

Housing Finance System and the SDGs

SDG Impact Report
2024



Abbreviations

AHFP	Affordable Housing Finance Program
GDP	Gross Domestic Product
HFC	Housing Finance Company
HFS	Housing Finance System
LLC	Limited Liability Company
MIK	Mongolian Mortgage Corporation
MNT	Mongolian Tugrik
RMBS	Residential Mortgage-Backed Securities
SDG	Sustainable Development Goals
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations International Children's Emergency Fund
WHO	World Health Organization



Housing Finance System and the 2030 Agenda for Sustainable Development

The right to adequate housing holds significant importance among the core principles embraced by the 17 Sustainable Development Goals, and it has long been a priority for Habitat for Humanity and UN-HABITAT¹. The sustainable development of ger areas in Ulaanbaatar, the capital city of Mongolia, is a pressing development concern for the country. These peri-urban informal settlements are home to nearly half of the city's population, yet they face significant challenges related to inadequate access to basic infrastructure and services.

Ger areas are characterized by challenges such as inadequate urban infrastructure, limited access to basic services, overcrowding, growing risks of soil and water contamination, sanitation-related diseases, and socio-economic difficulties, including limited education, healthcare, and job opportunities. Ensuring access to adequate housing for ger area residents is essential, as it guarantees privacy, security, basic infrastructure (e.g., heating, water supply), sanitation facilities, and a suitable environmental quality that promotes good health. Moreover, accessibility to essential social facilities like workplaces, hospitals, schools, and public transportation is crucial for these communities (Habitat, page 6).

This impact report aimed to evaluate how the AHFP², directly and indirectly, contributes to several SDGs. The analysis draws on the 2021 "Housing and SDG booklet" published by Habitat for Humanity to analyze and measure the transformative impacts of housing. As a housing finance company, MIK HFC LLC plays a critical role in promoting the health of the housing market by purchasing government-subsidized mortgage loans without recourse terms from originating banks for the securitization of RMBS. By the end of 2024, 37.5% of MIK's loan portfolio consists of loans provided to households that have moved from ger areas to apartments. This indicates that MIK actively works to provide lending solutions to various household types,

including those residing in ger areas, with the aim of improving overall living conditions and quality of life. This effort has a systemic impact on the community and society by promoting urban development, reducing poverty and social inequality, improving public health and safety, addressing the needs of different households, and contributing to a more equitable and stable housing market.

The housing finance system alone cannot achieve all these SDGs, but it can be a powerful tool for supporting progress toward them. Some key SDGs include:

SDG 11: Sustainable Cities and Communities - A well-functioning HFS can help to increase access to housing for low- and middle-income households, thereby contributing to making cities and human settlements inclusive, safe, resilient, and sustainable.

SDG 1: No Poverty - A well-functioning HFS can help to reduce poverty by providing access to affordable housing for low-income households. This can also improve the overall quality of life for these households, which can contribute to the reduction of poverty.

SDG 8: Decent Work and Economic Growth - A well-functioning HFS can support economic growth by providing funding for the construction and development of housing, which in turn creates jobs and supports economic growth.

SDG 3: Good Health and Well-being - Access to affordable, safe, and healthy housing can contribute to the goal of good health and well-being by providing a stable and safe environment for households to live in.

¹ www.habitat.org. (n.d.). Retrieved January 25, 2023, from <https://www.habitat.org/sites/default/files/documents/Housing-and-Sustainable-Development-Goals.pdf>

² AHFP was launched in 2013 as a part of quasi-fiscal operations implemented by the government and Bank of Mongolia (BOM) that provide a mortgage interest rate subsidy to individuals with the aim of reducing Ulaanbaatar's soil contamination and air pollution through the development of the housing sector and support young couples with low-income



Figure 1 : How Housing supports the SDGs, HABITAT FOR HUMANITY

In the realm of sustainable development, housing plays a pivotal role in fostering inclusive communities and achieving multiple SDGs. The comprehensive report by Habitat for Humanity, in collaboration with the United Nations, highlights the transformative power of housing, showcasing its profound impact on 14 different SDGs that encompass a wide range of social, economic, and environmental dimensions. **However, as a housing finance company, our own assesment indicates alignment with and contribution to the 12 SDGs.**

Among these SDGs, our company has recognized **SDG 11: Sustainable Cities and Communities as our priority**. We firmly believe in the strategic significance of housing finance in driving positive change across multiple dimensions of sustainable development. By focusing on SDG 11, we aim to make a tangible difference in the lives of individuals and communities by addressing pressing housing challenges and fostering sustainable outcomes.

Through our dedicated efforts and initiatives, we actively contribute to SDG 11 while also making positive contributions to other relevant SDGs. Our aim is to create inclusive and sustainable communities, improve access to affordable housing, enhance infrastructure and services, and promote environmental sustainability.

As we delve into each of the 12 SDGs that our company supports, the following pages will provide in-depth insights into our initiatives, accomplishments, and the development impacts we have made within these spheres of sustainable development³.

³ Note: While the internal data provided in this report are as of December 31, 2024, and specifically pertain to the portfolio of loans provided through the AHFP, ensuring a focused assessment of our contributions to sustainable development within this program, we have also utilized external research and references to enhance the analysis. It is important to note that the external data, such as ger district information and other relevant sources, may have varying dates, as we made every effort to utilize the most recent and reliable data available at the time of research.

Housing is an integral component of seven Sustainable Development Goals (SDGs). As a housing finance company, MIK actively contributes to each of these goals, recognizing the profound impact that adequate and affordable housing has on sustainable development.



Sustainable Cities and Communities

Potential Impact	Where We Are	Who is Impacted ⁴	Key SDG Sub-Targets
<ul style="list-style-type: none"> Enables homeownership and fosters an inclusive, growing, and sustainable housing market in Mongolia. Supports urbanization as MIK encourages housing affordability, access to home loans, and overall transition to formal housing. Boosts housing finance by establishing a self-sustaining funding cycle through mortgage repayments. 	<ul style="list-style-type: none"> MIK has purchased loans totaling 6.9 trillion MNT to 115,346 borrowers under the affordable housing finance program that has been in place since 2013. Access to affordable housing has substantially improved: <ul style="list-style-type: none"> 73.8% of borrowers got apartments up to 60 sq.m. 79.8% of borrowers pay their loans only with salary income. Average monthly payment is 550,000 MNT. In cooperation with the Bank of Mongolia and the Government, several measures were implemented to improve access to housing for specific target groups. Some of these measures include: <ul style="list-style-type: none"> In 2014, herders were included in the program In 2016, the program was directed towards low-to-middle-income households and the loan term was extended from 240 to 360 months. In 2017, it was ensured that borrowers who received a loan through the program would not be eligible for re-enrollment. In 2020, in response to the negative impact of Covid-19, the interest rate was reduced to 6% per annum. In 2022, in response to rising housing prices, the maximum mortgage loan amount in Ulaanbaatar was increased. In 2022, regulatory updates were implemented to include provisions for obtaining loans from the credit guarantee fund 		11.1

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for mortgage down payments. This means that individuals can now access funds from the credit guarantee fund to make prepayments on their mortgage loans.

- In 2023, in response to rising housing prices, the maximum mortgage loan amount in rural areas was increased.
- In 2023, regulatory updates allowed individuals to obtain guarantees from private insurers, reducing the required down payment.



No Poverty

Potential Impact	Where We Are	Who is Impacted ⁵	Key SDG Sub-Targets
<ul style="list-style-type: none"> Increases accessibility to housing, and the economic resources they generate, promoting sustainability. Builds resilience and reduces vulnerability to economic, social, health, and climate-related disasters. 	<ul style="list-style-type: none"> Due to migration, in 2013, 40.8% of Ulaanbaatar's 333,000 households lived in apartments and 59.2% lived in ger areas, while in 2023, 56.0% of Ulaanbaatar's 465,000 households lived in apartments and 44.0% lived in ger areas. To date, MIK purchased 43,287 loans that were provided to households relocating from ger-areas to formal housing. Relocating to formal housing enhances household resilience and reduces vulnerability to social, health and climate-related risks by providing improved infrastructure, better access to services, safer living conditions, and greater economic security. 		1.4 1.5

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Good Health and Well-being

Potential Impact	Where We Are	Who is Impacted ⁶	Key SDG Sub-Targets
<ul style="list-style-type: none"> Reduces vulnerability to respiratory infections and diseases related to water and sanitation, poor ventilation, overcrowding, air, and soil pollution. 	<ul style="list-style-type: none"> Soil pollution: An estimated 88% of Ulaanbaatar's soil is polluted, with 11% classified as severely polluted. In ger areas, soils are contaminated with disease-causing pathogens such as salmonella—indicative of inadequate sanitation. Waterborne diseases are also commonly reported in these areas. Air pollution: In winter, air quality indicators exceed the WHO's estimated safe level by up to 27 times⁷. The use of raw coal by the residents of the community accounts for about 80% of air pollution in the cold winter. Coal burning can cause carbon monoxide poisoning and produce soot and particulate matter, which can be harmful to human health. Soot can cause respiratory problems such as asthma, bronchitis, and lung cancer. Particulate matter can also cause respiratory problems and can aggravate existing conditions such as heart disease. Studies have shown that children living in heavily polluted areas of central Ulaanbaatar have 40% lower lung function than those living in rural areas. (UNICEF). 43,287 households that were previously residing in ger areas have successfully transitioned to improved housing, leading to a significant enhancement in their quality of life and a reduction in risks associated with various diseases. 		3.9

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⁷ Environment & air pollution. (n.d.). Retrieved January 25, 2023, from <https://www.unicef.org/mongolia/environment-air-pollution>



Gender Equality

Potential Impact	Where We Are	Who is Impacted ⁸	Key SDG Sub-Targets
<ul style="list-style-type: none"> Promotes equal access to housing rights. 	<ul style="list-style-type: none"> Of the total portfolio, 64,113 loans (55.6%) were provided to male principal borrowers, while 51,233 loans (44.4%) were provided to female principal borrowers. 		5a



Clean Water and Sanitation

Potential Impact	Where We Are	Who is Impacted	Key SDG Sub-Targets
<ul style="list-style-type: none"> Enables access to clean water and sanitation. 	<ul style="list-style-type: none"> Water supply: Less than 1% of the total population in the ger district has a private connection to water distribution networks. Ger residents purchase water at public water kiosks which on average, each must travel 500 meters to meet their drinking water needs. Sanitation: 95% of households in ger areas rely on pit latrines, most of which lack proper ventilation⁹. 43,287 households that previously lived in ger areas now have access to clean water and sanitation. This positive development significantly improves living conditions and enhances the overall health of individuals in these households. 		6.1 6.2

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⁹ Adbheadhoncho. (2022, November 22). 49113-001: Managing soil pollution in GER areas through improved on-site Sanitation Project. Retrieved January 25, 2023, from <https://www.adb.org/projects/49113-001/main>



Affordable and Clean Energy

Potential Impact	Where We Are	Who is Impacted ¹⁰	Key SDG Sub-Targets
<ul style="list-style-type: none">• Enables access to clean and safe energy.• Facilitates a transition away from coal use and coal-based indoor air pollution.	<ul style="list-style-type: none">• According to a UNDP report from 2016, an estimated 80% of ger households in Ulaanbaatar city, the capital of Mongolia, rely on burning coal as their primary source of heating¹¹.• Burning coal for heating can pose several safety risks, including fire hazards since it produces a significant amount of heat and can be a fire hazard if not handled properly. Coal stoves and fireplaces can become clogged with ash, which can lead to a buildup of heat and a potential fire.• Explosion hazards: Coal dust and gas can build up in a confined space and can be explosive if ignited. This poses be major safety risk, particularly in mines and other industrial settings where coal is used.• The use of traditional heating methods can lead to indoor air pollution and health problems, particularly for vulnerable populations such as children and the elderly. 43,287 households that previously lived in ger areas have now been ensured access to clean and safe energy. This is a positive development impact that can greatly improve living conditions and reduce overall health and hazard risks of the individuals in those households.		7.1


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¹¹ United Nations Development Programme. (n.d.). Retrieved January 25, 2023, from <https://www.undp.org/sites/g/files/zskgke326/files/2022-07/DSA%20Julio%202022.PDF>



Climate Action

Potential Impact	Where We Are	Who is Impacted	Key SDG Sub-Targets
<ul style="list-style-type: none">• Strengthens resilience and adaptive capacity to climate-related disasters and extreme weather conditions.• Advances climate goals through a transition to formal housing, reducing air and water contamination.	<ul style="list-style-type: none">• Around 25% of homes in Ulaanbaatar's ger areas are on steep and/or rocky slopes, making residents more vulnerable to natural disasters and extreme weather events, and moving to apartments can greatly reduce this risk¹².• Promoting a transition away from gers with diesel-soaked bricks and coal for heating contributes to reducing air pollution (indoor and ambient PM 2.5) as well as environmental pollution in Ulaanbaatar.		13.1

¹² Adbheadhoncho. (2022, November 22). 49113-001: Managing soil pollution in GER areas through improved on-site Sanitation Project. Retrieved January 25, 2023, from <https://www.adb.org/projects/49113-001/main>


The housing finance system directly contributes to the following 4 SDGs.






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DECENT WORK AND ECONOMIC GROWTH

Decent Work and Economic Growth

Potential Impact	Where We Are	Who is Impacted ¹³	Key SDG Sub-Targets
<ul style="list-style-type: none"> Increases liquidity in the banking sector. Drives economic growth via the development of a robust secondary mortgage market and generating broader multiplier effect across the economy. Supports economic growth by creating jobs in the construction and real estate sector, while also driving additional demand for materials and services related to real estate development. Creates better economic opportunities by enabling households to allocate more time for potential income-generating activities. 	<ul style="list-style-type: none"> As a result of the affordable housing finance program: <ul style="list-style-type: none"> The loan interest rate decreased from 20% to 7.31%, the term of the loan increased from 7.5 years to 30 years, and the monthly repayment decreased from 2.15 million ₮ to 550 thousand ₮. The characteristics of mortgage loans issued by the bank with its own resources have changed to a lower interest rate of 15.5 percent and a longer loan term of 15.5 years. As of 2024, companies and enterprises in Mongolia's domestic construction sector have completed construction and overhaul maintenance worth 8.1 trillion MNT, indicating a significant increase in the economic turnover of the construction sector since 2012. This suggests that the affordable housing program has had a positive impact on the construction sector in Mongolia, leading to increased construction activity and economic growth. Nationwide, between 2003 and 2013, an average of 7,000 apartments were built annually. As of 2024, this figure has risen to 19,790 per year, reflecting significant growth in the construction sector and increased housing demand. From 2014 to 2024, a total of 208,000 family apartments have been commissioned, indicating a substantial expansion in housing supply across the country. During the implementation of the program, the GDP of the construction industry grew by 166%, while the real estate sector 		8.1 8.10

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experienced a 218% increase, reaching 3.7 trillion MNT. These figures indicate that the program has had a positive impact on both sectors, driving increased economic activity, employment opportunities, and broader economic development in Mongolia.

- During the COVID-19 pandemic, MIK played a vital role in maintaining financial stability and protecting households by facilitating loan repayment deferrals in coordination with the Bank of Mongolia (BoM) and the Government of Mongolia (GoM). A total of 10.1 trillion MNT across 190,502 mortgage accounts were deferred five times, with adjusted repayment schedules. This proactive measure eased borrowers' financial burdens, helped avoid defaults, and supported economic resilience by maintaining confidence in the housing finance system during a time of uncertainty.



Reduced Inequalities

Potential Impact	Where We Are	Who is Impacted ¹⁴	Key SDG Sub-Targets
<ul style="list-style-type: none"> • Supports access to capital for mortgages and loans for underserved demographic groups. 	<ul style="list-style-type: none"> • Households' living environment determines their position and power in society in terms of social, economic, and political participation. The income of households in ger areas are lower than households living in formal housing in Ulaanbaatar. More than 50% of all households in this demographic group cannot meet their basic financial needs and therefore cannot create savings. Therefore, expanding access to mortgage loans and housing opportunities has a direct impact on reducing social inequality. 		10.2

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Peace, Justice, and Strong Institutions

Potential Impact	Where We Are	Who is Impacted	Key SDG Sub-Targets
<ul style="list-style-type: none"> Slum upgrading may contribute to the reduction of violence and other criminal activities. 	<ul style="list-style-type: none"> Majority of ger district residents are low-income and are further disadvantaged by very poor access to markets, workplaces, education, and other services. Also, other factors such as lack of street lighting, and lack of supervised leisure activities are often cited as the main factors contributing to juvenile crime¹⁵. Overall, ger areas pose a higher risk of crime and violence. The improved living conditions and infrastructure in these areas may lead to a safer environment for residents and potentially reduce criminal activities. Households relocated to formal housing benefit from enhanced security and greater stability. 		16.1



Partnerships for the Goals

Potential Impact	Where We Are	Who is Impacted ¹⁶	Key SDG Sub-Targets
<ul style="list-style-type: none"> Inclusive people-public-private partnerships, through housing-focused initiatives, can ensure sustainable and resilient cities. 	<ul style="list-style-type: none"> MIK has purchased loans totaling 6.9 trillion MNT to 115,346 borrowers under the affordable housing finance program that has been in place since 2013. 		17.17

¹⁵ Kamata, T. (n.d.). Mongolia - enhancing policies and practices for Ger Area Development in Ulaanbaatar. Retrieved January 25, 2023, from <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/277981468062652849/mongolia-enhancing-policies-and-practices-for-ger-area-development-in-ulaanbaatar>

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The housing finance system indirectly contributes to the following SDG.



Potential Impact	Where We Are	Who is Impacted ¹⁷	Key SDG Sub-Targets
<ul style="list-style-type: none"> Fosters adequate living conditions to enable access to education. 	<ul style="list-style-type: none"> Residents of ger areas have lower educational attainment compared to those living in apartment areas. This correlation between income and educational levels is clear. In ger areas, 37% of residents have completed secondary school, 14% of children have finished primary school, and 14.5% have dropped out of secondary school. In contrast, almost half of the students in apartment areas have advanced past secondary school and are pursuing vocational training or college education¹⁸. The development impacts of housing on education can be significant. Favorable living conditions increase opportunities to acquire education and improve educational outcomes. Increased housing affordability and access to credit increase investment in education. 		4.1 4.2

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¹⁸ Kamata, T. (n.d.). Mongolia - enhancing policies and practices for Ger Area Development in Ulaanbaatar. Retrieved January 25, 2023, from <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/277981468062652849/mongolia-enhancing-policies-and-practices-for-ger-area-development-in-ulaanbaatar>

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