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**Brazil: Mortgages to Boost Residential Market?**

*Recent economic stability and changes in lending laws are, for the first time, making it possible for the country's working class to buy their own homes.*

**/24-7PressRelease/** - LONDON, UK, June 14, 2008 - For years, Brazil's poor had little access to credit. And even if they could get credit, they could not hope to maintain payments on interest rates that were frequently among the highest in the world. That, combined with unemployment, low pay and the instability brought on by a struggling economy, led to an explosion in the number of people living in favelas (shanty-towns) scattered in and around Brazil's urban areas.

But the economy has definitely turned - Brazil has had a GDP per capita increase of 8.32% for the last five years, which is currently growing slower than its Latin neighbours. However, the country has a well-maintained GDP per capita, which is estimated at US\$5,518 for 2007 (mortgage loans still only occupy a very small part of Brazil's GDP, around 1.7 percent), and has also been very successful in fighting inflation, decreasing it from 14.8% in 2002 to less than 5% in 2007.

**A President's Promise**

One of the first things that the Brazil President, Luiz Inacio Lula da Silva, vowed to do when he was re-elected in 2006 was to address the excessive housing deficit in the country.

He announced the "growth-acceleration package." which included housing and infrastructure investment of around US\$236 billion for a four year period.

The Brazilian government understands that tourism and property investment are linked and that they represent important sectors of economic growth. So, to stimulate activity in both areas, the government has introduced a set of reforms aimed at increasing liquidity in the debt capital markets, as well as supporting the improvement in infrastructure (particularly in the North-East), the renovation of some older airports and the construction of some new ones to meet the accelerating demands for the tourism trade and housing development.

**Room for Development**

Due to a severe deficiency of available housing for Brazilian residents - some 20% of the population lacks adequate accommodation - the demand for additional properties to be constructed is more virile than ever before.

The country's construction and real estate companies are building as fast as they can to meet demand and help alleviate the housing deficit concern. Money that has been pouring in from foreign investment - around \$4.8 billion since September 2005 - has been used by the organisations to start work on new housing projects.

With a large proportion of Brazil's 190 million residents showing an increasing interest in buying property, the current introduction of new mortgage laws and the growth in property development should make home ownership a more likely option for an ever increasing proportion of the population.

**The Secondary Mortgage Market**

The emergence of a secondary mortgage market marked a turning point in the long term development of a viable housing environment in Brazil. The country currently has very low levels of residential and commercial mortgage debt and traditionally, primary mortgage lending had been limited to directed (and often subsidized) loans from public agencies and private savings institutions.

The secondary mortgage market - introduced by law 9514 in 1997 - is still in its infancy stage. New regulations are aimed at encouraging the involvement of the private sector in mortgage lending, promoting institutions that would support a secondary mortgage market, and reforming public agencies involved in mortgage lending, with the explicit objective of broadening access to housing to the middle and lower middle class.

### Favourable Interest Rates

Interest rates in Brazil have tumbled, falling from 25 percent in 2003 to 11.5 percent in 2007, thanks to a huge trade surplus and account balance from a raw material export-driven economy.

Some banks are forecasting that standard lending rates will fall to 9.25 percent by the end of 2008. Both the minimum wage and workers' salaries are rising at levels that exceed the cost of living - allowing employees more disposable income - leaving households with more money for housing costs, something that can only serve to invigorate more interest in Brazil's property market.

### Conclusion

So, with interest rates likely to decline even further, the need for additional housing being addressed and the modernization of the mortgage process making it easier for more people to obtain their own homes, Brazil's residential real estate market seems set for a vibrant and confident future.

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### Notes to editors:

1. TheMoveChannel.com is the leading independent property website for international property, with more than 65,000 listings in over 100 countries around the world, marketed on behalf of agents, developers and private owners.
2. TheMoveChannel.com was founded in 1999.
3. The website address is [www.TheMoveChannel.com](http://www.TheMoveChannel.com)
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