



Asociación de Bancos de **México**

March 7 & 11

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**MORTGAGE LENDING IN MEXICO**

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- 1. The Mexican Banking Sector**
2. Mortgage Market in Mexico
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## Introduction

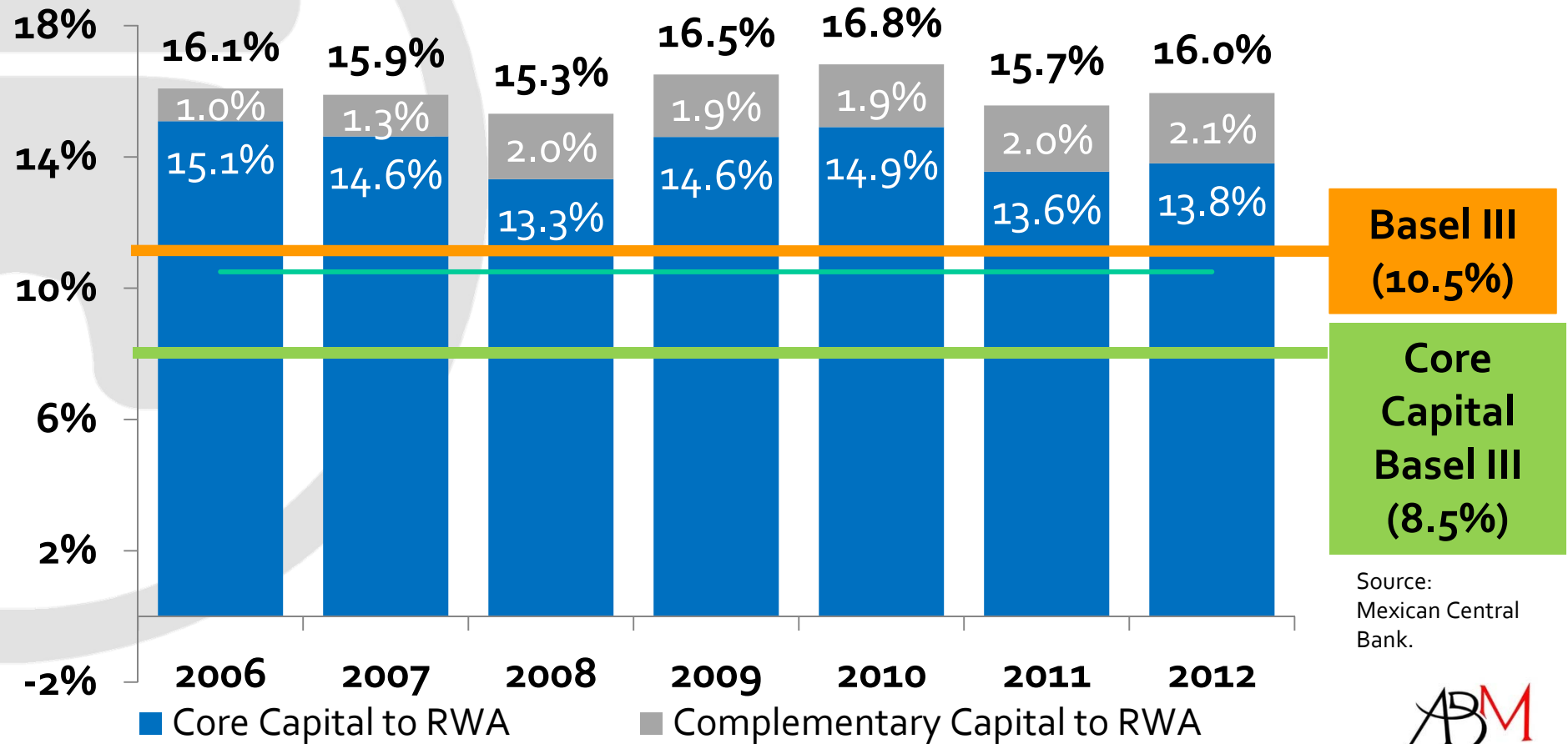
- 1. Mexico keeps its favorable outlook for growth for this year, inflation and public finances are under control and the Mexican banking system is sound and it is ready to respond to the economy's financing requirements.**
- 2. Banking mortgage credit has grown steadily over the past years, and can still continue on this trend for some time. Growth hasn't translated into higher delinquency rates.**
- 3. Due to structural conditions, housing demand has been rising. The favorable economic context, as well as increasing competition among financial institutions has provided additional support.**

# 1. The Mexican Banking Sector



In a complex international environment, the Mexican Banking Sector is sound

**Capitalization Ratio**  
Percentage points

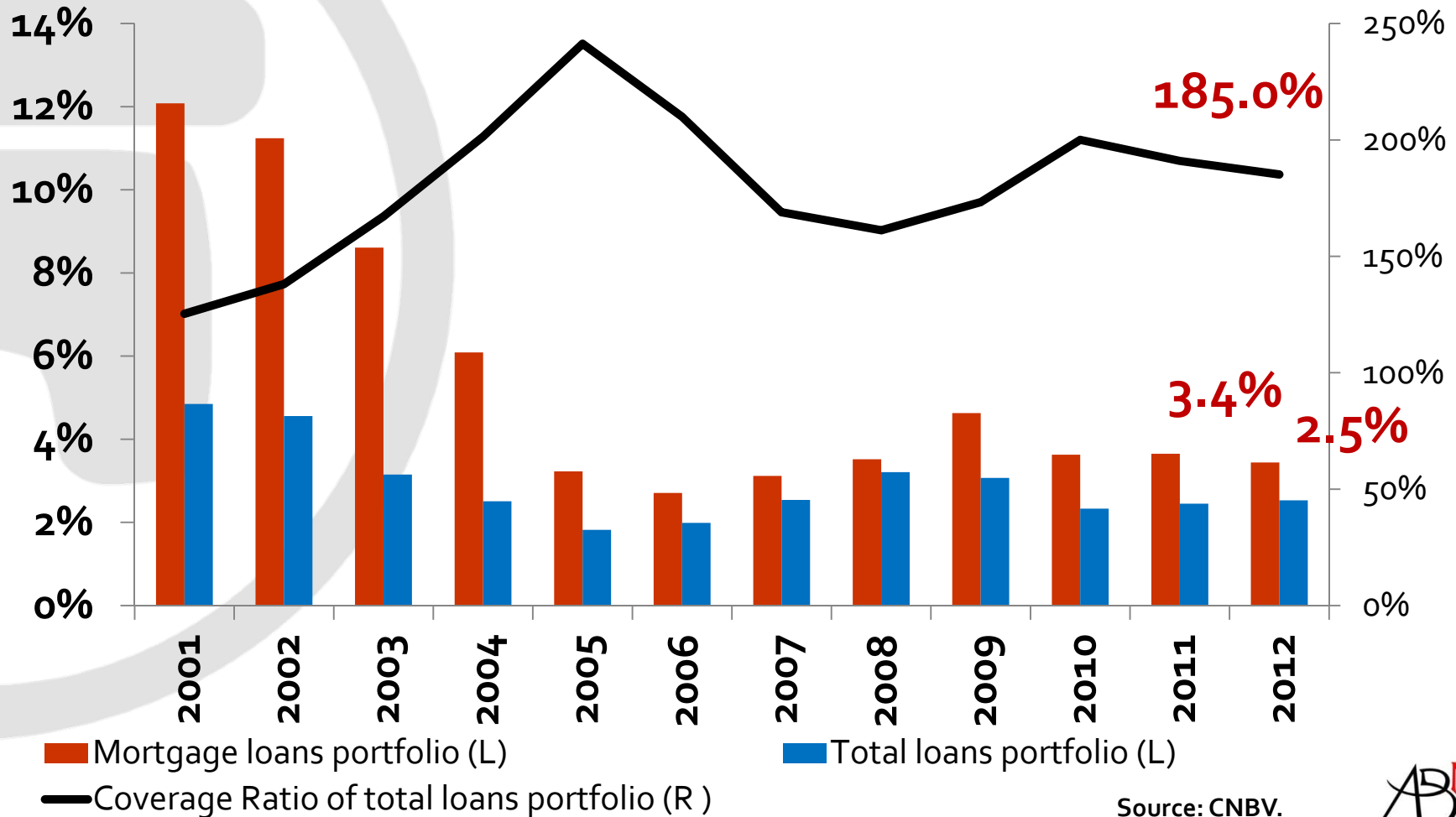


# 1. The Mexican Banking Sector



## Delinquency trends during pre crisis levels & a high provision coverage ratio are maintained

Delinquency ratio (%) & Coverage



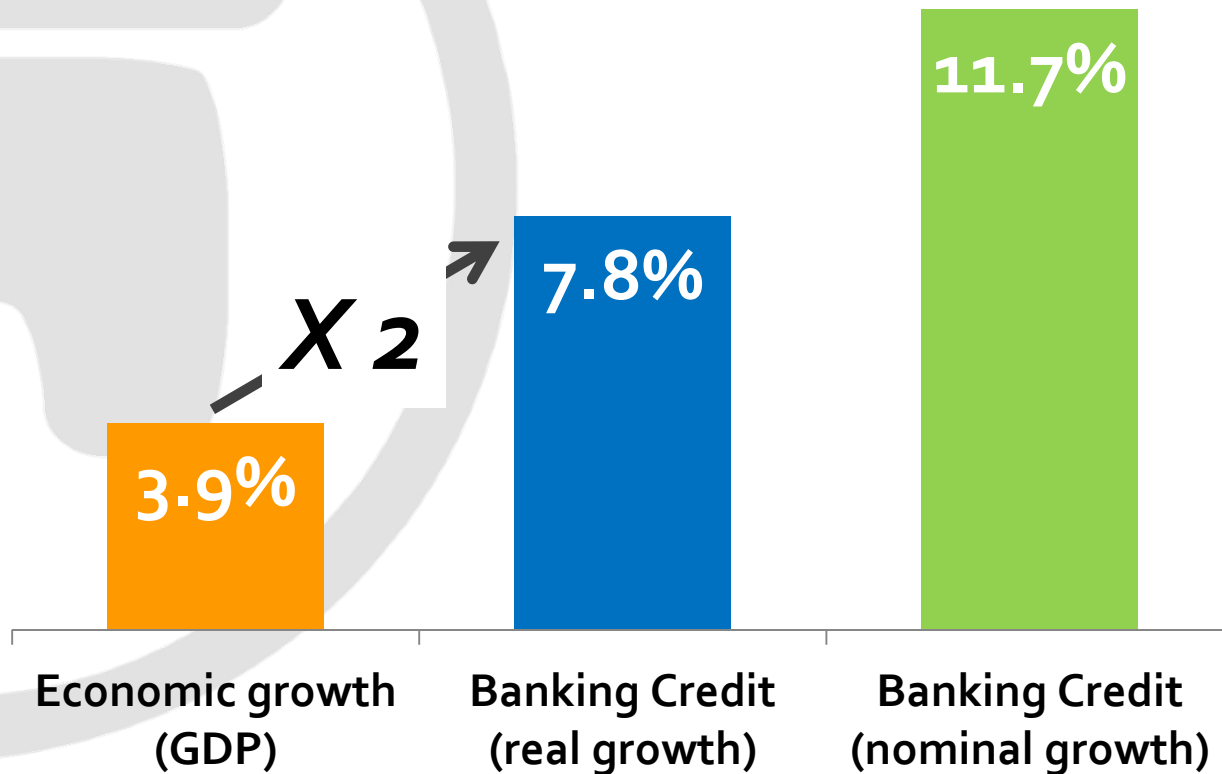
Source: CNBV.



## Credit activity has maintained a steady growth

### Economic & Credit Growth

Real Growth rate in 2012



In 2012 the bank credit grew twice as much as the economy did

Source: INEGI and Mexican Central Bank.

## Total loan portfolio has grown at double digit rates

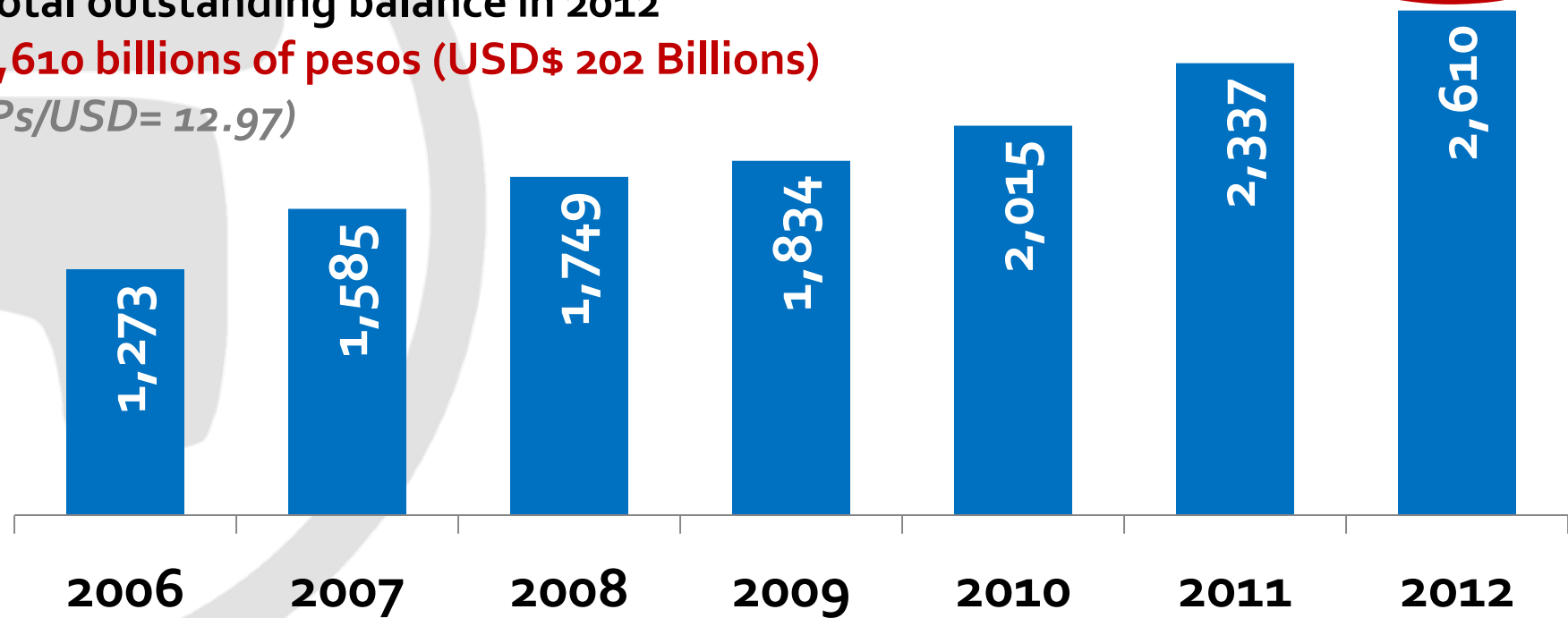
### Total loans portfolio

Total outstanding balance (Billions of pesos)

Total outstanding balance in 2012

**2,610 billions of pesos (USD\$ 202 Billions)**

(Ps/USD= 12.97)



Growth in 2012	Average growth 2006 - 2012	Non performing loans rate
12%	13%	2.5%

Source: Mexican Central Bank.

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## 2. Mortgage market in Mexico



Coordinated public policies and banks long term commitment have driven housing sector

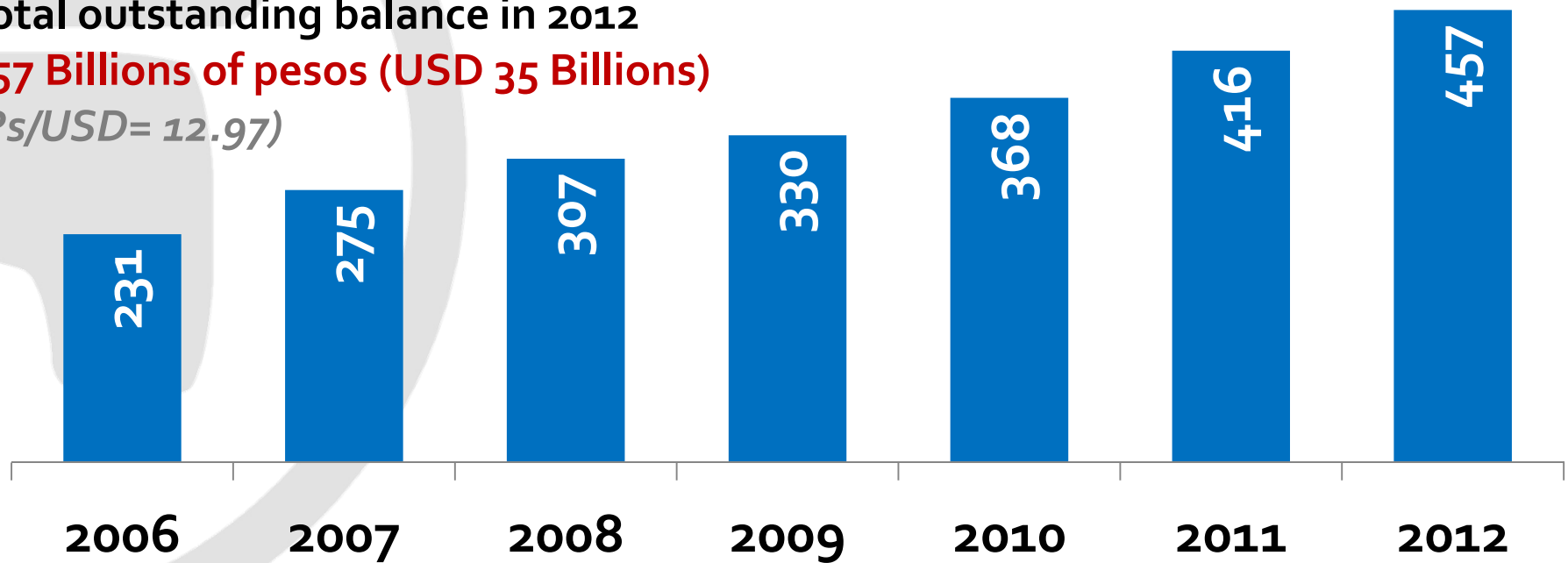
### Mortgage loans portfolio

Total outstanding balance (Billions of pesos)

Total outstanding balance in 2012

**457 Billions of pesos (USD 35 Billions)**

(Ps/USD= 12.97)



Source:  
Mexican  
Central  
Bank.

Growth in 2012	Average growth 2006 - 2012	Non performing loans rate
10%	12%	3.4%



## 2. Mortgage market in Mexico

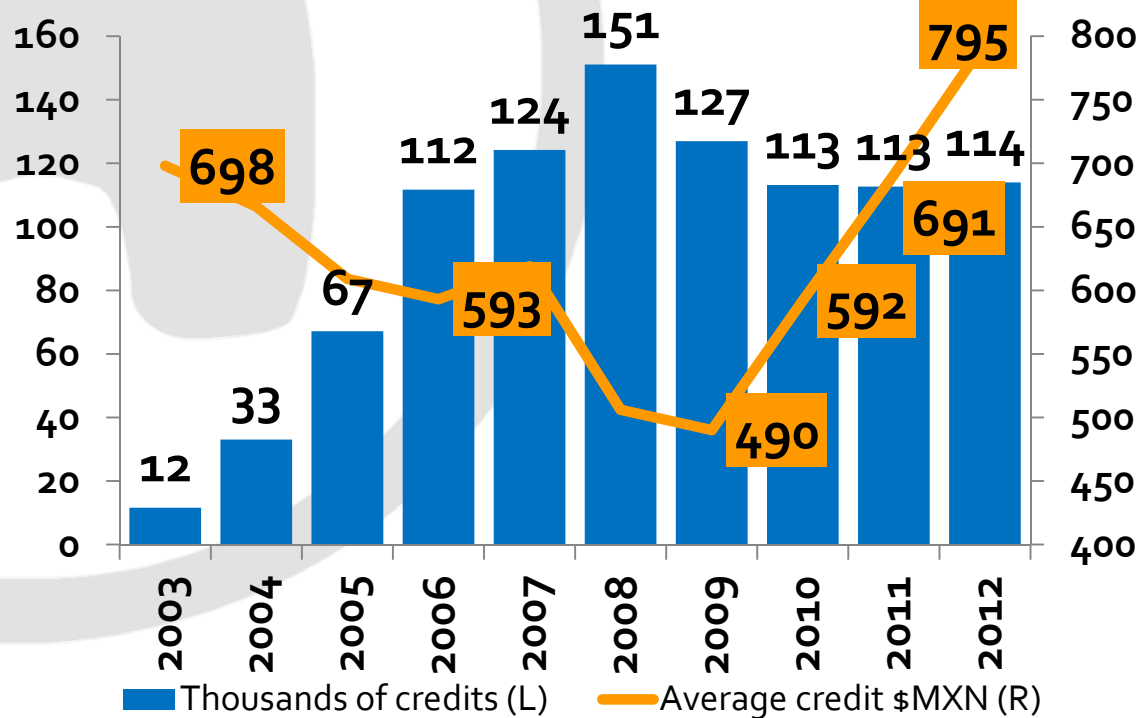


The mortgage portfolio behavior shows the banking risk appetite for the housing sector

### Housing credits granted

Thousands of credits & Average credit \$MXN

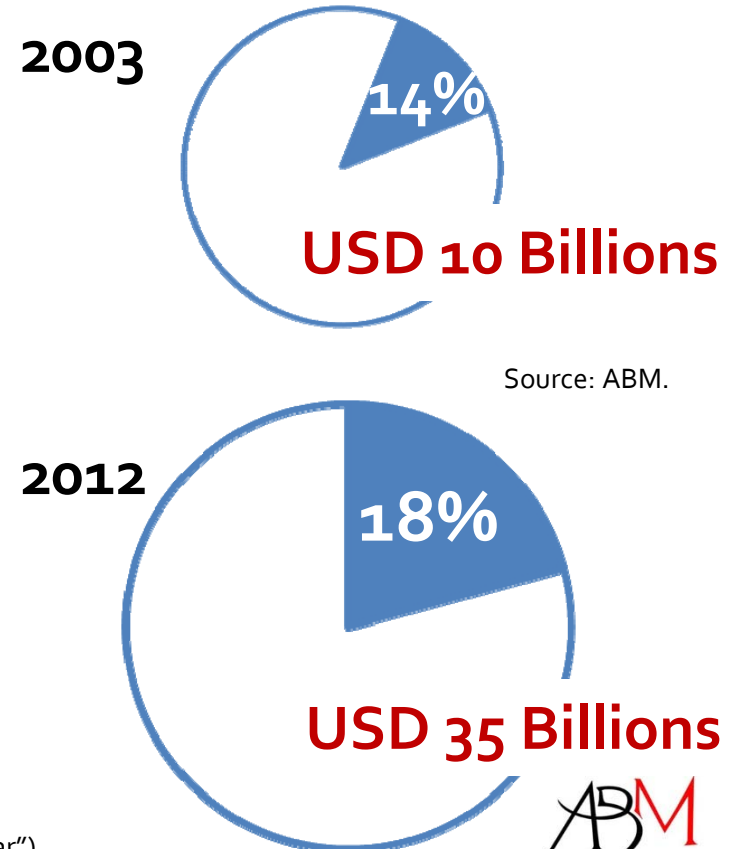
**In the last 10 years  
Almost 1 million of credits were granted**



Note: The number of credits does not include remodeling programs ("Renueva tu hogar").

### Mortgage loans share of total loans portfolio

Mortgage loans to total loans (%)



Source: ABM.

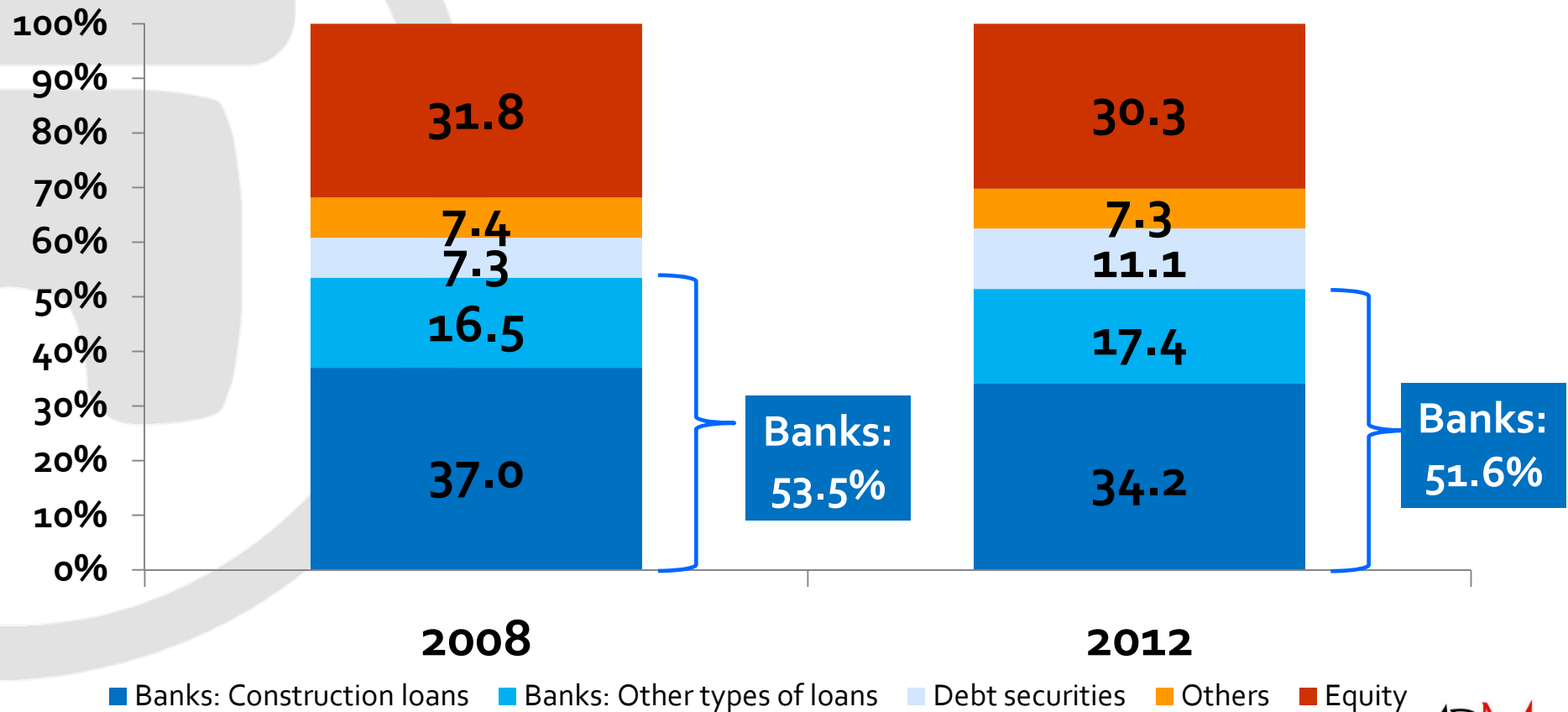


## 2. Mortgage market in Mexico



The banks provide more than half of the funding to home builders, although the debt issue is gaining share

### Financing to housing developers Distribution %



Source: BBVA Research

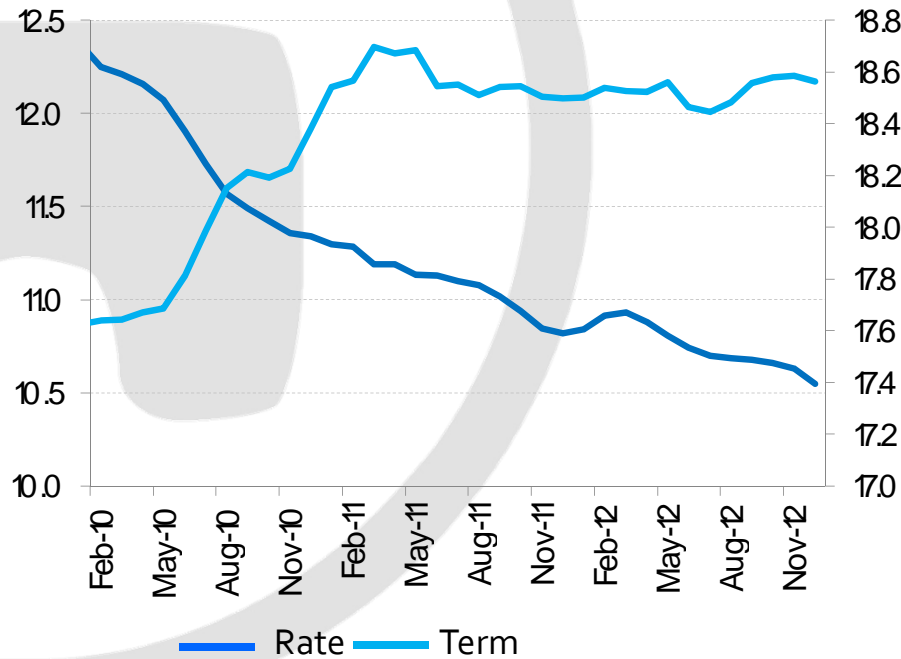


## 2. Mortgage market in Mexico

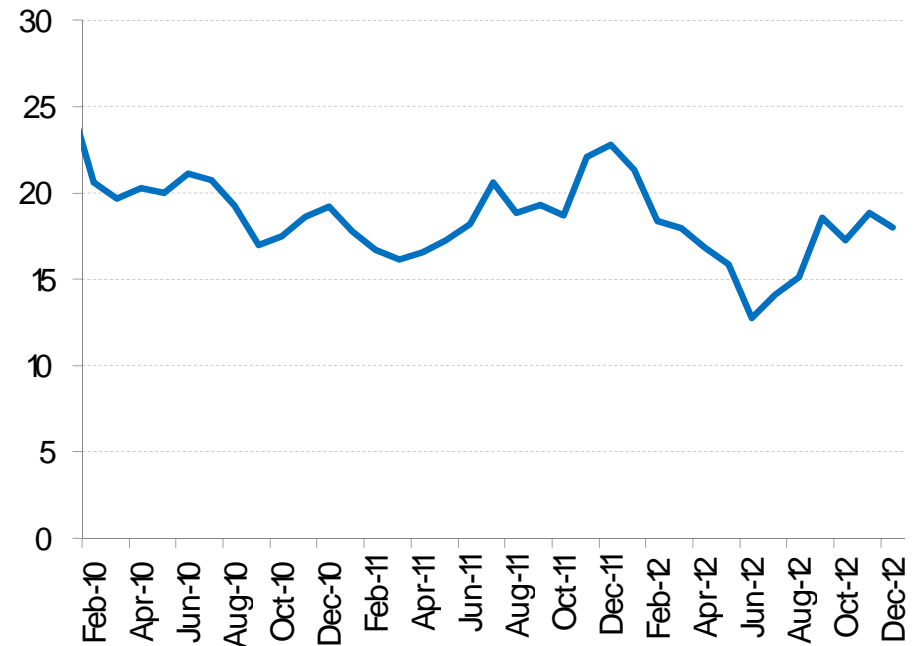


# Better credit conditions for customers without excess indebtedness

Commercial bank mortgage loan portfolio: rate and term (% and years)



Commercial bank mortgage loans: mortgage payment to income ratio (%)



Source: CNBV

Source: CNBV



## 2. Mortgage market in Mexico



# Financial innovation has allowed borrowers to enjoy better conditions

	2000	2013
Interest rate	Variable	<b>Fixed with incentives for timely payments</b>
Up front fees	6%	<b>0% - 1%</b>
Term	10-15 yrs	<b>Up to 20 yrs</b>
Products	Acquisition	<b>Multiple uses*</b>
Payment pesos per thousand	\$22.0	<b>\$8.5 - \$11.0</b>
Down payment	+35%	<b>5% - 15%</b>
Unemployment insurance	No	<b>Yes</b>
Interests tax deductible	No	<b>Yes</b>

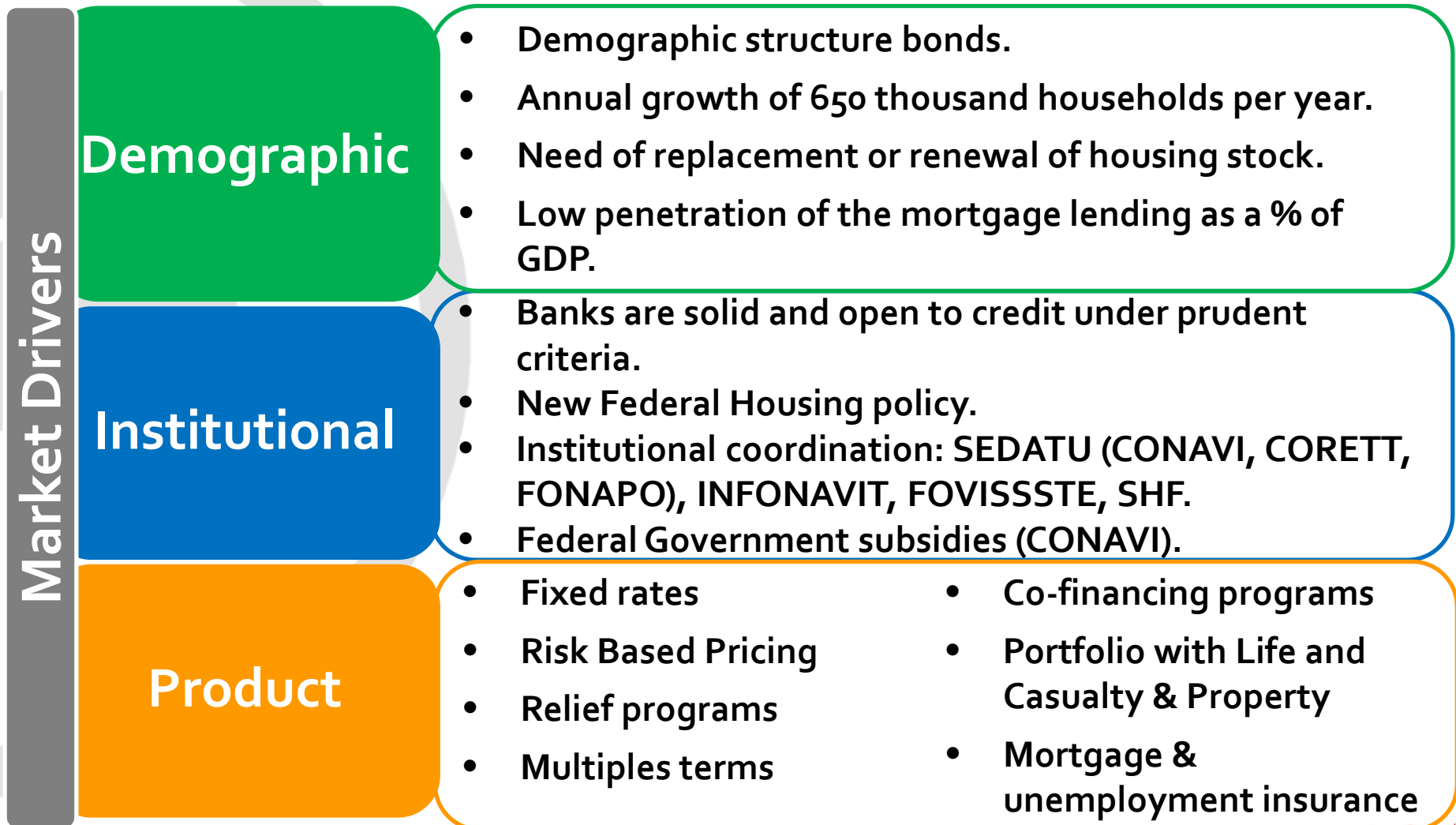
\* Acquisition, Substitution, Construction, Remodeling, Co-financing INFONAVIT, FOVISSSTE, INFONAVIT TOTAL Program Home Equity.



# Main Factors that Caused the Mortgage Crisis in some Countries are not Present in the Mexican Market

Factor	Description
<b>Housing Market</b>	<ul style="list-style-type: none"><li>• No price bubble.</li><li>• No speculation.</li></ul>
<b>Credit</b>	<ul style="list-style-type: none"><li>• Detailed credit &amp; risk analysis.</li><li>• Full documentation and proof of income (Stated Income not accepted).</li><li>• Mandatory Credit Bureau report.</li><li>• Moderate Loan To Value (LTV) &amp; Down payment required.</li><li>• Most credits are for 1st home acquisition.</li></ul>
<b>Non Toxic Products</b>	<ul style="list-style-type: none"><li>• Fixed rates (No uncertain rate mortgages, no teaser rates, or negative amortization).</li><li>• Home Owners Equity Credit lines at max. 50% LTV (less than 5% of total portfolio).</li></ul>
<b>Customer Insurance</b>	<ul style="list-style-type: none"><li>• Mandatory Life and Property Insurance.</li><li>• Unemployment Insurance in recent loans is common.</li></ul>

### The fundamentals remain sound



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## Final remarks

The Mortgage Market in Mexico will keep its potential based on these strengths:

- 1) Demographic trends, Macroeconomic stability and a sound Mexican banking system.
- 2) High competition among credit institutions: Lower rates, longer terms, and a wide range of banking products available for a changing demand.
- 3) Healthy and dynamic growth of mortgage lending (12% annual rate in 2006-2012 and 10% in 2013e).

These strengths, combined with a close coordination with the Mexican Federal Government, will enable Banks to fully meet the need of housing credits for the Mexican families.