Habitat for Humanity®

MicroBuild Fund

Annual Report FY2020

Through her housing microfinance loan, this Al Majmoua client has been able to run a bakery out of her home.

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Better housing is essential and emerging as a clear first line of defense against the COVID-19 pandemic and our ability to weather the public health and economic turmoil of our day.

Mike Carscaddon

Chairman
MicroBuild Fund Board of Directors

In these extraordinary times, people are being asked to shelter in place, lock down, work from and social distance in their own homes. But for almost 2 billion people globally, this means retreating to unsafe and substandard shelter that must serve as their workplace, school site, place of livelihood, and a refuge for their families. **Better housing is essential and emerging as a clear first line of defense against the COVID-19 pandemic and our ability to weather the public health and economic turmoil of our day.**

In a year where the pandemic has rocked global economies, especially those in the developing world, we could not be prouder of how the MicroBuild Fund has navigated through the storm. Not only have we proved the viability of a fund such as MicroBuild to weather a global crisis, but we also have seen the work of the fund validated.

In pursuit of helping households improve their "first line of defense" and resiliency to economic shocks, in fiscal year 2020 the MicroBuild Fund surpassed US$136.9 million in disbursements to 55 financial institutions in 32 countries. The capital and technical assistance provided by the fund have directly helped 190,000 households (950,000 individuals) build incrementally to improve their living conditions. The fund also has helped catalyze the sector by unlocking over US$427.5 million in additional capital to affordable housing finance.

Through the MicroBuild Fund and its sponsor, Habitat for Humanity's Terwilliger Center for Innovation in Shelter, we believe that more inclusive markets can also drive economic recovery after the COVID-19 pandemic subsides. The Terwilliger Center's recently commissioned report[1] to properly size the housing sector in 11 emerging market economies revealed that the housing sector's contribution to gross domestic product is often underrepresented. By better understanding how housing investment can boost economies, there is an opportunity to drive investment toward funds like MicroBuild to play a critical role in restarting and growing emerging market economies hit hard by the pandemic. And as MicroBuild begins its scheduled wind-down this fiscal year, we are emboldened by its successful demonstration to bring more affordable housing finance solutions through a possible second impact investment fund.

Finally, through these tumultuous times, we remain grateful to our partners, the Omidyar Network, MetLife Foundation, Triple Jump and the U.S. Development Finance Corporation, and to our key supporters, the Hilti Foundation, IKEA Foundation, Morgan Lewis, the Stanard Family Foundation, the J. Ron Terwilliger Family Foundation, Keith V. Kiernan Foundation and SCBF. We also appreciate the many others who have supported the MicroBuild Fund and its mission, so that we can continue to provide low-income families with access to affordable housing finance during and outside of pandemics. ■

Steven Evers

Managing Director and CEO
Triple Jump, fund manager of the MicroBuild Fund

FUND HIGHLIGHTS AND EVOLUTION: During the fiscal year ending in June 2020, the fund started winding down and repaying the Development Finance Corporation note, repaying a total of US$16.9 million. Throughout this process, the team aimed to continue working to deploy catalytic capital and maintain a solid portfolio performance while ensuring an adequate risk profile and a good social return.

Triple Jump is proud of the MicroBuild Fund's progress and continuous commitment to be a catalytic force for housing microfinance products across the globe, deploying US$136.9 million across 55 institutions in 32 countries.

The second half of the fund's fiscal year was marked by an unprecedented global crisis brought about by the COVID-19 pandemic. The novelty and rapid global spread of the virus forced governments to take drastic measures to contain it, halting economic activity and causing global markets to tumble. Government containment measures in countries where the MicroBuild Fund invests ranged from full lockdowns to interest payment deferrals directly affecting portfolio investees' performance and repayment capacity. In light of the uncertainty brought about by the crisis, protecting the fund and its investees became the top priority for the second half of the financial year. New investments were put on hold in order to better assess the impact on the portfolio and monitor increased risk. This approach implied a focus on investee monitoring, recovering problematic loans, providing extensions were responsible and needed, and building a cash buffer to meet DFC obligations. In our view, the overall performance of the MicroBuild Fund portfolio remains solid, most microfinance institutions in the MicroBuild Fund successfully dealt with liquidity challenges, and no cases have been identified where we believe acceleration would benefit the fund.

Amid the crisis and the prudent investment strategy of preserving liquidity and monitoring risks, the fund continued to maintain a robust presence in Latin America and Eastern Europe and the Caucasus. The regional allocation as of the end of June 2020 was:

Latin America and the Caribbean
40%

Eastern Europe, Caucasus and Central Asia
32%

Asia-Pacific
19%

Middle East and Africa
9%

HOUSING MICROFINANCE AND SOCIAL PERFORMANCE: The housing microfinance portfolio of the MicroBuild Fund's partner institutions reached US$1.052 billion and has directly served 950,000 individuals and 190,000 households. Partner institutions continue to have an impressive social performance, with 52% rated A-Excellent and 48% rated B-Good. As further evidence of the strong social impact of the MicroBuild Fund, outreach to rural areas and women reached 73% and 68%, respectively, as of June 2020, maintaining the excellent social outreached seen during the past few years.

OUTLOOK: Triple Jump's team is committed to ensuring good progress of the MicroBuild Fund throughout the year as the fund gradually moves away from its intentional investment pause and cautiously resumes investing activities. This strategy has been supported by MicroBuild's board. The fund has a solid cash position (ability to meet DFC obligations comfortably), and coupled with the overall stabilization of microfinance institution performance, Triple Jump feels confident that new adequate investment opportunities will arise. The team will continue to closely monitor microfinance institution performance and COVID-19's impact on investees throughout the year.

Andrew Herscowitz

Chief Development Officer
U.S. International Development Finance Corporation

One year ago, the U.S. International Development Finance Corporation, or DFC, launched as a modern development agency equipped with expanded tools and resources to invest in development. DFC builds on a long tradition of the United States' partnering with innovative businesses to develop solutions to some of the greatest challenges facing the developing world, and our longstanding partnership with Habitat for Humanity stands as a model for what effective collaboration between the public and private sectors can achieve.

DFC's predecessor agency, the Overseas Private Investment Corporation, first partnered with Habitat for Humanity's MicroBuild Fund in 2012 to support microfinance lending to help families around the world build, maintain and improve decent homes.

Since then, our collaboration has helped more than 190,000 families in 32 countries access decent housing. With 100% of these loans reaching families in low- and lower-middle-income countries, and 73% benefiting women borrowers, this work aligns closely with DFC's mission of investing in the most underserved communities around the world.

Access to decent housing is a fundamental and persistent development challenge that impacts families' quality of life and their future stability. Here in the United States, we recognize that our homes are often our largest assets, and homeownership is the key to our economic security. The same is true around the world. Yet in many developing countries, large swaths of the population do not have bank accounts and are unable to obtain home loans through traditional financial institutions. Our success working with the MicroBuild Fund illustrates how innovative blended finance solutions can help address this gap.

During my first year as DFC's chief development officer, I worked extensively with my team to identify the sectors and regions where our support was needed most. Ultimately, we launched our Roadmap for Impact, a bold plan that outlines our strategy to catalyze US$75 billion over five years in projects that will benefit at least 30 million people. This "road map" identified access to financial services and infrastructure as a key area of focus because we recognize that these sectors are key to addressing so many challenges, including insufficient housing. We look forward to continuing to collaborate with Habitat for Humanity to benefit families around the world. ■

An upgraded home with access to safe running water, sanitation and hygiene services is critical to protecting human health during the COVID-19 pandemic.

MicroBuild Fund milestones by fiscal year

August 2012
MicroBuild Fund Phase I (US$50 million) launches with US$2 million investment in Imon International (Tajikistan) in Europe and Central Asia.

October 2012
First investment in Africa and the Middle East made to Al Majmoua (Lebanon).

November 2012
First investment in Latin America and the Caribbean made to Fondeco (Bolivia).

January 2014
First investment in Asia and the Pacific made to HKL (Cambodia).

March 2014
First local-currency loan made to KMF (Kazakhstan).

January 2015
Oxfam Novib begins impact evaluations of MicroBuild Fund institutions LOK (Bosnia-Herzegovina) and ENLACE (El Salvador) to measure long-term improvements in social well-being and health achieved through housing microfinance loans.

December 2015
MicroBuild B.V. is registered in India to buy nonconvertible debentures. First nonconvertible debenture loan made in India to Annapurna.

May 2016
MicroBuild Fund Phase II closes to grow to US$100 million. The fund featured in *Harvard Business Review's* article "How NGOs Are Using Data to Transform Themselves."

July 2016
MicroBuild Fund receives the OPIC Impact Award (2016).

June 2017
MicroBuild Fund is one of 10 winners of the Classy Award (2017).

August 2017
MicroBuild Fund celebrates its fifth anniversary.

March 2018
Terwilliger Center launches the pilot for its first micromortgage product in Ecuador with Jardin Azuayo, a MicroBuild investee.

June 2018
MicroBuild Fund reaches more than US$100 million in disbursements across 30 countries.

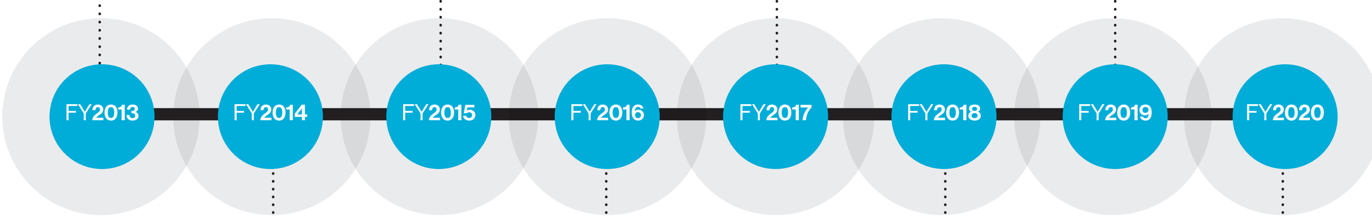
March 2019
MicroBuild Fund is featured in Catalytic Capital Consortium.[2]

June 2019
First MicroBuild Fund market sector study assesses crowding-in effect of non-investee institutions (Georgia).

January 2020
Grunin Center for Law and Social Entrepreneurship at the New York University School of Law publishes a case study on the launch of the MicroBuild Fund.[3]

January 2020
MicroBuild Fund completes a full drawdown of US$90 million facility committed by the U.S. DFC.

March 2020
First investment is made in Tunisia through a €60 million syndication led by FMO, the Dutch entrepreneurial development bank.[4]



In Honduras, 35% of housing loans borrowed by clients are used toward full construction and land acquisition.

MicroBuild Fund impact at a glance

$136.9
million
Total disbursed portfolio

55
Institutions

32
Countries

950,000
Individuals benefiting from improved housing

$170.2
million
Total disbursed + renewals

In early 2020, the MicroBuild Fund completed **a full drawdown of the US$90 million committed by the U.S. Development Finance Corporation** (formerly OPIC) on the US$100 million fund.

$427.5
million
Net funds unlocked to grow housing microfinance portfolio

73%
Female borrowers

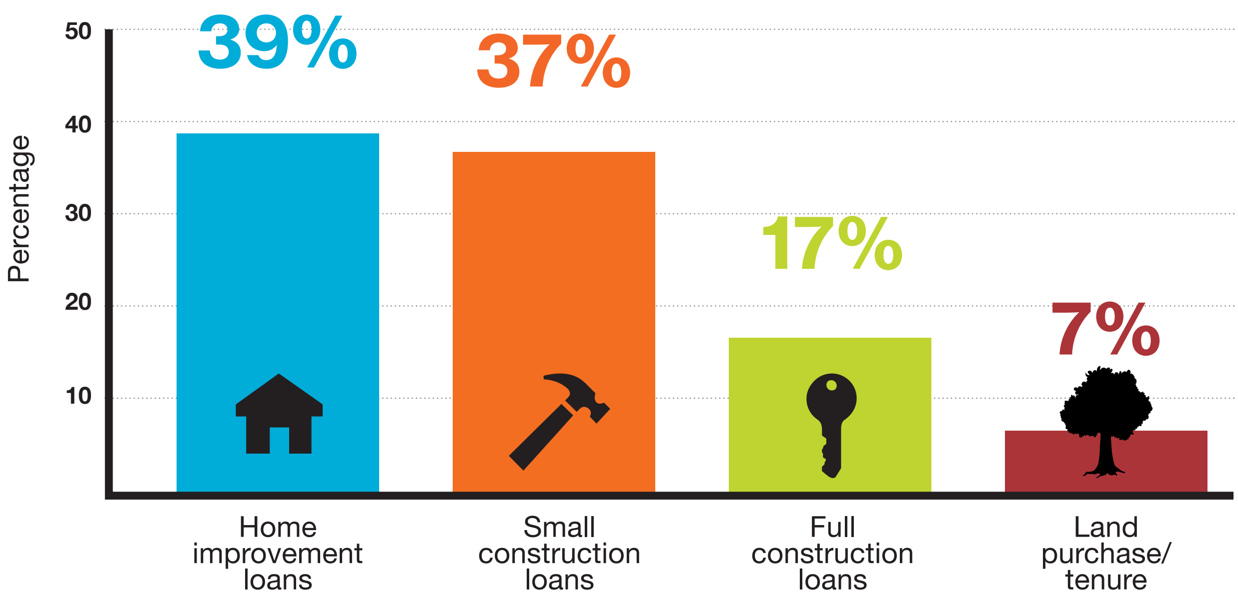
68%
Rural borrowers

4.5%
Investee housing microfinance portfolio-at-risk

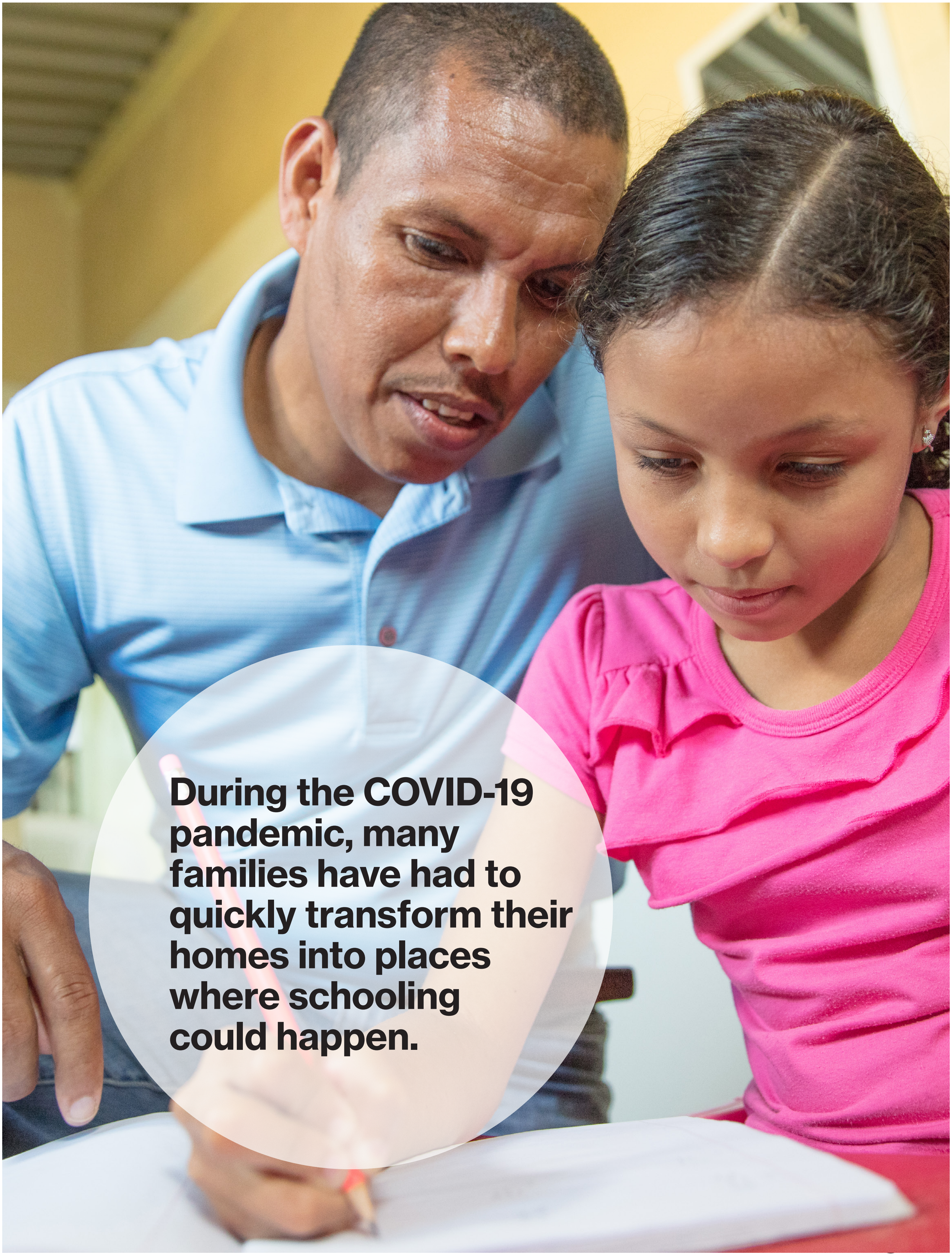
12%
Investee portfolio in housing

$1.05
billion
Investee housing microfinance portfolio

Geographical distribution of portfolio outstanding



In July 2019, the MicroBuild Fund commenced its scheduled and gradual winding down of its portfolio. The fund is expected to fully wind down by June 2025.



During the COVID-19 pandemic, many families have had to quickly transform their homes into places where schooling could happen.

Affordable housing in times of COVID-19

The COVID-19 pandemic brings new urgency to the mission of the Terwilliger Center to provide quality affordable housing to low-income families

In a pandemic, a home becomes more than a shelter; it is a first defense against the spread of infection. However, many of the world's poor cannot protect themselves against COVID-19. Poor-quality housing prevents 90% of households in the developing world from complying with World Health Organization recommendations.[5] Additional data have revealed that poor-quality and overcrowded housing is strongly linked to increases in the COVID-19 death rate.[6] Recovery, then, can be tied to improvements in housing quality through new construction and home upgrading, along with the proper means to finance such developments. For years, the MicroBuild Fund has been part of the solution, enabling microfinance institutions to introduce housing finance products to clients who are interested in upgrading their homes. The fund's relevance continues to grow as better housing becomes recognized as a matter of public health.

Unfortunately, COVID-19 has put a strain on the microfinance industry and the institutions that do the important job of lending to low-income borrowers. According to Consultative Group to Assist the Poor, or CGAP, a financial inclusion think tank, data from April 2020 showed more than two-thirds of microfinance institutions cut lending, and 26% of microfinance institutions did not have three months' worth of cash to meet outflows (their costs and debt repayments).[7] Arguably, the role of microfinance in times of crisis is to enable households to smooth their income and spending and avoid falling into poverty. But reduced lending and income losses have caused low-income families to prioritize basic needs such as food and medicine over housing projects that could improve protection and well-being.

For years, the MicroBuild Fund has been part of the solution, enabling microfinance institutions to introduce housing finance products to clients who are interested in upgrading their homes.

At the height of COVID-19, debt moratoriums issued by central bank regulators in several countries provided relief for borrowers, including poor households facing wage cuts and job losses. This crisis also necessitated a sectorwide response. The MicroBuild Fund's investment manager, Triple Jump, and leading microfinance and impact fund managers signed a memorandum of understanding[8] for debt refinancing coordination principles to support the sector during the pandemic. These impact investors jointly represent more than €20 billion of assets under management. Even though the entire microfinance sector has been severely impacted, microentrepreneurs and small and medium enterprises remain resilient. Today, lockdowns have ended in several geographies, and lending portfolios are becoming active again. Emerging from the wreckage of the pandemic, we are humbled — but not surprised — to witness the high levels of resilience demonstrated by our investee microfinance institutions and their borrowers. This report features stories of resilience across our portfolio and shows how our microfinance institutions and their clients have mitigated disasters, from COVID-19 to the August 2020 explosion in Beirut, Lebanon. It also presents takeaways from the Terwilliger Center-commissioned study "Cornerstone of Recovery," which makes a strong case for housing investment as a key to recovery in emerging economies hit hard by the pandemic.

While these stories and findings bring us hope, we acknowledge that these continue to be troubling times. Data from the World Bank project an increase in global poverty as a result of the pandemic, from 632 million people to 665 million.[9] Another study by United Nations University predicted that global poverty could rise to over 1 billion because of the pandemic, with Asian countries such as Pakistan, the Philippines, Indonesia and India the most vulnerable.[10] One thing is clear: We must act fast to ensure that microfinance institutions can continue to service the poorest and most vulnerable segments of society.

To this end, the MicroBuild Fund is turning its attention to new lending opportunities, both in its existing portfolio and beyond. We do so with even greater confidence in the value of our product and its ability to serve the poor, improve housing and thus health, and drive economic recovery. ■

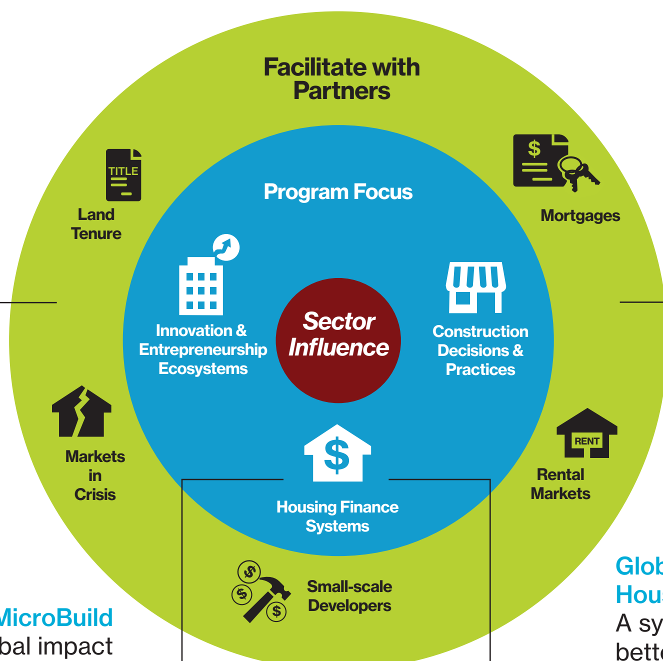
Introduction:
Terwilliger Center's systems approach and program framework

Globally, 1.6 billion people live in inadequate shelter, a number that will increase to 3 billion by 2050, if no action is taken right now. In this critical moment, the world recognizes more than ever the link between health and housing. Financial services and entrepreneurial solutions in the shelter sector often target middle- and upper-income segments, while the affordable segment lacks adequate solutions. Financial institutions and entrepreneurs need support to navigate the market and connect to investors and market partners to create impact at scale.

The strategy of the Terwilliger Center for Innovation in Shelter expects to bring laser focus on our thematic programs and to expand our ambition to influence the sector by targeting private-sector actors who could help reduce the affordable housing deficit by focusing on creating value for families who build their home incrementally. ■

ShelterTech
A means of helping housing startups solidify their business model and attract investment to grow.

Shelter Venture Fund
A venture capital fund to invest in promising early-stage companies and seek to crowd in other investors.



Shelter Venture Labs
An experimentation platform in five countries aiming to influence consumer behavior, construction decisions and building practices.

Corporate Innovation Studio
Assistance for firms in understanding low-income customers' housing experience and needs.

MicroBuild
A US$100 million-plus global impact investment fund demonstrating the financial viability and scalability of housing microfinance.

Global Institute of Retail Housing Finance
A systems approach to enabling better-working housing finance.

Direct advisory services to financial institutions.

We believe that innovation is critical to creating value to solve housing challenges, especially in rapidly growing regions around the world.

Cornerstone of Recovery

How housing can help emerging market economies rebound from COVID-19

At the Terwilliger Center, we've uncovered new evidence to show that housing is a larger-than-expected contributor to gross domestic product, or GDP, in a new report written by Arthur Acolin of the University of Washington and Marja Hoek-Smit of the University of Pennsylvania's Wharton School. *Cornerstone of Recovery* shines a light on the ways in which housing's contribution to national economies is currently undervalued. The goal of the study was to move toward a more accurate reflection of housing's true contribution to GDP, using internationally accepted standards of calculation. The authors postulate that official statistics often undercount, or fail to count, key components of the housing sector, including housing services and informal housing. To get at this point, the authors focus on sizing the housing sectors in 11 emerging market economies to include both housing investment and housing services/consumption.

Key findings

In accounting for GDP, the focus is usually on direct investment on housing construction. Housing investments are typically made via the construction of new residential units and remodeling. Housing consumption, on the other hand, is the value of services derived from existing housing stock by renters or owners. Compared with new construction, the existing housing stock in a country is an enormous asset. It includes expenditures on rent payments and ownership imputed rent (owner-equivalent rents), along with maintenance and repair costs. Housing services for existing housing stock is a larger percentage of GDP in comparison with investment. In the U.S., 4% of GDP comes from housing investment (new home construction), and 10-12% of GDP is derived from housing services.

Unfortunately, data on housing services are not always available or reliable in low- and middle-income countries. Existing estimates likely undercount both rent payments and owner-equivalent rents, in addition to capital expenditures for self-built or incrementally constructed housing, and substantial home-remodeling. In the study's sample countries, it was found that the combined contribution of housing investments and housing services represents between 6.9% and 18.5% of GDP, averaging 13.1% in the countries with information about both.

Housing's contribution to GDP is amplified further when factoring in the value of informal housing and housing services, which are often undercounted or not counted in the national accounts but are more common in emerging economies. The authors found that informal housing alone could contribute an additional 1.5% to 2.8% to GDP on average, if properly accounted for.

The call to action

The study builds a strong case that investing in the housing sector in emerging economies will yield a high return on investment at the macroeconomic and household levels. Unfortunately, the design of effective and equitable housing policies in emerging market economies has been hindered by the lack of robust data on housing markets. Carrying this work forward, it will be important to ensure that governments are recognizing all the ways housing contributes to GDP, in order to better understand how it can become a key driver of economic recovery after COVID-19. Finally, the report calls for stimulus policies to be inclusive. Finance and subsidies will need to be directed toward lower- and middle-income segments in order to realize the potential of housing to yield the best possible returns nationally. ■

60 Decibels impact study

Key questions we set out to answer

Client profile

- Demographics.
- Income profile.

Client's experience with using the loan

- Loan use levels and their future plans.
- Loan compliance.

Uptake of home-based income

- Adaptation of home-based income by loan department and across regions.
- Perceived housing condition across home-based income clients.
- Depth of impact on home-based income clients.

Client profile

- Level of concern and primary concerns about COVID-19.
- Impact on financial health, income, expenses and consumption.
- Coping mechanisms, repayment burden and level of vulnerabiltiy.

Client's experience with using the loan

- Perceived housing condition, uptake of home-based income, future home improvement plans.
- Net Promoter Score and drivers and challenges faced.
- Changes in quality of life.

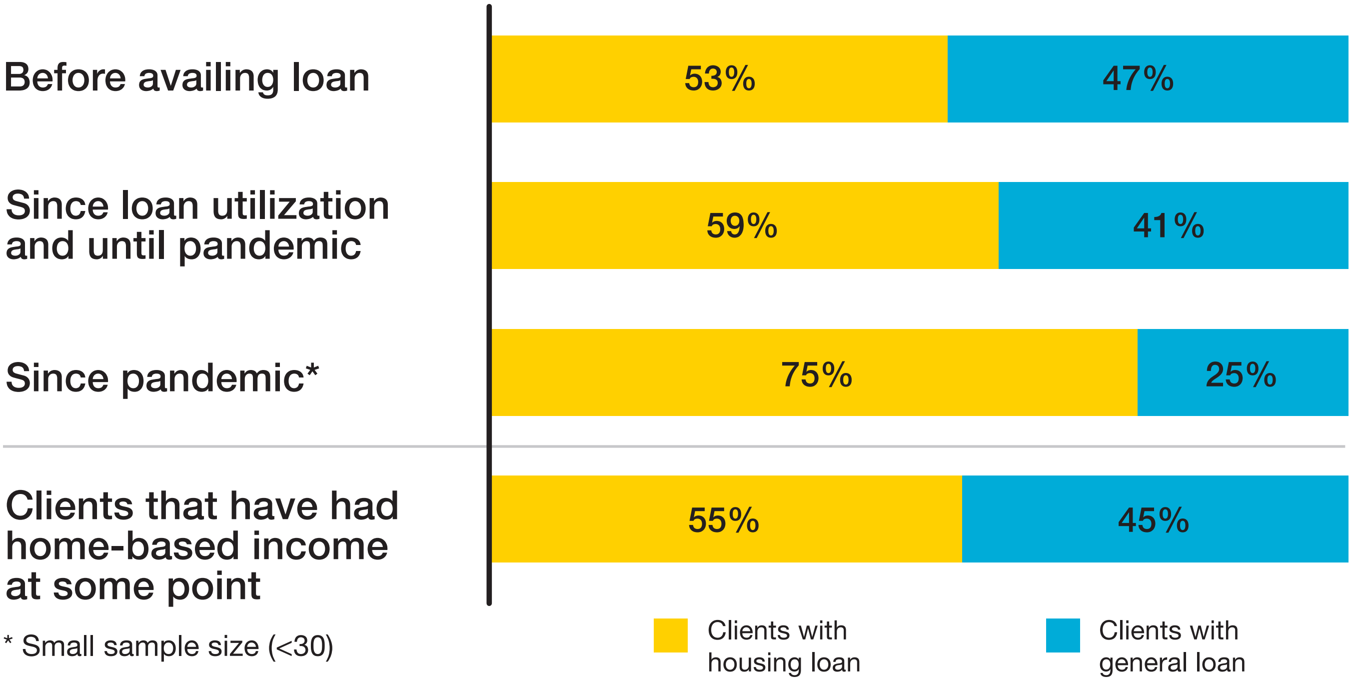
To understand the impact of the COVID-19 pandemic on residents of the Philippines, the Terwilliger Center commissioned 60 Decibels, an impact measurement company, to conduct a survey of 289 clients of two in-country microfinance institutions. Two-thirds of the interviewees were clients of ASA Philippines Foundation Inc., or ASA. The other third came from Negros Women for Tomorrow Foundation Inc., or NWTF. Half of the interviewed clients had taken out a loan for housing, and the other half had taken out general loans. The housing loans were used for various upgrades involving walls, roofs, floors and interiors. Other insights centered on the clients' level of satisfaction and the impact of the loan on their quality of life.

Clients were asked to reflect on whether their quality of life has changed because of the microfinance loan they received. In total, 73% said their life had improved. Also, 75% of clients who used the loan for home improvements reported improvements in their overall quality of life, compared with 70% of those who did not improve their homes. Clients were also asked about future home improvement plans. Irrespective of how they felt about the existing condition of their housing, nearly all clients expressed interest in improving their homes in the future, including those who already improved their homes.

The study also sought to understand whether home improvements using housing loans enabled clients to take up jobs from within their homes. The top three home-based jobs included running a *sari-sari* (a home-based convenience store), selling home-cooked meals and selling products online. The study found that clients who started working home-based jobs were more likely to have improved their homes using a housing loan. The graphic on the next page illustrates the breakdown.

Clients with home-based income at different time points, disaggregated by loan usage

Percentage of respondents, n=80, 111, 28, 148



* Small sample size (<30)

Another interesting finding from the study is that housing loan clients demonstrated a high level of compliance. Only two clients who received a housing loan (1%) did not use the loan for home improvements. At the same time, 13% of clients who received a general loan reported using the loan for home improvements.

Finally, among the clients who reported that their quality of life had gotten worse, all attributed it to a decrease in income and reduced business opportunities as a result of the COVID-19 pandemic. Indeed, the pandemic is a major concern with respect to clients' experiences and how their ability to operate and generate income has been affected. Unfortunately, a majority of the clients reported that their financial situation had gotten worse since the pandemic. Despite hardships, 18% of clients were able to respond positively to the situation by starting new businesses and retail stores from within their homes.

Our investee, Al Majmoua, received the 2020 Lebanon Conflict Prevention and Peace Prize for its support of small- and medium-sized enterprises directly affected by the explosions in the Port of Beirut.

Spotlight on microfinance institutions and end beneficiaries

Hardship and resilience in Lebanon

Lebanon continues to struggle in these very difficult times. In less than a year, the country has been devastated by an economic meltdown, a financial collapse, the COVID-19 outbreak, and a catastrophic explosion that wiped out the country's main port in Beirut. The political crisis erupted in late 2019, triggered by large-scale protests against corruption, poor services and economic stagnation, which resulted in the collapse of the government. During the last quarter of 2019, strong deposit outflows hindered the ability of banks to finance the large government debt, which is at 151% of the GDP – the fourth largest in the world. Shortage of forex in the market prompted the Central Bank of Lebanon to impose unofficial capital controls, resulting in the financial and business sector struggling to source the U.S. dollar. In the microfinance sector, it is expected that institutions with exposure to sectors like tourism and hospitality and consumer products could experience the highest impact as travel slows down, tourism spending decreases and consumer confidence drops.

AL MAJMOUA
المجموعة

Al Majmoua, the largest microfinance institution in Lebanon, with outreach of over 65,000 clients, has been a MicroBuild Fund investee since 2012. Established as a nonprofit organization in 1997, Al Majmoua focuses on developing micro-, small and medium entrepreneurs in the country. The

> In the week after the blasts, **Al Majmoua** joined a consortium of eight international NGOs **committed to assessing and supporting many microenterprises in the area.**

institution provides individual, group and housing loans and other nonfinancial services to small entrepreneurs with a focus on female, youth and vulnerable populations, including refugees and migrant workers. These services include life-skill training, technical skills and financial literacy training, entrepreneurship, and economic empowerment.

Over the past few months, Al Majmoua has certainly felt the impacts of these many consecutive crises resulting in a shrinking loan portfolio. Moreover, the Beirut Port explosion ripped through the heart of the country's capital, affecting a large number of households and microenterprises. In the week after the blasts, Al Majmoua joined a consortium of eight international NGOs committed to assessing and supporting many microenterprises in the area. With strong ties in the community; a long history of serving low-income households; a dedicated team of professionals; and strong support of international lenders, including the MicroBuild Fund, Al Majmoua is in a unique position to ride out this crisis. ■

Spotlight on Annapurna Microfinance Private Ltd., India

COUNTRY CONTEXT

The problem of affordable housing is very stark in India, with an official estimated shortage of over 18 million units in the urban areas and about twice as many in the rural areas. Ninety-five percent of this shortage is in the economically weaker section, or EWS, and low-income household section, or LIH. The rate of urbanization has put a strain on urban infrastructure in Indian cities, a problem compounded by the yearly migration of workers to cities and towns in search of a livelihood. A significant manifestation of this is the shortage of housing and the increasing sprawl of slums and informal settlements. The Indian government proposes to address the housing shortage through its flagship program, the Pradhan Mantri Awaas Yojna, also known as PMAY or "Housing for all by 2022." However, the majority of EWS and LIH residents work in the informal sector and lack proof of income documents, which excludes them from the formal banking and housing sector. The Indian government is forging partnerships with various public and private stakeholders to realize PMAY's mission. In this regard, affordable housing finance companies have emerged as important stakeholders to bridge the gap by servicing low-income households without documented income requirements. Additionally, the National Housing Bank, or NHB, is playing a crucial role by providing different financial interventions through direct finance, financing through multilateral agencies and through refinancing facilities. The central government is providing a necessary impetus to the sector through subsidies passed directly from the NHB to the borrowing client. Allocated subsidies through PMAY are estimated at US$3 billion. To mitigate the affordable housing shortage, the MicroBuild Fund's investees in India, Annapurna Microfinance Private Ltd. and Ummeed Housing Finance Private Ltd., provide housing finance loans to their clients.

ABOUT ANNAPURNA

Annapurna Microfinance Private Ltd. was established in 2009, but its roots go back to 1990, when it was set up as the People's Forum with the objective of forming and promoting self-help groups for the socioeconomic development of women in the eastern state of Odisha. Since then, Annapurna has transformed itself into a Non-Banking Finance Company, or NBFC, and is currently among the top 10 NBFC-microfinance institutions in India by the size of its loan portfolio. With its focus on the most underserved rural communities, especially women, Annapurna offers its clients a wide variety of loan products, including group loans; micro-, small and medium-sized enterprises, or MSME; education; and water and sanitation. As such, Annapurna became a natural ally for the MicroBuild Fund to promote a housing finance loan product. In December 2015, MicroBuild Fund disbursed its first loan in India to Annapurna via nonconvertible debentures. In addition to funding, Habitat for Humanity provided significant technical assistance to organically develop the housing microfinance loan product and built the capacity of its loan officers and branch managers to underwrite longer-term, larger loans to make them financially viable and scalable. Since it received MicroBuild funding, Annapurna has

begun offering home improvement loans from US$250 to US$2,200 for a maximum term of four years. These loans allow borrowers to add, alter, replace or improve structural parts. Additionally, the microfinance institution is offering housing finance loans to customers with formal and informal sources of income to build new homes, purchase a flat or improve their home. Annapurna provides housing loan terms ranging from one to 12 years and sizes ranging from US$4,000 for unsecured loans to US$35,000 for secured loans.

- Gross loan portfolio: **US$446.78 million**
- Number of clients: **1.69 million**
- Women borrowers: **99%**
- Rural borrowers: **84%**
- Social performance score: **A**

IMPACT OF COVID-19 AND HOW ANNAPURNA IS RESPONDING

Because of the sudden announcement of lockdowns, Annapurna, like many other market players, had to face the brunt of COVID-19. For nearly two months, all field-level activities came to a standstill, which impacted the portfolio growth and clients' livelihood across various sectors. Reserve Bank of India's relief measures in the form of loan moratoriums turned out to be beneficial for Annapurna in passing on the benefit to customers who required loan repayment extensions.

To mitigate the impact of COVID-19, Annapurna employed a multifaceted approach to minimize the lockdown impact on its staff, clients and loan portfolio. Faced with multiple COVID-19-related guidelines in its operational geographies, Annapurna adopted a "phygital" model to remain engaged with its staff and clients. For a transparent communication, Annapurna rolled out a basic collection app that enabled the field staff to inform the clients about the impact of the moratorium, the extra interest applicable, and the revised repayment schedule. Moreover, QR-code-based digital payments were made available in the field to provide customers with hassle-free recovery.

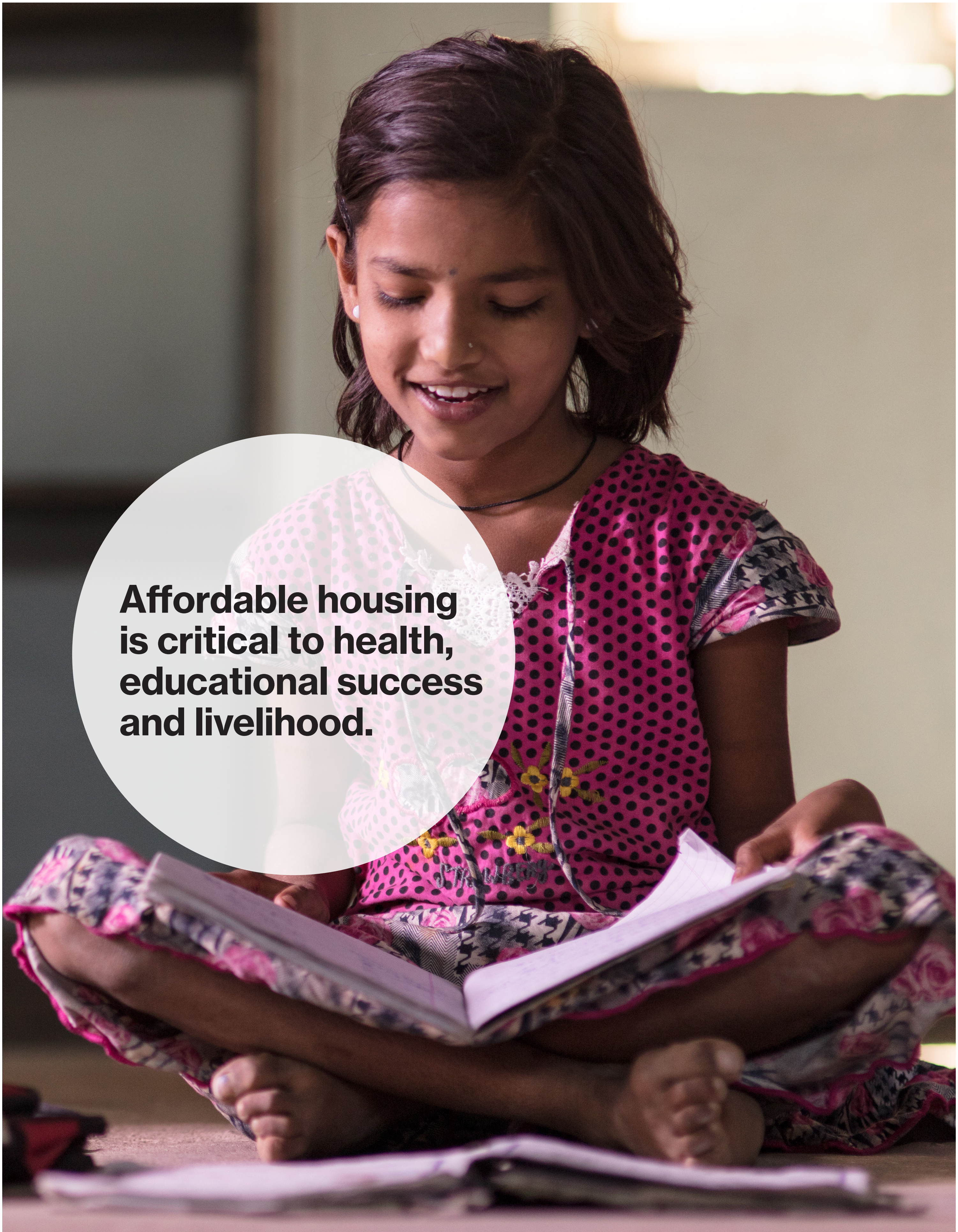
At present, Annapurna is focusing on improving the collection rate of its home improvement loan portfolio, gradually resuming the disbursements in certain geographies where the recovery rate is above 80%.

CLIENT STORY

Home improvement loan helps entrepreneur generate rental income for her family during the COVID-19 crisis

The housing finance loan enabled the family to complete the room construction in March 2020, just before the onset of COVID-19.

Gayatri lives in Odisha, India, and together with her husband runs a tailoring business in the urban area of Bhubaneshwar. Gayatri has been a client of Annapurna since 2018 and has borrowed 80,000 Indian rupees (US$1,100) to purchase construction materials to build an additional room to rent out to complement their business income. The housing finance loan enabled the family to complete the room construction in March 2020, just before the onset of COVID-19. Although the family of three didn't contract the virus, the ensuing crisis caused much distress and affected their livelihood as the tailoring business was closed during the lockdown. The rental income provided much-needed financial relief. Gayatri didn't opt for the moratorium and continues to pay the loan installments on time. She plans to set up a general merchandise shop in the front of her home and expects to construct two additional rooms to rent out. She hopes to return to Annapurna to meet her enterprise and housing credit loan needs. ■



Affordable housing is critical to health, educational success and livelihood.

Spotlight on Banco Solidario

COUNTRY CONTEXT

Like many low-income countries, Ecuador presents a structural problem in solving the issues of affordable housing. In South America, Ecuador has the fourth largest housing deficit, with more than 2 million people lacking decent housing, of which 1.2 million live in urban areas and about 850,000 live in rural areas. The housing deficit is estimated to increase at the rate of 40,000 households per year, mainly because of population growth and very young demographic structure. The main causes of the housing deficit are the limited savings capacity of the population and the absence of affordable mortgage loans offered by the financial system. In addition to the quantitative deficit, nearly 1.37 million homes are unsafe; built with inadequate materials; overcrowded; lacking in basic sanitary services; or characterized by high levels of informal property, insecurity and risk. The Republic of Ecuador has pledged to reduce the deficit of affordable and decent housing at the national level, and The Ministry of Urban Development and Housing has implemented its housing policy through the Casas para Todos, or CPT, program involving different levels of subsidies. Three MicroBuild Fund microfinance institution partners in Ecuador – Banco Solidario, Jardin Azuayo and Banco D'Miro – are helping bridge the affordable housing gap.

Solidario
Eres más cuando crees en ti

ABOUT BANCO SOLIDARIO

Banco Solidario is a regulated, deposit-taking microfinance and consumer lending bank with a 20-year track record. Solidario is the largest microfinance bank (out of six), with 12% of the market share of the microfinance sector in the country. It was also among the first banks to incorporate Smart Campaign principles in its loan advisers manual, and today it is Smart Campaign certified.[15] Solidario is also a member of the Global Alliance for Banking on Values, a network of banking leaders from around the world committed to advancing positive change in the banking sector and supporting economic, social and environmental sustainability. With predominantly urban and semi-urban coverage, Solidario provides accessible terms and credit to its low- and medium-income clientele compared with traditional banks. In Ecuador, housing credit is restricted by regulations with constraints on rates, loan sizes, terms and requirement for guarantee that exclude most low-income households. In 2017, the MicroBuild Fund disbursed its first loan to Solidario bundled with technical assistance to create a home improvement and progressive construction loan product. The Terwilliger Center also created a diagnostic mobile tool to help loan officers estimate home improvement costs and expedite underwriting and loan disbursal.

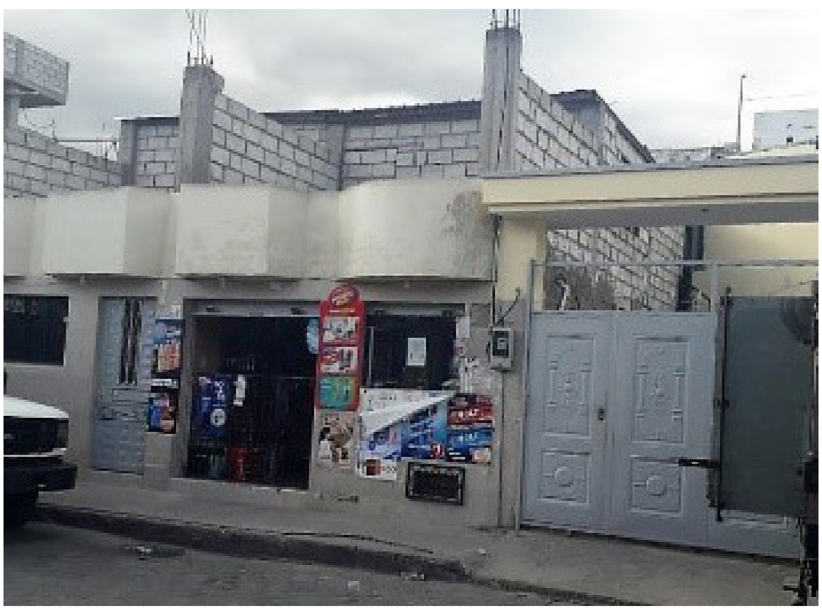
- Gross loan portfolio: **US$626.34 million**
- Number of clients: **280,000**
- Women borrowers: **54%**
- Urban borrowers: **97%**
- Social performance score: **A**

IMPACT OF COVID-19 AND HOW BANCO SOLIDARIO IS RESPONDING

In South America, Ecuador and Peru were significantly impacted by the onset of COVID-19, resulting in a prolonged period of uncertainty that reduced consumption of private investments and lowered economic growth. The government-mandated lockdown affected the productive activity of Solidario's clients, who faced significant decreases in their income. In particular, Solidario experienced slower disbursement and recovery of its loan portfolio. However, with strong time-deposits and economic activity picking up since May, Solidario finds itself in a strong liquidity position. In the wake of the pandemic, Solidario adapted quickly by using alternative channels – web, chat apps, Chatbot, Call Center – to stay in touch with its customers and create a new remote service channel called Facilito. Additionally, Solidario entered into an agreement with a payment services network with 5,000 points nationwide to make it easier for clients to service their loan obligations. Finally, Solidario provided moratoria on loan repayments to its clients until July 2020. Solidario has since reopened operations, including for home improvement loans.

CLIENT STORY

Housing finance loan allows for the construction of a second floor, enabling remote learning for Sandra's children during the pandemic



Sandra is an entrepreneur residing in the Latacunga, a town south of Quito. Sandra, who lives with her husband and three children, trades in vehicles and runs a grocery store. She has two loans outstanding with Banco Solidario – a microenterprise loan and a $5,000 housing loan to construct a second floor with minor internal upgrades and finish the exterior. Although her family was safe from COVID-19, the pandemic caused her main income from car trading to drop notably. Solidario deferred loan repayments for two months, and Sandra didn't need an additional loan extension and has been paying on time. She says the additional construction has allowed the household to cope with the coronavirus, especially with her children receiving remote learning. She is grateful that her grocery business image has been enhanced with the housing loan. ■

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About Habitat's Terwilliger Center for Innovation in Shelter

To bring about change within housing markets, Habitat's Terwilliger Center for Innovation in Shelter directs attention to the needs and growing profitability of the low-income home builder market segment. By testing new business models for reaching this underserved group and encouraging market actors to adopt them, the center hopes to dramatically influence the way the private sector addresses the affordable housing gap. To date, the Terwilliger Center has pioneered the use of microfinance and impact investment for incremental home builders and business accelerators for shelter-related startups. It also works with established companies to better design and target products for the low-income market. ■

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Thank you to our MicroBuild Fund partners

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Part of being optimistic is keeping one's head pointed towards the sun, one's feet moving forward.
– Nelson Mandela

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