



Inversión que Transforma

## FHipo's role in the Mexican mortgage market

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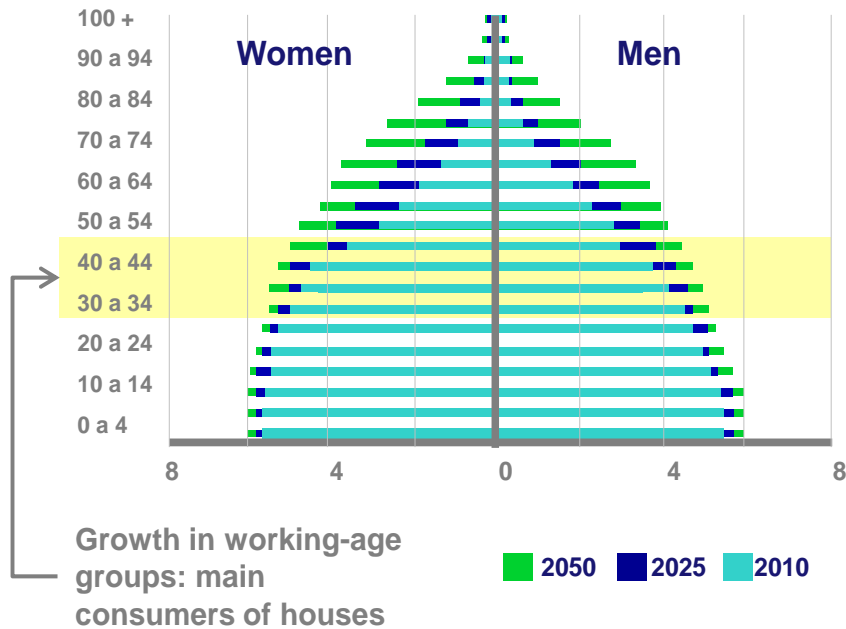
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# Mexican mortgage market overview

## Mexican mortgage market is underserved

- Housing finance demand in Mexico is driven by demographics...

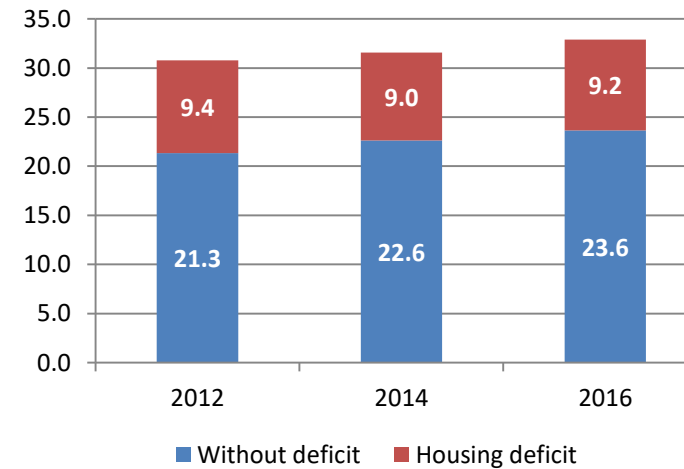
**Population by gender and age (millions)**



*New households in Mexico increase by 600,000 per year*

- ...and by a declining, but still significant housing deficit, which was originated in the 1980s-1990s.

**Housing Deficit**



	2012	2014	2016
Housing deficit	31%	28%	28%

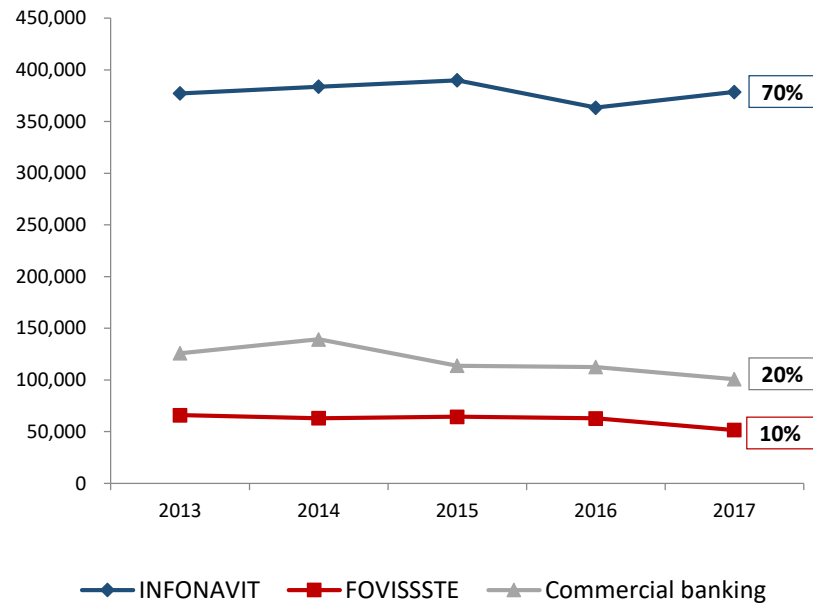
*Most households considered to be part of the housing deficit are in the informal economy, which is at least 50% of the labor force*

# Mexican mortgage market overview (Cont.)

## Infonavit and Fovissste are the main lenders in Mexico

- Mortgage lending is offered primarily by public agencies (Infonavit and Fovissste), followed by commercial banks, which target high-end segments

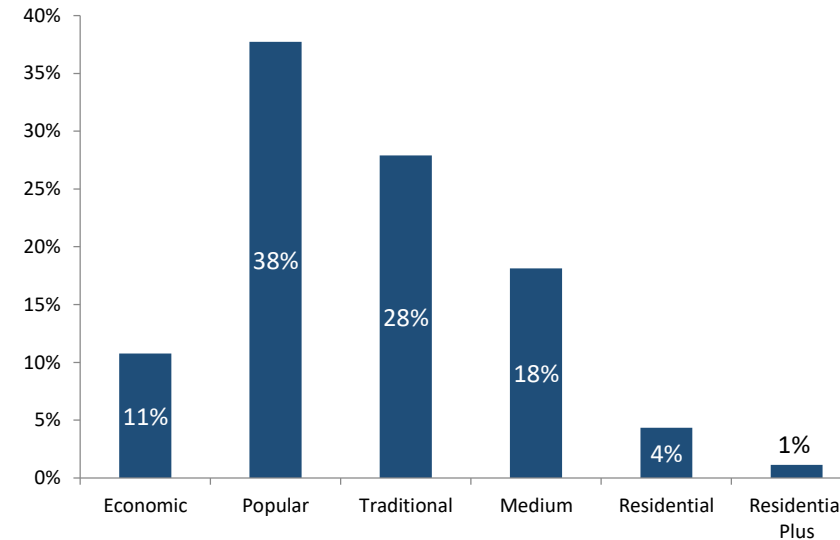
**Loans by institution – New & Used homes**



*The public agencies mission is to promote access to housing finance for workers in the formal economy, particularly in low-income segments*

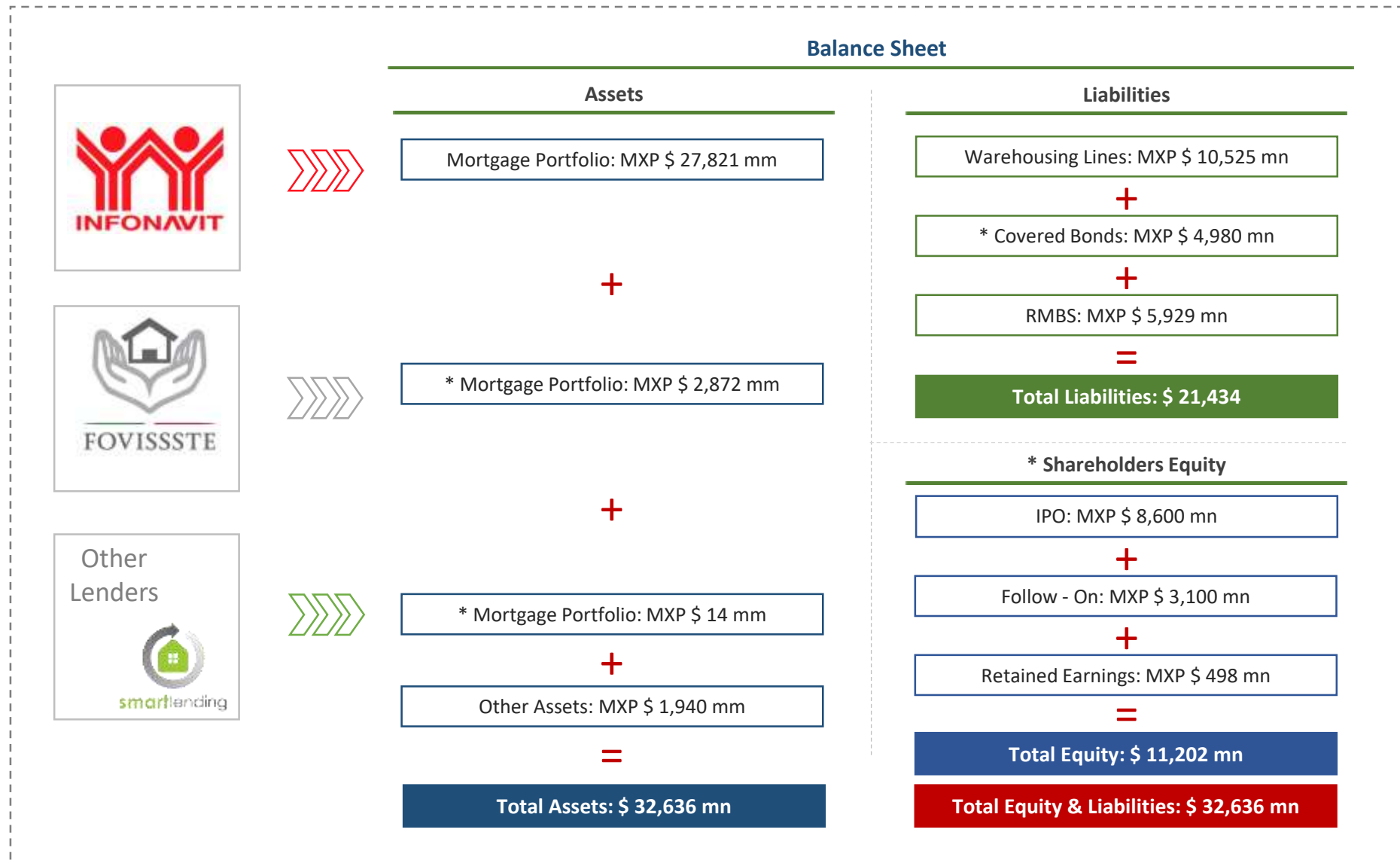
- As a whole, 76% of loan origination targets low-income segments

**Share by market segment <sup>1</sup>**



<sup>1</sup> Housing segment price range:

- Economic*: Less than \$316,964
- Popular*: Between \$316,965 & \$537,228
- Traditional*: Between \$537,229 & \$940,150
- Medium*: Between \$940,151 & \$2,014,608
- Residential*: Between \$2,014,609 & \$4,029,216
- Residential plus*: Higher than \$4,029,216



# FHipo: financial innovation for the mortgage market (Cont.)



## Private sector collaborates with public agencies

- Both public agencies (Infonavit and Fovissste) leverage on private-sector funding to increase resources available for lending through residential mortgage-backed securities (RMBS) and co-participation of loans (partial sale of loans)




RMBs from Infonavit: Cedevis  
Loan co-participation:

- Infonavit Total
- Infonavit Más Crédito
- Mejoravit

RMBs from Fovissste: TFovis  
Loan co-participation:

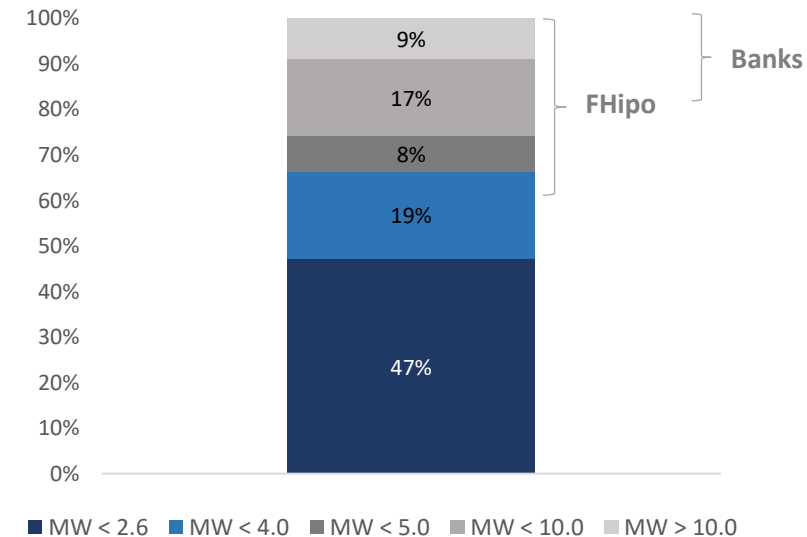
- Respalda2
- Alia2

*Infonavit and Fovissste originate the loans and retain the servicing functions based on **payroll discount collections***

Sources: Infonavit

## FHipo has aligned itself with the agencies' mission

- In the case of Infonavit, private-sector loan co-participation has traditionally focused on high-income segments, due to risk considerations

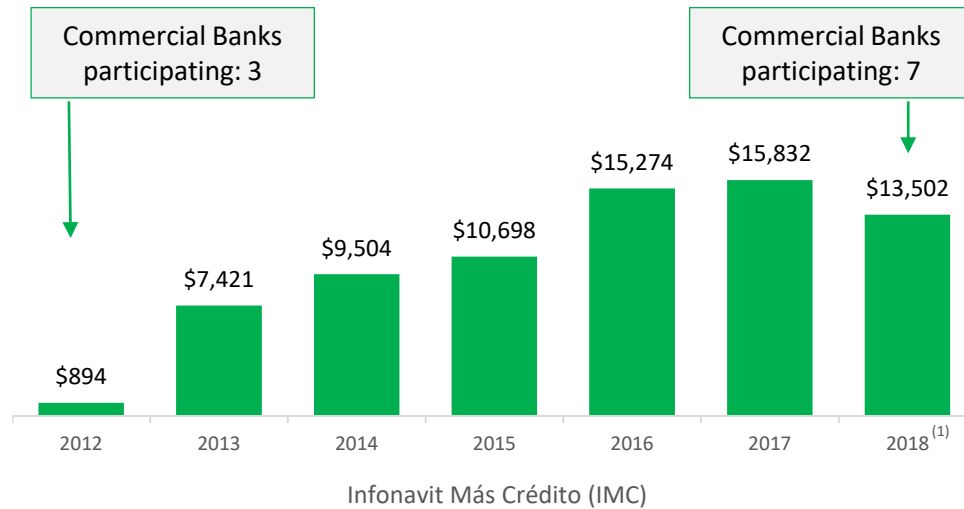


*FHipo has funded loans in segments with lower income, thus contributing to Infonavit's mission of expanding access to housing to Mexican workers*

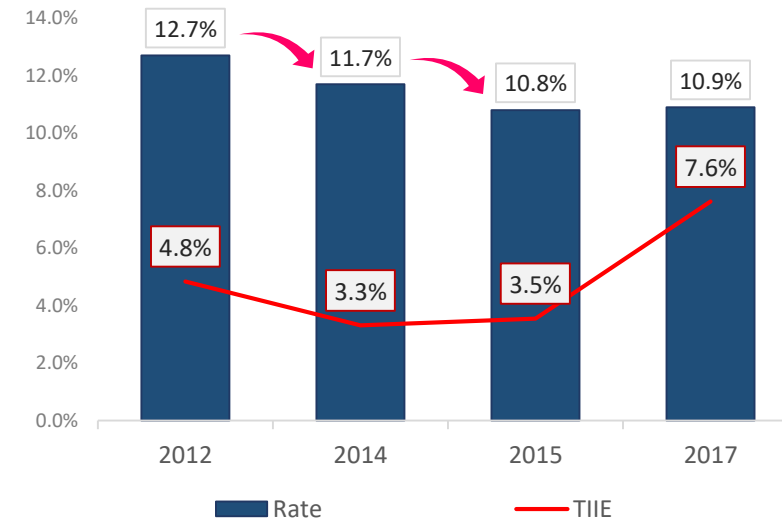
# FHipo: financial innovation for the mortgage market (Cont.)

FHipo's entry to the market since its IPO in 2014 has generated greater understanding of Infonavit's programs and has fostered competition within this market, thus reducing market rates (despite changes in domestic monetary policy) and increasing affordability for borrowers

**Historical Origination - Infonavit Más Crédito**



**Evolution of Interest Rates - Infonavit Más Crédito**



*FHipo has introduced significant innovations to the mortgage market by creating new products for the asset side, as well as the securitization and equity markets.*

*In doing so, FHipo is supporting Mexico's housing policy initiatives aimed at abating the deficit, and improving affordability and mobility.*

Sources: Infonavit.

(1) As of September 30<sup>th</sup>, 2018.

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