

¡Échale! a Tu Casa: Providing Low-Income Families Opportunities for Home Ownership



Initiative Description

In January 2012, the housing social enterprise ¡Échale! a tu Casa joined the Business Call to Action with a commitment to provide US\$3 million in microfinance lending in order to help 25,000 families with minimum wage of under US\$5 per day to finance the construction of their houses by 2017.

¡Échale! a tu Casa's goals by 2017:

- Create a housing microfinance fund for 25,000 potential householders from under-served populations
- Establish three branch offices for microfinance in rural areas to increase housing construction
- Build around 1,500 new homes and enable 6,000 home improvements per year



Business Model

Mexico suffers from a severe shortage of affordable housing: according to the Federal Mortgage Trust of Mexico, nearly 9 million families are inadequately housed at any given time. For poor families who lack the collateral needed to obtain home loans, this situation has led to an inescapable cycle of poverty. Research shows that home plays a critical role in the social and economic life of a family unit. Living conditions affect all aspects of human development, from health and education to social advancement.

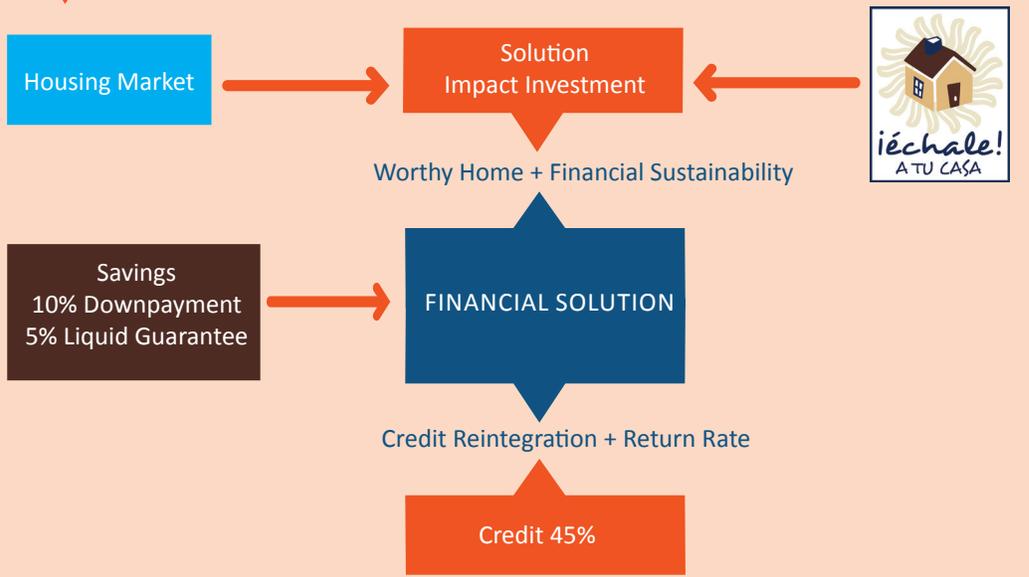
¡Échale! a tu Casa aims to provide low-income families in Mexico with the opportunity to own a safe, affordable and environmentally friendly home through innovative lending and through an assisted self-building program where communities

One of the key barriers to home ownership for low-income population is access to finance. By making finance available to poor families, we are helping communities to be part of our assisted self building program that allows them to build their own eco-friendly home.

Francesco Piazzesi,
¡Échale! a tu Casa Founder and CEO

are trained with the appropriate technical capacities to build their own homes and supervised by certified architects. Each participant receives all the necessary materials and instructions to build a two-bedroom home at a lower cost.

¡Échale! a tu Casa Business Model



Financing

Previously, community members wishing to build their homes through ¡Échale! a tu Casa were provided with credit from local financial institutions. However, many intermediaries charged over 50 per cent interest rate for their services in addition to fees and commissions. In order to provide more cost-effective credit, ¡Échale! designed a line of customized credit products to finance the houses or home improvements.

The Mexican Government recently permitted a new legal structure, Community Financial Society (SOFINCO) that which allows families' savings to be used as a financial guarantee to obtain government or commercial bank loans.. Each family that deposits savings into the Social Fund effectively becomes the shareholder and partner, which incentivizes prudent management of the funds. ¡Échale! has incorporated one of the first SOFINCOs in Mexico to give clients access to:

- Saving products that offer attractive interests to clients promoting a savings culture
- Long-term investment to promote long-term saving and higher returns
- Credit products that have no fees or commissions but a simple interest rate

The average credit for home improvement totals US\$1,000. Initial loans are provided for new houses, and repayments from home loans fund home improvements in the same communities. In order to qualify for a loan from ¡Échale!, each household must:

- Complete a socioeconomic profile
- Earn at least three minimum wage salaries per household (minimum wage is approximately US\$4.62 per day)
- Set up a savings account through ¡Échale! and save at least 10 per cent of the value of the home or improvement (this usually takes about six months)

Innovations

that improve lives

At the core of ¡Échale! is on-site production of a green material, Adoblocks (compressed earth blocks), and community organization. Since ¡Échale! homes are made from earth and other natural materials, construction waste and pollution are minimal. These green materials are delivered to end users through two ingenious mechanisms:

Self-build Assistance

¡Échale!'s assisted self-build program combines the rental of earth block production machines with construction materials, blueprints and manuals, and the expertise of ¡Échale!'s technical assistance team. ¡Échale! also provides training through community workshops.

In order to participate in the program, all households must be able to prove land rights to the property on which they wish to build and the land must not be located in a high-risk zone, such as a flood plain or a nature reserve, or low income zone. ¡Échale! provides the materials and trains five community members per house as builders; these Social Housing Production Units (SHPU) are paid directly by ¡Échale! for the entire construction period. The community's participation in building the homes not only provides needed employment but strengthens households' incentives for repayment.

How it Works

The housing deficit in Mexico is estimated at 8.9 million homes. Self-builders account for 58 per cent of the total housing construction market. Low-income families are estimated to spend 30 per cent of their incomes towards building or improving their homes. Without technical and financial assistance, these families often pay high prices for low-quality construction materials.

¡Échale! a tu Casa brings affordable building materials and access to credit to communities throughout Mexico. By delivering a high-quality product at an affordable price, ¡Échale! is able to capitalize on the Mexico's virtually untapped self-builder market. By harnessing innovations in construction technology and finance, the company has streamlined the self-build process: 30,000 houses have already been built and more than 150,000 home improvements made in Mexico alone. The technology has also been exported to Belize, Egypt, Haiti, Nicaragua and the United Arab Emirates.

Results Achieved

To date, ¡Échale! a tu Casa has provided homes to more than 30,000 families and facilitated more than 150,000 home improvements benefiting approximately one million individuals. The microfinance initiative will allow an additional 1,500 homes to be built and 6,000 home improvements made, which would not have been possible without affordable financing.

Through information acquired from the financial intermediaries that ¡Échale!'s clients currently use to pay for their homes, the company learned that the delinquency rate is only around 1.5 per cent.

Business Impact

One of the keys to the success of ¡Échale! is offering significant savings on interest rates: ¡Échale!'s financial products have an annual interest of around 30 per cent, compared with over 50 per cent interest charged by other lenders. The company does not charge any other fees and commissions that may increase the cost of the financing.

Development Impact

Houses built through ¡Échale! are environmentally sustainable as they are constructed of earth blocks and all are equipped to harvest rainwater, reducing the use of municipal water by 20 per cent. The houses are further equipped with:

- bio-digesters, which drastically reduce the leakage of septic tanks and latrines into underground water sources;
- wood-saving stoves, reducing the use of wood for cooking by 70 per cent;
- solar water heaters, which provide hot water with zero gas consumption; and
- solar energy efficient lamps, which reduce the use of municipal energy by 10 per cent.

There are also significant social impacts in participating communities, including creation of five temporary jobs for each house that is built. ¡Échale! estimates that 200,000 people have gained temporary employment for the duration

of the construction process.

In addition, the participatory nature of the building process employed by ¡Échale! strengthens community economic networks and reduces out-migration.

By utilizing a self-build process and employing eco-technologies, the construction scheme fosters cohesion within each community. For this purpose, Social Housing Production Units (SHPU) are created within targeted communities. Relying on group theory and the underpinnings of successful communities that populate the Mexican landscape, SHPUs are responsible for the implementation and development of the self-build process. SHPUs guarantee the sustainability of impacts, serving as developers, coordinators and builders – creating eco-friendly construction materials and building their own communities. In fact, once skills and knowledge are transferred to SHPUs, ¡Échale!'s team does not need to be present during construction: community members drive the production process.



¡Échale! a Tu Casa consistently reviews and updates its structure and procedures to make sure it is offering clients the lowest interest rate and creates the greatest social impact by helping families to acquire homes. Home ownership is an important first step towards accessing better livelihood opportunities, increasing family income and improving health and education of entire communities.

In addition to plans for launching its own financial division in the near future, ¡Échale! a tu Casa is developing a social franchising model that will allow others to replicate its success in other countries.



Key Success Factors

Selecting the right financial vehicle

Selecting the right financial vehicles to provide credit and encourage clients to save has been critical. The goal is to provide the highest possible interest rate for savings and the lowest rate for loans.

Facilitating access to funding

Accessing funding is still one of the greatest barriers to home ownership. Finding interested funders is not difficult: the challenge is making them understand that exorbitant interest rates are not necessary, and that including clients as partners delivers value to all stakeholders.

Selecting partners with well-guided intentions

Paramount to this model's success is identifying partners and funders that are committed to social as well as financial gains.



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