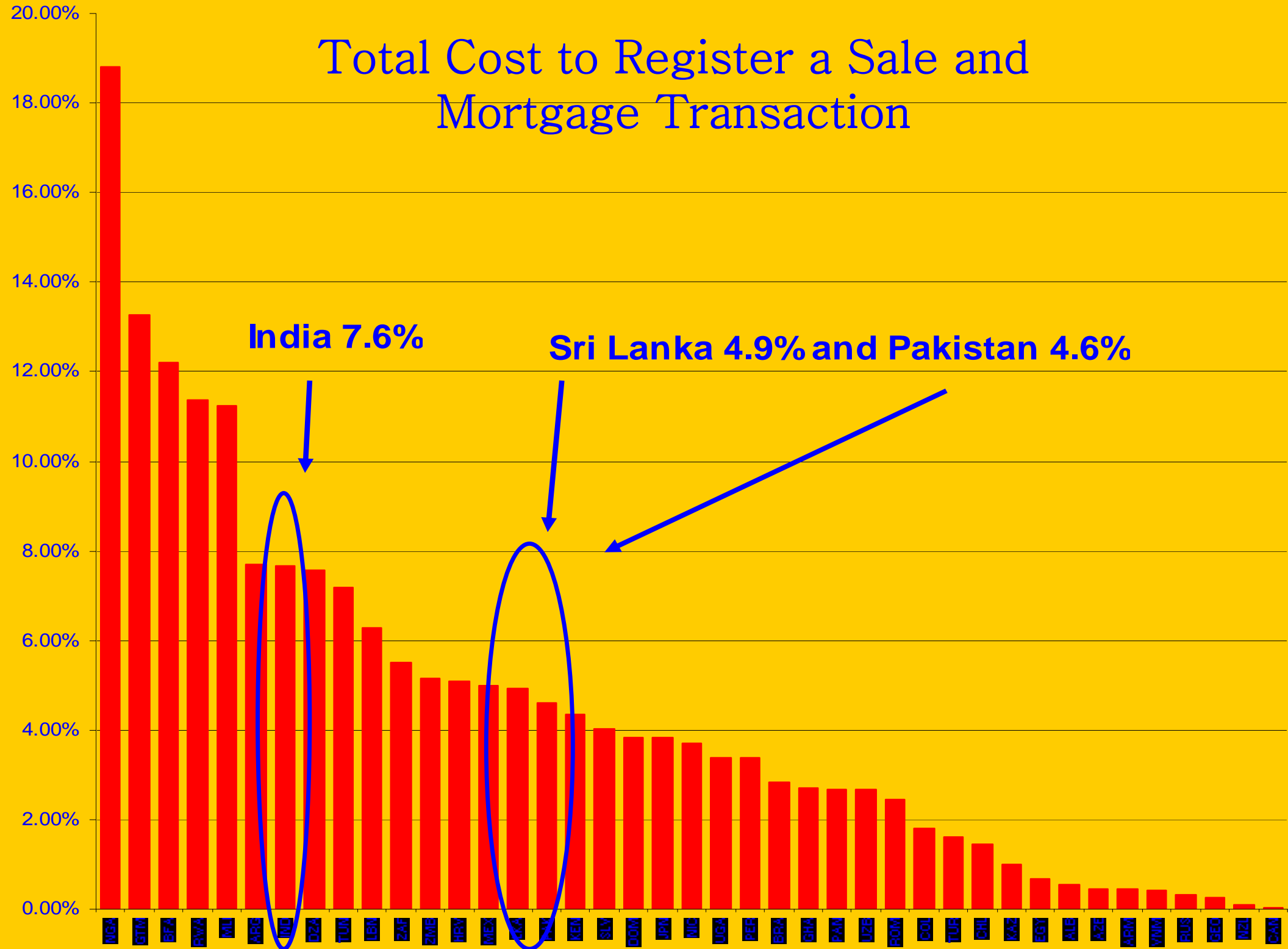
9 month to complete the last procedure in Rwanda



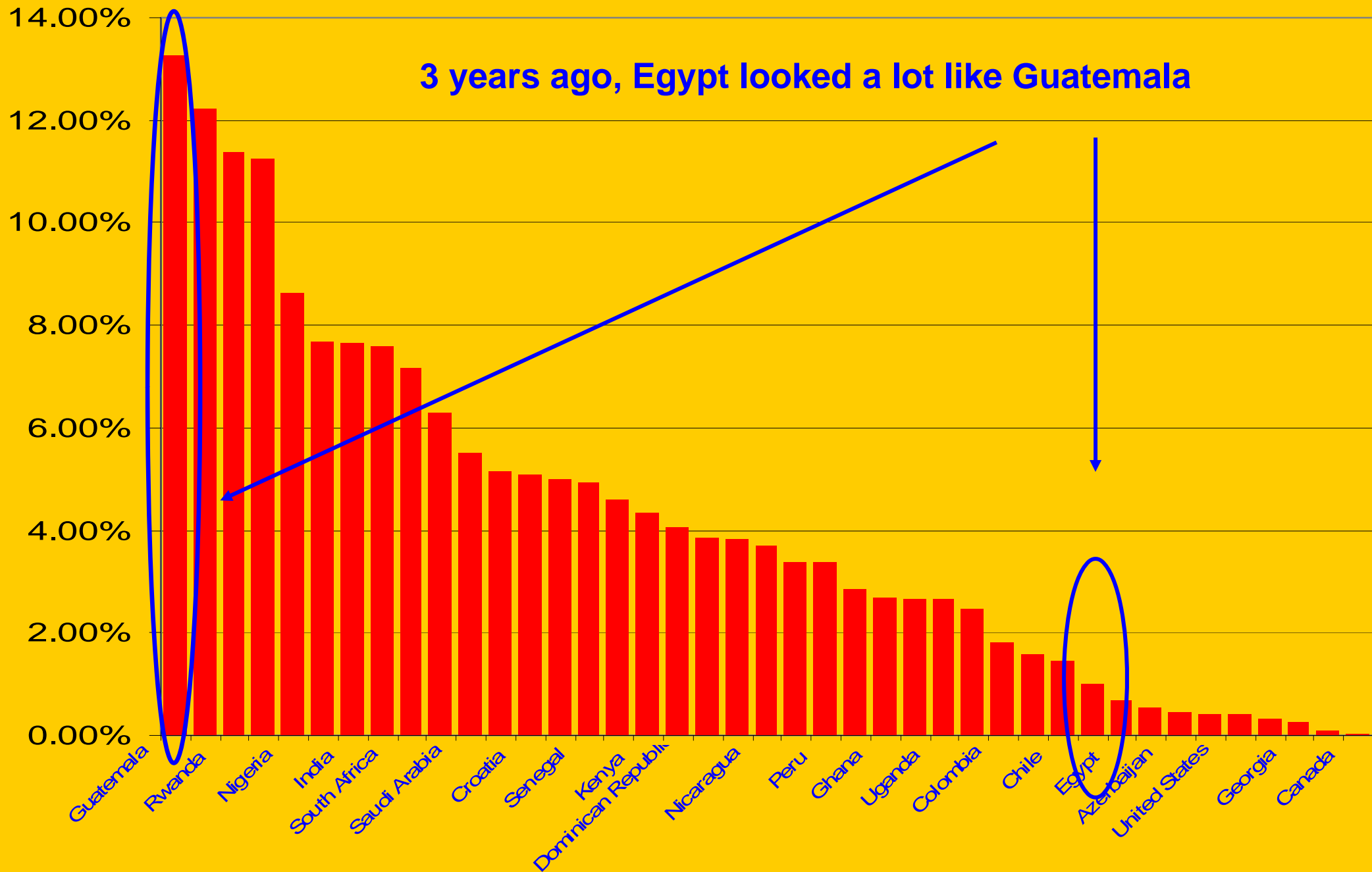
Total Cost to Register Mortgage and Transfer Title (Percent of Property Value)



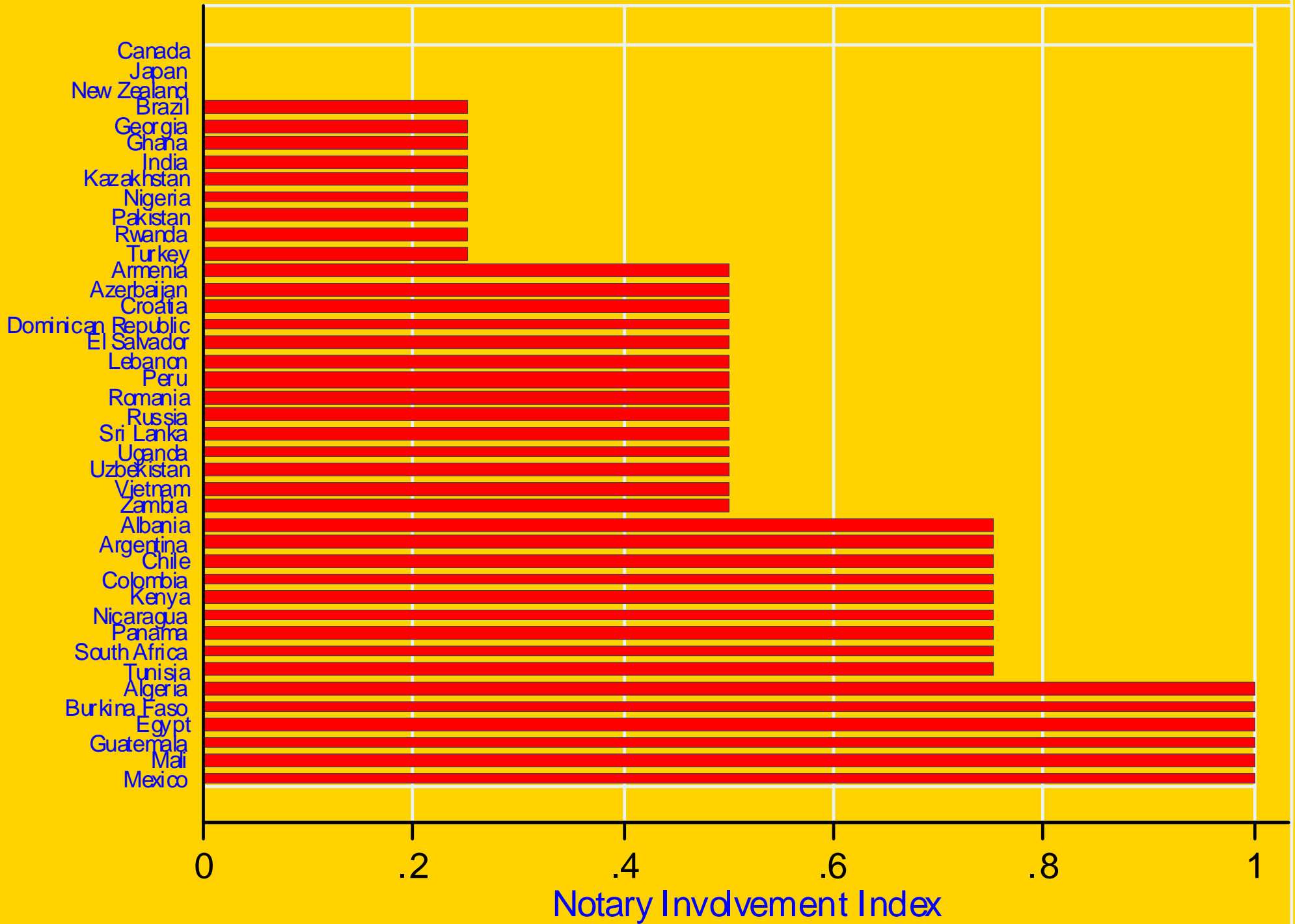
Total Cost to Register a Sale and Mortgage Transaction



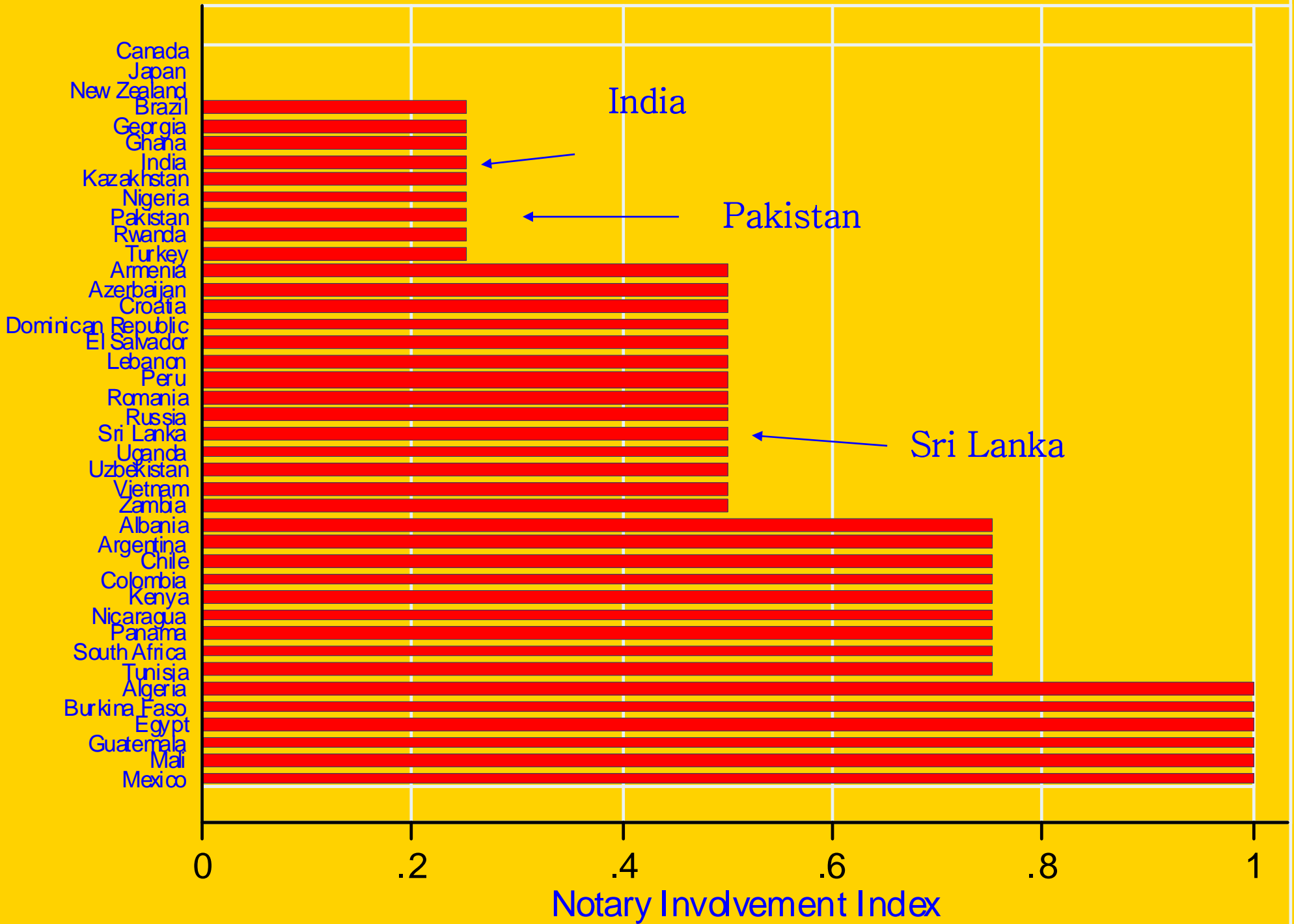
Total Cost to Register a Sale and Mortgage Transaction



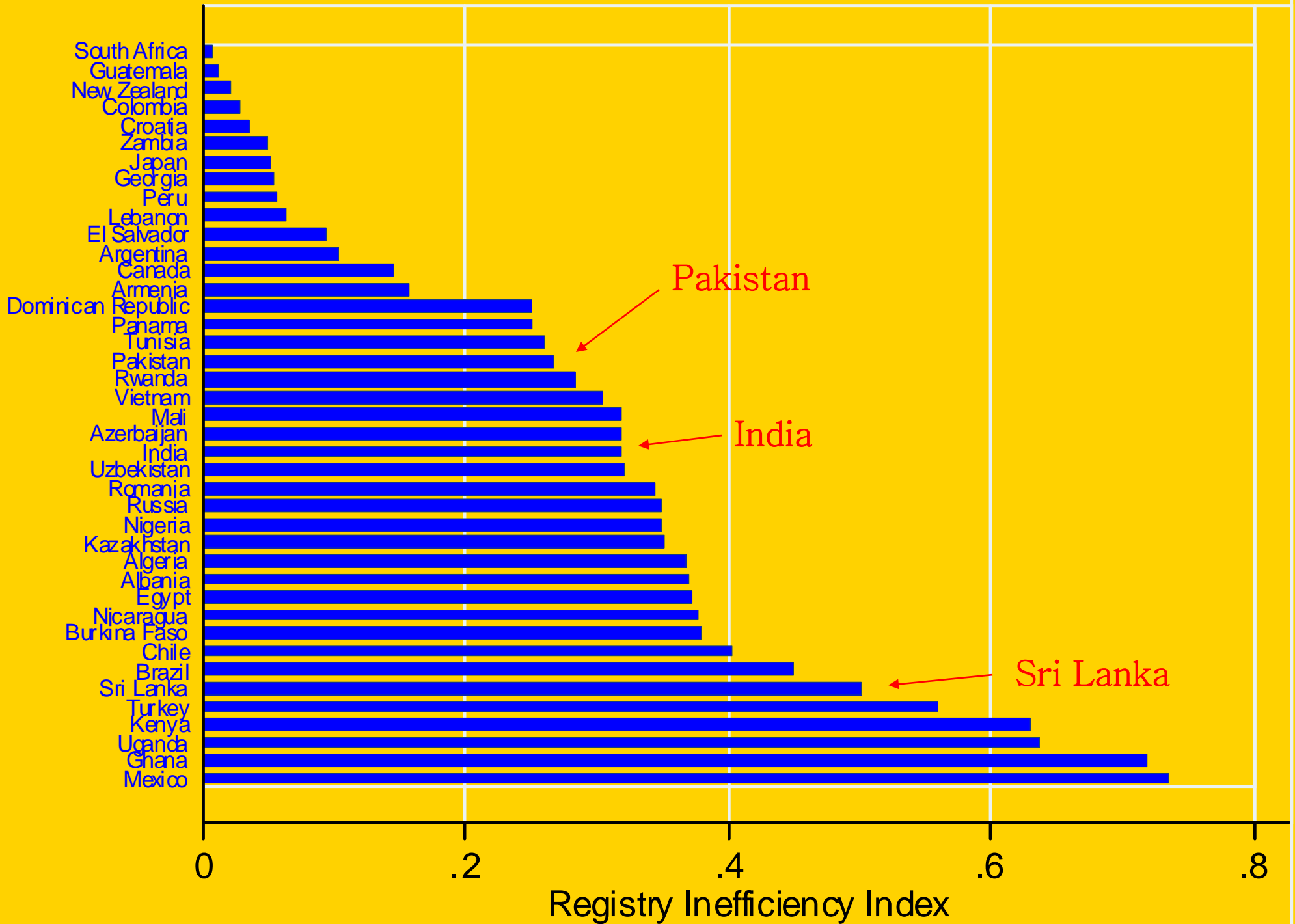
Notary Involvement Index



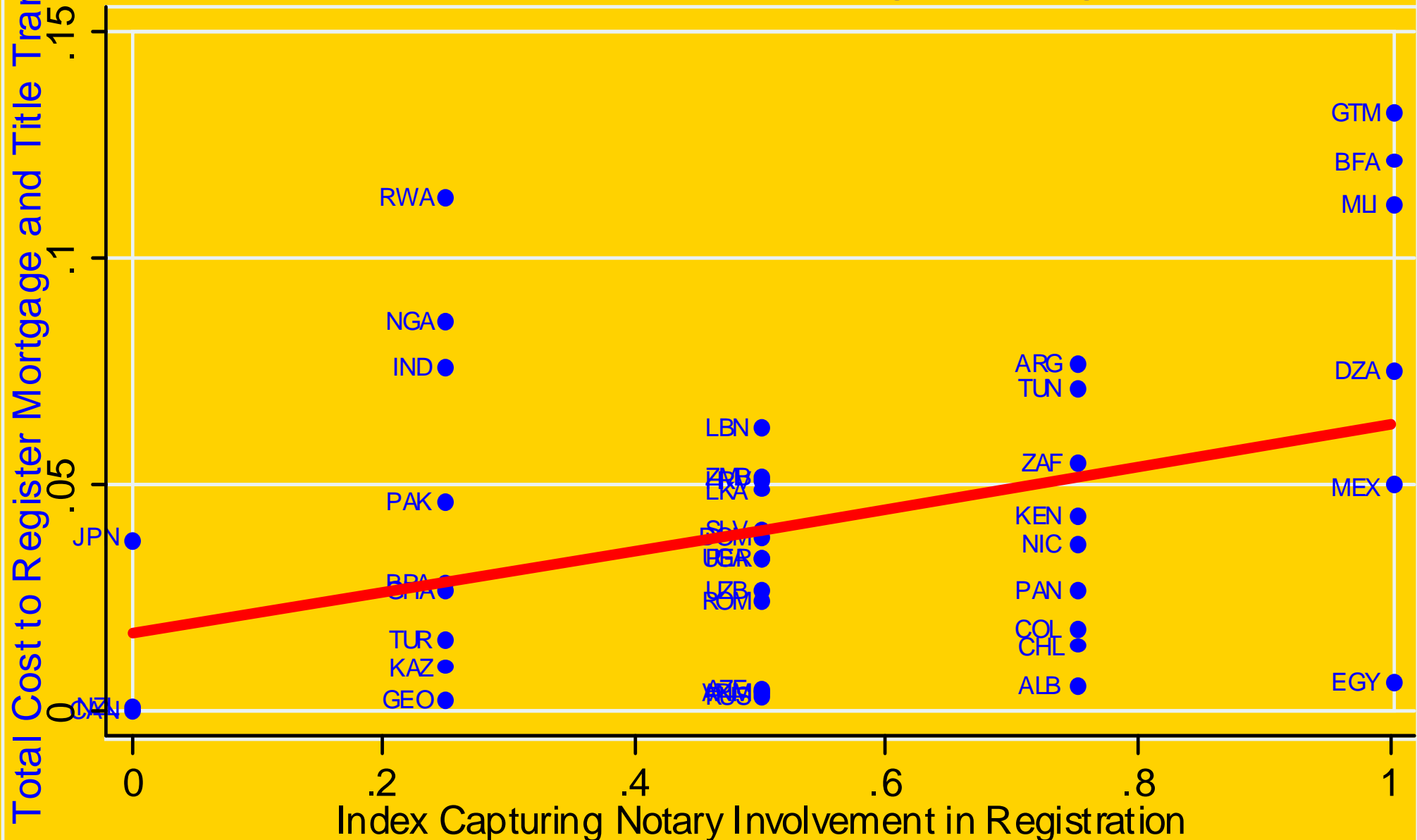
Notary Involvement Index



Registry Inefficiency Index



Notary Involvement Assoc with Higher Registration Costs



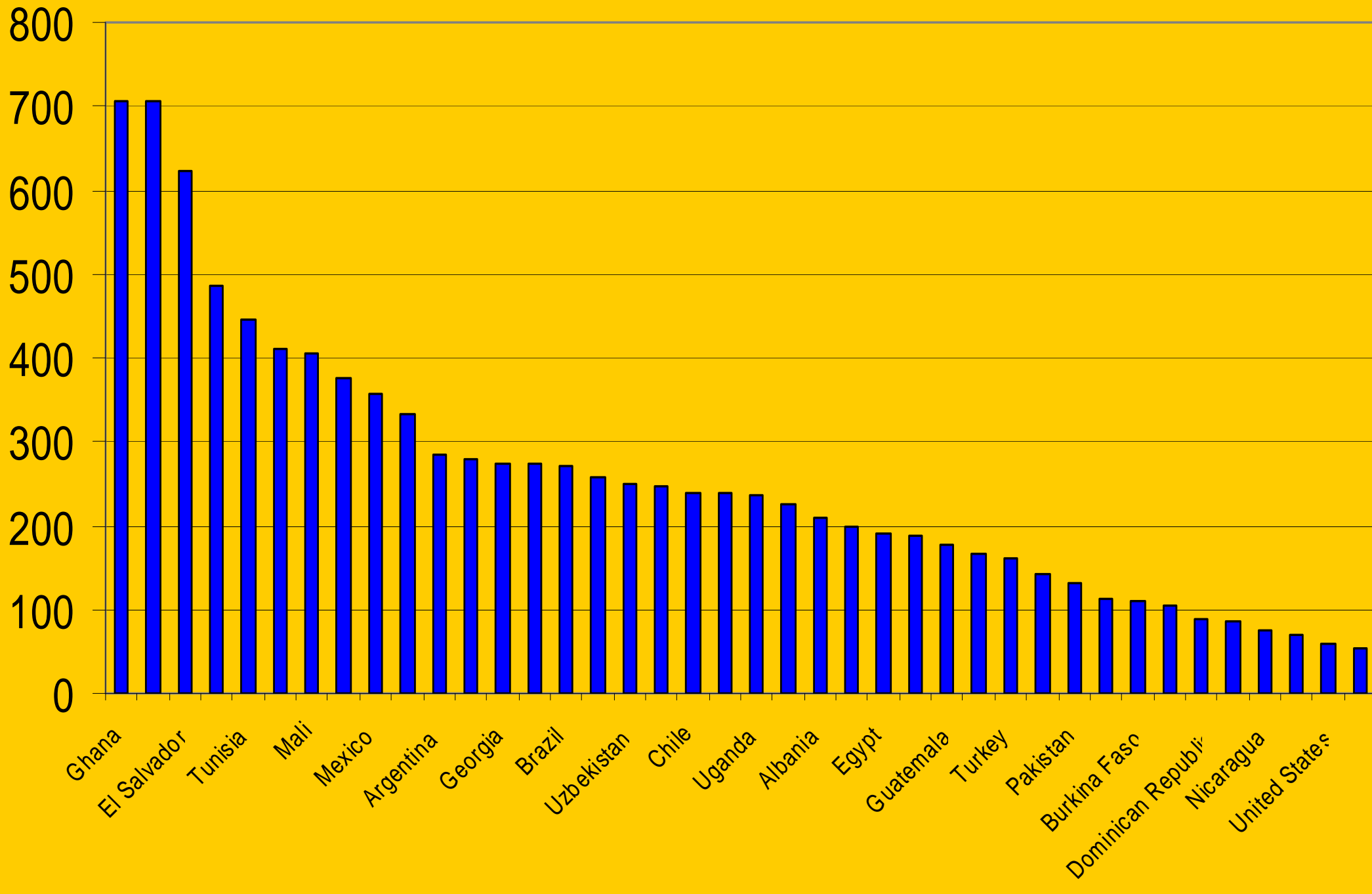
• Total Cost for Registration — Fitted values

*controls for country income and legal environment

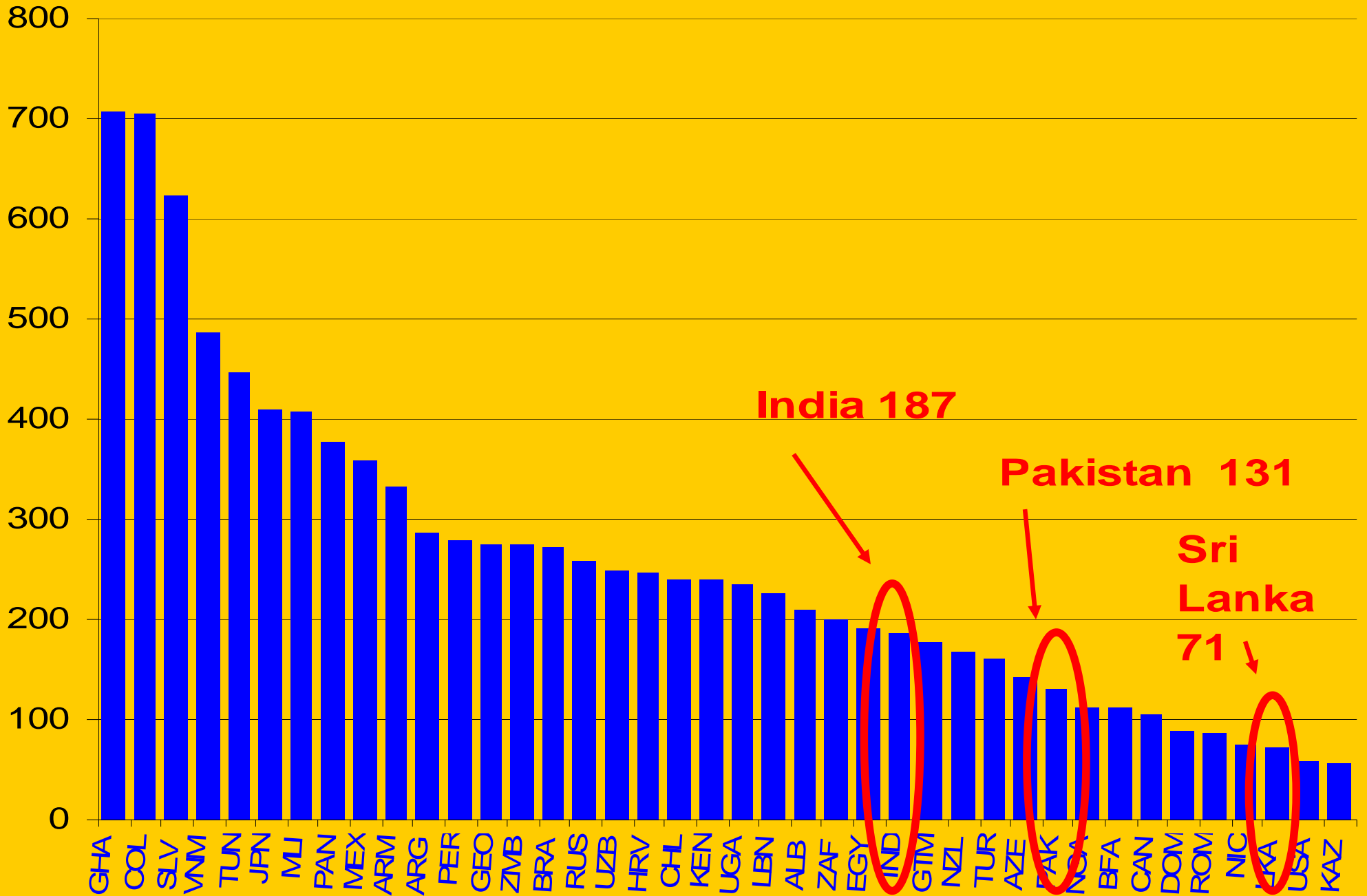
Foreclosure

- **Measures mortgage contract enforcement procedures and the efficiency of the judicial system in resolving disputes**
- **Judicial – ‘in-court’**
- **Non-judicial – ‘out of court’**
- **Summary Proceedings**
- **Surveys completed by local litigation lawyers, notaries and in house legal counsels of banks**
- **Process begins from the filing of the lawsuit and ends once the claim is satisfied**
- **No appeals**
- **No eviction**
- **Property is sold on first auction**

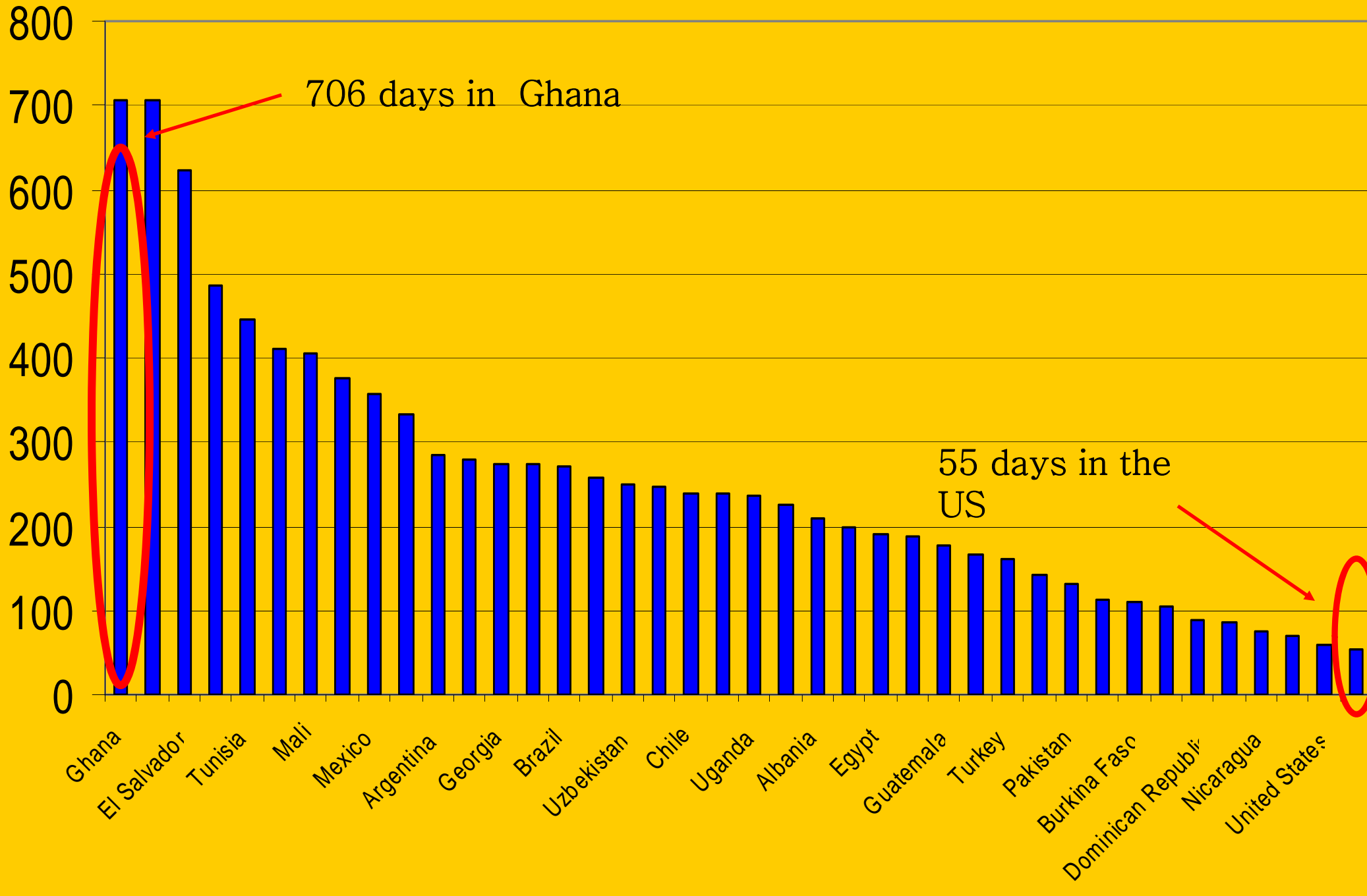
Total Time to Foreclose on a Property (days)



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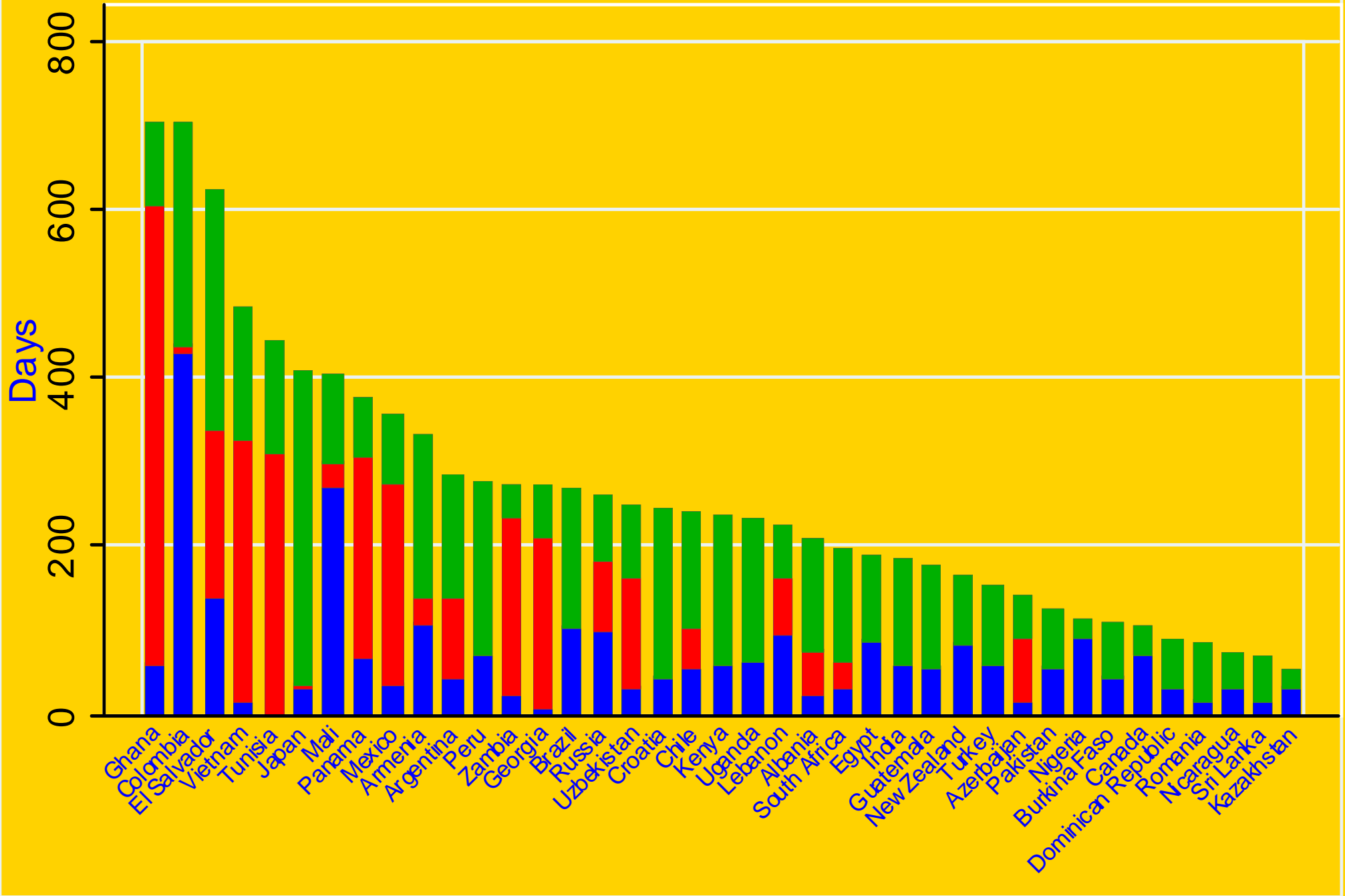


Total Time to Foreclose on a Property (days)



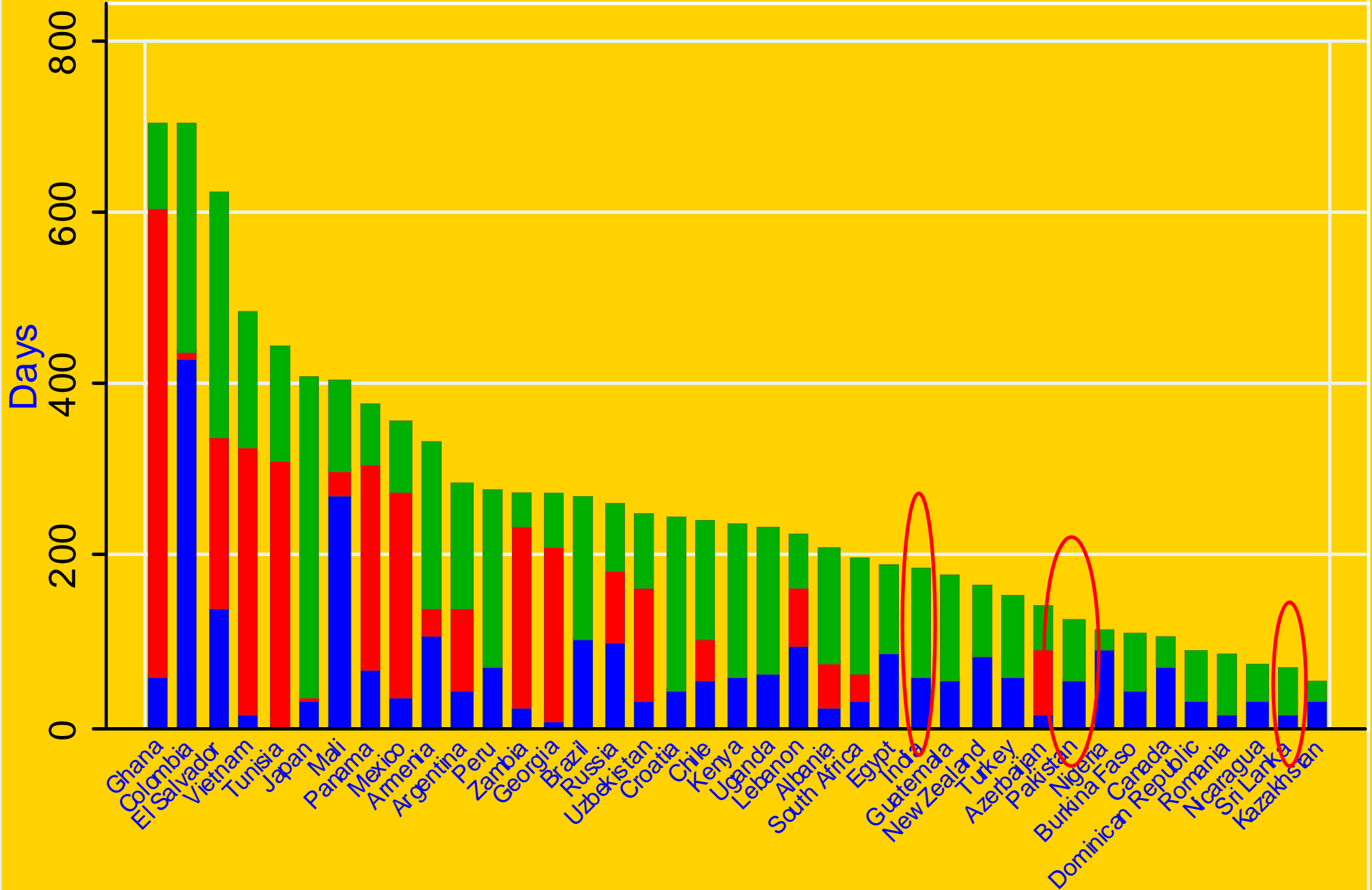
Days to Foreclose

Notification Judgment Enforcement

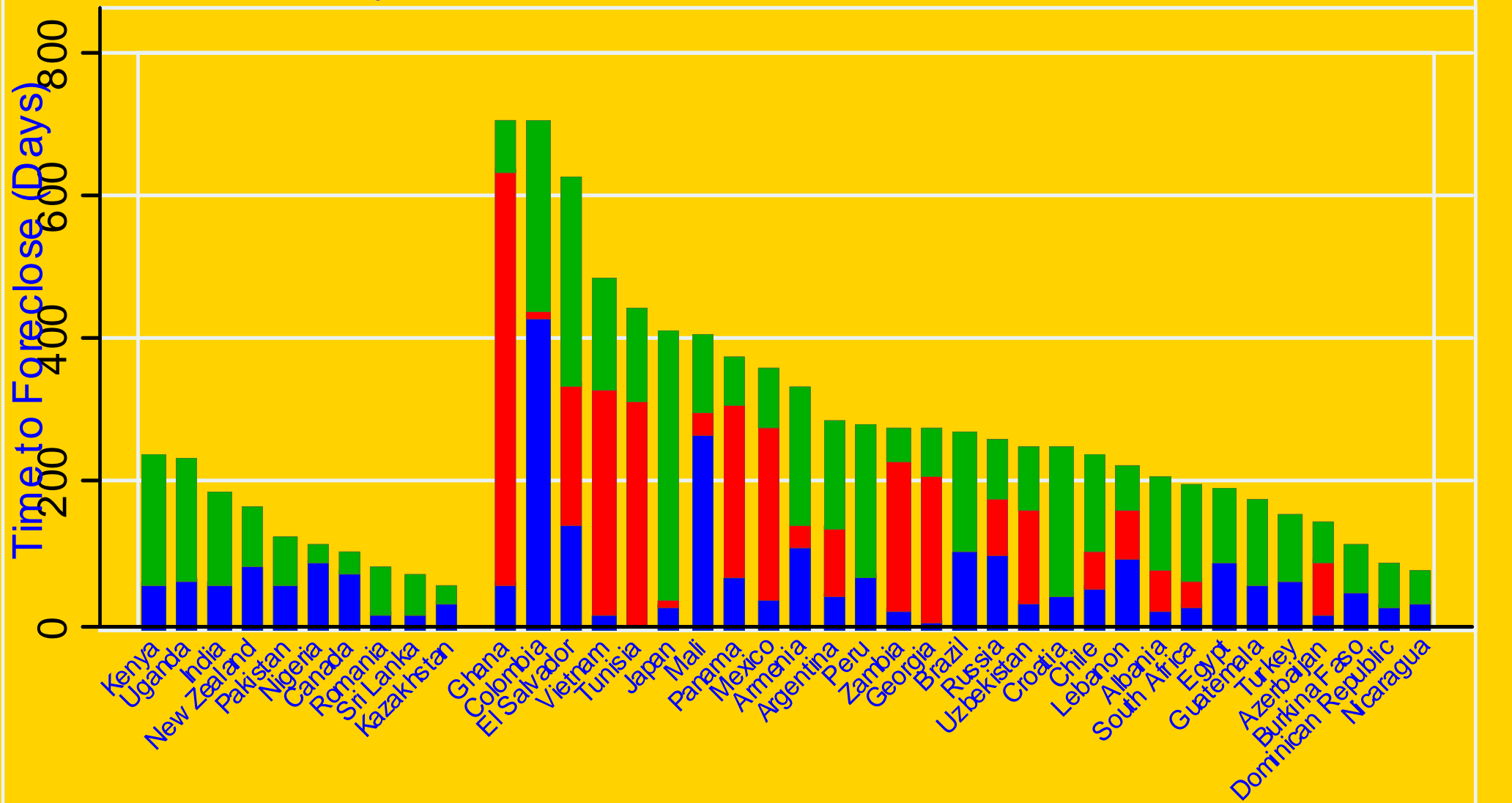


Days to Foreclose

Notification Judgment Enforcement



Non-Judicial Systems Associated with Lower Foreclosure Tim



Non judicial

Judicial



Time allocated for notification

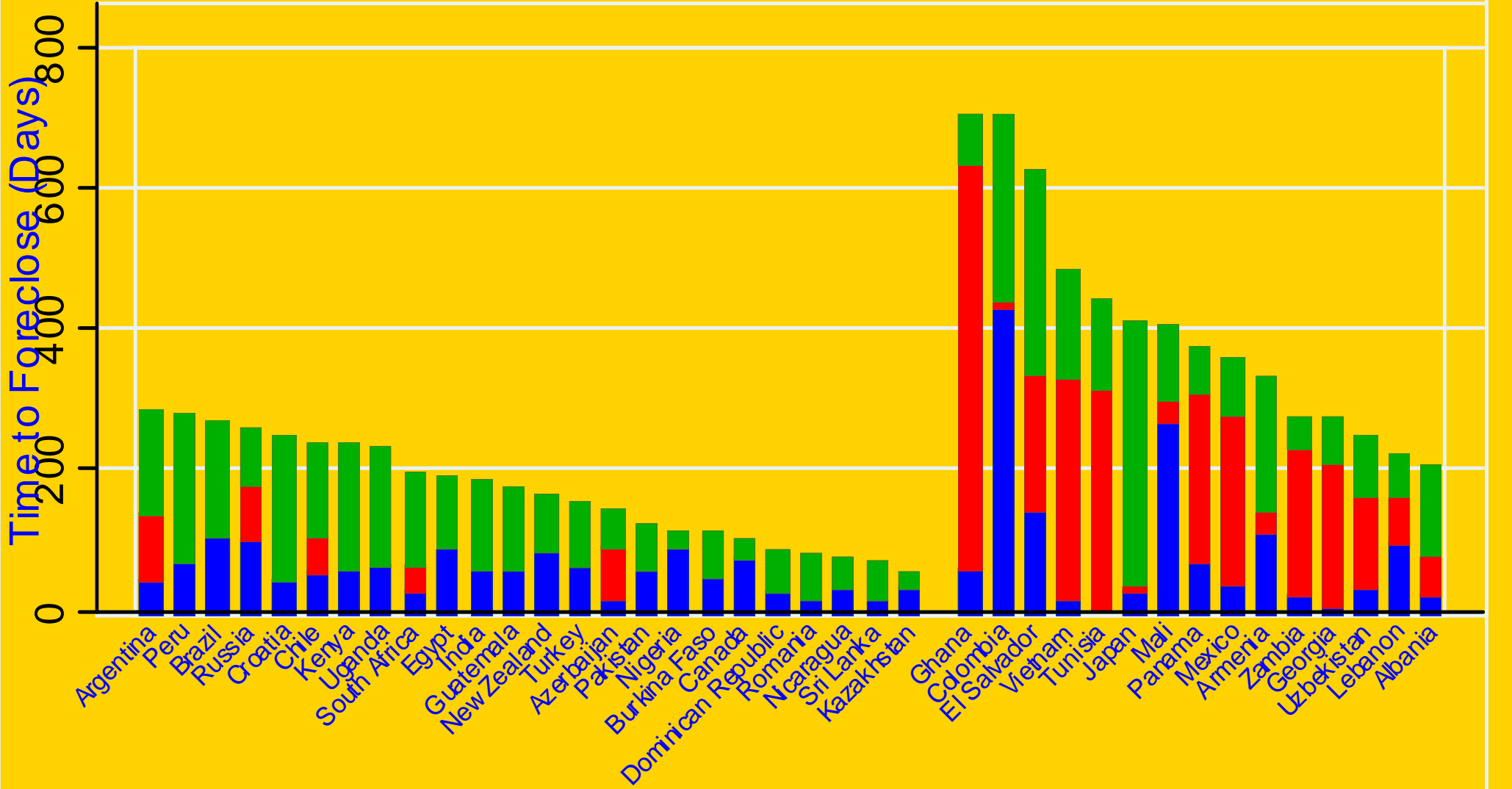


Time allocated for judicial process



Time allocated for enforcement

Non-Judicial Systems Associated with Lower Foreclosure Time



Non judicial/Summary Pro

Judicial



Time allocated for notification

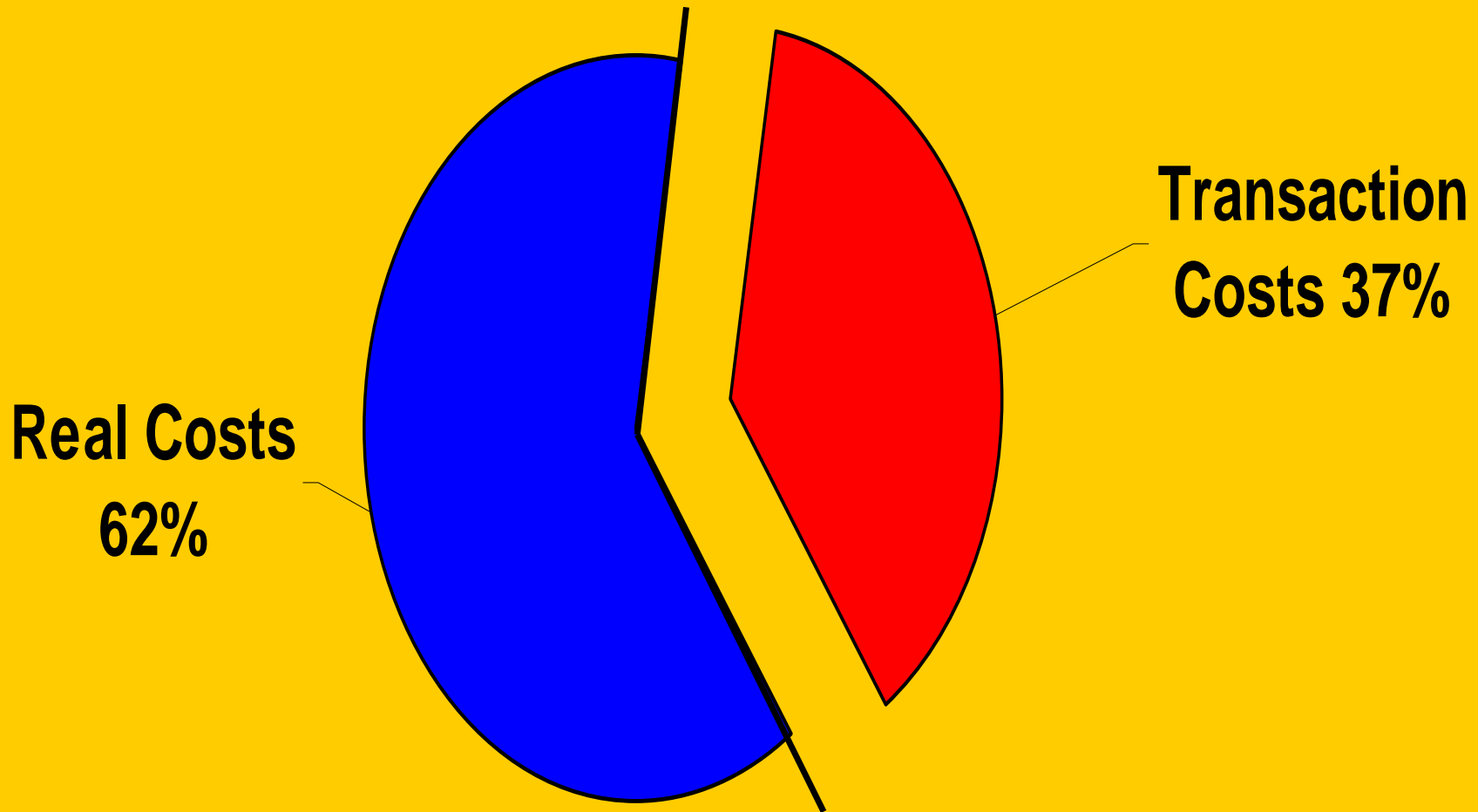


Time allocated for judicial process

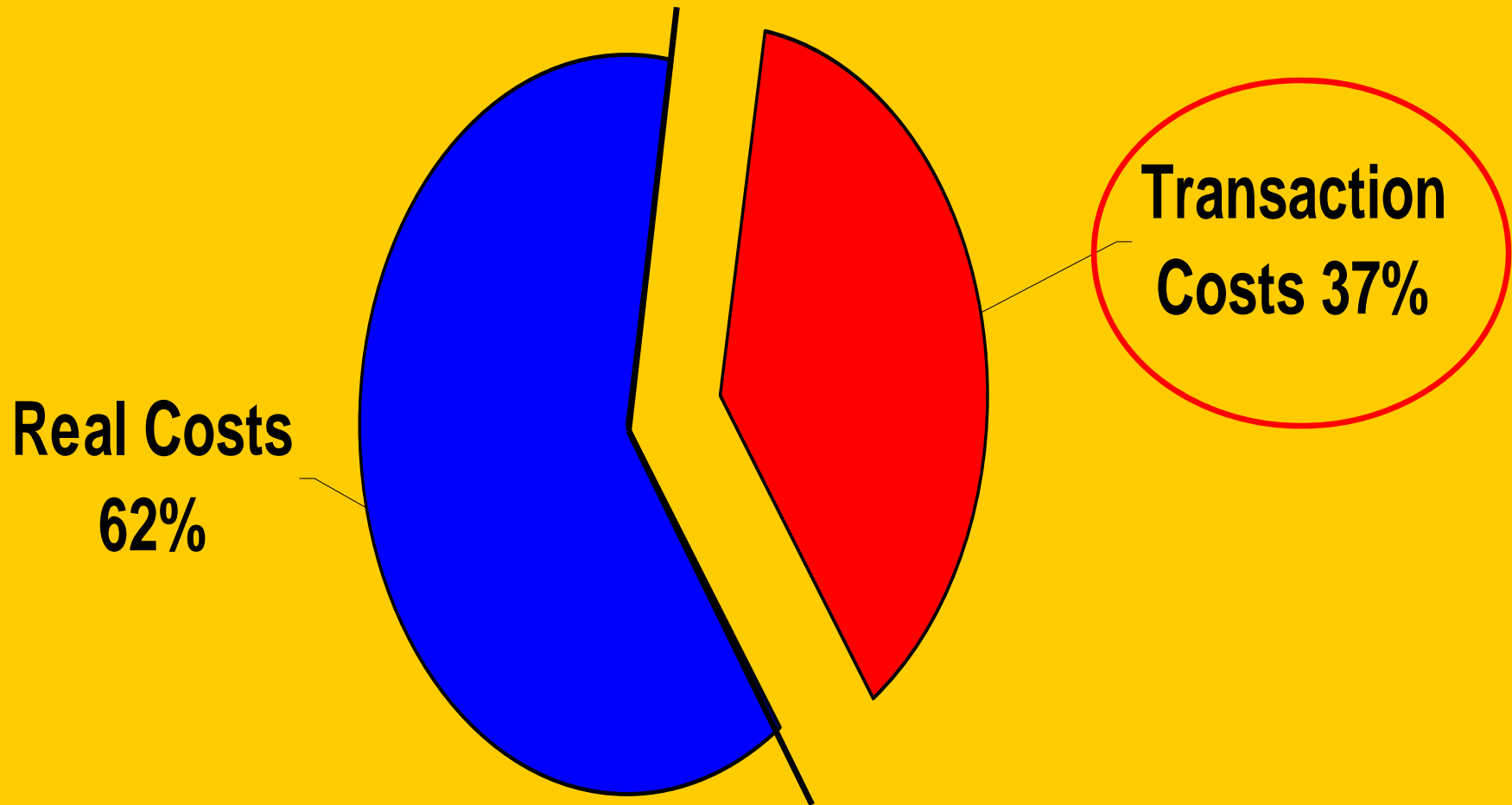


Time allocated for enforcement

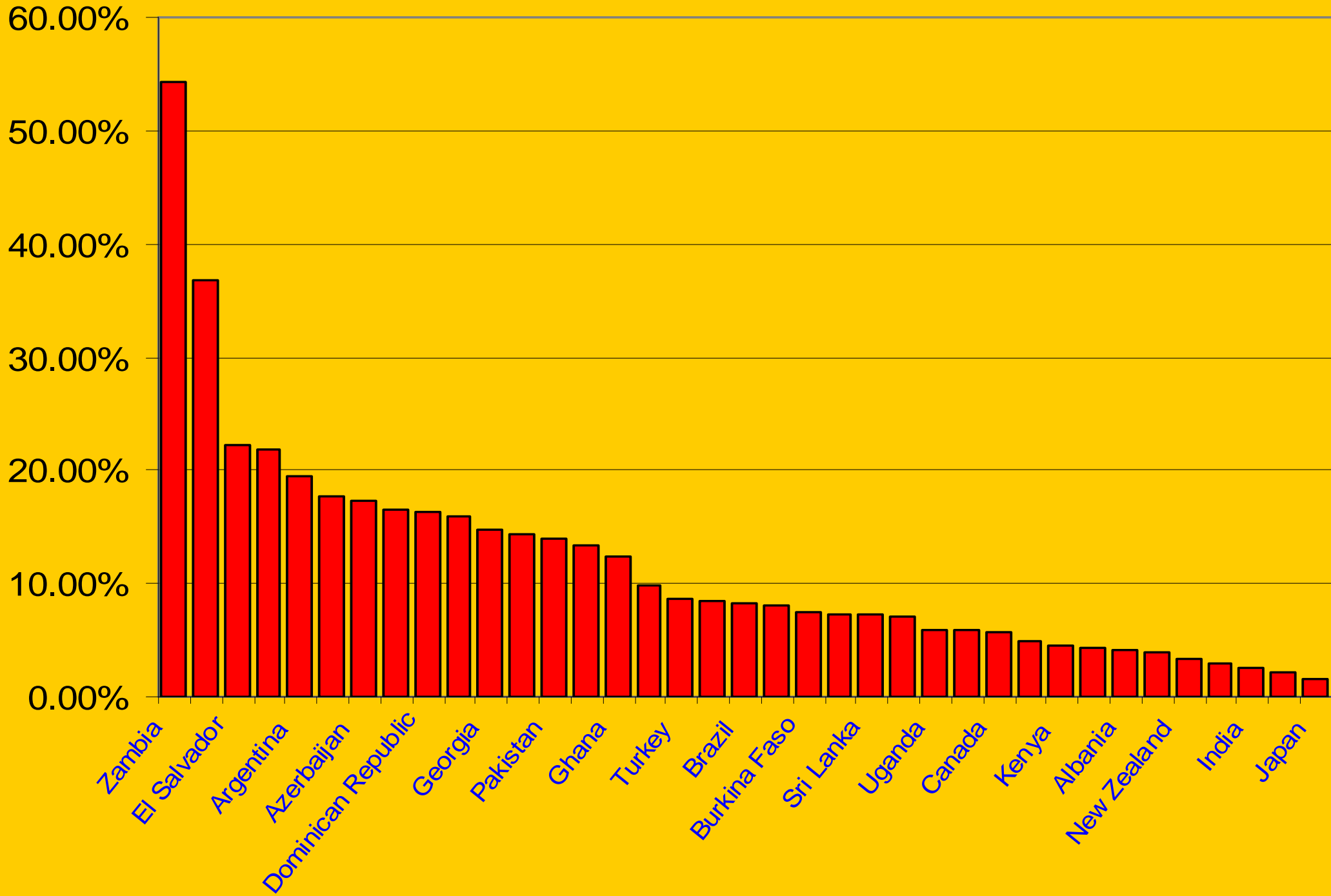
Composition of Average Total Costs To a Mortgage Investor



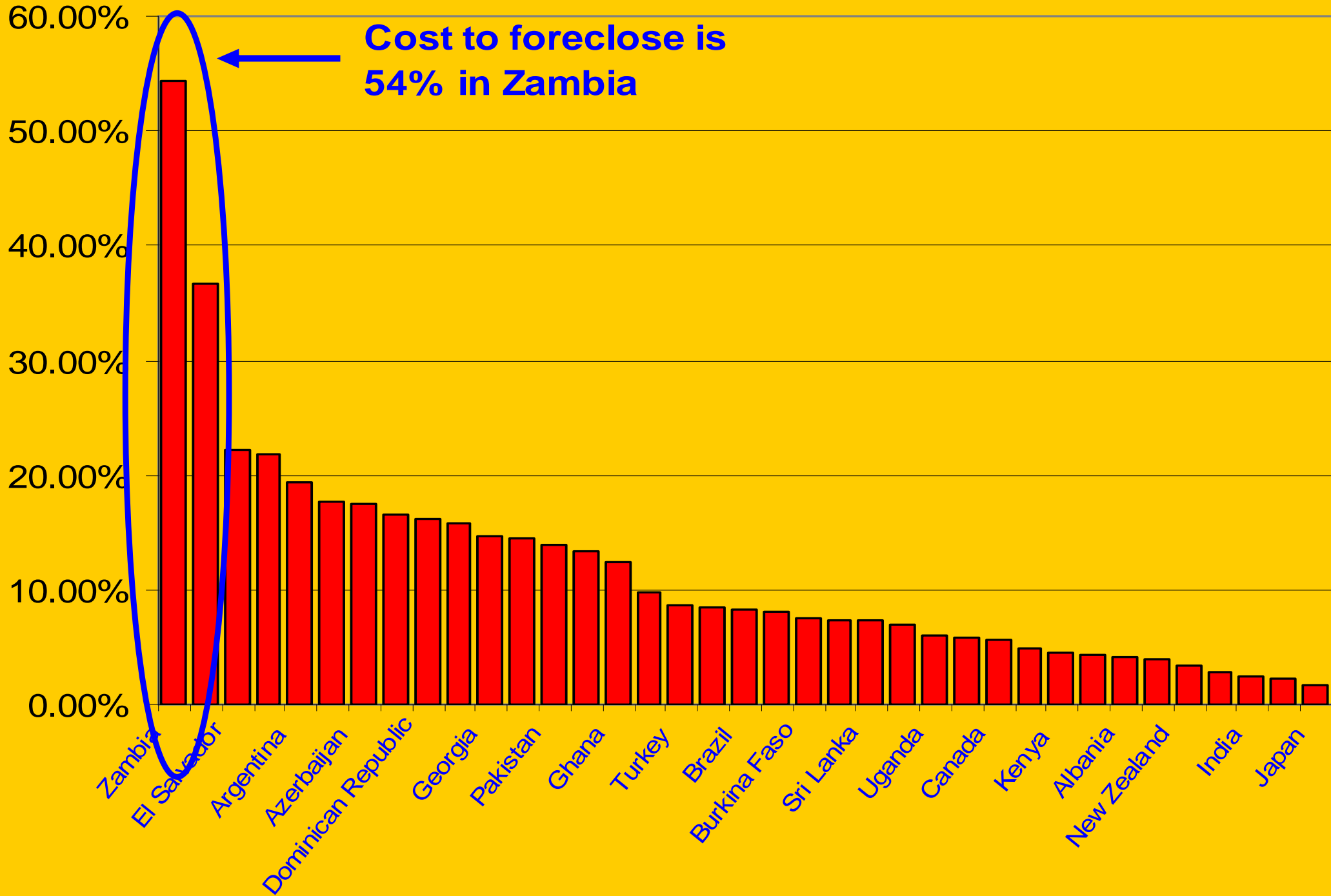
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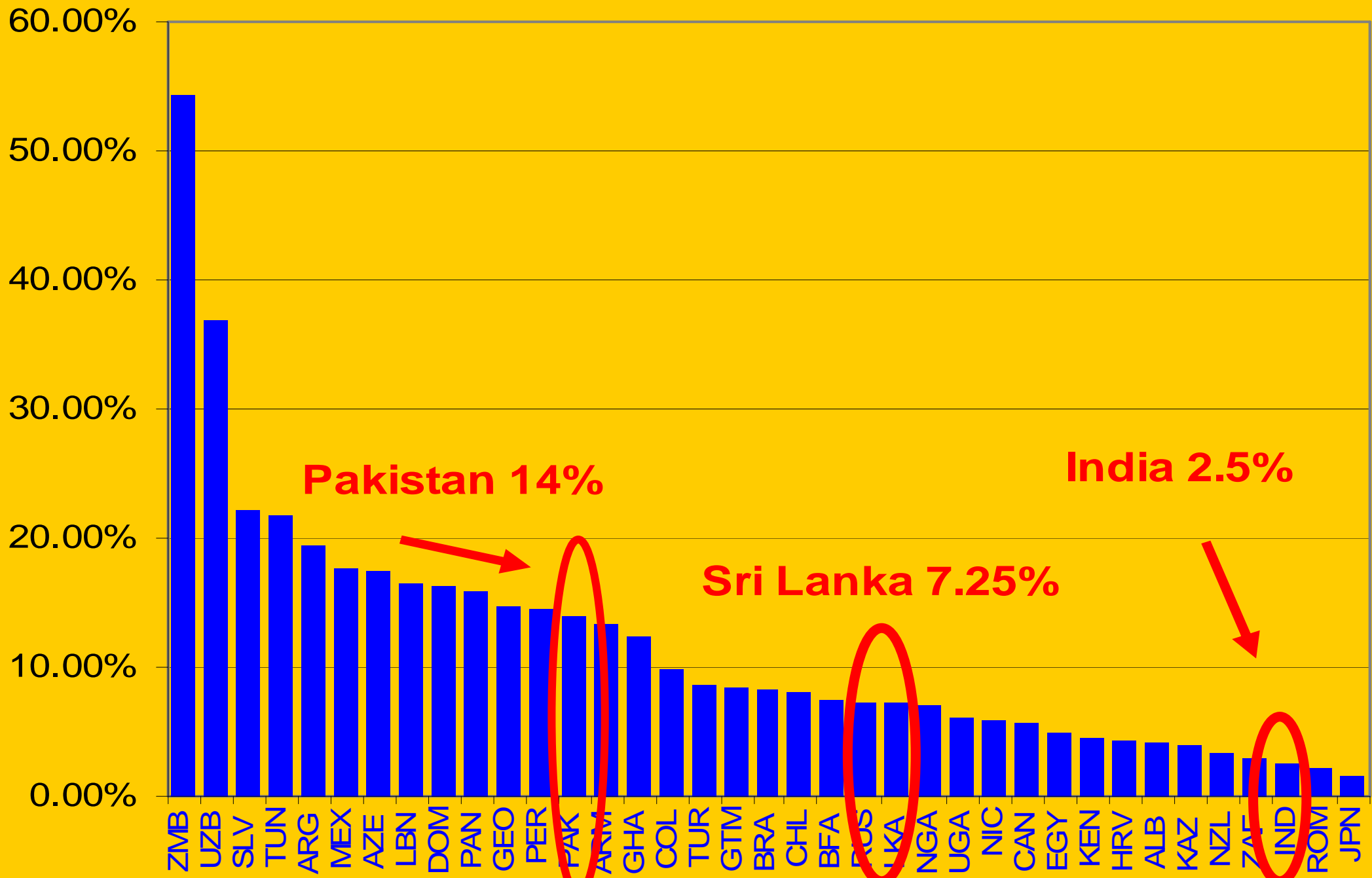
Cost to Foreclose as Percent of CMV



Cost to Foreclose as Percent of CMV

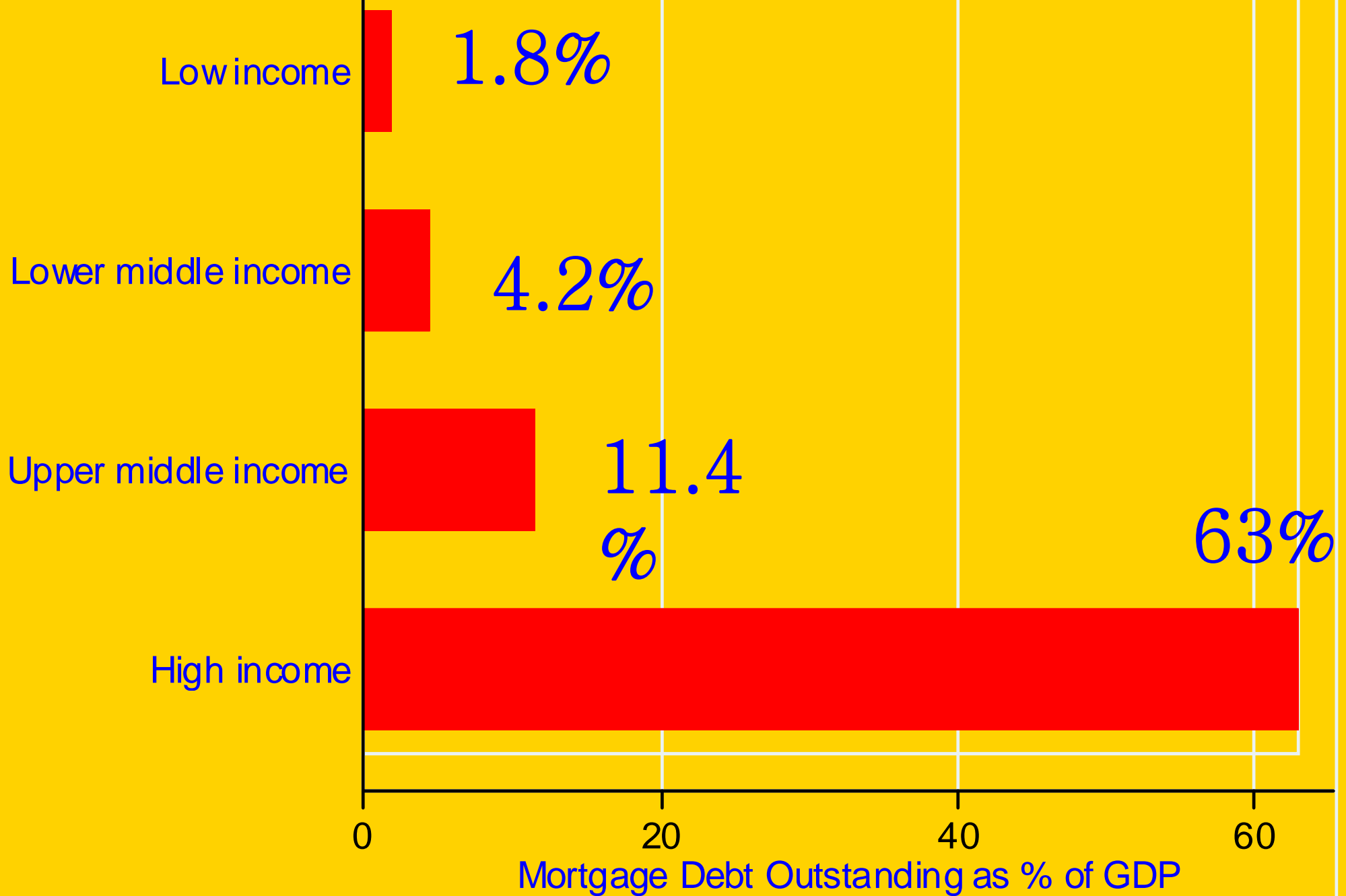


Cost to Foreclose as Percentage of Current Market Value (CMV)

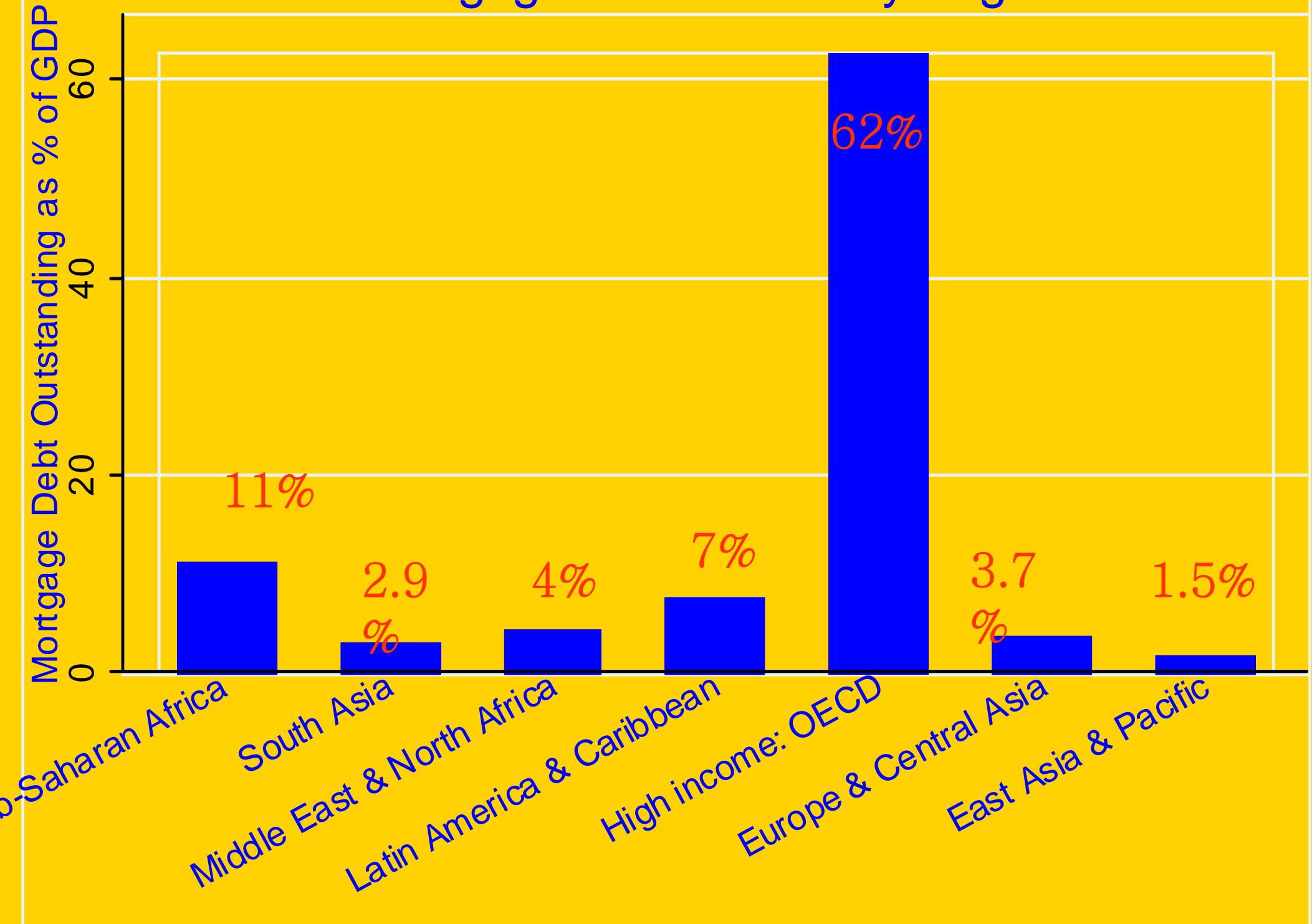


- **Measure of depth of the mortgage market**
- **Main determinant is country income**
- **Supply of housing stock**
- **Legal/ regulatory environment**
- **Financial sector depth/Secondary mortgage markets**
- **Macro stability**
- **Do aspects of mortgage registration and foreclosure also play a role?**

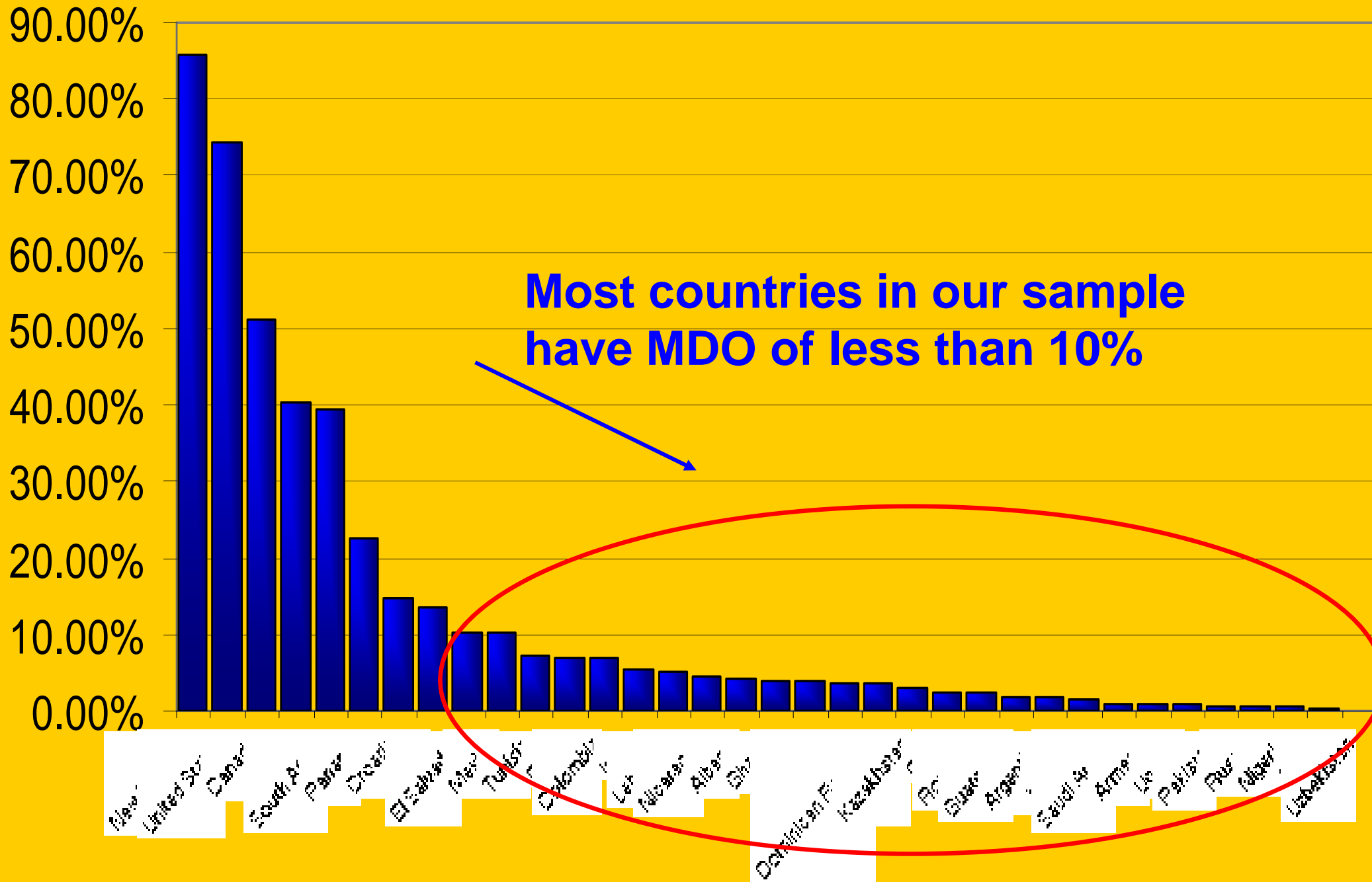
Mortgage Market Size By Income Level



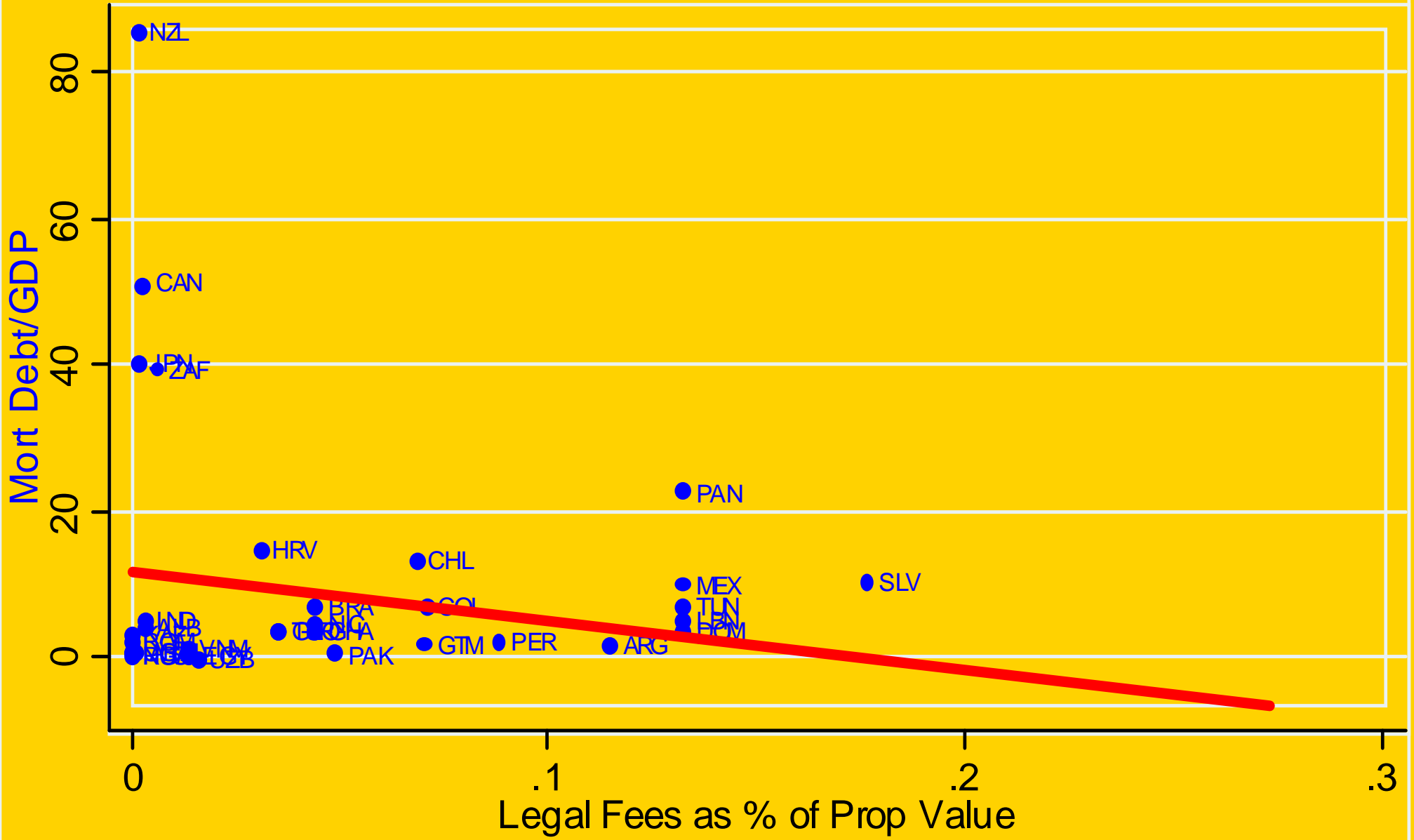
Mortgage Market Size By Region



Mortgage Debt Outstanding (% of GDP)



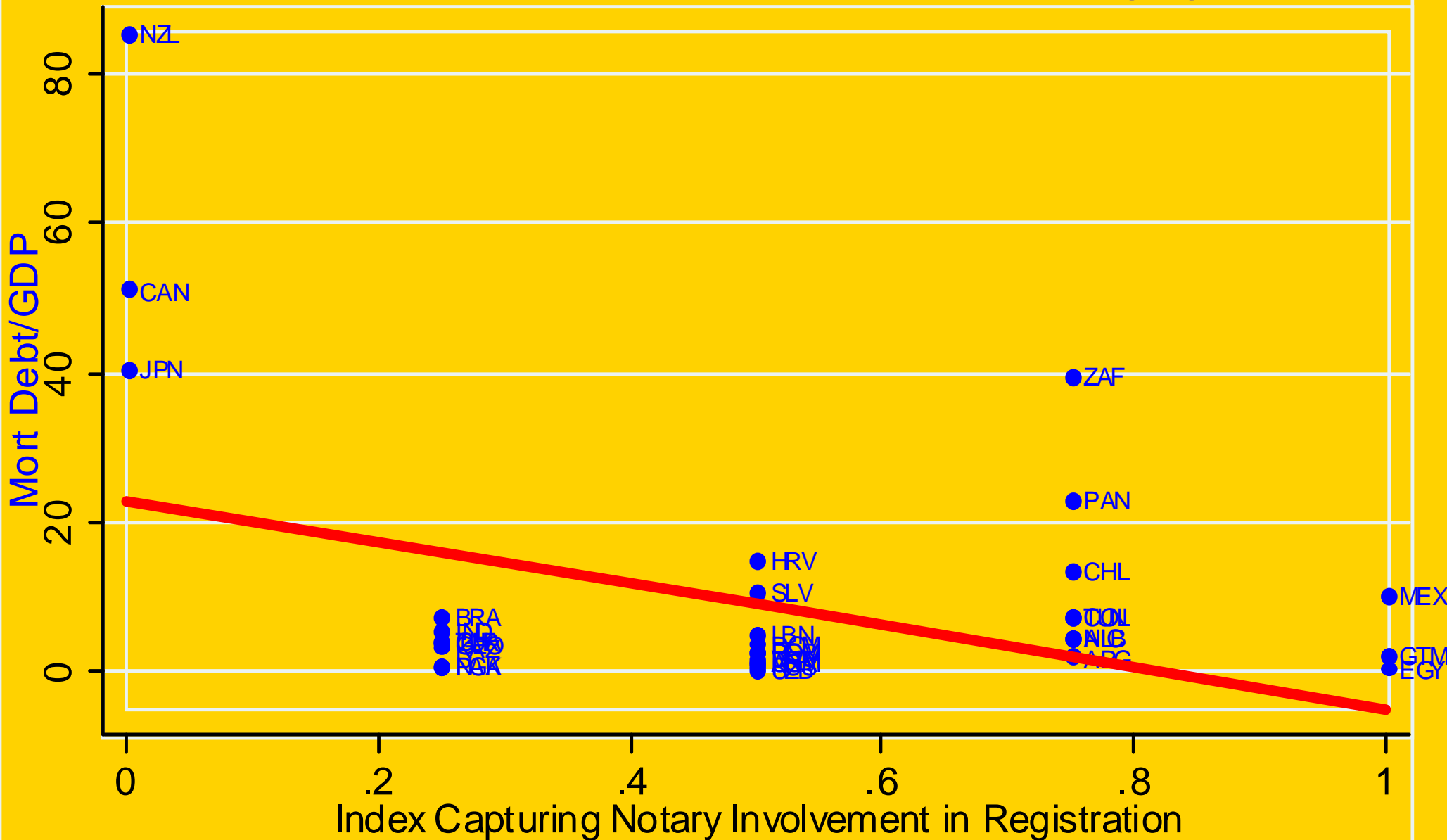
High Legal Fees Assoc with Thinner Mortgage Markets



• MortDebt/GDP — Fitted values

*controls for country income and legal environment

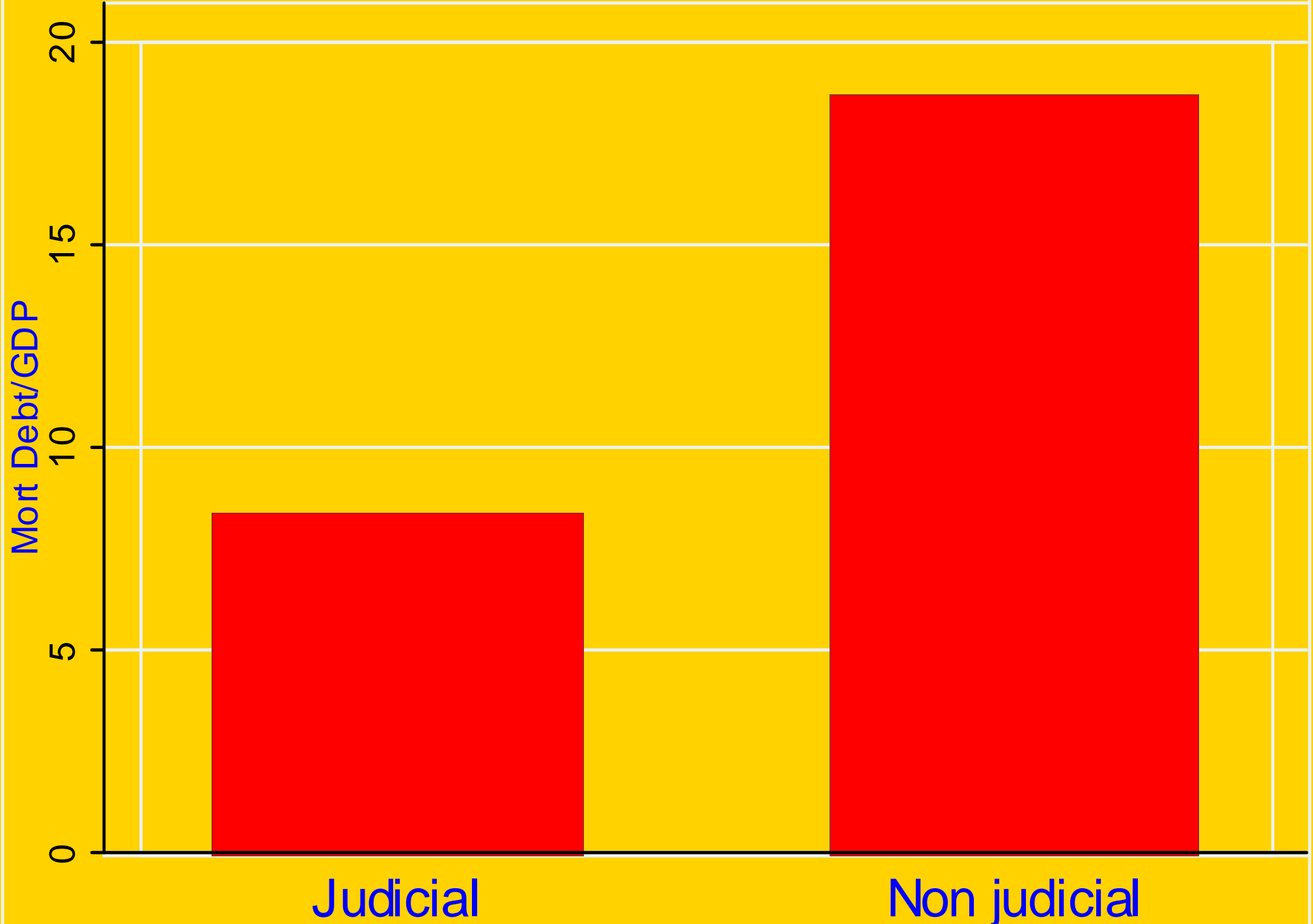
Notary Involvement Assoc with Thinner Mortgage Markets



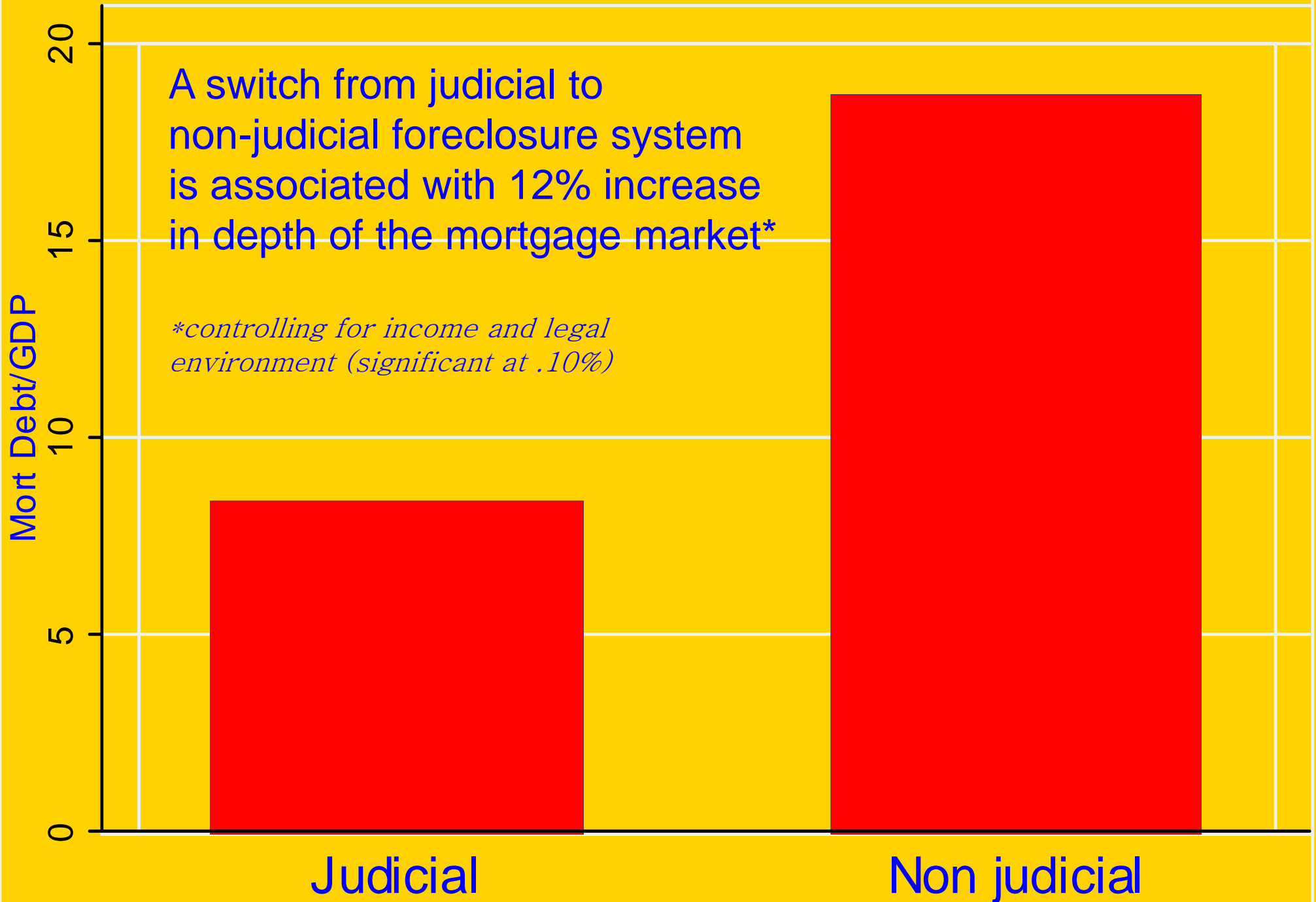
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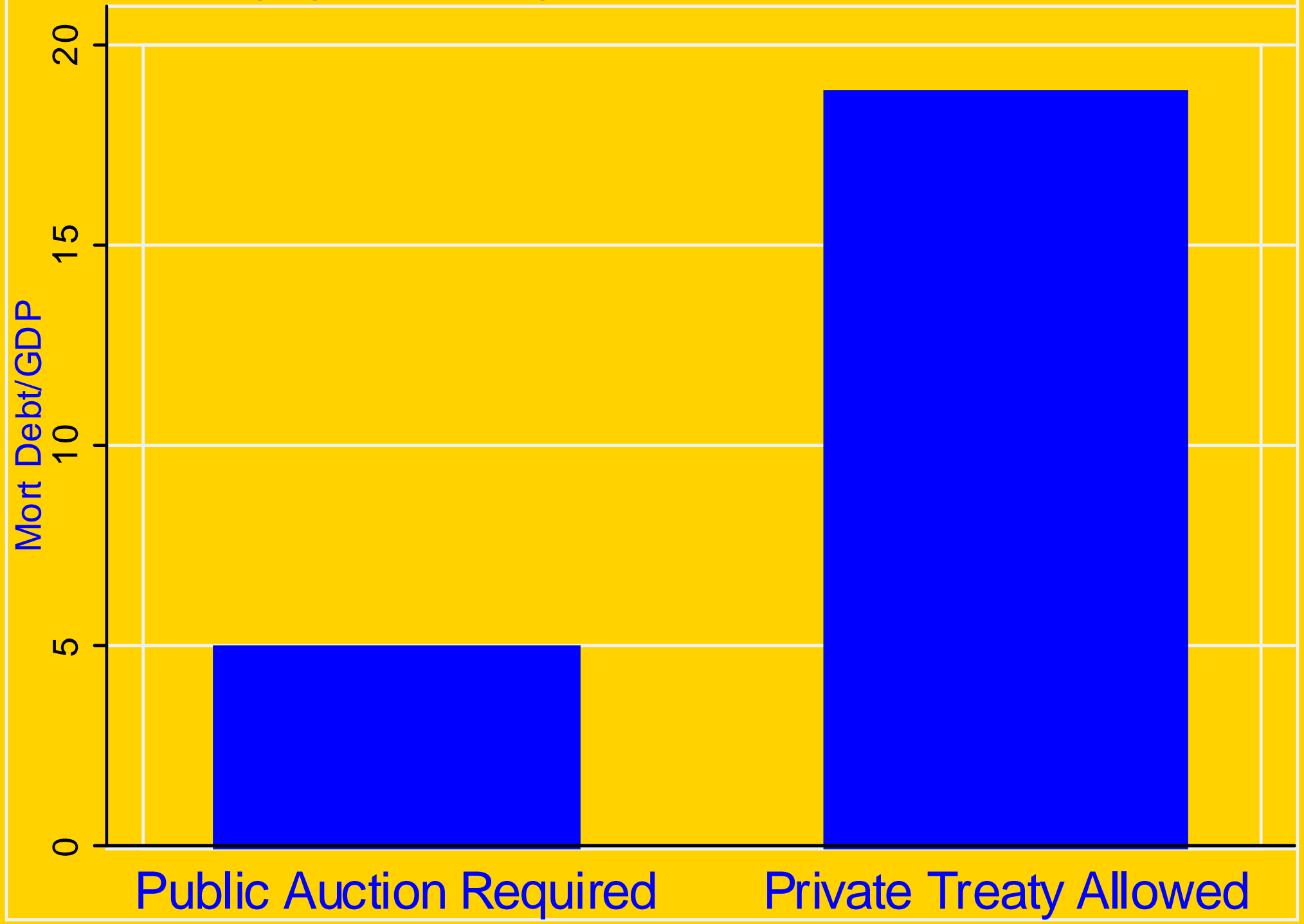
Mortgage Debt Higher in Non-Judicial Countries



Mortgage Debt Higher in Non-Judicial Countries



Mortgage Debt Higher When Private Sales Allowed



Mortgage Debt Higher When Private Sales Allowed



A switch from public auction to allowing sale by private treaty associated with 7.6% increase in depth of the mortgage market.*

*Controlling for income, legal system and legal environment (significant at .05%)

Public Auction Required

Private Treaty Allowed

- **Financing Homes Report, Fall 2008**
- **Full data set and analysis**
- **Case studies and country examples**
- **Policy Implications and Findings**

Comments? Questions? Suggestions?

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Thank You!