

Book review

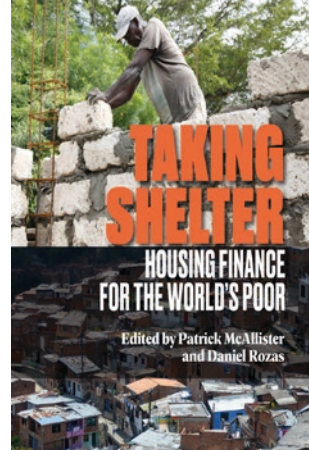
Taking Shelter: Housing Finance for the World's Poor
Edited by Patrick McAllister and Daniel Rozas

CONSIDERING THAT DECENT SHELTER is essential to the quality of human life, the meagre attention given by the development finance sector on how to provide it is shocking. The need for a secure place to live garners surprisingly little focus outside the relatively small housing subsectors of urban development, and water and sanitation.

That's why *Taking Shelter: Housing Finance for the World's Poor*, edited by Patrick McAllister and Daniel Rozas, is both welcome and overdue. This edited volume updates the state of the art of housing microfinance in the decade-plus since Franck Daphnis and Bruce Ferguson's foundational book, *Housing Microfinance: A Guide to Practice*. It finds that some things have advanced, but not far enough.

Housing microfinance (in which loans that are similar to traditional microfinance support incremental construction by the borrower) continues to dominate housing finance for the poor. An increasing number of microfinance institutions are making this type of housing loan, increasingly supported by technology and innovative underwriting that allow the acceptance of less formal land titles or income sources. But the scale of housing microfinance is generally still limited. These innovations have also supported the emergence of a newer solution: small (relative to traditional mortgages), medium-term micro-mortgage loans, which seem to be preferred by lenders and investors. This distinction itself demonstrates the core challenge the book addresses: where is the happy place that meets both the preferences of the finance industry for more formal whole-house finance, and the capabilities of the poor who have little ability to service a mortgage loan?

In her entry on the experience of Caspian Impact Investment Advisers, Mona Kachhwaha notes that impact investors would like to fund more micro-mortgages. However, as Sandra Prieto and Patrick Kelley point out in their chapter, it is hard to find lenders that have solved the practical challenges of originating such housing loans: securing land title that can serve as a guarantee; respecting norms of financing construction; adapting credit processes for longer term to maturity; accessing longer-term funding to make mortgages affordable; and ensuring the degree of specialization needed to underwrite housing loans successfully. Because of these challenges, straight microfinance is easier for most financial institutions. Since that market is still not sated, many microfinance institutions decide not to bother with more complicated housing finance. Thus, only socially motivated lenders are likely to move into housing finance for the poor, either through housing



microfinance or micro-mortgages. *Taking Shelter* describes how institutions that make this choice are gradually chipping away at the intractable challenges.

Meanwhile, the world's poor piece together housing solutions for themselves, as Stuart Rutherford reminds us in his chapter. The stories Rutherford presents inform the book as a whole by connecting it to the real life struggles and solutions that people on low incomes pursue. Delay is the watchword, as young families start saving and building when times are good, only to pause during the thin times. Good-enough shelter becomes a lifetime pursuit. Rutherford reminds housing finance innovators of the need to support and enable homegrown solutions, rather than trying to force low-income housing finance to attain standards designed for middle and upper classes. He mentions both financial solutions like commitment savings and non-financial services like construction advice. Rozas and McAllister highlight the emergence of PayGo finance for energy, water, and sanitation, which is compatible with incremental home-building. As a method for improving the function and quality of housing, it is one of the brighter spots recounted in the book.

While this book helps fill an enormous gap, it all but completely omits a major source of low-income housing: rentals. It implicitly treats renting as the undesirable form of housing everyone wants to escape from in favour of home ownership, which, after all, builds stability and wealth. Granting its benefits, home ownership is not for everyone and is not the only key to improving shelter.

Behind the dismissive view of renting, even if not overtly acknowledged, is the spectre of slum landlords and squalid tenements. But not all landlords are evil or negligent. Sometimes landlords are governments or non-profit organizations, and often they are parents, aunties, or neighbours. Renting out rooms is a time-tested retirement strategy for many older adults. Shorebank, a pathbreaking socially motivated lender in the United States, pioneered the refurbishment and financing of traditional six-unit houses in low-income neighbourhoods on the South Side of Chicago. The owner would occupy one of the units and rent out the other five. This system made a big difference to the many owners who built wealth and the renters who obtained quality housing. If the concept of the housing finance system were broadened to include the financing of rental housing, it might spark innovations such as this to widen the available shelter solution set, which, as this book demonstrates, is still woefully small.

Above all, *Taking Shelter* is a call for greater resources for housing finance – resources of all types: money, intention, and intellect. Let's not wait another decade to see the next advances.

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