



Case Study: Egypt Mortgage Refinance Company

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Egypt - Demographics

• **Population:** 81,713,520 (July 2008 est.)

• **Age structure:**

0-14 years:	15-64 years:	65 years and over:
31.8% (male 13,292,961 / female 12,690,711)	63.5% (male 26,257,440 / female 25,627,390)	4.7% (male 1,636,560 / female 2,208,455)

• **Population growth rate:** 1.682% (2008 est.)



Egypt - Macro-indicators

	2007	2008	2009e
Real GDP growth (%)	6.8	7.1	6.7
Consumer price inflation (%)	9.5	17.1	9.7
Exchange rate EGP:USD	5.63	5.30	5.35
Budget balance (% of GDP)	-7.5	-7.1	-6.9
Commercial banks' lending rate (av; %)	12.5	12.7	13.4
Current-account balance (% of GDP)	0.3	0.2	0.3



Other Housing Finance Issues

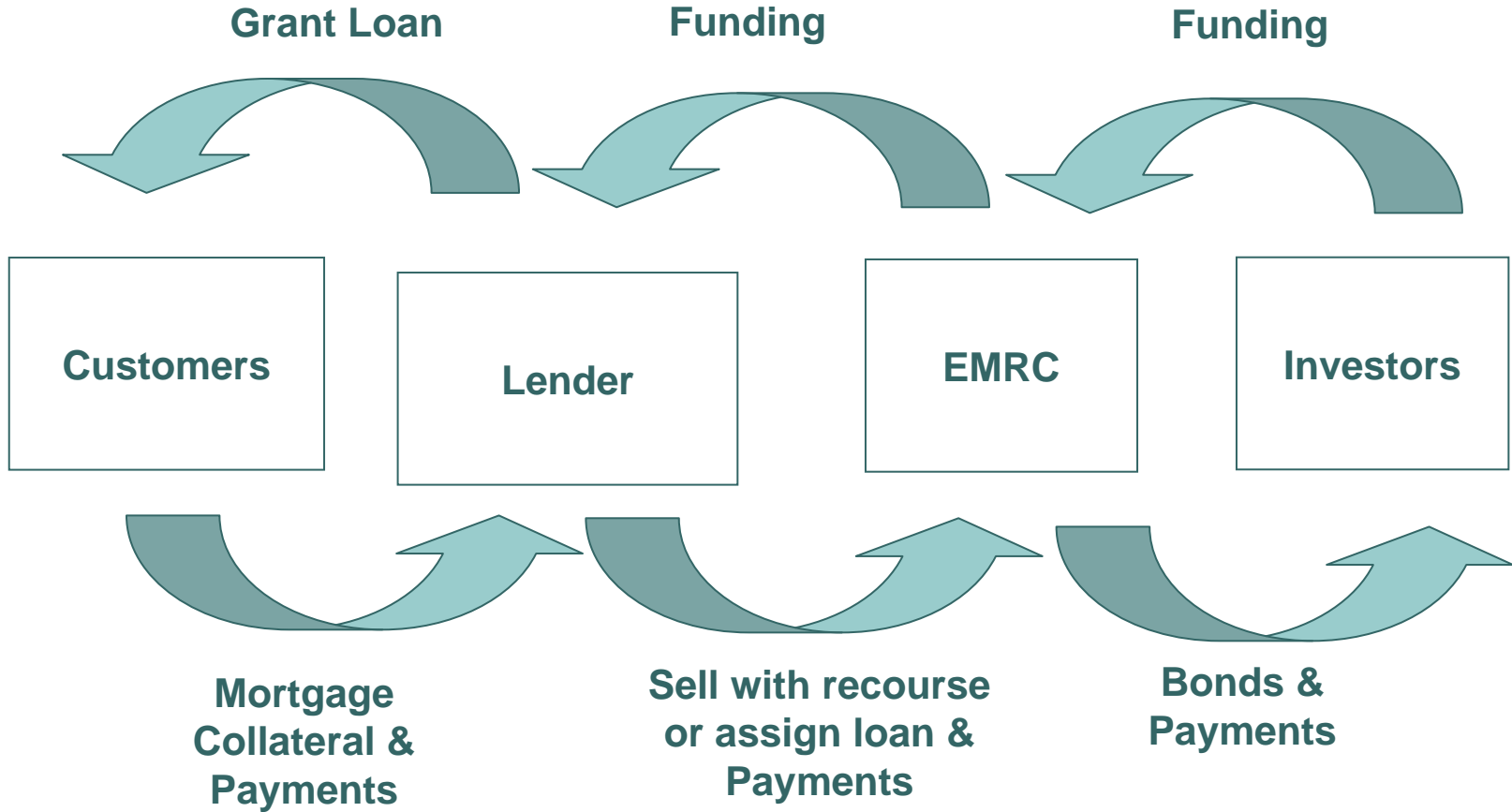
- Large informal sector
- High cost of property registration
- Very few registered properties
- Lack of lending by banks
- Low access to financial services
- No credit histories



EMRC

- Created in 2006
- All banks and mortgage lending companies are shareholders
- Initially funded by a World Bank loan
- Will buy/take assignment over mortgages and provide long term fixed rate funding
- Has just done its first 3 deals and has been operational since August 2008
- Now looking to issue its own bonds

How it works?

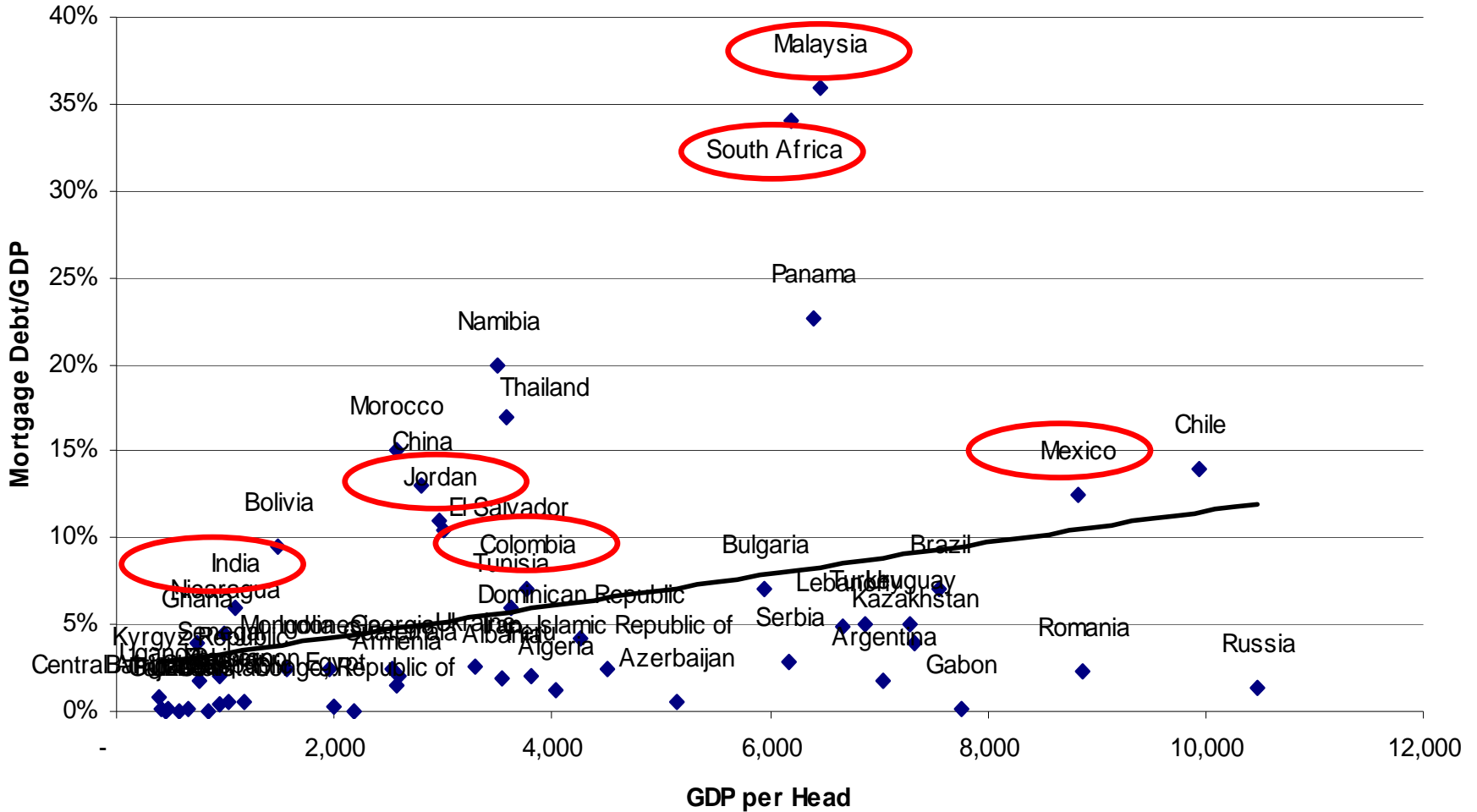




A Mortgage Liquidity Facility is NOT...

- ...a State Housing Bank
- ...a subsidy vehicle
- ...a securitization conduit (eg Fannie Mae)
- ...a risk taker (interest rate or credit risk)
- ...a mortgage lender

Emerging Mortgage Markets





Benefits of a Mortgage Liquidity Facility

- Reduces cost of funding and lengthens maturities
- Introduces new products (eg fixed rates)
- Allows smaller lenders to access Capital Markets
- ...creates more competition
- Leverages deposit base
- Provides a risk management tool for lenders
- Can help to introduce market standards
- Provides an investment outlet for pension funds and insurance companies
- Can help expand market to lower income groups



Egypt Mortgage Market - Development Plan

- Work on environment:
 - New mortgage law
 - New mortgage regulator
 - Creation of credit bureau
 - Reduction in property registration costs
 - Systematic registration scheme
- EMRC to help develop market:
 - Standardized underwriting
 - Data Collection
 - Cheaper funding
 - Increased competition
- Next Steps
 - Funding for low income subsidised mortgages (at market rates)
 - Securitization
 - Islamic mortgage refinancing