Housing Finance Program in Indonesia: targeting the informal sector

PRESENTED BY:
Lana Winayanti
Director General for Housing Finance
2017-2018
Development of Housing Finance Programs

- **2010**: One Million Houses Program Launched
- **2012**: Ministry of Housing Finance Programs
- **2014**: FLPP Home Ownership Launched
- **2015**: FLPP Interest rate 7.25%
- **2015**: FLPP Lowered Interest rate 5% with Down payment assistance (SBUM) Rp 4 mill /300 USD
- **2016**: Ministry of Housing merger with Ministry of Public Works
- **2016**: Subsidized Interest (5%) Program launched
- **2016**: Law on Provident Funds (Tapera)
- **2017**: BP TAPERA COMMISSIONER and Deputies appointed
- **2018**: Contractual savings scheme BP2BT launched
- **2019**: Law on Provident Funds (Tapera)

**Development of Housing Finance Programs**

- Housing finance Liquidity Facility (FLPP) launched to reduce interest rate. Public Service Agency established under Ministry of Housing
- 2016: Ministry of Housing merger with Ministry of Public Works
- 2016: Law on Provident Funds (Tapera)
- BP TAPERA COMMISSIONER and Deputies appointed
HOUSING FINANCING ASSISTANCE PROGRAM: PROPOSED SCHEME

The Decile of Household Expenditure 2018

<table>
<thead>
<tr>
<th>Decile</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>4.3%</td>
</tr>
<tr>
<td>9</td>
<td>7.8%</td>
</tr>
<tr>
<td>8</td>
<td>9.8%</td>
</tr>
<tr>
<td>7</td>
<td>12.1%</td>
</tr>
<tr>
<td>6</td>
<td>14.2%</td>
</tr>
<tr>
<td>5</td>
<td>15.9%</td>
</tr>
<tr>
<td>4</td>
<td>18.1%</td>
</tr>
<tr>
<td>3</td>
<td>21.0%</td>
</tr>
<tr>
<td>2</td>
<td>25.6%</td>
</tr>
<tr>
<td>1</td>
<td>33.1%</td>
</tr>
</tbody>
</table>

Source: March 2018 National Socio-Economic Survey (BPS)

Type and Choice of Occupancy Based on Affordability

Percentage of House Needs Backlog for Each Decile (%)

Source: March 2018 National Socio-Economic Survey (BPS)
Government Interventions For Affordable Housing

HOUSING ISSUES

SUPPLY

Planning and Design
- Capacity of local government (planning, supervision, regulatory framework)

Permits

Housing Industry
- Standardized building materials
- Skilled labors
- Accredited Developers

HOUSES
- Housing not part of integrated urban and regional planning → urbanization, sprawling
- Limited affordable housing in urban areas

BACKLOG
- 7.6 million units on occupancy
- 11.4 million units on ownership

SUBSTANDARD HOUSES
- 3.4 million units of substandard houses in 2017

SLUMS
- 38,431 Ha (urban)
- 3,099 Ha (special area)

DEMAND

Supply
- Land availability
- Land certification
- Standardized building materials
- Skilled labor
- Accredited Developers

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Limited government budget

Government Interventions For Affordable Housing

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- Supply
- Demand
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Government Interventions For Affordable Housing

- Planning and Design Permits
- Housing Industry
- Houses
- Supply
- Demand
- Limited government budget
**Government Interventions for Affordable Housing**

**INTERVENTIONS TO ASSURE HOUSING QUALITY**

- **EASE OF PERMITS** (cutting red tape, shorten time, reducing cost)
- **TAX EXEMPTION AND REDUCTION** (PPN, PPH, BPHTB)
- **MINIMUM STANDARD AND REGIONAL PRICE CEILING**
- **BASIC INFRASTRUCTURE PROVISION**
- **MORTGAGE SCHEMES**
- **BALANCED HOUSING AND LARGE SCALE HOUSING DEVELOPMENT**

**LOW INCOME HH MORTGAGE SCHEMES**

- **SUBSIDIZED MORTGAGE** – liquidity facility to lower interest rates (12% market → 5% fixed, tenor 20 years) and subsidy to lower interest rates
- **DOWN PAYMENT ASSISTANCE** – Rp 4 million per HH (usd 300)
- **SAVINGS BASED HOUSING ASSISTANCE SCHEME / BP2BT**
- Low income household salary maximum Rp 4 million (landed house) and Rp 7 million (apartment unit)
# Subsidized Mortgage Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Total FLPP and SSB (Unit)</th>
<th>FLPP (Rp. Thousand)</th>
<th>SSB (Rp. Thousand)</th>
<th>SBUM* (Rp. Thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>89.641</td>
<td>6.055.243.293</td>
<td>66.752.376</td>
<td>800.000</td>
</tr>
<tr>
<td>2017</td>
<td>255.087</td>
<td>2.706.624.492</td>
<td>1.472.174.173</td>
<td>826.384.000</td>
</tr>
<tr>
<td>2018</td>
<td>260.726</td>
<td>5.895.206.726</td>
<td>2.285.871.657</td>
<td>951.248.000</td>
</tr>
</tbody>
</table>

(*) SBUM does not contribute to number of housing unit
**Government Interventions For Affordable Housing Finance**

**SUBSIDIZED MORTGAGE**

- Covering 500,000 households since 2010
- 38 participating banks (national and local)

**Issues:**
- Limited access of informal sector HH (only 2.5%) due to single income salary, tenor, unstable income and inability to save
- Quality of houses
- Unfeasible location of residential areas
  ➔ Need different scheme to reach informal sector

**BP2BT PROGRAM DESIGN**

<table>
<thead>
<tr>
<th>SAVINGS BY HOUSEHOLD</th>
<th>5%</th>
<th>SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOWN-PAYMENT ASSISTANCE</td>
<td>25%</td>
<td>ASSISTANCE</td>
</tr>
<tr>
<td>10% to 40% of property price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOUSING FINANCE LTV</td>
<td>70%</td>
<td>HOUSING FINANCE</td>
</tr>
<tr>
<td>50% - 80%</td>
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**TARGETING INFORMAL SECTOR**

FLPP/SSB Eligibility Criteria is based on Maximum Individual Basic Income

**Key Targetting Reforms**

1. Shift from single income to Household income
2. Shift from max Decile 8/9 (equivalent) to max Decile 6/7
BP2BT - Savings-based Mortgage Scheme

- **Community Fund** → 5% of house value/RAB, including Target Group
  Savings min. balance of 2 Million - 5 Million

- **BP2BT Fund** → 6.4% - 38.8% of house value/RAB
  (Max. Subsidy Rp32.4 juta)

  - Home Ownership:
    Combined (Down Payment + BP2BT Fund) ≥ 20%
    - Down Payment : ≥ 5%
    - BP2BT Fund : 6.4% ≤ BP2BT Fund ≤ 38.8%

  - Self-helper Housing Development:
    Combined (Down Payment + BP2BT Fund) ≥ 20%
    - Self-helped Fund : ≥ 5%
    - BP2BT Fund : 11.9% ≤ BP2BT Fund ≤ 38.8%

- **Bank Credit/Financing** → 50% < Mortgage < 80%

- **Interest Rate** → Market Rate, (SUN 10th + margin)
  2018 Maximum Interest Rate = (7.19 + 5.5%)
  = 12.69%/year
Empowering Community Saving Groups

GEMPITA (Gerakan Menabung Penghuni Apartemen Transit/Rusunawa) is a community saving program for people living in a transit apartment that enables communities to have savings account for down payment.

BACKGROUND

Public housing for low-income households, temporary solution.

**Expectation:** households can move out after 3 years

**Reality:** After 3 years, households move out of public housing but back to slums.

Need intervention to empower residents to have savings that will enable them to buy a house.

To encourage saving, dwellers Income Generating Program provides support such as Urban Farming, Waste Bank, Koperasi, etc.

**GEMPITA PROGRAM**

- **Daily/Weekly/Monthly Saving**
- **Example USD 16.8/month**
- **Mobile Treasury/Office in Transit Apartment (Bank BJB, BTN West Java, BPR Parahyangan)**

Partnership between Local Government, Bank, Developer, Apindo, Perumnas

- Gempita/Gempur House
- Gempita/Gempur Business
- Gempita/Gempur Education
- Gempita/Gempur Pension → Commuter
Reaching Informal Sector: Gojek (Online Transport-Driver) Apps
Expanding Access For Low-Income and Informal Households

Mobile Application to ease access of consumers in obtaining information on housing finance schemes and supply.

**Informations provided:**

- Housing finance scheme information
- Service location
- Apply procedure
- Forms required for applying housing finance scheme
- Housing information
Beneficiaries of Subsidised Home Ownership Program
Terima Kasih
Thank You

Ministry of Public Works and Housing
Republic of Indonesia