

PROCEEDINGS



# The 1<sup>st</sup> INTERNATIONAL FORUM ON HOUSING FINANCE

제1회 국제주택금융포럼

18(Mon) November 2013  
The Hotel Shilla, Seoul, Republic of Korea



Hosted by



**MOLIT**  
Ministry of Land,  
Infrastructure and Transport



The 1<sup>st</sup>  
INTERNATIONAL  
FORUM ON  
HOUSING  
FINANCE

제1회 국제주택금융포럼

## CONTENTS

1. 인사말 / Introductory Remarks from Minister
2. 행사개요 / Overview
3. 프로그램 / Program
4. 연사소개 / Speakers
5. 발표자료 / Presentation Materials
6. 참여기관 / Sponsors

## 인사말 | INTRODUCTORY REMARKS FROM MINISTER

국토교통부가 주최하는 '제1회 국제주택금융포럼'에 참석해주신 여러분께 다시 한번 진심으로 감사의 말씀 전합니다.

이번 포럼은 '경제환경 변화에 따른 한국 서민 주택금융의 발전방향 모색'이라는 주제로 한·미·영·일 초청 연사를 비롯하여 주택·금융 분야 150여명의 국내외 전문가들이 참석하여 열띤 토론을 펼칠 예정입니다.

현재 우리나라 주택금융은 커다란 환경변화에 직면해 있습니다. 고도성장을 구가하던 거시경제는 저성장 시대로 접어들고 있습니다. 만성적 공급부족에 시달리던 주택시장은 이제 수요부족으로 고민하고 있습니다. 금융시장도 과거 고금리에서 풍부한 유동성과 저금리로 여건이 바뀌었습니다.

이러한 환경변화는 서민 주거안정과 체계적인 도시재생 지원을 위한 『서민 주택금융의 새로운 역할』을 요구하고 있습니다.

이에 이번 포럼에서는 1) 서브프라임 위기 후 미국 주택금융의 변화 및 시사점, 2) Equity Loan 등 영국의 자가소유 촉진정책 사례 및 시사점, 3) 메자닌 금융을 활용한 일본 도시재생 사례 및 시사점 등 선진국의 경험을 살펴보고, 우리나라 서민 주택금융의 발전 방향을 모색해 보고자 합니다.

제1회 국제 주택금융포럼이 선진 사례를 공유하고, 각계 전문가의 지혜를 모을 수 있는 장이 될 것으로 기대합니다.

감사합니다.

I would like to extend my heartfelt gratitude to all of you for participating in the 1<sup>st</sup> International Forum on Housing Finance hosted by the Ministry of Land, Infrastructure and Transport.

Under the theme of "Finding New Direction for Housing Finance in Response to Economic Environment Changes", the forum brings together more than 150 experts in the housing and financial sectors including distinguished speakers from Korea, the United States, the United Kingdom and Japan, who will engage in heated debates and discussions.

Korea has witnessed significant changes in the environment surrounding the housing finance market over the years. Robust growth has given way to low growth; the housing market that used to experience chronic shortages in supply is now struggling with low demand; and the financial markets have seen a shift from high interest rates to abundant liquidity and low interest rates.

All these changes necessitate a new role of housing finance for low-income families in order to ensure low-income households enjoy stable housing and to support urban regeneration.

Against this backdrop, the forum will take a look at post-sub prime changes in the US housing finance, the UK's policy of encouraging home buying including the Equity Loan scheme and Japan's urban regeneration through mezzanine financing. By sharing ideas on the experiences of the countries and their implications, we will explore potential policy directions regarding Korea's housing finance for low-income families.

I hope the forum will serve as a venue for sharing success stories and pooling the wisdom of experts from different sectors.

Thank you.

국토교통부 장관

Minister of Land, Infrastructure and Transport  
Republic of Korea

Suh Seoung-hwan



행사개요 | OVERVIEW

| 행 사 명 | 제1회 국제주택금융포럼

| 일 시 | 2013년 11월 18일 (월)

| 장 소 | 신라호텔 영빈관 루비홀(1F)

| 주 최 | 국토교통부

| 주 관 | 서민주택금융재단

| 후 원 | 대한주택보증, 한국주택금융공사  
우리은행, 국민은행, 신한은행, 농협은행, 기업은행, 하나은행  
우리투자증권, 미래에셋증권, 삼성증권, 한국투자증권, 현대증권, 삼성자산운용

| 주 제 | 경제환경 변화에 따른 한국 서민주택 금융의 발전방향 모색

| 프로그램 |

| 시 간           | 주 요 내 용   | 장 소 |
|---------------|---|-----|
| 08:00 - 08:30 | 등록  | 로비  |
| 08:30 - 09:00 | 개회식 : 환영사 및 축사<br>환영사 : 서승환 국토교통부장관<br>축 사 : 이순우 우리금융그룹 회장<br>축 사 : 윤창현 금융연구원장      | 루비홀 |
| 09:00 - 10:00 | 세션 1 해외사례 청취  |     |
| 09:00 - 09:20 | Case 1 : 미 서브프라임 위기 후 주택금융의 변화 및 시사점<br>발제 : 티어도어 토저 지니매(정부주택저당공사) 사장, 미국           |     |
| 09:20 - 09:40 | Case 2 : 영국의 Equity Loan 등 자가소유 촉진제도 사례 및 시사점<br>발제 : 데릭 롱 주거안정연구소 주택협회 수석 자문위원, 영국 |     |
| 09:40 - 10:00 | Case 3 : 메자닌 금융을 활용한 일본 도시재생 사례 및 시사점<br>발제 : 나카무라 나오키 민간도시개발추진기구 상무이사, 일본          |     |
| 10:00 - 10:30 | 세션 1 패널 토론 및 질의응답   |     |
| 10:30 - 10:50 | 커피브레이크  | 로비  |
| 10:50 - 11:20 | 세션 2 한국의 서민주택금융 현황과 향후 발전방안<br>발제 : 이병남 BCG Korea 대표                                |     |
| 11:20 - 12:00 | 종합토론  |     |
| 12:00 -       | 오찬  | 토파즈 |

※ 모든 세션은 동시통역이 지원됩니다.

행사개요 | OVERVIEW

| Title | The 1<sup>st</sup> International Forum on Housing Finance

| Date | 18(Mon) November 2013

| Venue | Ruby hall, Yeoung-bin Gwan, Hotel Shilla Seoul, Republic of Korea

| Hosted by | Ministry of Land, Infrastructure and Transport

| Organized by | Housing Finance Foundation

| Sponsored by | Korea Housing Guarantee co.,Ltd , Korea Housing Finance Corporation  
WOORI Bank, Kookmin Bank, Shinhan Bank, NongHyup Bank, Industrial Bank of Korea,  
HANA Bank  
WOORI Investment & Securities, Mirae Asset Securities, Samsung Securities,  
Korea Investment & Securities, Hyundai Securities, Samsung Asset Management

| Topic | Finding New Direction for Housing Finance in Response to Economic Environment Changes.

| Program |

| 시 간           | 주 요 내 용  | 장 소   |
|---------------|--|-------|
| 08:00 - 08:30 | Registration   | Lobby |
| 08:30 - 09:00 | Opening Ceremony<br>Welcome Remarks : Suh Seoung-hwan Minister, MOLIT, Republic of Korea<br>Congratulatory Remarks : Lee Sun-woo Chairman, Woori Financial Group<br>Yun Chang-hyun President, The Korea Institute of Finance | Ruby  |
| 09:00 - 10:00 | Session I Abroad Cases of Housing Finance  |       |
| 09:00 - 09:20 | Case 1 : What Caused Subprime Mortgage Crisis and How U.S. Responded.<br>Speaker : Theodore. W. Tozer President, Government National Mortgage Association, U.S.  |       |
| 09:20 - 09:40 | Case 2 : UK's Diverse Programs which Enhance Home Ownership Program.<br>Speaker : Derek Long Senior Housing Association Advisor, Affordable Housing Institute, UK  |       |
| 09:40 - 10:00 | Case 3 : The Policy of Urban Renaissance and Cases of Financial Support<br>Speaker : Naoyuki Nakamura Executive Vice President, Organization for Promoting Urban Development, Japan  |       |
| 10:00 - 10:30 | Panel Discussion   |       |
| 10:30 - 10:50 | Coffee Break   | Lobby |
| 10:50 - 11:20 | Session II Long –term and Sustainable Development of Korea's Housing Finance for Low Income People.<br>Speaker : Rhee Byung-nam CEO, BCG Korea   | Ruby  |
| 11:20 - 12:00 | General Discussion   |       |
| 12:00 -       | Luncheon   | Topaz |

※ Simultaneous interpretation of all forum sessions will be provided.

Session I



**Moderator**  
**Cho Man**  
조만  
Professor , KDI School of Public Policy and Management  
KDI 국제정책대학원 교수



**Speaker 1**  
**Theodore.W.Tozer**  
티어도어 토저  
President, Government National Mortgage Association, U.S.  
미국 정부주택저당공사(지니매) 사장



**Speaker 2**  
**Derek Long**  
데릭 롱  
Senior Housing Association Advisor, Affordable Housing Institute, UK  
영국 주거안정연구소 주택협회 수석 자문위원



**Speaker 3**  
**Naoyuki Nakamura**  
나카무라 나오키  
Executive Vice President, Organization for Promoting Urban Development, Japan  
일본 민간도시개발추진기구 상무이사



**Panel 1**  
**Kang Jong-man**  
강종만  
Senior Research Fellow, Korea Institute of Finance  
한국금융연구원 선임연구위원



**Panel 2**  
**Kwon Joo-an**  
권주안  
Chief(Head) of Research Division of Finance and Economy, Korea Housing Institute  
주택산업연구원 금융경제연구실장

Session II



**Moderator**  
**Han Man-hee**  
한만희  
Dean, University of Seoul, International School of Urban Sciences  
서울시립대 국제과학도시대학원장



**Speaker**  
**Rhee Byung-nam**  
이병남  
CEO, BCG Korea  
BCG Korea 대표



**Panel 1**  
**Kim Jae-jeong**  
김재정  
Director General for Housing Policy, Ministry of Land, Infrastructure and Transport  
국토교통부 주택정책관



**Panel 2**  
**Lee Young-man**  
이용만  
President, Korean Association for Housing Policy Studies  
한국주택학회회장



**Panel 3**  
**Kim Hyun-ah**  
김현아  
Construction Economy Division Director, Construction & Economy Research Institute of Korea  
한국건설산업연구원 건설경제연구실장



**Panel 4**  
**Byeon Chang-heum**  
변창흠  
Professor , Sejong University Department of Public Administration  
세종대학교 교수





**Theodore.W.Tozer**  
President, Government National Mortgage Association, U.S.

**Theme**  
**What Caused Subprime Mortgage Crisis and How U.S. Responded.**  
**미 서브프라임 위기 후 주택금융의 변화 및 시사점**

**Biography**

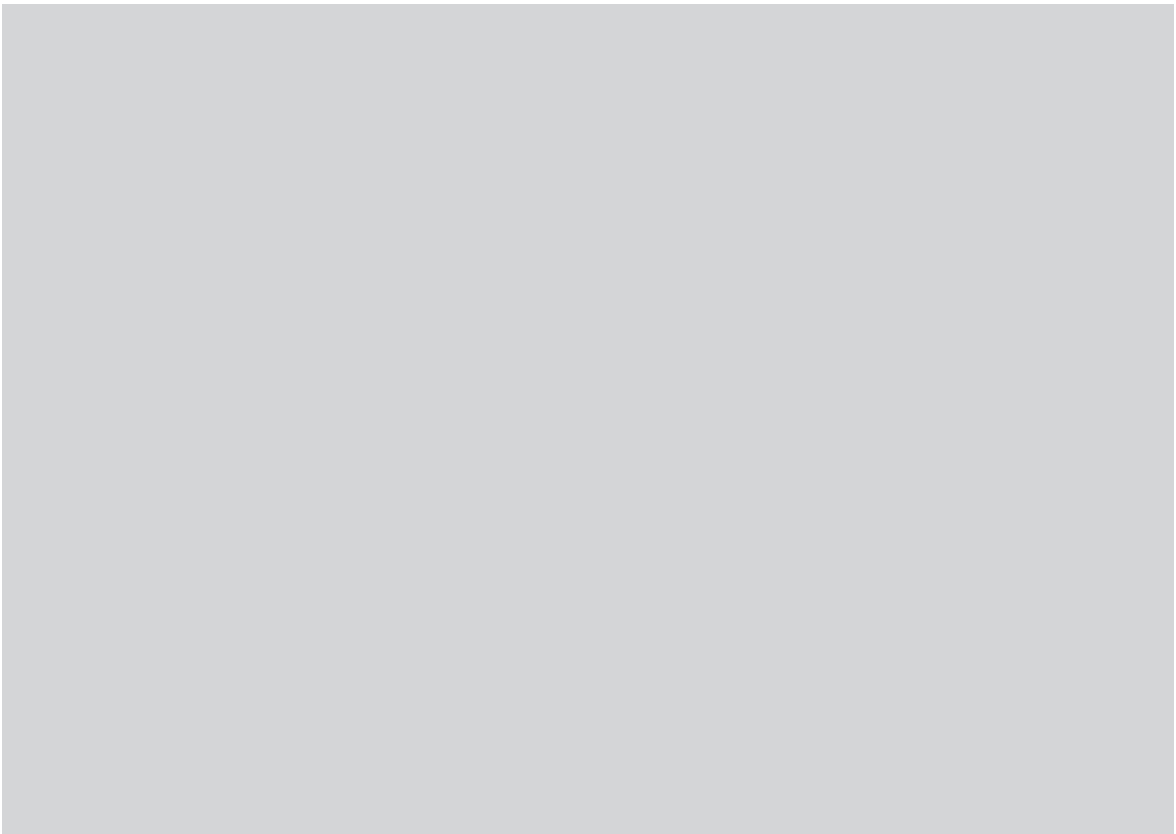
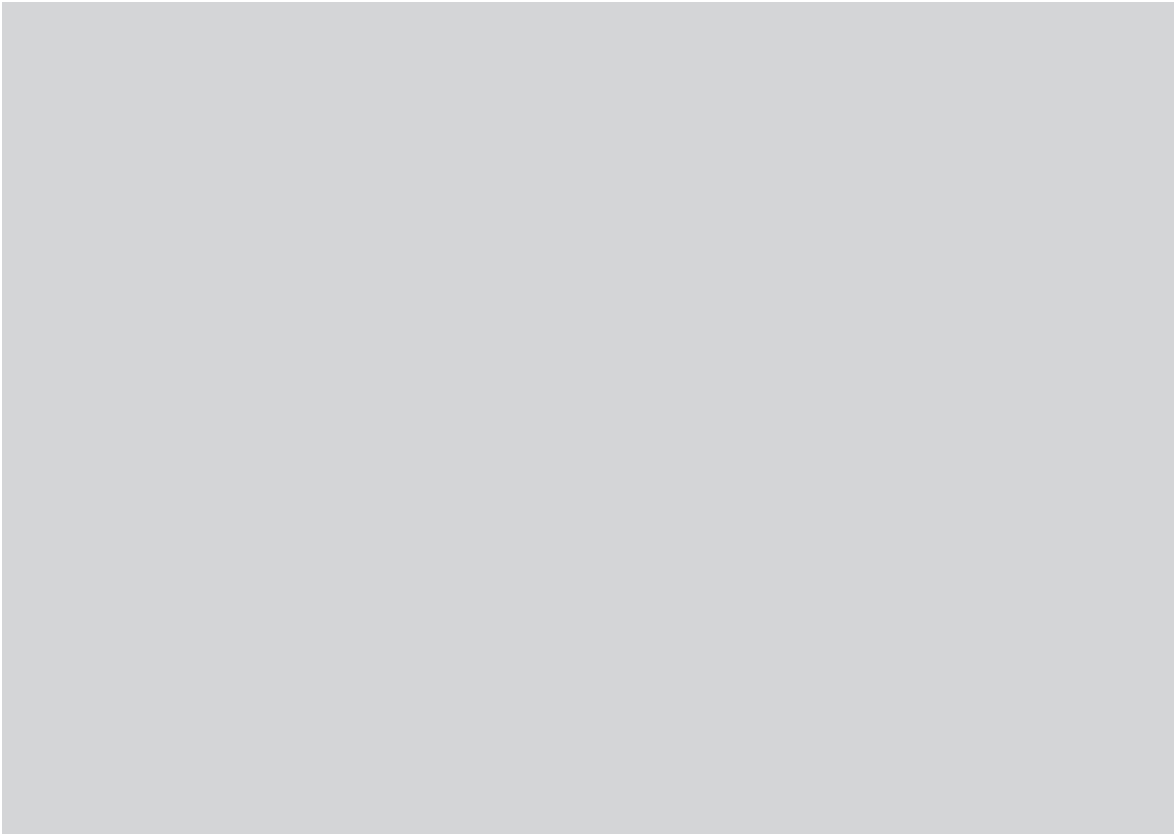
Theodore W. Tozer was sworn in as President of Ginnie Mae on February 24, 2010, bringing with him more than 30 years of experience in the mortgage, banking, and securities industries

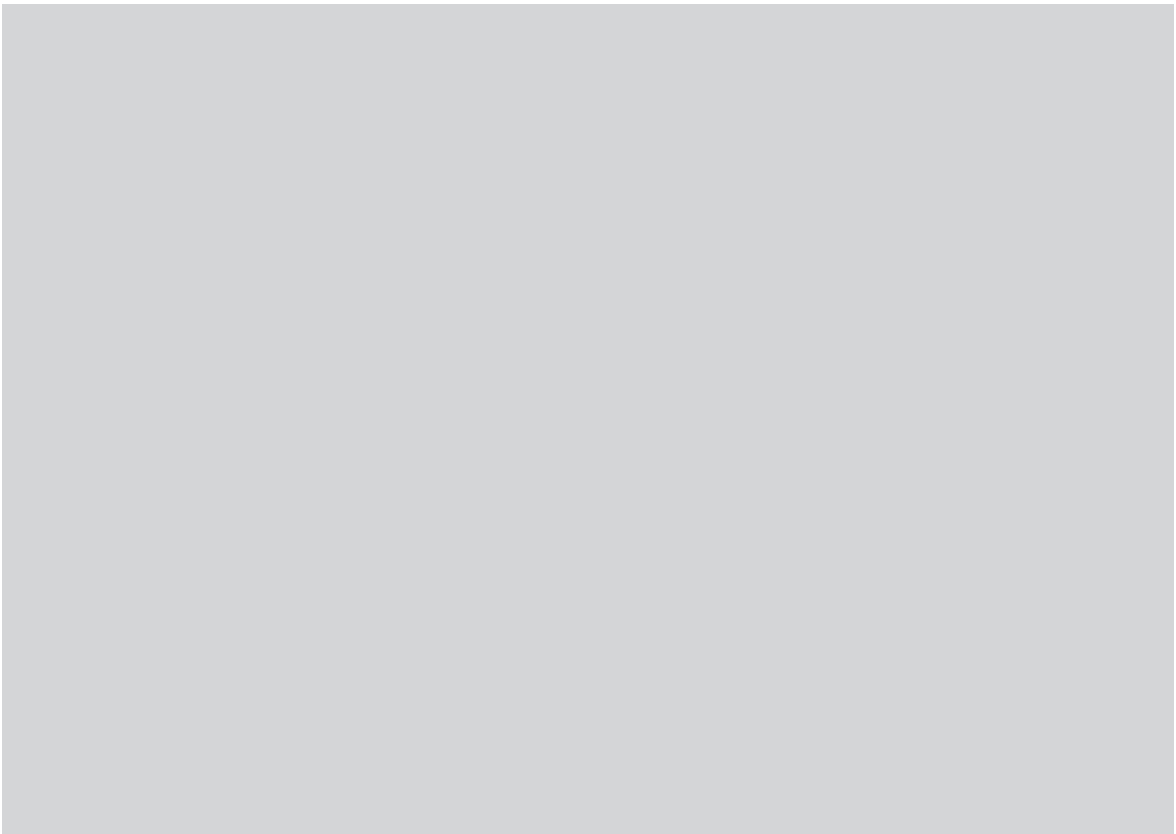
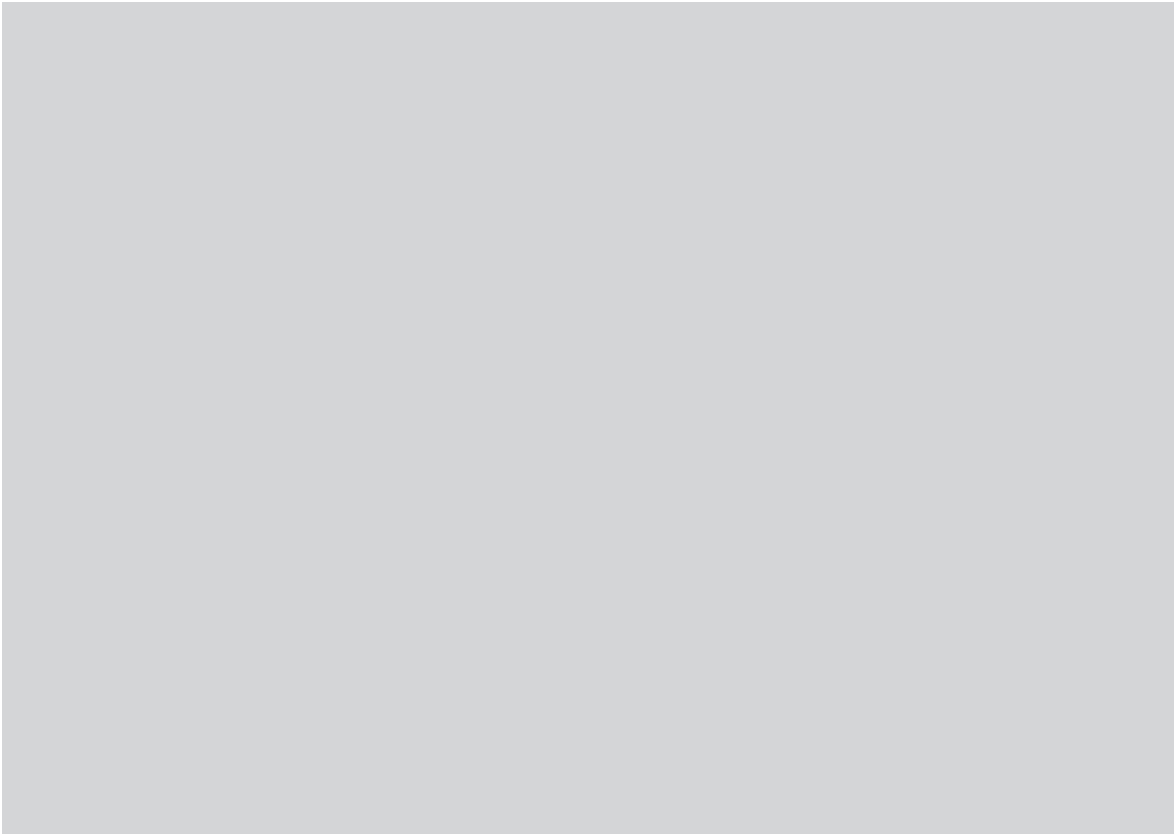
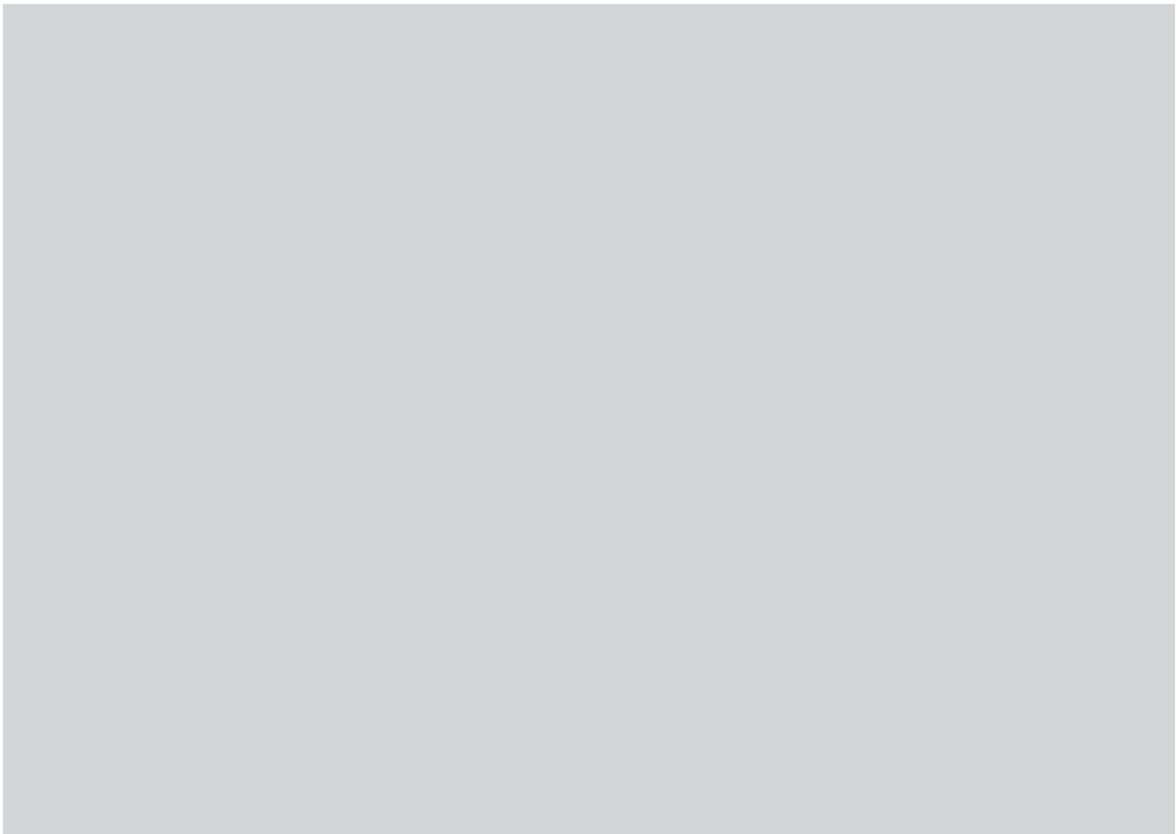
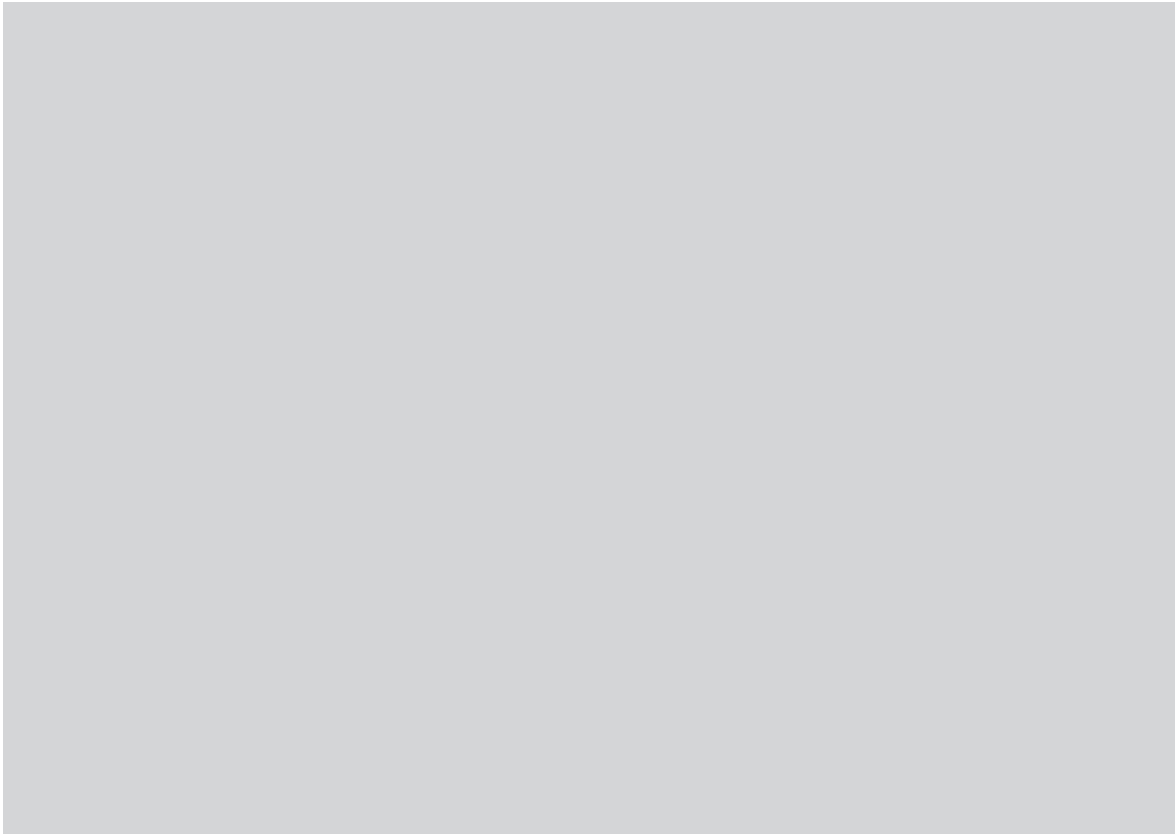
Prior to his appointment as President, Mr. Tozer served as Senior Vice President of Capital Markets at the National City Mortgage Company (NCM) for over 20 years. There, his responsibilities included pipeline hedging, pricing, loan sales, loan delivery, and credit guideline exceptions. While at NCM, the company’s annual loan sales grew from \$1 billion in 1989 to \$106 billion in 2003. During his tenure, NCM never experienced a loss.

Previously, Mr. Tozer served as Vice President and Investment Operations Manager at the BancOhio National Bank from 1979 to 1986. From 1986 to 1989, he was Vice President and Chief Financial Officer of BancOhio National Bank, where he was in charge of overseeing loan delivery, pipeline hedging, pricing, corporate accounting, servicing investor reporting, and product development.

Mr. Tozer has also served as a charter member of Fannie Mae’s National Lender Advisory Board since 2008. Since 2002, Tozer has been a member of Freddie Mac’s National Lender Advisory Board. From 2002 to 2004, he was Chairman of the Capital Markets committee of the Mortgage Bankers Association of America (MBA).

**Abstract**









## Derek Long

Senior Housing Association Advisor, Affordable Housing Institute, UK

### Theme

UK's Diverse Programs which Enhance Home Ownership Program.

영국의 Equity Loan 등 자가소유 촉진제도 사례 및 시사점

### Biography

데릭 롱은 영국의 주택 분야에서 정부당국자, 투자자, 정책입안자, 컨설턴트로 약 30년간 활약하며 공공 및 민간부문 이해당사자들과의 협력을 통해 상당한 영향력을 발휘함과 동시에 혁신적인 문제해결 역량을 과시해 왔다.

정부의 감독 하에 비영리 기구를 통해 주거안정을 실현하기 위한 정책 수립 분야에서 전문성을 보유하고 있으며, 사회주거안정기금 및 감독기관 등 공직에도 몸담았고 학계에서도 활동했으며 주택협회 북부지부의 지부장을 지내기도 했다.

주택분야 국가 지도자들의 연설문 작성을 담당한 경력 또한 보유하고 있으며 영국 공영방송 BBC의 대표 뉴스 프로그램인 '6시뉴스'와 '뉴스24시' 그리고 BBC 라디오 전문 프로그램에 출연하기도 했다. 옥스퍼드대학교에서 경제학, 정치, 철학 학위를 취득했고, 가디언지의 블로그 세 곳에 글을 써오고 있으며, 다양한 기고문과 보고서를 작성하기도 했다.

With thirty years of experience in UK housing, as regulator, investor, policy maker, consultant, and advocate, Derek has a track record of great impact and innovative problem-solving with public and private stakeholders.

An expert on affordable housing delivery through regulated non-profit organizations, Derek's career has included national roles within English civil service, the social housing funding agency and regulator, academia and leading northern operations for the housing associations' trade body.

A speechwriter for many national housing leaders, Derek also has made many media appearances on BBC's flagship Six O'clock News and BBC News 24, as well as specialist BBC radio programs. A graduate of Oxford University with a degree in Economics, Politics, and Philosophy, he has written three blogs for the Guardian, as well as many articles and reports.

### Abstract

#### 영국의 다양한 주택 소유 장려 정책

2011년 이후 영국의 주택정책은 높은 주택가격(특히 수도), 감당하기 힘든 수준의 최초주택구입자 자기부담금, 주택 공급 부족 등 핵심 사안들을 자가소유 장려 정책을 통해 해결하는 데 초점을 맞춰 왔다. 정부는 이에 따라 마련된 4가지 상품을 "주택구입지원제도(Help to Buy)"라 통칭하며 이 상품들은 아래와 같다.

- 자기부담금 대출: 신규건설주택 구입 시 자기부담금에 대한 대출
- 주택담보대출 보증 및 신규구입지원: 기존 및 신규주택 구입자금 지원
- 공동소유제: 오래 지속되어 왔으며 긍정적인 측면이 많은 정책으로서 입주자가 독립 비영리 주택협회와 연계하여 주택에 대한 부분 소유권을 갖는 동시에 주택의 임차인이 되는 제도
- 주택담보대출 구제제도: 부채상환 불능 위험이 있는 주택 소유주가 소셜하우징 제도 하에서 임차인이 되거나 추가 대출을 받아 주택담보대출을 일부 상환

위 상품들은 여러 틈새시장을 목표로 하고 있으며 경험이 쌓이면서 많은 발전을 이룩했다. 필연적으로 발생하는 도덕적 해이는 자격기준 마련과 중앙은행 규제로 어느 정도 해소되나, 반드시 적절한 개입을 통해 주택 수급을 조절해야 한다.

현재는 초기 단계이다. 물론 단기적인 주택경기 과열이 초래될 수 있다는 우려가 존재하나, 위 정책들은 어느 정도 성공을 거두고 있다. 일부 정책이 효과를 거두고 있는 이유 중 하나는 900억 파운드 규모의 자금규모를 보유한 독립 비영리 주택협회 부문이 공동소유제 및 주택담보대출 구제제도 등을 통해 개입할 역량이 있기 때문이다.

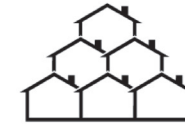
#### Abstract for UK's diverse programs which enhance home ownership

Since 2011 UK housing policy has focussed on addressing the key challenges of high house prices (especially in the capital city); unattainable first time buyer deposits; and low housing supply through policies that promote homeownership. The Government badges four products collectively as "Help to Buy". The products are:

- Equity loans on deposits for new build homes
- Mortgage guarantees and Newbuy encouraging lending on new and existing homes
- Shared ownership tenures, a long-standing positive choice where the resident part owns and part rents from independent and not-for-profit housing associations.
- Mortgage Rescue Scheme where homeowners facing default can either become a social housing tenant or gain an equity loan to reduce the mortgage

The products target different market niches and have evolved significantly with experience. Though unavoidable, moral hazard is mitigated by eligibility criteria and central bank regulation. It is essential that interventions address both housing demand as well as its supply.

It is early days. However, the policies are having some success at the margin, though concerns remain about stoking short-term housing booms. The effectiveness of some of the policies is in part due to the existence of an independent, not-for-profit housing association sector worth £90bn that can provide interventions like shared ownership and mortgage rescue.



Affordable Housing Institute



## UK's diverse programs which enhance home ownership

Derek Long  
Senior Housing Association Advisor  
Affordable Housing Institute

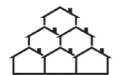
Derek Long, Affordable Housing Institute ♦ [www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)  
38 Chauncy Street, Suite 600 ♦ Boston, MA 02111 ♦ +1 (617) 502-5980  
[dlong@affordablehousinginstitute.org](mailto:dlong@affordablehousinginstitute.org)

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13

## Agenda



Affordable Housing Institute

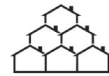
- The English Housing Context in brief
- The Help to Buy programme, loans, guarantees and shared ownership
- The Mortgage Rescue programme
- Big Picture conclusions

- \* indicates more detail in the Appendices
- Questions welcomed in the session or afterwards !

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 2



Affordable Housing Institute

## The English housing context

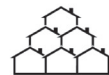
*Homeownership plus private and public renting*

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 3

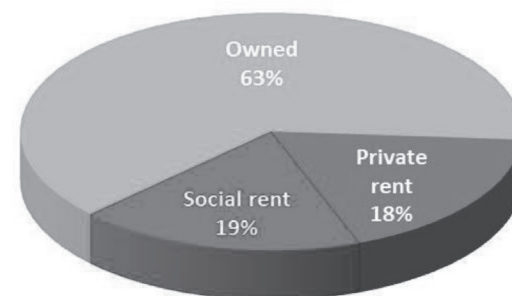
## England's three sector housing system\*



Affordable Housing Institute

- **63% homeowners**
- **Some mainly small-scale private landlords** increased sharply since 2000
- **Social landlords** 50/50 local authorities and housing associations
- The affordable social rent eco-system\* is funded and regulated by the Homes & Communities Agency (HCA)

English Households by Tenure



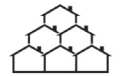
Source ONS Analysis of 2011 Census 11/10/13

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

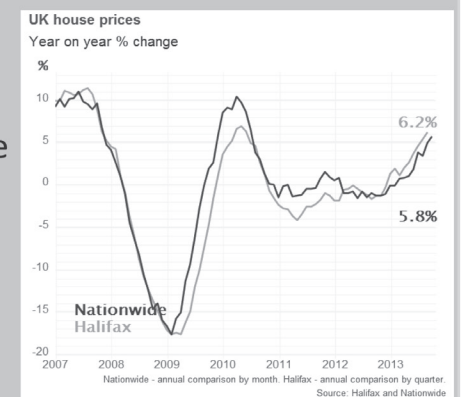
12-Nov-13 // Slide 4

## Post-Crunch Policy Challenges\*



Affordable Housing Institute

- Housing demand outstripping stalled supply
- Prices unaffordable and outstripping falling/stalled incomes
- First time buyers cannot afford the quadrupled 20% deposits
- Sale volumes still stuck below historical troughs
- London prices *twice* the English average and now rising fast

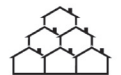


Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 5

## Help to Buy Program *loans, guarantees and shared equity*



Affordable Housing Institute



Two Seddon Homes, Castleford  
For sale at £120,000

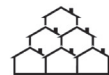
Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 6



## Equity Loans



Affordable Housing Institute

- £3.5bn budget aims to help 75,000 buyers of new build to 2016
- Government loans equity stake up to 20% price up to £600,000
- For any buyers providing they can raise 5% deposit
- (Replaced Firstbuy for new buyers with sub -£60,000 incomes)
- No loan fees for 5 years, then 1.75% rising by rate of inflation plus 1%
- This only works for households with a good and secure income

### Strengths

- No cost loan to owner for 5 years
- Equity share crystalized at sale
- Government and owner share risk
- Register of viable builders

### Weaknesses

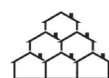
- Above inflation fee escalator may be
- Up front cost to government
- No direct advice/support for owner
- No control of design standards

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 7

## Mortgage Guarantee and Newbuy



Affordable Housing Institute

- **Newbuy:** government *and builders* guaranteed lenders 5.5% and 3.5% of any loans on new homes up to £500,000
- But Newbuy only achieved 1.6% of 100,000 homes target
- **Mortgage Guarantee:** *to replace Newbuy in 2014*
- open to any buyer on *any home* up to £600,000
- *Government alone* provides guarantee up to 15%

### Strengths

- Works across market helps sellers
- No up-front cost to government
- Government and owner share risk
- 

### Weaknesses

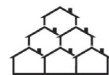
- Could inflate a house price “bubble”
- No design standard control
- Rates not very cheap (4.99% - 5.49%)
- No direct advice/support for owner
- Moral hazard for high income consumers

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 8

## Shared ownership



Affordable Housing Institute

- Mortgage/rent hybrid for new build social housing
- Entrants usually buy 25% and rent remainder from HA
- Possible to staircase up in 25% tranches
- A 20 year old product with 180,000 part owners
- HCA grant funded share and Government regulates rents

### Strengths

- Lowest deposit required
- Provides affordable equity stake
- HAs will help sort out money problems
- HAs pick up defaults limiting lender risk
- Puts risk with HA and part-owner
- Homes meet design standards

### Weaknesses

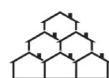
- Could cost more over lifetime
- Tenants do not increase share
- 25% steps builds in rigidity
- HA equity share not liquid

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 9

## Policy design - managing moral hazards



Affordable Housing Institute

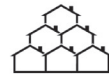
- Owners' ability to pay, checked to avoid sub-prime
  - 5% stake minimum
  - Principal sum limited by lenders up to 4.5 income
  - Repayments below 45% of net disposable income
- No speculation via sub-letting or buy-to-let
- Owners share equity risk with government and will lose out substantially if they default
- But Mortgage Guarantee's open eligibility criticised for possibly attracting high income speculators

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 10

## Policy design conclusions



Affordable Housing Institute

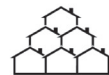
- A set of policies targeting demand also needs housing supply actions to avoid price inflation
- The lack of geographic targeting could exacerbate regional price disparities
- The £600k high price cap is 2.4 times average price so low income homes may miss out
- Eligibility mission creep as policies have failed
- Interest rate rises inevitable so bank regulator needs to stop lenders creating future defaults

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 11

## Protecting homeownership through Mortgage Rescue



Affordable Housing Institute



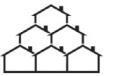
*Fred Ola thanks Housing Minister John Healey for his Great Places HG mortgage rescue*

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 12

## HA mortgage rescue options



Affordable Housing Institute

### Shared Equity Loan (part ownership outcome)

- Interest-only loan to pay off *part* of the mortgage
- Owner has to have (a restrictive) 25-40% equity

### Mortgage to Rent (owner becomes a tenant)

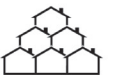
- HA buys home for 90% of its market value
- Government grant = 47% HA share = 43%
- Tenant pays rent to the HA at 20% below private market rate (but higher than other social rents)
- HA can also get up to £20k to make home Decent

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 13

## Outcomes and Policy Design Conclusions



Affordable Housing Institute

- 5,100 mortgage rescues in 2009-13 (2% of evictions)
- Greater impact by delaying evictions so that alternatives could be negotiated
- “Most” owners opted to become tenants which meant average cost rose from £34k to £92k
- Pilot the scheme to ensure affordable outcomes
- Live with moral hazard. It is a one off policy, with limited eligibility and penalties (now 10% haircut)
- Expect unplanned purchases will complicate future asset management programs

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

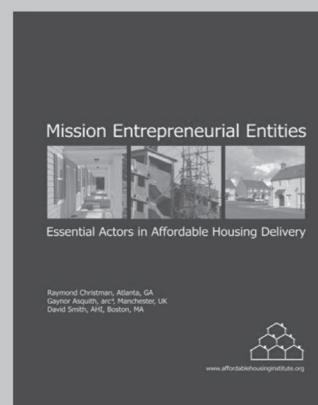
12-Nov-13 // Slide 14



# Big Picture Conclusions

## Big Picture Conclusions

- Too soon to tell - but loans and guarantees have made some difference at the margin
- Macro-economy is key, isolated measures are ineffective, mission creep is a danger
- Mortgage rescue has a *periodic* role to play
- Shared ownership is a robust product
- Other niche approaches exist (self-build, co-ownership, grant subsidized sale)
- HAs worth £90bn, now house over 5m people, and lever in £4 for every £1 in public grant
- Mission Entrepreneurial Entities\* – a useful approach combining commercial & ethical skills



Email me for your free copy



Affordable Housing Institute



## UK's diverse programs which enhance home ownership

Derek Long  
Senior Housing Association Advisor  
Affordable Housing Institute\*

Derek Long, Affordable Housing Institute ♦ [www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)  
38 Chauncy Street, Suite 600 ♦ Boston, MA 02111 ♦ +1 (617) 502-5980  
[dlong@affordablehousinginstitute.org](mailto:dlong@affordablehousinginstitute.org)

## Appendix 1

# Additional information on challenges and products

## Detail of Post-Crunch Policy Challenges



Affordable Housing Institute

- **Demand:** households forming twice as fast as homes
- **Supply:** construction industry stalled with *lowest* house building completions since 1922
- **Affordability:** *average* prices now above pre-Crunch levels, though economy still not recovered
- **Starter access:** First time buyer deposits quadrupled to 20%. New entrant numbers now still only 50% of peak
- **Low volumes:** Sales still stuck below historical *troughs*
- **Geographical imbalances:** London prices *twice* the English average and now 10% above pre-Crunch high

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 19

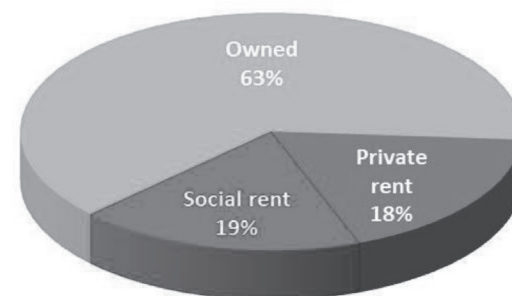
## England's three housing sectors



Affordable Housing Institute

- 22 million homes
- **Owners** are split 50/50 between owned outright and paying mortgage/loans
- **Social rent** is split 50/50 between local authorities and housing associations
- **Private rent** rose sharply at the expense of ownership
- (Despite small differences England mirrors all of UK)

English Households by Tenure



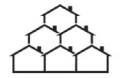
Source ONS Analysis of 2011 Census 11/10/13

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 20

## The affordable housing eco-system



Affordable Housing Institute

- Government provides capital and regulates *through* Homes & Communities Agency (HCA)
- Housing associations (**HAs**) independent, not-for-profit bodies providing affordable homes
- These HAs (or MEEs) combine public and private capital to deliver affordable rent, sale and shared ownership (part rent/part sale) products

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 21

## Government Mortgage Rescue



Affordable Housing Institute

- To avoid foreclosure & eviction (repossession)
- Operates only as a last resort
- Eligibility is assessed by local authorities
- Rescues delivered by 21 geographically-organised syndicates of over 200 HAs
- Grants made by government towards cost of home and its improvement
- *Plus* a £4,500 fee for HA per rescue

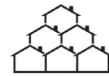
Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 22



## Mortgage Rescue Eligibility Criteria



Affordable Housing Institute

- Owner must have only one home
- Household gross income is below £60k (1.5 x mean)
- Sum owed is less than 120 per cent of home's value
- Home's value is below regional cap of around £160k (so includes average sized family homes)
- *Less than 40%* equity in the home
- In need e.g. children, pregnant, elderly, disabled
- Worked through all possible options with the lender
- Have a financial assessment from a debt adviser

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 23

## Mortgage Rescue key statistics



Affordable Housing Institute

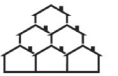
- In total 5,100 mortgage rescues achieved 2009-13
- *Annual* English mortgage repossessions = 46,000
- 39,000 enquiries resulted in 2,600 rescues at a cost of £240m in 2009-11
- “Most” owners opted for Mortgage to Rent
- So average cost of rescues *rose* from £34k to £92k
- Process slowed down repossessions allowing alternative solutions to be found

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 24

## Appendix 2



Affordable Housing Institute

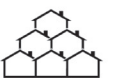
# The Affordable Housing Institute Mission and Projects

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 25

## Affordable Housing Institute: Who we are, what we do



Affordable Housing Institute

- Non-profit (US §501c3) pro-poor consulting and research firm
  - Boston, MA, USA: work worldwide, mainly global south
  - “Developing sustainable affordable housing financial ecosystems worldwide”
- Consulting
  - “Pro-bono/ low-bono investment banker”
  - Financial product design/ program design
  - Program development:
- Research
  - Develop, explore, test, refute what we believe
  - Mexico City: Formalizing informal land
  - Istanbul: Urban regeneration to reduce disaster risk
- 2x grants from Bill & Melinda Gates Foundation
  - Develop theory of change and impact
  - Create AHI Capital Gateway, to lend to/ invest in Housing Mee's.



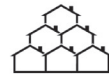
David Smith, AHI

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

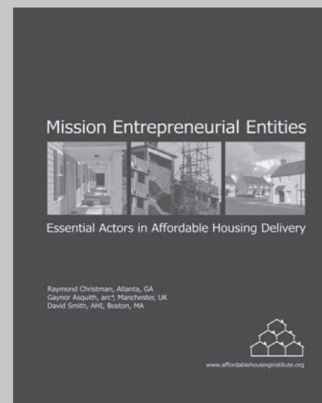
12-Nov-13 // Slide 26

## Affordable Housing Institute: What we believe



Affordable Housing Institute

1. Housing is the key to improving cities
  - Improve housing and cities improve
  - Fail to improve housing and cities worsen
2. Mission Entrepreneurial Entities (Mee's) are key to improving housing
  - The part of "private sector" who will play
  - Focused subset of "NGO's"
3. Scalable finance is key to Mee growth
4. Municipalities are the right level of government to 'own' community upgrading



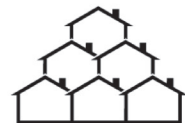
Book: free (7 Meg)

Email me with "Free book" on it

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 27



Affordable Housing Institute

## AHI's Current Projects

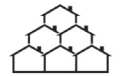
David A. Smith, Affordable Housing Institute ♦ [www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)  
38 Chauncy Street, Suite 600 ♦ Boston, MA 02111 ♦ +1 (617) 502-5913  
[dsmith@affordablehousinginstitute.org](mailto:dsmith@affordablehousinginstitute.org)

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13

## Dubai: MRHE Long-term Affordable Housing Strategy



Affordable Housing Institute

|                    |  |
|--------------------|--|
| Location           | Dubai, United Arab Emirates  |
| Year               | Dec 2011 – Present   |
| Client             | Mohammed bin Rashid Housing Establishment (MRHE)   |
| Client type        | Government agency, housing Mee   |
| Client's challenge | MRHE needed a growth and sustainability strategy to respond to Dubai's expanding affordable housing requirements                       |
| AHI's work         | Stakeholder workshops<br>Entity brainstorming/ design sessions<br>Value chain review<br>Recommendations for new strategies             |
| Results            | New approach to lending (outsource origination/ servicing to banks)<br>Strategic vision for Dubai housing<br>Strategic vision for MRHE |

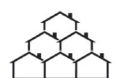


Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

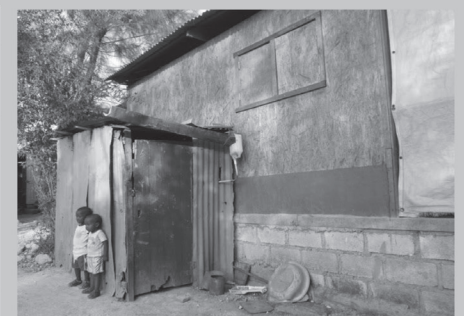
12-Nov-13 // Slide 29

## Haiti: Cordaid Urban Matters Redevelopment Plan and Feasibility Study, Canape Vert



Affordable Housing Institute

|                    |  |
|--------------------|--|
| Location           | Port-au-Prince, Haiti  |
| Year               | June 2012 – present  |
| Client             | Cordaid Urban Matters  |
| Client type        | Non-government organization (NGO)  |
| Client's challenge | Cordaid needed assistance in creating a development, financing, and operations model for permanent affordable housing solutions to follow the post-disaster emergency aid programs in Haiti.       |
| AHI's work         | Feasibility analysis of in-situ redevelopment<br>Creation of business plan<br>Site selection<br>Identification of development partners<br>Development co-management/support<br>Fundraising support |
| Results            | New market-based approach to sustainable, affordable housing provision in Port-au-Prince, Haiti.   |



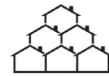
Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 30



## Haiti: Cordaid Urban Matters Redevelopment Plan for IDP camp, Carradeux



Affordable Housing Institute

|                           |  |
|---------------------------|--|
| <b>Location</b>           | Port-au-Prince, Haiti  |
| <b>Year</b>               | April 2013 – present   |
| <b>Client</b>             | Cordaid Urban Matters  |
| <b>Client type</b>        | Aid agency   |
| <b>Client's challenge</b> | Cordaid and Catholic Relief Services wanted to develop and test a model for affordable social housing and urban development in Carradeux IDP Camp. They need help in designing a financial strategy for upgrading and new home construction. |
| <b>AHI's work</b>         | Design of development financing plan<br>Feasibility analysis of development<br>Due diligence<br>Identification of development partners   |
| <b>Results</b>            | New market-based approach to sustainable, affordable housing provision in Port-au-Prince, Haiti.   |

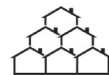


Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 31

## Nigeria: World Bank Housing Microfinance Feasibility Evaluation



Affordable Housing Institute

|                           |   |
|---------------------------|---|
| <b>Location</b>           | Nigeria   |
| <b>Year</b>               | Aug 2012 – present  |
| <b>Client</b>             | World Bank  |
| <b>Client type</b>        | Multilateral development finance institution (DFI)  |
| <b>Client's challenge</b> | World Bank wanted to evaluate the potential for housing microfinance in Nigeria (in anticipation of a large World Bank loan to Nigeria).  |
| <b>AHI's work</b>         | Summary of Nigerian housing finance ecosystem<br>Mapping of value chains for mortgage finance, capital markets and financial environment<br>Estimation of demand and effective demand<br>Recommendations for structure of housing microfinance component of WB loan |
| <b>Results</b>            | Evaluation highlighted the potential for housing microfinance in Nigeria, which ultimately led to WB's decision to designate large portion of loan to housing microfinance in Nigeria. Loan expected to be made   |

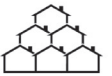


Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

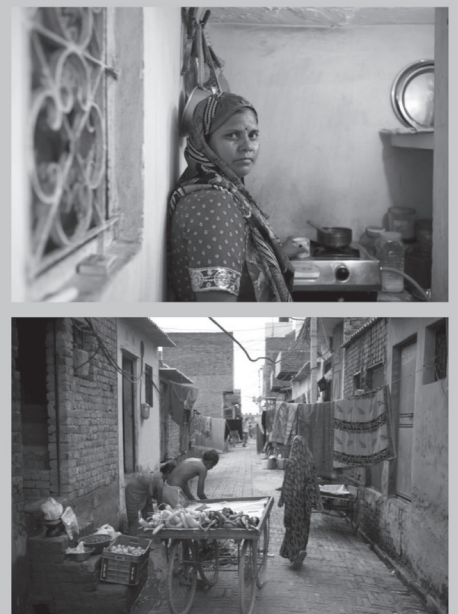
12-Nov-13 // Slide 32

## India: SEWA Grih Rin Development of Business and Financial Plan



Affordable Housing Institute

|                           |   |
|---------------------------|---|
| <b>Location</b>           | India   |
| <b>Year</b>               | 2007 – present  |
| <b>Client</b>             | Self Employed Women's Association (SEWA)<br>SEWA Bank and Mahila Housing SEWA Trust (MHT)   |
| <b>Client type</b>        | NGO   |
| <b>Client's challenge</b> | SEWA Bank and MHT wanted to create SEWA Grih Rin, a housing finance company dedicated exclusively to developing and delivering affordable financial products for low-income, informally employed women and their families across urban India. |
| <b>AHI's work</b>         | Developing detailed business plan for SGR<br>Designing new financial products & credit assessment methods<br>Assisting in soliciting capital  |
| <b>Results</b>            | Entity is currently raising capital<br>License application underway   |

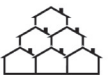


Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 33

## Saudi Arabia: Real Estate Development Fund (REDF) Business and financial product strategy



Affordable Housing Institute

|                           |   |
|---------------------------|---|
| <b>Location</b>           | Kingdom of Saudi Arabia (KSA)   |
| <b>Year</b>               | March 2013 – present  |
| <b>Client</b>             | Real Estate Development Fund (REDF)<br>Ernst & Young (E&Y) is prime contractor  |
| <b>Client type</b>        | Government agency (via global consultancy)  |
| <b>Client's challenge</b> | AHI is a principal subcontractor E&Y, which has been engaged by the Real Estate Development Fund (REDF) to develop a business reinvention strategy for REDF to help address Saudi Arabia's growing shortage of affordable housing |
| <b>AHI's work</b>         | Organizational restructuring<br>Increasing effective delivery of housing<br>Improving loan collection rates<br>Loan products reengineering  |
| <b>Deliverables</b>       | Loan products that cater to income and family size<br>Options for directions/products/business streams for REDF<br>Execution strategies for REDF<br>Studies of comparable nations and programs                                    |



Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

12-Nov-13 // Slide 34





**Naoyuki Nakamura**

Executive Vice President, Organization for Promoting Urban Development, Japan

**Theme**

**The Policy of Urban Renaissance and Cases of Financial Support.**

메자닌 금융을 활용한 일본 도시재생 사례 및 시사점

**Biography**

나오유키 나카무라는 1957년 생으로 1981년 일본개발은행에 합류하여 도시개발, 지역개발, 교통 관련 금융업무를 담당하며 업적을 이어왔다. 2011년에 일본개발은행의 임원으로 임명되었으며, 2012년 민간도시개발추진기구 상무이사로 취임하였다.

Born in 1957.

Joined the Development Bank of Japan in 1981, and worked in divisions involved in financing related to urban development, regional development and transportation. Appointed as an executive officer in 2011.

Become Executive Vice President of the Organization for Promoting Urban Development in 2012.

**Abstract**

본 스피치에서는 일본의 도시재개발 정책 그리고 도시개발기구의 기능 및 지원 시스템에 대해 소개하고자 한다. 일본 도시재개발 정책의 형성 배경을 비롯한 각종 정책, 도시개발기구 창설 이후의 활동 및 합동도시재개발, 메자닌 지원, 도시재개발투자자 같은 현 지원 시스템을 소개하고, 이러한 지원 시스템과 일본의 도시재개발 시스템의 연계에 대해 설명할 예정이다.

또한, 개발목적 메자닌 금융의 역할 및 도시개발기구의 지원 사례 (메자닌 지원사업, 제2 환형지역 도시재개발사업, 도시재개발투자, 가치도킬-크롬 프로젝트) 를 소개하고자 한다.

1. Introduce Japan's urban renewal policy and the Organization for promoting Urban Development's function and support systems. Explain policies, including the background to the formulation of Japan's urban renewal policy, as well as activities of the Organization for Promoting Urban Development since its establishment, support systems currently in place (Joint Urban Restructuring, Mezzanine Support, and Town Renewal Investments) and their connections to Japan's urban renewal system.

2. Introduce the role of mezzanine financing in development-oriented finance and examples of support provided by the Organization for Promoting Urban Development(Mezzanine Support Business: Loop Line 2 Urban Redevelopment Project; Town Renewal Investment:Kachidoki1-chome Project).

# Policy of Urban Renaissance and Cases of Financial Support

November 18, 2013  
Organization for Promoting Urban Development

## Agenda

1. Policy of Urban Renaissance
2. Financial Support Programs
3. Development Financing
4. Case of Financial Support

Policy of Urban Renaissance

**Establishment of the Urban Renaissance Headquarters**

The Urban Renaissance Headquarters was established under the Cabinet in May 2001 against the backdrop of the following situation:

- Falling land prices showing no sign of touching bottom since the bursting of the bubble
- The necessity of industrial structure adjustment due to changes in the social and economic environment associated with the aging population with the falling birthrate and the advancement of informatization
- Problems in big cities, including vulnerability to disasters, fragmentary use of national land and chronic traffic jams

**Enactment of the Act on Special Measures concerning Urban Regeneration (2002)**

Seek to realize urban renaissance corresponding to the changing social situation by intensively and strategically directing the private sector's vitality, such as funds and knowhow, to areas that can serve as bases for urban renaissance, including surrounding areas.

<Key features> The following support measures offered in prompt development areas for urban renaissance designated by the government:

- Special urban renaissance district (easing of the floor area ratio, etc.), system for city planning proposals, speedier procedures
- Financial support and special taxation measures for private-sector projects approved by the Minister of Land, Infrastructure, Transport and Tourism

**Major revisions**

**<2004, 2005>** Efficiently promote urban renaissance across Japan ("from Wakkanai to Ishigaki") by implementing community development with individuality making full use of regional characteristics

<Key features> The following support measures offered in urban renewal development plan areas prepared by cities, towns and villages:

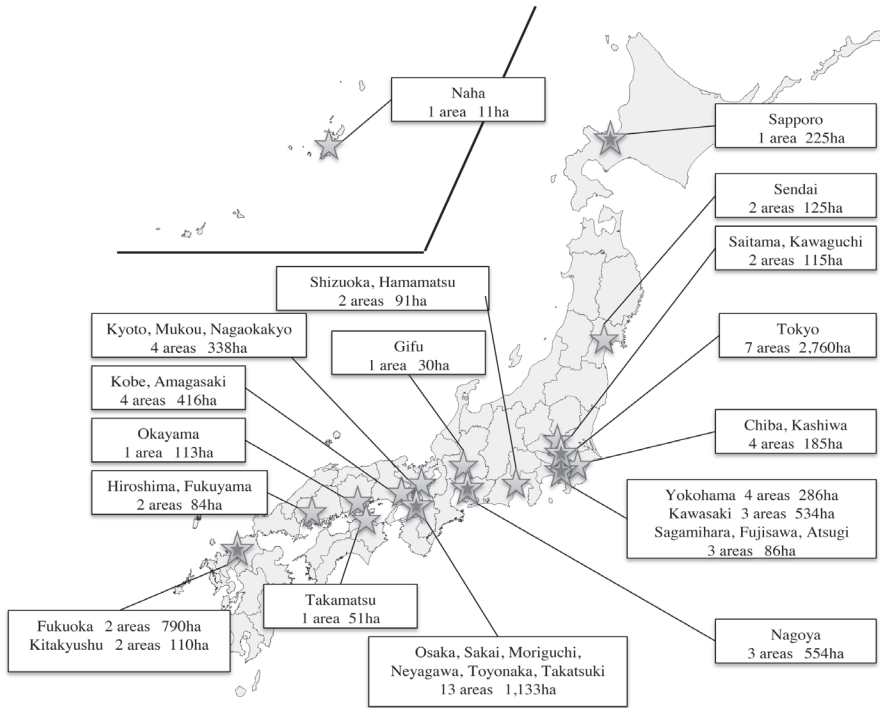
- Community Renovation Grants (subsidies for cities, towns and villages with greater flexibility)
- Financial support for private-sector projects approved by the Minister of Land, Infrastructure, Transport and Tourism

**<2011>** Seek to further enhance the international competitiveness and attractiveness of cities through cooperation between the public and private sectors

<Key features>

- Provide priority support to areas particularly promising for enhancing the international competitiveness of cities as "specified prompt development areas for urban renaissance"
- Creation of the new financial support system, further speed-up of procedures
- Addition of private-sector business operators as members of the Council of Prompt Development for Urban Renaissance

Prompt Development Areas for Urban Renaissance (62 areas, 8,037ha)



Profile of OPUD (MINTO)

|                      |  |
|----------------------|--|
| Establishment        | October.1,1987   |
| Law                  | The Special Measures Act for Promoting Urban Development by Private Sectors                      |
| Legal Status         | Private , Non-profit-foundation  |
| Endowment            | ¥ 5,616.4million   |
| Founders             | Banks , Government Financial Institutions , Constructions Companies , Insurance Companies , etc. |
| Number of employment | 61 (as of April 1, 2013)   |

Purpose of OPUD (MINTO)

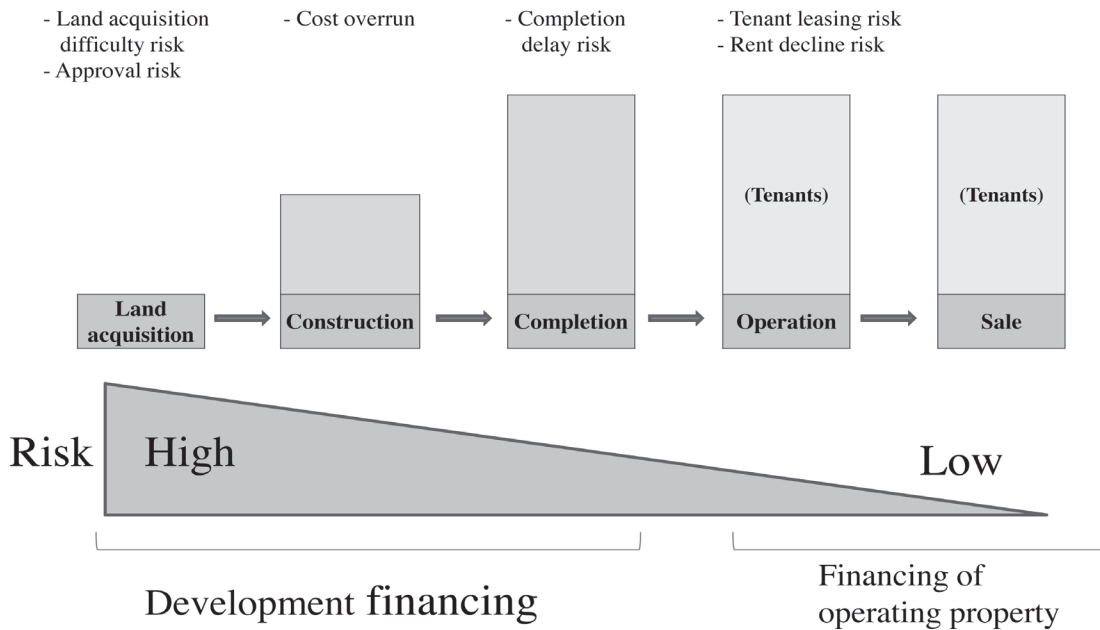
- To implement infrastructure projects by supporting private sectors.
- To encourage urban development.

Support Programs Offered by MINTO

| Program                      | Project covered*   | Business operator | Support type             |
|------------------------------|--|-------------------|--------------------------|
| Communal urban redevelopment | - Hazard-resistant, environment-friendly buildings<br>- Facilities necessary for community life    | Ordinary company  | Corporate finance**      |
| Mezzanine support            | - Large-scale multi-purpose development projects in prompt development areas for urban renaissance | Project company   | Mezzanine (Non-recourse) |
| Town renewal investment      | - Urban development projects in urban renewal development plan areas                               | Project company   | Equity                   |

\* All involving development of community facilities for open space, greenery and other public use.  
\*\* Interests jointly ordered by MINTO sold upon completion. In effect, corporate finance, with proceeds from the sale to be paid in long-term installments.

# Development Financing



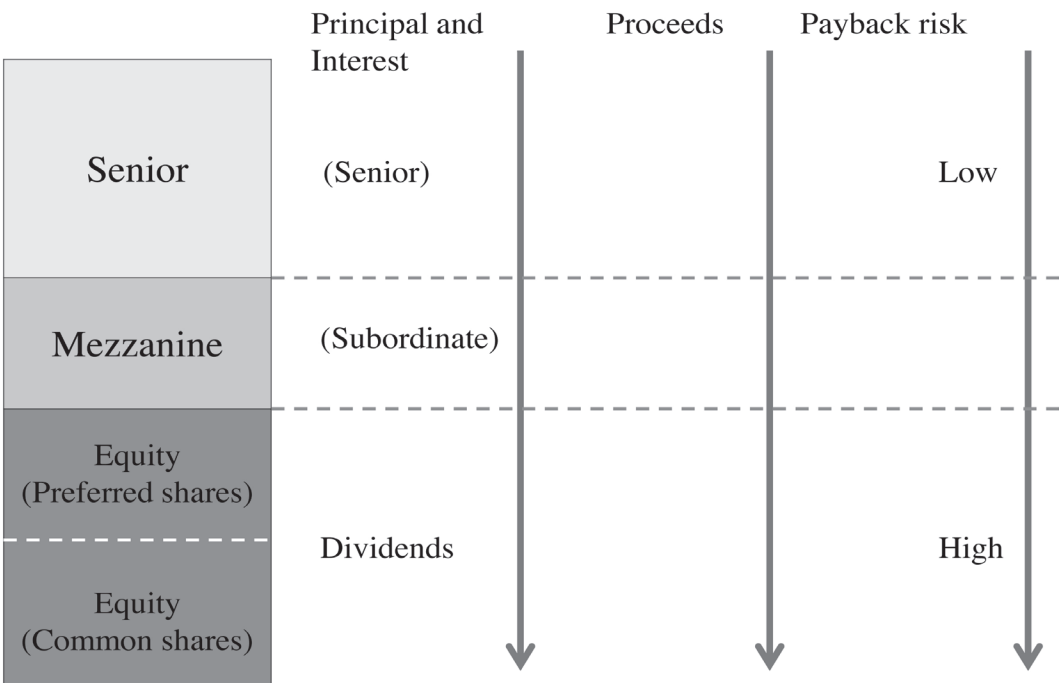
7

# Mezzanine Support Business: Loop Line 2 Urban Redevelopment Project

- The flyover road structure was adopted when the Tokyo Metropolitan Government undertook the development of an undeveloped portion of the urban planning road between Toranomon and Shinbashi in Tokyo.
- The flyover road structure allows right holders in the road planning zone to continue to reside in a redeveloped building in the zone by constructing roads underground and a building on the ground.
- In this project, the private sector developed an urban community with lush greenery, open space and good landscape, and constructed a multiple-use building housing offices, stores, housing units and a hotel, which also has the functions as an international business center and a disaster-prevention facility at the time of disaster.

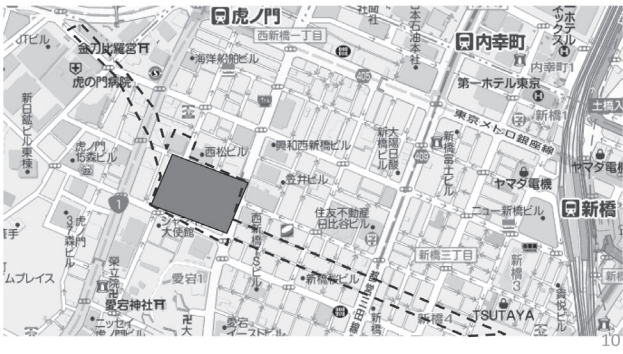
9

# Mezzanine Financing



8

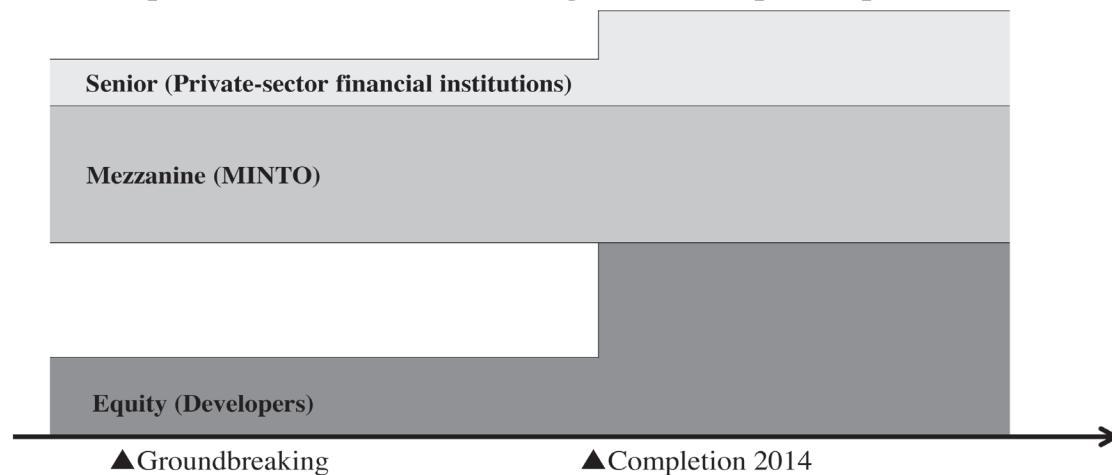
Name : Toranomon Hills  
Location : 1-chome, Toranomon, Minato-ku, Tokyo  
Site area : 17,068 m<sup>2</sup>  
Story height : 52 stories above ground, five stories below ground (247 meters)  
Total floor area: 244,360 m<sup>2</sup>  
Use : Office, commerce, housing, hotel and conference facility



10

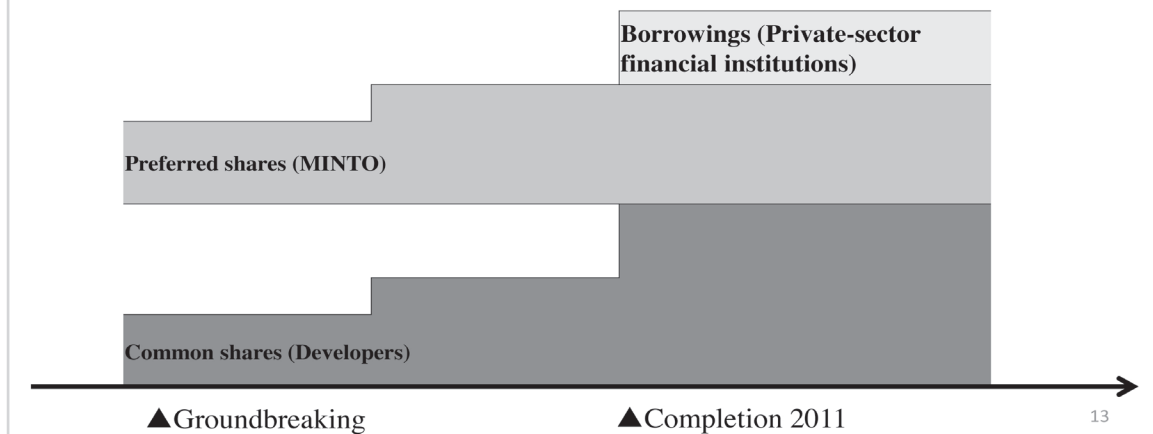


- MINTO provides mezzanine financing to a private-sector project company that will own a portion of office floor and parking space of the building.
- MINTO provides funding from the high-risk early stage of development and bears risk during the development period.



11

- The project company leases the land from the Tokyo Metropolitan Government and constructs buildings on it.
- With rent set at lower levels, MINTO invested in preferred shares of the project company from the initial stage of development in order to enhance the project's stability.
- MINTO bears greater risk by investing in preferred shares as equity than in debt, but can receive dividends in preference to common shares.



13

## Town Renewal Investment: Apartments Tower Kachidoki

- The rental housing construction project undertaken by the Tokyo Metropolitan Government with private-sector ingenuity on land owned by the Tokyo Metropolitan Government
- The project formed a community where families with small children and local residents can live comfortably by developing housing units with rent affordable for families with small children, facilities to support child-raising and a clinic mall, etc. for the promotion of residency in the urban center and also as a measure for helping reverse the birthrate decline.



Site area: 5,034 m<sup>2</sup>  
 Total floor area: 54,461 m<sup>2</sup>  
 Story height: 45 stories above ground, two stories below ground  
 Total number of housing units: 536  
 Time of completion: January 2011

12



Thank you for your attention.

14



**Rhee Byung-nam**

CEO, BCG Korea

**Theme**

Long –term and Sustainable Development of Korea’s Housing Finance for Low Income People.  
한국의 서민주택금융 현황과 향후 발전방안

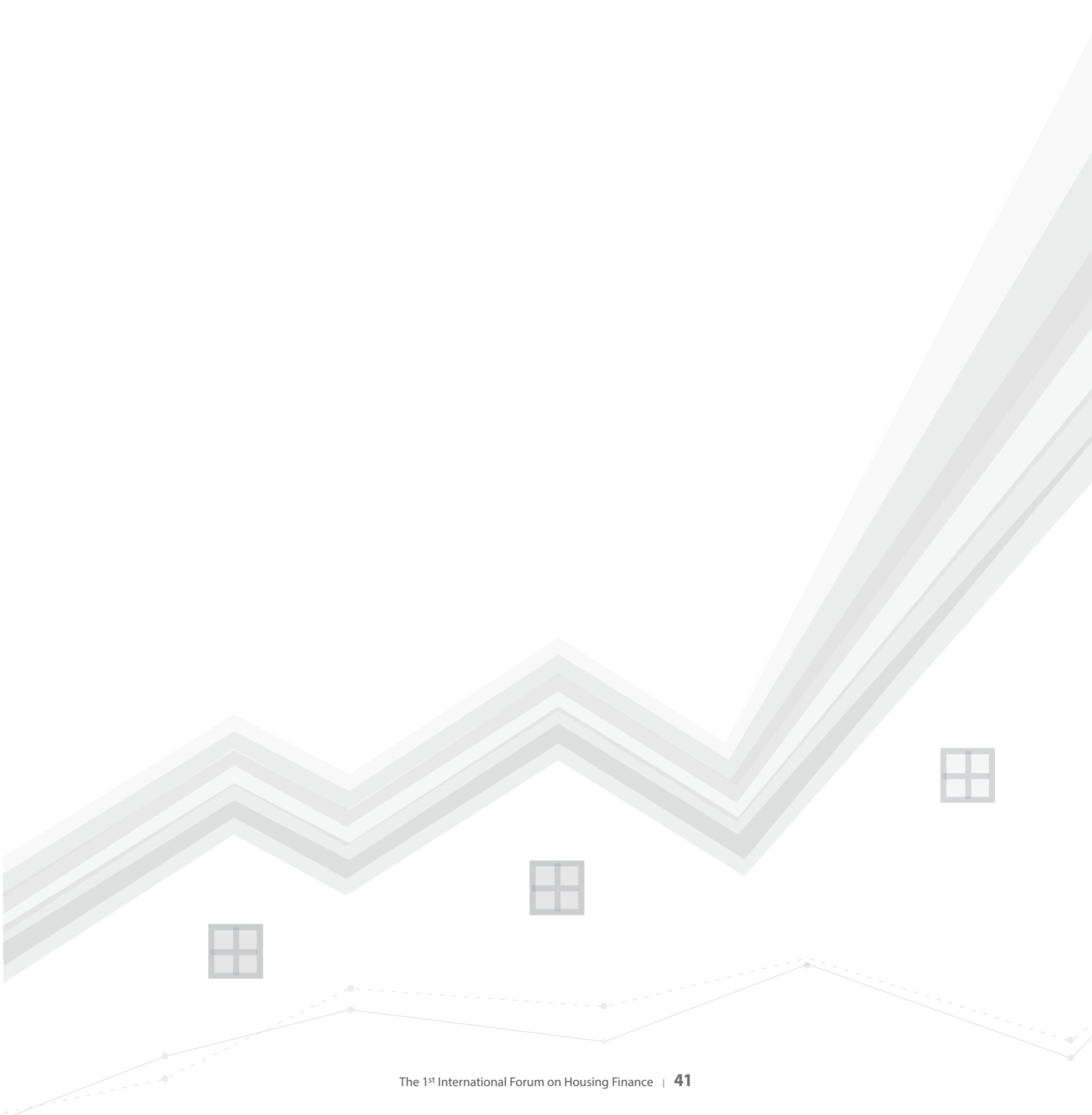
**Biography**

이병남 대표는 보스턴컨설팅그룹(BCG) 서울사무소의 공동대표(Senior Partner & Managing Director)로 서울 사무소의 설립 멤버이다. 1992년 BCG 서울사무소 입사 후 BCG의 한국 진출에 주요 역할을 수행하였다. BCG의 산업재, 소비재 및 기업개발 분과의 핵심 멤버로 활동하고 있으며 국내 유수의 기업들과 폭넓은 프로젝트 수행 경험을 보유하고 있다. BCG 입사 전 국내 종금사 및 Procter & Gamble에서 근무하였으며, 2004년 6월 세계경제포럼(WEF, 다보스포럼)에서 아시아 차세대 지도자로 선정된바 있다.

Byung Nam Rhee is a Senior Partner and Managing Director in the Seoul office of The Boston Consulting Group. Since joining the firm in 1992 Mr. Rhee has played a critical role as a starting member of Korean operation and is currently the co-Head of BCG’s Korean operations. He is a core member of the Consumer, Industrial Goods and Corporate Development practice areas. Before joining The Boston Consulting Group, Mr. Rhee worked for both Korean Merchant Bank and Procter & Gamble in Korea . In his 18 years of BCG career, he has held various leadership positions such as Head of Korea’s Consumer Goods practice, Leader of Asia Pacific Industrial Goods practice and is currently one of the senior members of BCG’s Officer development program. In June 2004, he was designated as one of Asia’s next generation of leaders at Davos Forum (WEF).

**Abstract**







## 참여기관 | SPONSORS

Hosted by



Organized by



Sponsored by



