



MCC is Increasing Access to Credit Through a Movable Property Registry in Honduras

In many countries, including Honduras, accessing credit is a challenge for those who do not own real property or other real estate assets that banks often require as collateral. Now, thanks to enactment of the Secured Transactions Law—the first of its kind in the region—Honduran businesses, entrepreneurs, farmers and other individuals can use “movable property” like equipment, shop inventory, future crops, tractors, supply contracts, sewing machines, accounts receivable, and other non-real property as collateral when applying for credit.

Secured Transactions Reforms Expand Access to Opportunities

The Secured Transactions Law and the subsequent implementation of a movable property registry system were passed as part of reforms called for in the Millennium Challenge Corporation (MCC) Compact with Honduras. The new movable property system is linked to an existing land registry system that holds information on real estate and mortgages, which expands the pool of collateral available to borrowers and makes it easier for bankers to collect on loans.

Borrowers and lenders also stand to benefit from greater financial security. Borrowers will experience an increase in credit availability and better terms, while lenders will face less risk: Under the new system, collateral is diversified and lenders are able to verify and recover pledged collateral.

The new registry began operations in January 2011 and is managed by the Chamber of Commerce and Industry in Tegucigalpa, the nation’s capital. Registry users, including retailers, banks, and microfinance and other financial institutions, are now able to securitize credit with both tangible and intangible movable property. The low cost to register property—200 Honduran lempiras, or 10 U.S. dollars—is expected to encourage user participation and lead to a financially sustainable system.



The Tegucigalpa Camara de Comercio e Industria (Chamber of Commerce and Industry) manages Honduras’ new movable property registry, through which Hondurans can use non-land and non-real property as collateral when applying for credit.

Honduran Reforms Serve as Model, Could Spur Regional Investments

A nearly-finalized version of this registry was presented to a group of public and private sector representatives from Costa Rica, the Dominican Republic, El Salvador, Guatemala and Panama in October 2010 as part of a secured transactions study tour arranged by the U.S. Department of State. These countries agreed that the Secured Transactions Law enacted in Honduras should serve as the model for the region. The Honduran registry was also showcased at the World Bank's FinNet conference in October 2010, where it was praised as a model for developing nations, and at a meeting to advance secured transactions initiatives in the Caribbean in December 2010.

A regional marketplace, both in Central America and in the Caribbean, is required to attract large-scale lending and investment. Such a marketplace requires a legal, regulatory, and registry framework that is essentially uniform throughout the region so that lenders, borrowers and collateral can move from one jurisdiction to another without fear of lack of enforcement. Bankers are sensitive to this need, and have assured multiple governments in the Americas that if bankers could rely on a uniform law and registry system, major capital flows will become available to small and medium-sized businesses in the participating countries at reasonable rates of interest.



An employee of the Tegucigalpa Chamber of Commerce and Industry files an application submitted to the new movable property registry.

MCC Believes Policy Matters

To achieve a full and lasting impact, MCC's investments cannot occur in isolation. That is why MCC looks closely at the environment in which investments are being made, and plans reforms to existing policies that may limit the investment's impact and sustainability. These reforms are necessary to unlock the full potential of MCC programs and are designed to help improve the broader conditions for sustainable growth and investment. In the case of secured transactions reforms in Honduras, a relatively small investment of less than \$2 million is having a significant ripple effect: reforming the Honduran credit sector, increasing opportunities, and serving as a model for economic policy reform in the region.

For more information on the MCC Compact in Honduras, visit www.mcc.gov/honduras.