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Reaching the poorest of the poor through trust banks

In an effort to reach the poorest level of the economically active population, Habitat for Humanity Colombia has initiated a program to help small groups of families form savings groups, or “trust banks,” which can be used to finance their housing needs. The groups are self-managed and contain representatives from no more than five families.

Habitat for Humanity Colombia invests \$300 to \$500 for each participating family into the trust bank, and the families are required to use those funds toward housing improvements. Those funds are repaid through weekly quotas, paid over the course of six to eight months. Prior to being accepted into the program, the families need to save 10 percent of the loan they are seeking, instilling the habits needed for saving money and gauging the group’s seriousness about the project.

Each participant in the group signs a promissory note, as well as other documents guaranteeing the loan repayment, and also is required to attend the trust bank meetings and help the other members in the construction or repair of their houses. If a participant fails to make a payment, the other members of the trust bank are held responsible for his or her payment—an aspect that brings a great deal of social pressure on each member of the group and forces the group to self-police.

The first trust bank was formed in July 2004, in a neighborhood of Bosa, located south of Bogotá, and the idea has

grown and extended to Suba, to the north of Bogotá, and to the municipality of Soacha. A year and a half after the initial project, Habitat for Humanity Colombia has distributed more than US\$130,000 to low-income families to use in housing improvements, and more than 120 families have been able to involve themselves in the opportunity.

“We will continue focusing on Bogotá,” says Edgar Alzate, director of HFH Colombia, when asked about future plans. “Out of its more than 7 million inhabitants, 3 million are poor—and of those, 1.2 million are homeless.”

Micro-credits Support Housing Improvements

The trust bank idea originally was formed in Colombia by Oportunidad Latinoamérica Colombia (OLC), a nongovernmental organization dedicated to providing micro-credits to small, community businesses. “We’re taking advantage of the successful experience of OLC with micro-credits for micro-enterprises in order to apply it to micro-credits for housing improvements,” explains Ricardo Angarita, project adviser for the trust banks.

In the early days of the project, experts from OLC provided training and workshops about micro-credit. That has since changed, and HFH Colombia has developed the capacity to run the program in-house. “A construction technician from Habitat makes a diagnosis and evaluates what is actually required for the improvement of the houses of each of the families,” explains Carlos Humberto González, project coordinator.



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dinator. The technician designs the house improvement plans and determines the amounts and types of materials required. Each participating family is responsible for getting competing price quotes for the materials and hiring a mason who will oversee the improvement. These activities are subject to the evaluation of the technical adviser.

After complying with the initial loan repayment, the trust banks are eligible for additional loans to further improve the state of the participants' housing. In the two years of the program, more than 80 percent of the groups have continued in the program and have received additional funds.

Requirements for the Program

The principle requirements for participation in the trust banks are: 1) Participants must be of legal age; 2) the participating families must all live in the same community; 3) each participant must be evaluated by the other members

of the trust bank and found to be honest and responsible; 4) participants must demonstrate a need for improvements in their housing situation, while at the same time demonstrating a financial need that prohibits their access to other, more traditional, funding.

Because of the positive results, the Popular Housing Bureau from the district of Bogotá has manifested its interest in supporting the program through complementary subsidies for the credits. Those funds would be managed by HFH Colombia.

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