



The Brazilian Real Estate Finance and Securitization Markets

SPECIAL REPORT





TABLE OF CONTENTS

I. Glossary of Terms	06
II. Brazilian Real Estate Finance	09
A. Overview	09
i. Historic Background	09
ii. The Brazilian Housing Deficit	10
B. Brazilian Household Finance System	14
i. Description, Objectives and Brief History	14
ii. System Liabilities	17
iii. System Assets	21
iii.a Delinquency Rates	23
C. The Brazilian Real Estate Finance System	27
i. Description and Comparison to SFH	27
ii. Liabilities	28
iii. Assets	31
iii.a Delinquency Rates	36
III. Brazilian Real Estate Securitization Market	37
A. Overview	37
B. Regulatory and Legal Framework	38
C. Analysis of Credit Origination	40
i. Residential Credits – Credit to Individuals	41
ii. Corporate Credits – Credit to Corporations	43
D. Analysis of Transaction Structure	44
i. Residential Credits	44
i.a The senior-subordinated structure	45
i.b The overcollateral structure	46
ii. Corporate Credits	47
ii.a The build-to-suit structure	47
ii.b The sale and lease-back structure	48
E. Market Participants	49
i. Securitization Companies	49
i.a Brazilian Securities (BS)	50
i.b Rio Bravo (RB)	51
i.c Altere	52
i.d Cibrasec	53
i.e Walter Torre Group (WT)	53
ii. Investors	54
ii.a International Investors	54
ii.b Local Investors	56
IV. Current Trends and Future Developments	58
A. Converging Real Estate Finance Systems	58
B. The Federal Government Role	60
C. Primary and Secondary Market Development	62
D. New Financial Techniques and Products	63
E. Conclusion	64



TABLES

Table 1: Evolution of the Housing Deficit (1993 – 2004)	11
Table 2: Relative Housing Deficit (1993 – 2004)	12
Table 3: Housing Deficit: Total and Relative	13
Table 4: SFH – Governing Laws and Regulations	16
Table 5: Directed Investments of Savings Deposit Resources	21
Table 6: SBPE Funded SFH Loans by Region (R\$ thousands)	23
Table 7: Capital Structure of Selected Construction Companies	31
Table 8: Selected Commercial Bank SFI Lending Ranges	32
Table 9: Selected Commercial Bank Required Income Ranges for SFI Loans	33
Table 10: Selected Commercial Bank Financial Data (as of December 31, 2005)	33
Table 11: Selected Construction Company Real Estate Portfolios	35
Table 12: Company Sponsors of Projects Funded through Securitization	43
Table 13: CRI Investors by Type	56
Table 14: CRI Investors by Credit Type	57

CHARTS

Chart 1: SFH – Source of Funds (FGTS/SBPE)	18
Chart 2: Aggregate Savings Accounts	18
Chart 3: SBPE Repass Loans from Government	19
Chart 4: Stock of Mortgage Notes at CETIP	20
Chart 5: Number and Amount of Mortgage Notes Deposited at CETIP	20
Chart 6: SFH – Number of Units by Source of Funding	22
Chart 7: SFH – Number of Units x Annual Inflation Rate (IPC-FIPE)	22
Chart 8: SBPE SFH Loan Contract Payment Status	24
Chart 9: Breakdown of SBPE SFH contracts by Harvest	24
Chart 10: Status of Contracts dated pre-Feb. 1986	25
Chart 11: Status of Contracts dated from Feb. 1986 to July 1993	25
Chart 12: Status of Contracts dated from July 1993 to June 1998	26
Chart 13: Status of Contracts dated after June 1998	26
Chart 14: Stock of Real Estate Notes at CETIP	29
Chart 15: Historic Amount of CRI Issued	37
Chart 16: Historic Cumulative Amount of CRI Issued by Collateral Type	38
Chart 17: Historic Amount of CRI Issued by Collateral Type (in percentage terms)	41
Chart 18: Historic Amount of CRI Issued – Residential Credits	41
Chart 19: Aggregate Residential Credits by Originator Category	42
Chart 20: Aggregate (non-cumulative) Number of C & D Companies	42
Chart 21: Historic Amount of CRI Issued – Commercial Credits	44
Chart 22: Number of Securitization Companies Registered at CVM	49
Chart 23: Securitization Company Market Share	50
Chart 24: Brazilian Securities - Historic Amount Issued (R\$ millions)	51
Chart 25: Rio Bravo - Historic Amount Issued (R\$ millions)	51
Chart 26: Altere - Historic Amount Issued (R\$ millions)	52
Chart 27: Cibrasec - Historic Amount Issued (R\$ millions)	53
Chart 28: Walter Torre Group – Historic Amount Issued (R\$ millions)	54



FIGURES

Figure 1: Schematic Representation of the pre-1986 SFH Framework	14
Figure 2: Senior-Subordinated Structure	45
Figure 3: Overcollateralization Structure	46
Figure 4: "Build-to-Suit" Structure	47
Figure 5: "Sale and Lease-back" Structure	48
Figure 6: Schematic Diagram of SFH and SFI Convergence	59

EXHIBITS

Exhibit 1: Ranking of SBPE Member Institutions by Savings Deposits	66
Exhibit 2: Summary of Terms and Conditions – Mortgage Notes	67
Exhibit 3: Summary of Terms and Conditions – Real Estate Notes	68
Exhibit 4: Summary of Terms and Conditions – Certificates of Real Estate Receivables	70
Exhibit 5: Selected Financial Institutions of SBPE – Financial Highlights	71
Exhibit 6: Altere Securitizadora - Fact Sheet	73
Exhibit 7: Brazilian Securities Securitizadora - Fact Sheet	74
Exhibit 8: CIBRASEC Securitizadora - Fact Sheet	75
Exhibit 9: Rio Bravo Securitizadora - Fact Sheet	76
Exhibit 10: WT Securitizadora - Fact Sheet	77
Exhibit 11: WT TC Securitizadora - Fact Sheet	78
Exhibit 12: WT PIC Securitizadora - Fact Sheet	79
Exhibit 13: WT NSBC Securitizadora - Fact Sheet	80
Exhibit 14 WT CRJ Securitizadora - Fact Sheet	81
Exhibit 15: Financial Data of Selected Real Estate Securitization Companies	82
Exhibit 16: Summary of CRI Issued by Selected Real Estate Securitization Companies	83