



# SUCCESS STORY:

## KOTELAM to Become First Credit Union to Offer Long Term Mortgages in Haiti



*From Left to Right: Reynald Charles, Adriana Llorca (HOME DCOP), and Josue Beaubrun, during a visit at KOTELAM to discuss their long term housing microfinance objectives.*

*KOTELAM General Director, Reynald Charles, provided an in-depth overview of the changes occurring within KOTELAM following 11 months of assistance from the HOME Program.*

*“The housing microfinance product is now a well-known and a solid product for KOTELAM. Proof of this, was the change in KOTELAM’s overall portfolio. Before the HOME project, the housing microfinance product was not among the most important, now it is the second most important product of the cooperative.*

*The credit officers developed their skills in the delivery of the housing microfinance product. This was extremely important because it helped to orient the new KOTELAM members. This is relevant since they improved not only their knowledge in delivering the product and better serve[d] their members.*

*Thanks to a ‘complete package’ provided by HOME, the incentive for KOTELAM allowed redesigning the incentives to the credit officers, and motivating our existing and new members through the launch of a housing promotion that proved to be successful.”*

*–Mr. Reynald Charles, KOTELAM General Director*

As a result of highly targeted technical assistance from World Council of Credit Unions’ Home Ownership and Mortgage Expansion (HOME) Program, the KOTELAM credit union will become the first non-bank financial institution in Haiti to offer a mortgage product. Mr. Josue Beaubrun, KOTELAM’s board member remarked, “It is an opportunity to offer high quality housing solutions aligned with [our] principles, as well as to contribute to improving the quality of life of the Port-au-Prince population. Our greatest dream is to contribute to achieving our members’ one, of a safe and reliable house.”

HOME’s original partnership with KOTELAM was designed to incentivize KOTELAM to grow its housing loan portfolio by 75%. The HOME Program streamlined KOTELAM’s credit underwriting procedures, trained credit agents on monitoring and supervising home construction, and provided training on product marketing and market segmentation and research.

KOTELAM’s performance drastically exceeded the conditions for the payment of incentives under the HOME Program. KOTELAM mobilized over \$1.8 million in private capital in return for \$150,000 in incentives— with a leverage effect 1 to 9. KOTELAM reduced its portfolio at risk at 30 days (PAR30) by 1.56%, while growing its housing portfolio by an astounding 191% within nine months. However KOTELAM did not stop there.

The credit union broke new ground, when its Board of Directors announced the strategic decision to launch a long-term mortgage product, formalizing the housing product. KOTELAM will create mortgages in previously untapped areas and will bring new innovative players into the mortgage space, offering a new solution for low income clients, typically ignored by commercial banks when it comes to long term financing.

Non-bank financial institutions (credit unions and MFIs) have been limited to offering unsecured, short-term, high interest rate housing micro-loans at rates upwards of 24% per year. This option



*KOTELAM's housing micro-finance client Guertha Gernevil states, "I was able to benefit from a loan of 200,000 gourdes (Approximately USD 2,900). Now that I have a comfortable home to live in, and I can make plans to build our dream home in another area. This project will of course be financed by KOTELAM."*



*KOTELAM's loan officers' develop their professional capacities in housing microfinance products during training provided by HOME.*

#### **About KOTELAM**

*KOTELAM is a savings and credit cooperative (credit union), founded in 1989 in Port-Au-Prince. It offers savings and credit services to its members and to the general population. The 90,918 member deposit-taking institution is the largest Central Bank-regulated credit union in Haiti and is a founding member of the National Association of Haitian Credit Unions (ANACAPH) and the Le Levier Federation of Credit Unions.*

is severely limiting, given that clients take costly, successive short term loans to complete a home over the long term. KOTELAM's new mortgage product is extended to 10 years and fixed at a 12% interest rate.

In order to make this critical achievement commercially viable, KOTELAM will need access to long term capital to sustain the mortgages. One way to address this is to attract depositors into long term savings accounts. Given the general economic conditions and the high vulnerability of microfinance clients in Haiti, this has proven to be extremely difficult. For this reason the HOME program designed two solutions.

The first is to stimulate demand for affordable housing at lower income levels, by facilitating access to KOTELAM's product through down payment assistance to eligible low and moderate income clients. The second solution facilitates access to long term capital externally. HOME is working to secure a large capital loan on behalf of KOTELAM with international microfinance lender Oikocredit. KOTELAM has completed several levels of approvals and is in final negotiations for a \$1 million loan over 15 years from Oikocredit.

Mr. Beaubrun, reviewing the span of assistance in reaching the point where the credit union is now able to offer the mortgage product, emphasized the HOME Program's multi-staged approach, "The 'catalytic' role of HOME stands out in two specific moments."

"During the first stage, HOME encourages with incentives, but at the same time guides/orients KOTELAM through technical assistance resources in key activities: commercial strategy and marketing, developing and strengthening the sales force capacity and improving the housing micro-finance product delivery. The sum of these [forces], plus the commitment of our sales force, has been responsible for the success achieved."

In developing the long term mortgage, "The accompaniment of HOME in the search of financial resources with specific characteristics, for a longer term housing product has been crucial, since the savings of our members are not compatible with a financial solution of this nature."<sup>1</sup> It is hoped that this will be the first of many ground breaking achievements for KOTELAM.

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<sup>1</sup> Disclaimer: This success story is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of World Council of Credit Unions and do not necessarily reflect the views of USAID or the United States Government.