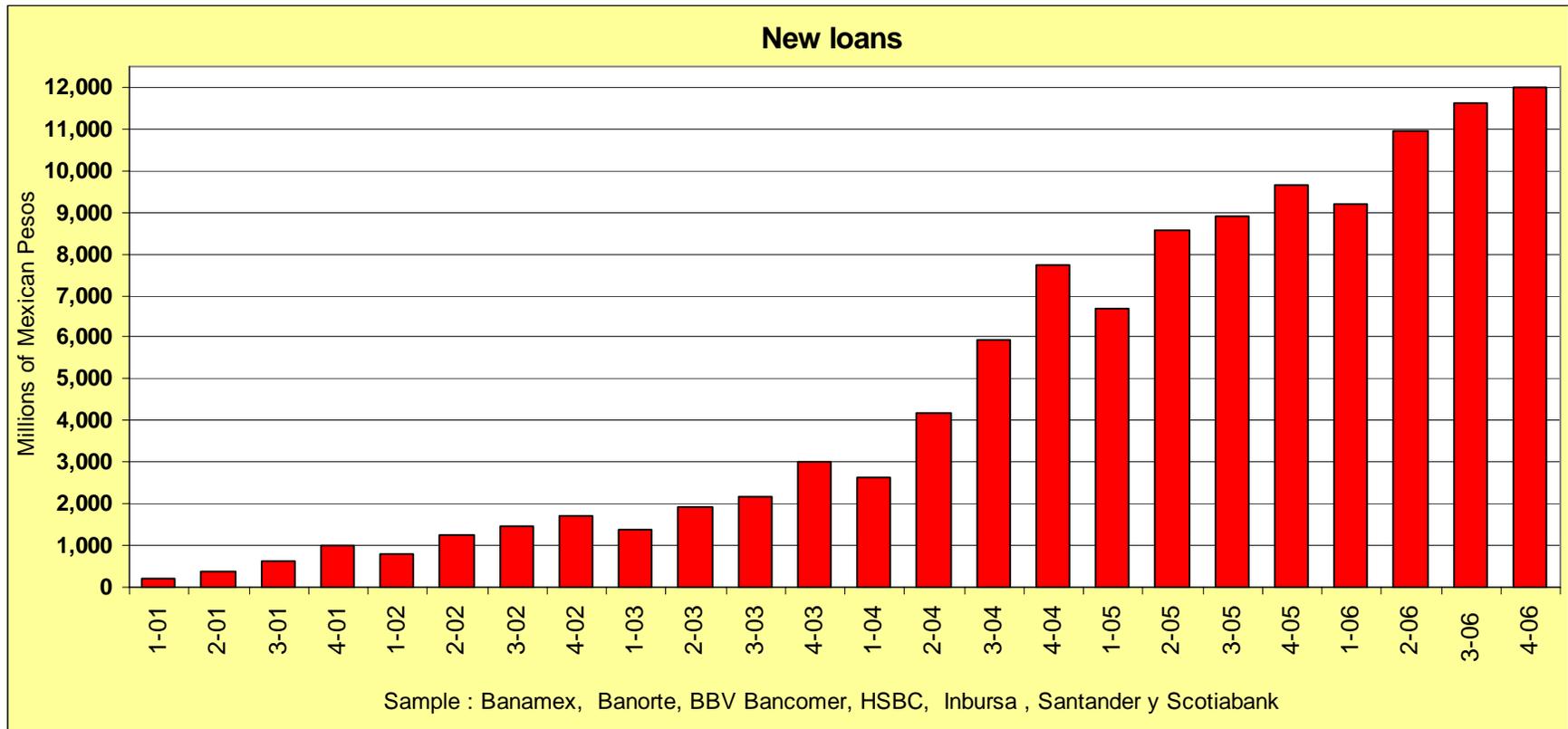




**Mortgage lending environment  
and perspectives for 2007**

# Mexican Banks returned to mortgage lending in 2000

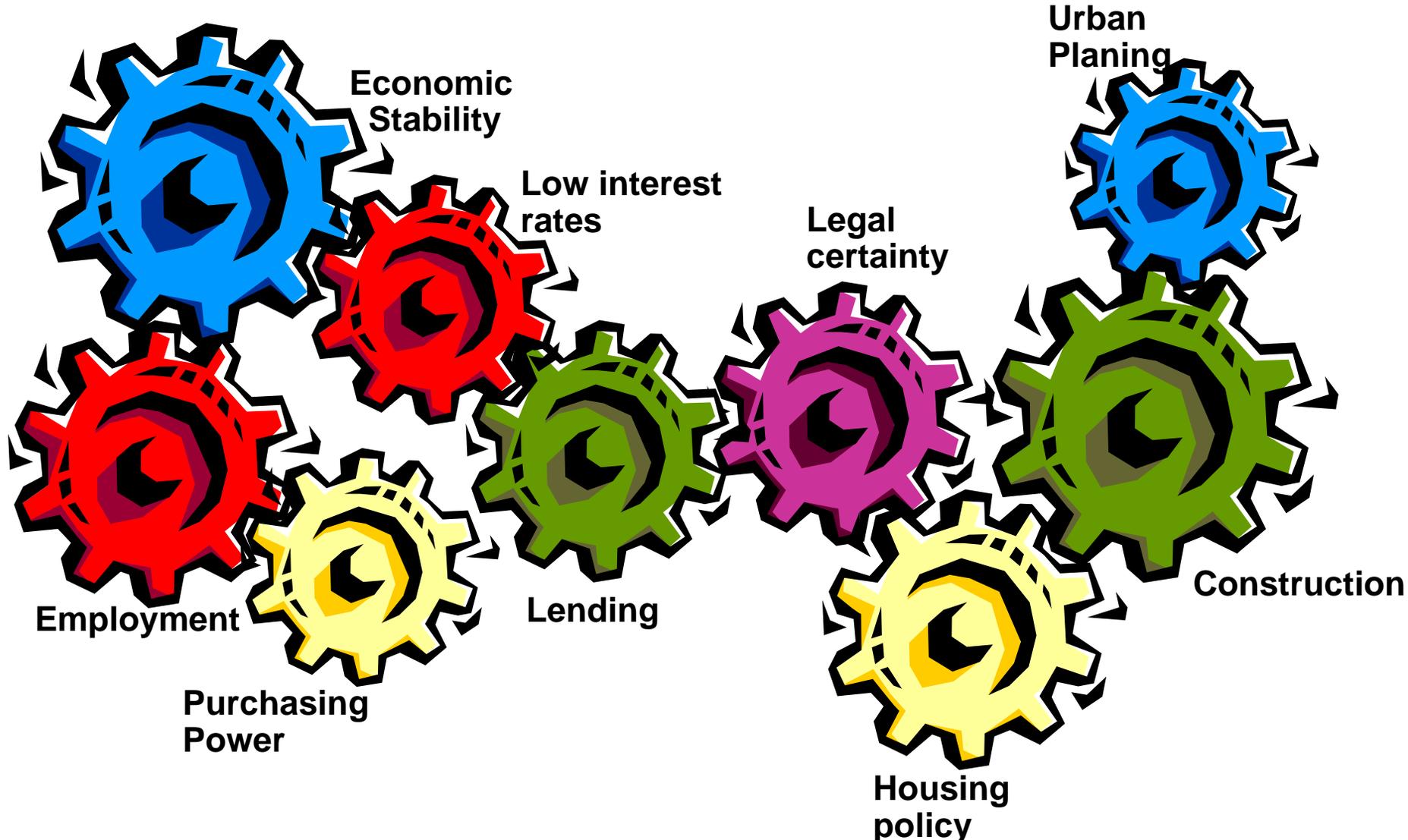


- Mortgage lending from banks has grown with a CAGR of 82% since 2001
- The entrance of new players expands the market
- Growth 2005-2006: 30%

## Affordability and options have increased

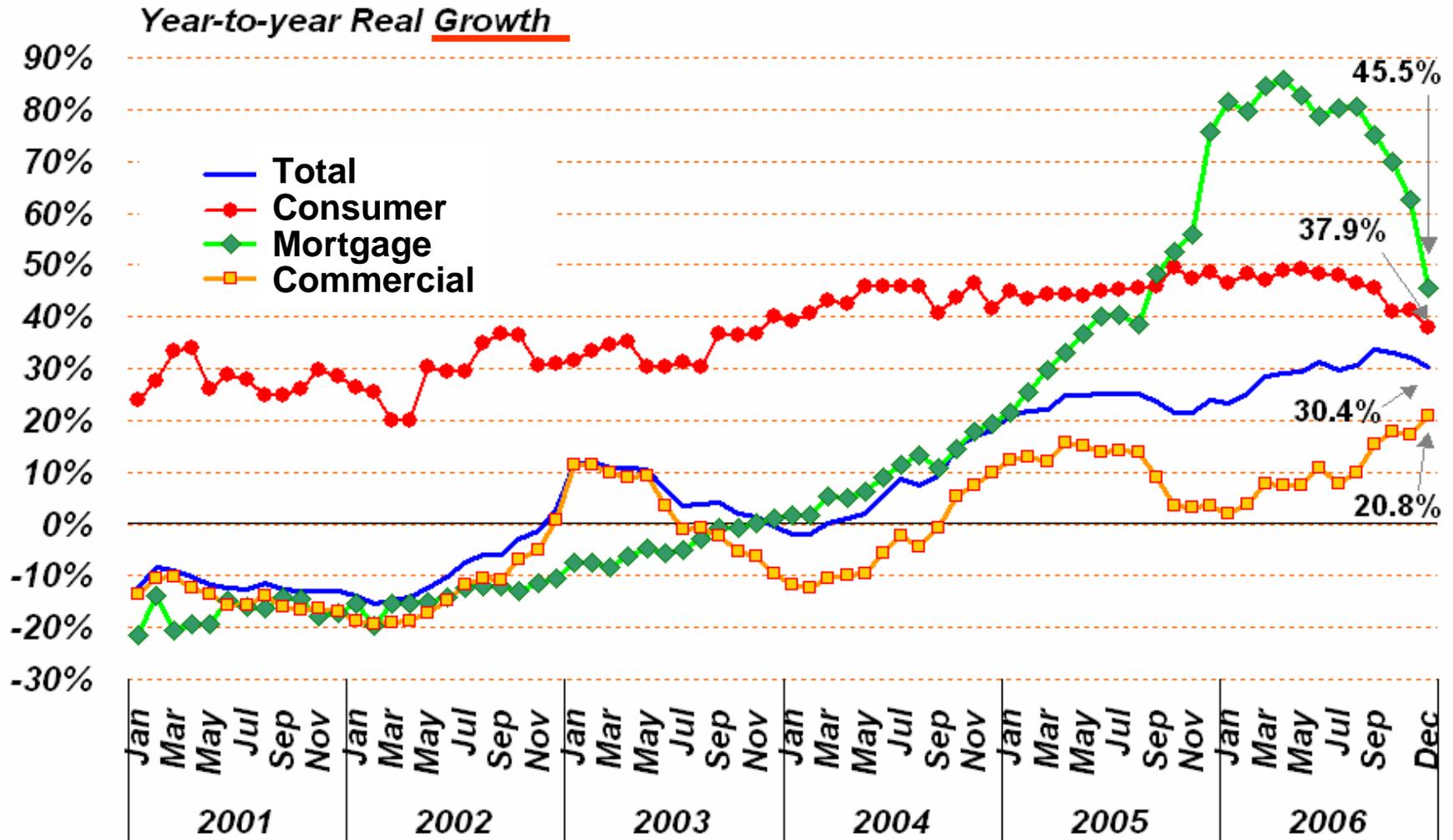
	2001	2006
Interest Rates:	25.00%	11-12%
Up front Fee:	6%	3% - 0%
Monthly Payment (per \$1,000 financed):	\$22	\$9.5 - \$11
Downpayment:	+35%	20% - 0%
Term:	20 years	up to 30 years
Products:	Purchase	Purchase Apoyo Infonavit Cofinavit 2nd home Construction Renovation Home Equity

Incentives for on time  
payments are usual

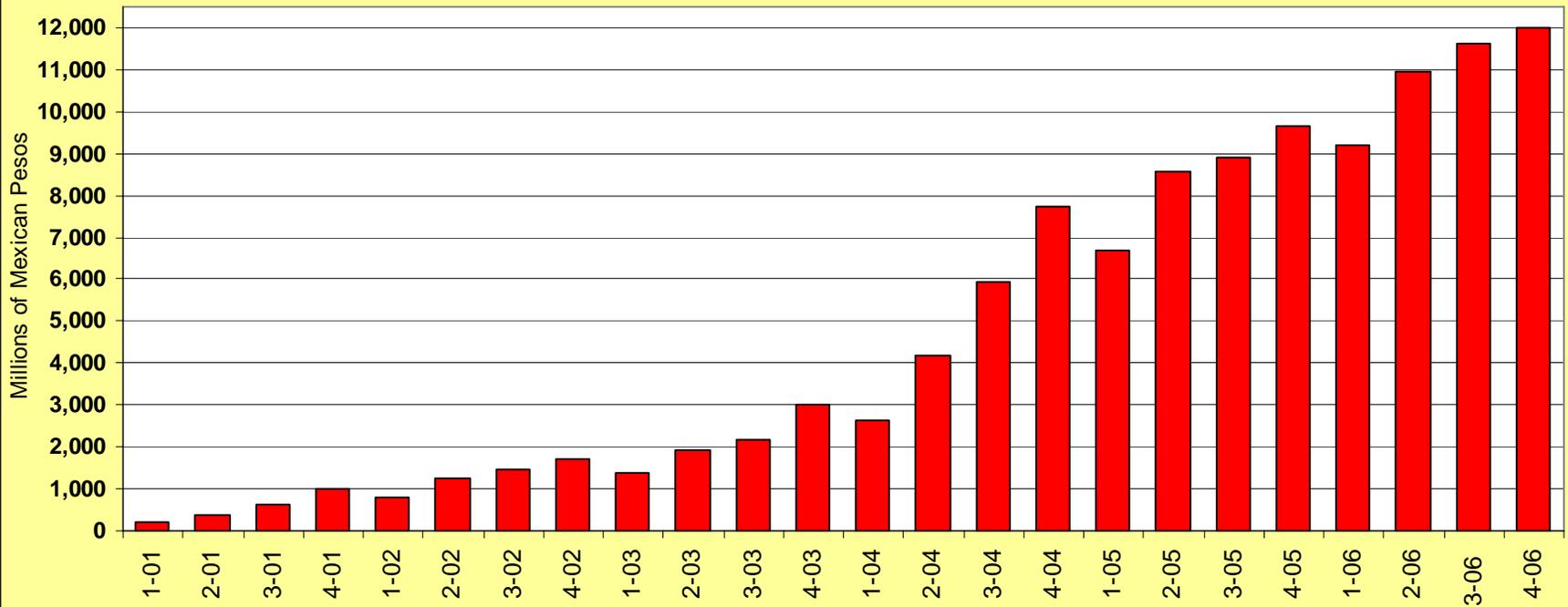




- In sync with North America, **Mexico is experiencing its soundest and healthiest business cycle** since the late 60's.
- **GDP has been growing around 4% in recent years and could accelerate to 6%-7%** in the upcoming years if some pending structural reforms are implemented.
- **Employment is benefiting from high investment growth** (11% real annual rate), with **900 thousand new job created during 2006**.
- **Per capita income has more than doubled in the past decade to reach \$8,200 dollars per year**.
- **Stable currency and modest inflation has translated into a low interest rates environment that is boosting the credit markets**.
- **Reforms made to the Civil Procedures Code** (Código de Procedimientos Civiles) **have reduced the time to foreclose**.
- **An initiative to improve Public Registries is in place**

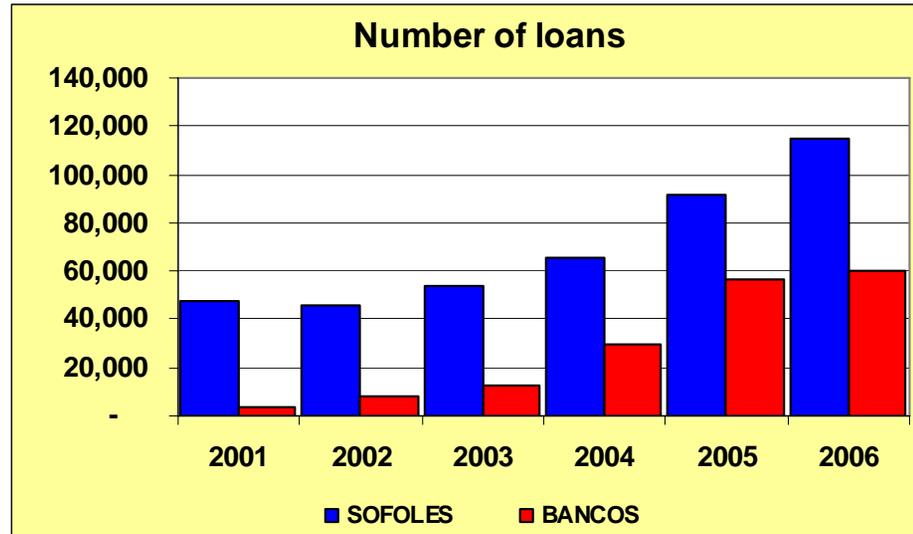


### New loans



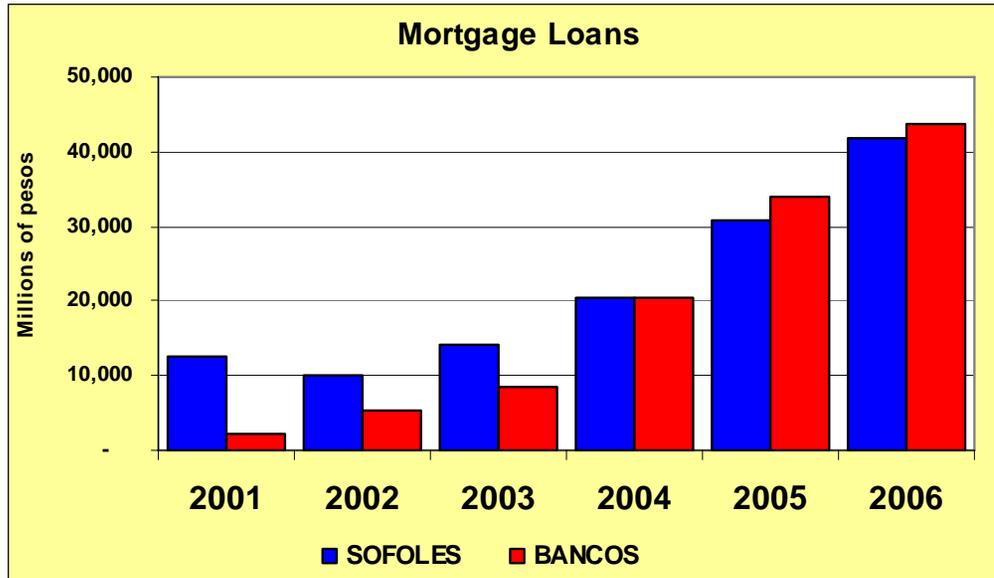
Sample : Banamex, Banorte, BBV Bancomer, HSBC, Inbursa , Santander y Scotiabank

# Sofoles maintain 2/3rds of total units financed



Sofoles	Number of units financed			Banks	Total
	Funding:	SHF	Market		
2001		47,555		3,526	51,081
2002		46,136		8,464	54,600
2003		54,229		12,148	66,377
2004		65,320		29,648	94,968
2005		54,449	36,982	56,474	147,905
2006		37,051	77,758	60,083	174,892
<b>Totals</b>		<b>304,740</b>	<b>114,740</b>	<b>170,343</b>	<b>589,823</b>

# Sofoles and Banks share 50% of the financed volumes



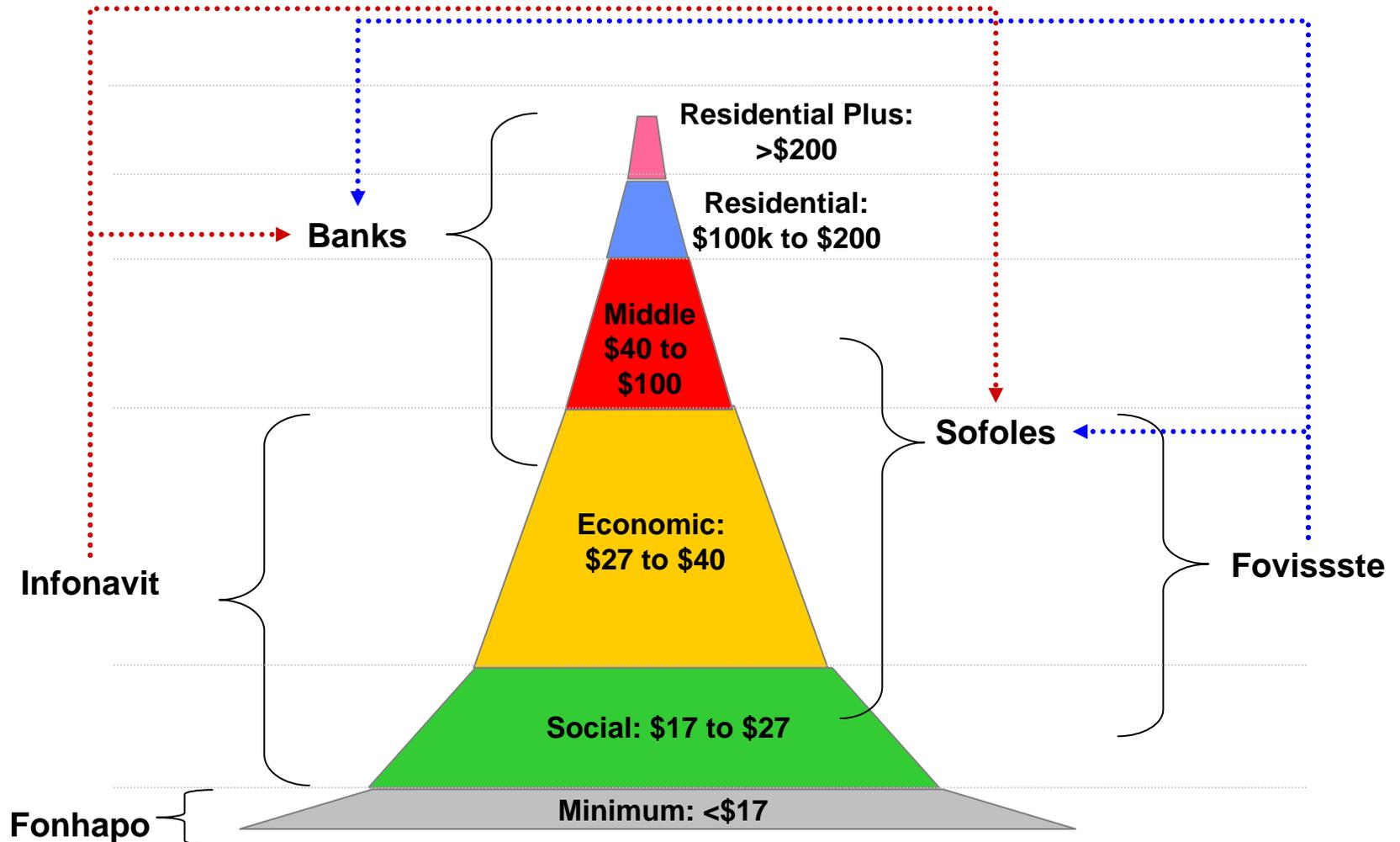
## Average loan (pesos)

	Sofoles	Banks
2001	261,731	623,936
2002	221,005	620,747
2003	259,623	694,518
2004	314,114	689,895
2005	337,808	599,267
2006	364,130	729,041

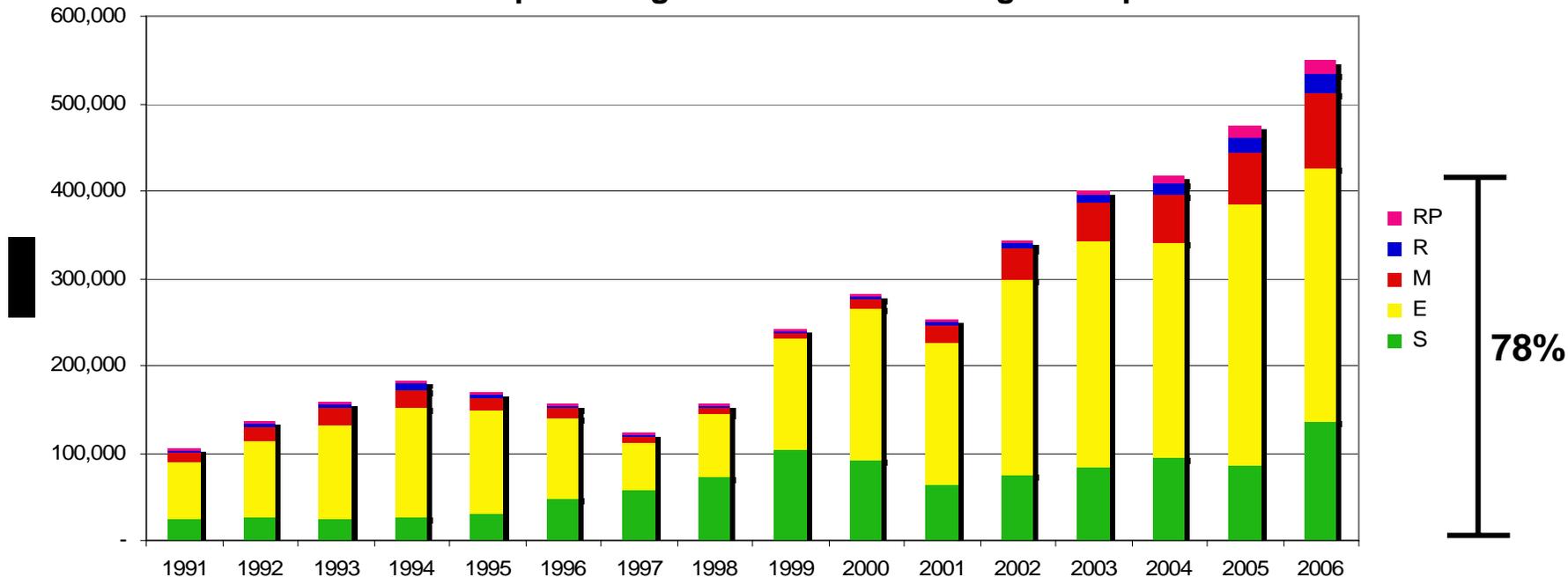
Sofoles Funding:	Millions of pesos financed		
	SHF	Market	Total
2001	12,447		12,447
2002	10,196		10,196
2003	14,079		14,079
2004	20,518		20,518
2005	16,892	13,995	30,886
2006	11,381	30,424	41,805
<b>Totals</b>	<b>85,513</b>	<b>44,419</b>	<b>129,931</b>

Banks	Total
2,200	14,647
5,254	15,450
8,437	22,516
20,454	40,972
33,843	64,729
43,803	85,608
<b>113,991</b>	<b>243,922</b>

## Market Segments (US\$ Thousands)



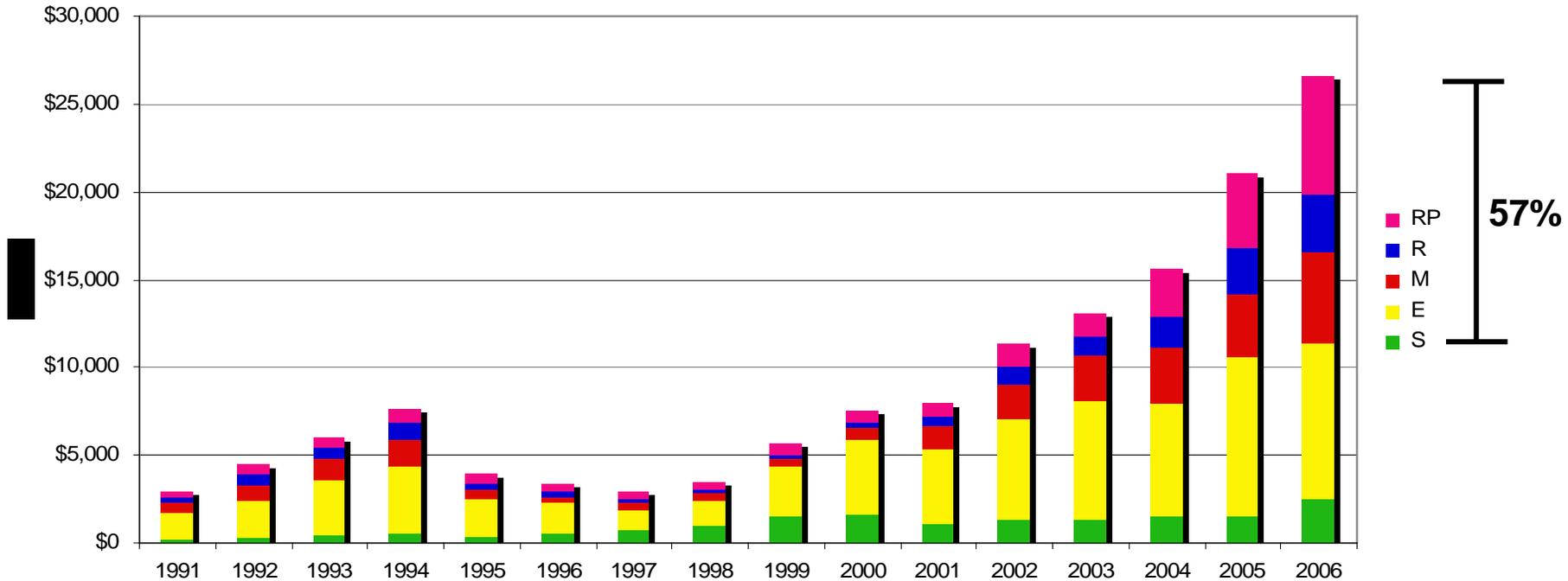
**Estimated Unit Sales**  
**Softec sample of largest 78 cities excluding Fonhapo**



Courtesy of Softec, S.C. ®

- During the last 10 years, construction of new homes grew from 156,000 to over 550,000 in 2006
- Middle, Residential and Residential Plus segments emerged as financing became available.
- In 2006, Social and Economic segments accounted for 78% of all units sold.

Sales Value USD (millions)

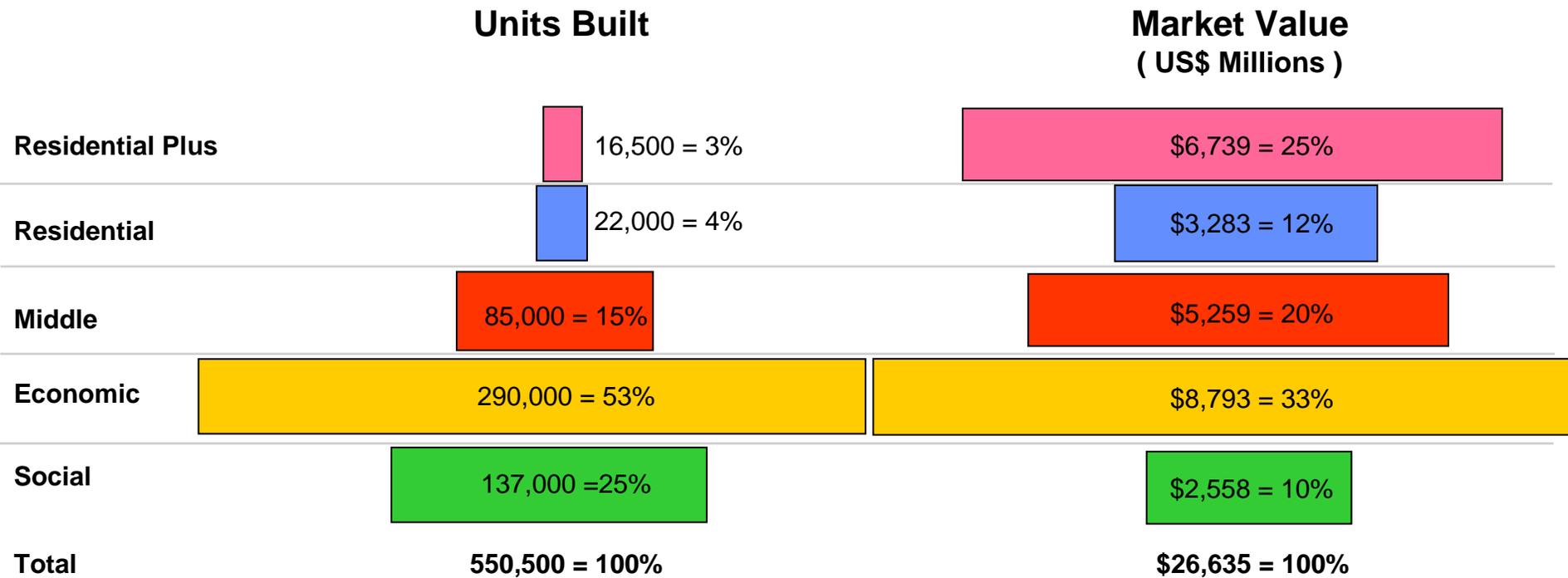


Courtesy of Softec, S.C. ®

- **New Developer-built home sales for 2006 reached: \$26.6 Billion Dollars**
- **Middle, Residential and Residential Plus are the fastest growing segments and accumulated 57% of total market value in 2006.**
- **Residential Plus segment is partly driven by Recreational 2nd homes for Non Residents**

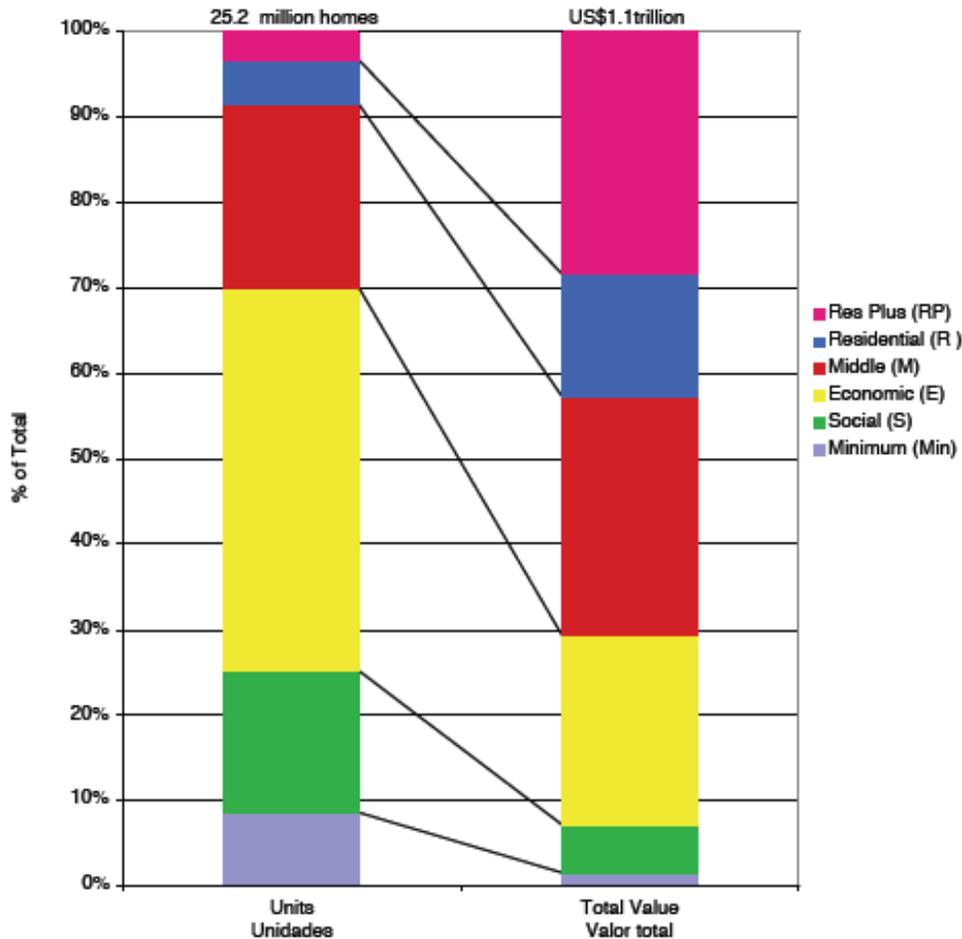
# Developer-Built Homes in 2006

## Number of units vs market value



# Mexicans hold unleveraged wealth in bricks

**Volume and value of the housing stock 2005**  
*Volumen y valor del parque habitacional 2005*



- Mexico's home ownership rate is among the highest in the world: 87%
- Less than 15% of all homes have ever been mortgaged.
- Only 13% are currently mortgaged.
- 77% of all homes 16.5 million are 100% equity owned.

## What does this mean to the consumer?

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- **Affordability allows consumers to buy better and bigger homes**
- **The lowest fixed interest rates ever.**
- **Interests paid are tax deductible and VAT free.**
- **Transparency Law improves consumer protection.**
- **High LTV loans available due to Mortgage Insurance.**
- **Refinancing as a viable option .**
- **Home affordability is causing rents to drop.**

## For the housing Industry:

- **In terms of number of units, Social and Economic will remain at 70% of market.**
- **Middle segment represents an opportunity as an emerging middle class buys a first home or moves from entry level homes to this segment.**
- **Midsized cities growing, still at reasonable prices and less competition.**
- **Recreational 2nd home for Non Residents is extremely dynamic.**

- **For the Mortgage Lenders:**
- **Some banks have created specialized mortgage units, some banks have purchased Sofoles, some Sofoles are trying to become banks.**
- **The Mexican market is on its way to adopt international market best practices: Mortgage Insurance, Portfolios Securitization, Mortgage Brokers.**
- **Mr cash is the main competitor in the Residential and Residential Plus.**
- **Banks will permanently securitize mortgage portfolios in order to sustain growth.**
- **Financing of used homes is still under attended – if attended could shift the balance of new home building across segments.**
- **Financing to Non Residents is at an early stage.**



**Thank you**

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