

### Company Profile: Acercasa

Acercasa is the only non-bank mortgage originator and servicer in Colombia, providing a variety of mortgage-related financial products and services. Acercasa’s mission is to give Colombians greater access to housing through the origination, management, and sale of a mortgage portfolio, while promoting the development of the capital market. By 2017, Acercasa hopes to be a leader in Colombian mortgage origination through a strategy based on excellent service and specialized consulting. Innovation, transparency, and product quality will drive the company and support the households and capital markets of Colombia, eventually offering services to new markets such as the elderly (as described in this case study).

### The Challenge

In Colombia, most of the elderly population must rely on personal savings or family members to support them financially through their final years. There are limited social support systems and less than 40% of the population has a pension. This leaves few options for an elderly person if their savings or family members cannot support their living expenses at a time when they are unable to produce more income.



### The Sustainability Innovation Grant

In May 2015, Acercasa was awarded a Sustainability Innovation Grant from the technical assistance facility of Menonite Economic Development Associates (MEDA) to implement a new financial product that could serve the growing elderly population. This provided Acercasa the capacity to start a new initiative while MEDA offered the expertise and rigor in tracking the progress of the project. Acercasa’s Board of Directors and the Colombian consulting group, Avantus, identified reverse mortgages as the best opportunity for the company and the local population.

Through Acercasa’s research they discovered that over 70% of the retirement-age population owns their home (see figure below). This gives a retiree the perfect opportunity to utilize an asset they have, to support them in their final years of life and maintain a decent standard of living. There is close to one million senior citizens above the age of 65 who own their own homes in Bogota, Medellin, Cali, and Barranquilla alone which means a large market potential. The new financial product would target elderly populations, including lower income retirees.

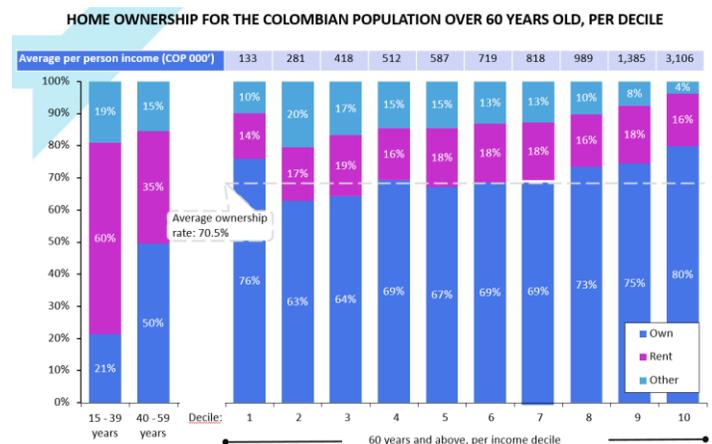
### Successes

#### Completed Legal Framework

Given that Acercasa’s reverse mortgage product will be the first in Colombia, receiving legal advice was key. Acercasa hired a strong team that provided the legal framework for the product, which was not only a necessary and difficult step, but legitimized their initiative to other stakeholders.

#### Increased Employee Skills

The project provided an interesting and challenging opportunity for employees. All employees, such as the employee shown in the photo to the left, were taken out of their comfort zones, focusing on long term strategies.



“It was important for us to always have a short-term strategy. Reverse mortgages have given the company the strategy and planning of long-term initiatives.”

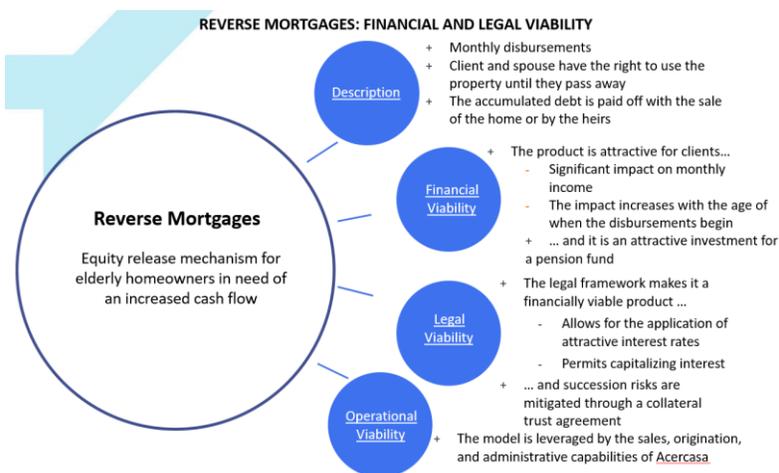
- Fernando Concha Mendoza

### Built the Financial model

In parallel to performing the due diligence on the legal acceptance of this new model, employees of Acercasa spent many hours on the creation of the financial model. A reverse mortgage model can be considered an equity release mechanism for elderly homeowners in need of increased cash flow.

The product will provide monthly disbursements to the client and spouse, with both having the right to use the property until they pass away. The accumulated debt is paid off with the sale of the home or by their client and spouse’s heirs. Therefore, the timeline from when the client purchases this financial product to when the house is sold, could be over ten years. This can have a significant impact on the client’s monthly income, providing stability for their final years.

The investors who finance the product will receive an attractive interest rate that permits the capitalization of interest, with risk mitigated through a collateral trust agreement. Investors must think long term.



## Sustainability

The innovative nature and the social impact of this project has provided Acercasa with positive brand awareness that encourages sustainable growth, contributing further to the local economy and serving populations in need. A potential investor was very impressed by this initiative and is now considering investing in the business. Additionally, this new product provided Acercasa the insight to start strategic longer-term planning. This project has contributed to the Sustainable Development Goals of 'no poverty' and

1 NO POVERTY



8 DECENT WORK AND ECONOMIC GROWTH



## Lessons Learned

### First Movers Timeline

Given that this product is the first in Colombia, it took longer to get new partners on board. MEDA and Acercasa learned that the timeline of this initiative would be closer to 3 years, rather than the originally planned 25 months.

### Funding

Finding an investor for this product is a critical stepping stone to success. However, the avenues to find this financial support were not vetted at the outset of the initiative, which is now Acercasa’s main challenge. Acercasa is still unable to resolve if it would have been better to find an interested investor first or develop the product as they have done. In any case, Acercasa is working to develop strategic alliances with local financial institutions to ensure the successful launch of the product in the local market.

“At Acercasa, the Board of Directors have identified reverse mortgages as an important opportunity for the company while helping the local population.”

