



MIKEL FLAMM

## Leveraging the strengths of microfinance partners for affordable housing

In traditional Habitat for Humanity scenarios, being a home partner means building or renovating one's own house alongside volunteers, and then repaying the no-interest loan into a revolving fund. But as Habitat for Humanity programs in Sri Lanka, Vanuatu and the Philippines have shown, this is not the only way.

### There is Power in Numbers

Demonstrating the power of working together, Sri Lanka's "Save & Build" program brings together several low-income families to form a savings group of about 10 to 12 members. Together, they elect a leader and set a savings goal of building one Habitat house. Each member makes weekly or monthly contributions until the group reaches the one-house goal. Habitat and its partners then provide loans for two more

houses. The group decides the order in which members get new houses.

Save & Build members work together alongside Habitat volunteers, and sometimes volunteers from partner organizations, on house construction. When the first three houses are built, group members begin saving again, and the cycle is repeated until all members have a new Habitat home. The new homeowners continue to contribute to the group, making repayments on their house loans, saving building materials if possible and volunteering on new house construction.

As a housing microfinance program, Save & Build helps homeowners build equity in their homes quickly, thereby giving them the assets and collateral to access more traditional sources of credit.

## Building in Stages Program Reaches Those in Most Need

Not all families in need can afford to save for a new house. That's where the "Building in Stages" program is put to good use. In the South Pacific island nation of Vanuatu, Building in Stages has given fresh hope to people like Liesev Homu. Under a project between HFH Vanuatu and Vanwods Microfinance, Homu was able to borrow up to 50,000 Vatu (about US\$450) to build the foundations and walls of her house.

Homu could borrow another loan after the first loan was repaid. She hoped to finish building her house in a couple of years. "It's an opportunity to have a home that I couldn't have in any other way," she said.

Vanwods started in 1996 as a Vanuatu government pilot project with United Nations Development Program's support to provide disadvantaged women with access to microfinance and income-earning opportunities. In 2005, it provided 41.4 million Vatu (about US\$373,000) worth of loans, and the consistent repayment rate is nearly 100 percent.

## HFH Philippines and CCT

The very high repayment rate of a Christian microfinance institution also caught the attention of HFH Philippines when it was facing serious challenges. In 2003, HFH Philippines faced declines in house construction and repayment, which had fallen by 19 and 14 percentage points, respectively, from the previous year.

The idea of a partnership with the Center for Community Transformation (CCT) was planted when HFH Philippines' staff learned of the 99-percent repayment rate for its loans in General Santos City in southern Philippines. After some months of informal meetings, HFH Philippines and CCT agreed upon the CCT-Habitat Katuparan Project. Katuparan, in the Philippine language of Tagalog, means "the fulfillment of the poor's dreams to have a decent house."



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While Habitat focuses on housing, CCT handles other components, including savings mobilization and loans. The homepartners use a modified version of Save & Build, called Save & Renovate, which follows the same model of saving in groups and working on each house in turn.

A unique aspect of the Habitat-CCT partnership is the fellowship enjoyed by savings group members. They hold weekly meetings during which repayments are collected, but payment is not the main purpose of the occasion; instead, the fellowship and Bible studies are what the members look forward to. Accountability is maintained due to peer pressure.

Tapping on CCT's microfinance expertise, HFH Philippines has been able to serve more families. For FY05, it met the housing needs of 3,287 families, up from a target of 2,400. The current CCT-Habitat programs include 1,877 renovations with a 99-percent repayment rate.

### Contact

Peter Witton, Director of Communications, Asia-Pacific  
[pwitton@habitat.org](mailto:pwitton@habitat.org)

