



## CASE STUDY

# Housing Bonds Spur Investors

### Jordan's first long-term housing bond boosts a culture of investment



Photo: Simon Balian

Ibrahim Daher is the managing director of the Jordan Mortgage Refinance Corporation.

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### Challenge

In 1998, USAID began helping Jordan upgrade its financial industry to encourage both domestic and international investment. The initiative involved modernizing market infrastructure, training financial advisors and promoting Jordan's capital markets to institutional investors. Among the Jordanian public, however, the culture of investment was weak, and most investment options were either too costly or too risky for the individual investor. At the same time, Jordan's growing population and the high value Jordanians place on home ownership created a large potential market for mortgages. But without a reliable source of capital, banks could only offer mortgages at unfixed interest rates, making them unattractive for would-be homeowners.

### Initiative

In 2002, USAID partnered with the Jordan Mortgage Refinance Company to create the country's first long-term housing bond. As a reliable funding source, a bond would allow banks to issue fixed-rate mortgage loans, and as a low-risk investment, it would attract individual and first-time investors. As the first of its kind ever issued in Jordan, it needed to be structured and marketed carefully to generate enough interest. Seeking to sell a third of the bonds to the general public, USAID helped design the bond, develop a marketing plan, draft a prospectus and select an issuing manager, Jordan National Bank.

### Results

In May 2004, the \$7-million, five-year housing bond was issued with a nominal value of about \$1,400 — far more affordable for the retail investor than the \$140,000 value of previous issues. It was advertised in newspapers and in branches of Jordan National Bank. The public bought 95 percent of the bonds marketed to it — a remarkable response demonstrating the growth of an investment culture in Jordan that benefits more than just investors. “A strong long-term bond market is good news for home-buyers,” says Ibrahim Daher, managing director of the Jordan Mortgage Refinance Company. “With access to more long-term funding sources, banks can offer more mortgages, and at fixed interest rates. It brings people closer to realizing their dreams of owning their own home.”