



Homes of Hope

Building a Foundation for Systemic Change:
A Nicaraguan Solution to the Nicaraguan
Housing Shortage



Quixote Center



The Quixote Center and the Institute of John XXIII have worked to provide housing to impoverished Nicaraguans for more than fifteen years. Now, we are pleased to present a new evolution of our affordable housing model, one that will be both financially self-sustaining and capable of producing far more houses than in the past. Joined in this new venture by Banpro, a Nicaraguan bank with a strong social conscience, homes will be financed for families too poor to qualify for a traditional mortgage. The Institute will continue to construct high quality, earthquake and hurricane resistant homes for qualified families. To form the foundation for all future construction, the Quixote Center has committed to raising \$2.0 million that will serve as a lasting legacy of solidarity.

Nicaragua's Housing Shortage

A Continuing Challenge

Nicaragua's housing deficit is staggering: recent estimates place the number at one million homeless people, and because home building is not keeping pace with increased demand, the deficit is growing by 20,000 people per year. Over 78 percent of Nicaraguans are homeless or live in inadequate housing, such as overcrowded houses shared by several families; self-constructed shacks built of available scrap materials; and houses without floors, electricity, or provisions for sanitation.

The primary cause for the Nicaraguan housing crisis is poverty. Nicaragua has the second lowest per capita income in the Western Hemisphere — Haiti's is the lowest. In the aftermath of the severe devastation caused by Hurricane Mitch in 1998, the Institute of John XXIII and the Quixote Center's Quest for Peace intensified the Institute's home building program. Funding has been provided solely by individual donor gifts from the United States and grants from European foundations. The future of our housing program is now jeopardized by the migration of international development aid from Latin America to Africa, Asia, and Eastern Europe.

By the Numbers

- 80% of Nicaraguans subsist on \$2.00 or less per day; 43% on \$1.00 or less.
- 78% of Nicaraguans are homeless or live in substandard housing.
- 94% of Nicaraguans do not qualify for commercial housing loans.
- 60% of very poor landowners and 45% of non-poor landowners lack clear title to their land. Added to the mix are high housing prices and high interest rates.
- 25,000 new homes are needed each year to meet the increased demand.
- Hurricane Mitch in 1998 destroyed 24,000 homes and severely damaged another 17,600.

Inter-American Development Bank: Room for Development: Housing Markets in Latin America and the Caribbean. April 2012.

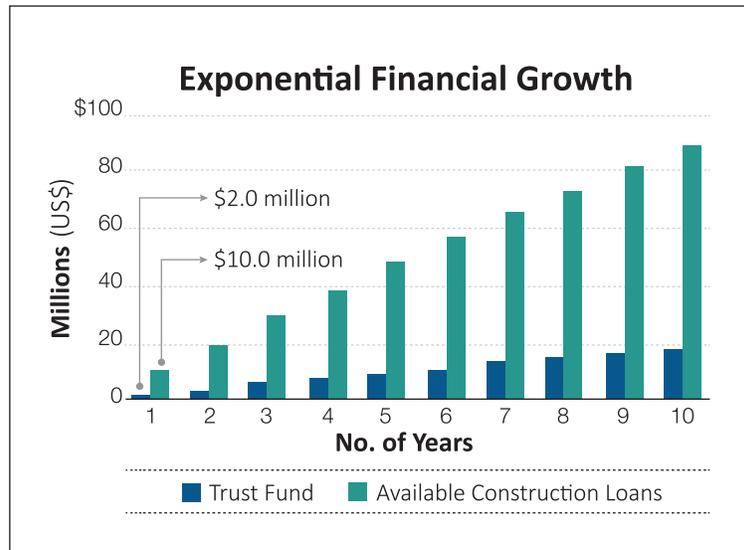
Housing is a Basic Human Right

We are presenting a new model, Homes of Hope, which is innovative, comprehensive and sustainable for the future. Although this model will not solve Nicaragua's housing problem, we believe that it will grow rapidly and effect substantive change for large numbers of people. And, it will also serve as a stimulus to other low-income housing developers in Nicaragua and throughout Latin America.

A New Approach to Financing

Trust-Secured Mortgages

Our trust-secured mortgage plan promises to make the funding for housing construction renewable and available to many families of the “poor and working-poor” sectors who do not qualify for a conventional mortgage. Banpro will make mortgages available up to five times the amount in the trust fund (see graph to the right). Proceeds from the sale of houses will grow the trust fund and increase the number of homes built each year.



This new financing system will also create funds for the Institute to augment existing home construction for an ever-increasing number of families in the “very low-income” sector, who will never be eligible for bank mortgages. These transactions will be directly negotiated between the Institute and the families, and the bank will not be involved.

The Trust Becomes Self-Sustaining

The trust fund will be self-sufficient from time it begins building houses. It will expand as the number of homes built increases. Thus, outside donations will no longer be needed to maintain the Homes of Hope building program.

Revenue from the program continually renews the funds in the trust. We estimate that within five years, the Institute of John XXIII will be able to build \$5.0 million worth of homes each year.

Making Housing a Renewable Resource!

The Quixote Center has pledged to raise \$2.0 million to provide a solid financial base for the Homes of Hope trust fund. To date, we have secured \$520,000. The graph above demonstrates the projected growth in the Homes of Hope trust fund over ten years with a starting base of \$2.0 million.

Our infusion of \$2.0 million into the trust fund will construct 639 working-poor homes and more than 17 very-low-income homes in year one, with steady growth each subsequent year. By year five, the Institute will have built 3,200 homes for the working-poor and 107 homes for the very poor. Currently, we are able to build 35-40 homes per year.

Homes of Hope: How it Works Financially

The Institute & Banpro

Each sector in the building process interrelates, providing checks and balances to an already transparent process.

- The Institute sets up the trust fund.
- Banpro manages the trust's monies.
- Banpro pays the Institute interest – 4% at present – on the total amount in the trust fund.
- The Institute pays the bank a 20% down payment for each house.
- Banpro pays the full cost of the house to the trust fund once the family occupies the house.

Assume that a...
new house costs a family \$10,000
...and the...
actual building cost is \$8,000...

Banpro receives a 20% down payment from the trust fund = \$2,000...

Once a family takes occupancy, Banpro deposits the full cost of the house into the trust fund = \$10,000...

The trust fund nets = \$2,000...

Multiply this by the number of houses built per year to project the growth of the trust fund...

From this "profit", homes for the very poor will be built, while preserving funds to continue construction for the working-poor.

1 A family with a parcel of buildable land applies to the Institute for a home.

2 The Institute reviews the application and approves the family, if they qualify; and will assist with acquiring legal title to the land.

3 The Institute builds the house.

Homes of Hope: How it Works for a Family

The family assumes a 20-year mortgage, payable to the bank at the going rate of 9%.

The family develops a credit history with the bank, making future transactions possible.

Once completed, the family moves into the house.

A New Frontier

Low Cost Housing with a Higher Quality of Life

The Institute of John XXIII has experienced construction teams and supervisors, assuring that the buildings will be constructed to a high quality standard and completed quickly.

There are three basic home models for this housing program:

- Malaquita: 420 sf, \$10,800
- Rubi: 506 sf, \$14,500
- Jaspe: 625 sf, \$19,950

Each model can be modified to suit a family's requirements. Options, such as a suspended ceiling or a ceramic patio, can be added during construction or later by the homeowner.

Once a family moves in, the house starts to become a home.

- Usually the first personal touch is to erect a barbed wire fence or a cactus border, allowing for chickens and a patio garden.
- Most families will construct an overhang that protects family members from the rain or hot sun, while they engage in various outdoor activities.

Families testify that, because of their new home, they have better familial relationships, their children's educational achievements improve, and that they are more involved in community affairs.

Mostly, they glow with a sense of accomplishment and pride in their new Home of Hope.

A mortgage creates a financial relationship with the bank, establishing a credit history, and making future loans possible. This is a major accomplishment in a country where 94 percent do not qualify for loans.



Why Homes of Hope?

Nicaraguans face many challenges in securing a better life for themselves and their families. We are committed to a “housing first” approach because we believe that a secure and dignified home is much more than a shelter. It is the cornerstone of human development.

Housing opens the door to health

With kitchens, flush toilets and potable water, a Home of Hope significantly increases a family’s protection from illness, especially diarrheal disease.

Housing opens the door to education

Electricity extends the daylight hours (on average from 6:00am–6:00pm), allowing for learning after chores and work. Children and adults now have a secure place to study or pursue other life-enriching activities.

Housing opens the door to increased productivity, income and quality of life

With the homeowner’s addition of a fenced outdoor area to protect chickens and vegetable gardens, nutrition is improved and selling extra eggs and produce in the local market becomes an option to supplement income.

By extending the roof with tin or plastic, homeowners create a covered outdoor space. Many activities occur in this shelter from the sun or rain: cooking tortillas to sell to neighbors, establishing a home-based business repairing small engines, fixing bicycles or motorcycles, and added space for child play or simply relaxing at the end of the day.

Housing provides stability

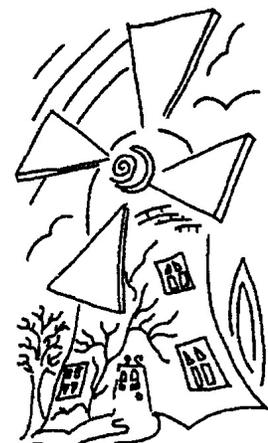
Should a couple separate, the home remains in the name of the children’s primary care giver, usually the mother.

We Reiterate: Housing is a Human Right

Will you please join us in this bold dream of making dignified housing available to tens of thousands of Nicaraguans?

It is a dream worthy of our ancestor, Don Quixote, who dared to be a friend to persons in need and to reach for stars that seemed to be distant to be touched, or too dim to be worth the effort.

Come dream with us!



Meet the Partners

The three partners in the Homes of Hope program are uniquely qualified to implement the trust-secured mortgage program for building affordable homes. The program design and implementation rely on the unique experience and expertise of each partner.

Institute of John XXIII

Founded in 1961, the Institute of John XXIII at the Jesuit University of Central America in Managua has over 50 years of experience implementing anti-poverty and community building programs throughout Nicaragua. The Institute's first major experience with home building came after the devastation of Hurricane Mitch (1998), when the Institute, in partnership with the Quixote Center, and a network of local communities, built 2,500 replacement homes. To date, the Institute has built over 3,600 homes benefiting over 18,000 people. In its commitment to the home loans program, the Institute has never had a homeowner default on a loan, due in large part to the education and community building aspect of their program.

Quixote Center

Since its first partnership with the Institute of John XXIII in 1984, with a shipment of medical and humanitarian relief supplies sent from the United States, the Quixote Center has worked on numerous projects identified by Nicaraguan communities as necessary for a permanent or systemic improvement to quality of life. These include local pharmacies, education, water systems, electrification, and housing. The Center's other international programs include reforestation and environmental renewal in Haiti. The Quixote Center is working to raise \$2.0 million to give the Homes of Hope trust fund a firm financial footing.

Banpro

A private bank established in Managua, Nicaragua in 1991, Banpro, the largest Nicaraguan bank, holds assets of US\$1.5 billion, and is a leader in developing financial products and services. Banpro has a strong commitment to support Nicaraguan development by introducing innovative financing strategies and business solutions, and partnering with other Nicaraguan and international organizations in support of valuable programs and activities. Banpro helped design the trust-secured mortgage plan and will serve as trustee of the Homes for Hope trust fund. It will have one (non-voting) member on the trust fund technical committee.

Presented by: Quixote Center / Quest for Peace
7307 Baltimore Avenue #214, College Park, MD 20740 / 301.699.0042 / quixote.org