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Public banking, social security and access to house financing in Ecuador

Banca pública, seguridad social y acceso a financiamiento de vivienda en Ecuador

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Abstract
Social Security in Ecuador is not universal. The Ecuadorian Social Security Bank (Biess) was legally established in 2009, and began to operate formally one year later. The Biess uses social security resources to offer housing mortgages to its members: obtaining financial returns up to three percentage points higher, while at the same time offering more benefits to its affiliates. Loans are insured through income and asset guarantees.
The policy boosted housing construction, increased liquidity in the real economy and reduced interest rates on housing loans by 2.2 percentage points, as direct provision by Biess produced more competition and social security affiliates were able transfer their privately financed mortgages to the Biess. House ownership among social security affiliates increased by almost four points between 2007 and 2018. The households who most changed their participation from owning their own homes were located in quintiles 2 and 3.
The presence of the Biess and its portfolio purchases modified financial regulation in the housing sector. This article takes stock of the results of direct provision by means of a public operator as an alternative form of financial regulation and of interest rates in particular.

Keywords
Housing finance, social security, alternative financial regulation, finance, financial policy, economic policy, direct provision.

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Resumen

En el Ecuador, la seguridad social no es universal. El Banco de la Seguridad Social (Biess) se creó en 2009 y entró a operar formalmente un año después. Este Banco utiliza recursos de las reservas de la seguridad social para otorgar, entre otros, créditos hipotecarios para la vivienda de los afiliados. De esta forma, las reservas obtenían un mejor rendimiento que los obtenidos en títulos valores de hasta tres puntos y se otorgaban más beneficios a los cotizantes.

Esta política impulsó la construcción inmobiliaria en el país, incrementó la liquidez en la economía real y redujo las tasas de interés en el crédito de vivienda en 2,22 puntos porcentuales debido a que la provisión directa por parte del Biess generó mayor competencia y además los cotizantes podían pasar su crédito privado al banco de los afiliados. La vivienda propia entre los afiliados de la seguridad social aumentó en casi cuatro puntos entre el 2007 y el 2018. Los hogares con personas afiliadas que más cambiaron su participación en la tenencia de vivienda propia fueron los quintiles 2 y 3.

La presencia del Biess y la compra de cartera modificó la operación crediticia en todo el segmento de vivienda. Este artículo realiza un balance de los resultados de la provisión directa a través de un operador público como forma alternativa de regulación financiera y a la tasa de interés en particular.

Palabras clave

Financiamiento de la vivienda, seguridad social, regulación financiera alternativa, finanzas, política financiera, política económica, provisión directa.

Introduction

Social security systems represent huge resources whose well-channeled investment can serve redistributive, economic and social purposes. After the global crisis of 2008, the fragility of the financial systems and the need for their regulation became evident.

Although the presence of public operators in the financial markets had been the subject of controversy, it remains clear that it improves the efficiency of private banking and can reduce the procyclity of credit (Micco, Panizza, & Levy, 2007).

Ecuador in the first years of dollarization, maintained an economic policy of non-intervention in the markets. Within that framework, the country in

2007 takes up the planning processes that were discredited since the 1990s and builds a first development plan for the 2007-2010 period (Senplades, 2007) and after the Constitution has been approved, by means of a referendum, stablished another plan for the period 2009-2013. The two plans include objective 11 "Establish a social, solidary and sustainable economic system" (Senplades, 2007, p. 254; 2009, p. 329) and in the second Plan, policy 11.13 "Promote savings and national investment, consolidating the financial system as a public order service, with adequate functioning and complementarity between its public, private and popular solidary sectors " (2009, p. 339) to which the first institutional strategic plan of Biess was directly articulated (Biess, 2011, p. 3) and more referentially in the second (Biess, 2017, p. 3).

In the new Constitution (Assembly, 2008, pp. 38-39) social security appears as a fundamental right and duty of the State, article 34 defines that it is guided by the principles of solidarity and universality.

Esping-Andersen (1990 cited in Cichon et al., 2006, p. 167), classifies regimes of welfare states into three, liberal, conservative or corporatist and social democratic. Both the liberal and the social democratic offer universal coverage while the conservative does so only to employed persons. Ecuador would be in the second type of welfare regime and the Constitution proposes to go to the third. This article is part of a broader investigation and begins with a study of some Biess' results based on the available information that will be detailed later. The use of their reserves is key for their role in the economy.

The Constitution also established in article 372 (2008, p. 211) that social security investments will be conducted through a financial institution whose owner will be the IESS to "generate employment and added value" (2008, p. 253).

Consequently, in May 2009, a few months after the global economic crisis, in Ecuador the Law on the creation of the Social Security Bank (Biess) or Bank of the Affiliates (DNTI, 2009) is approved as a public financial institution that can perform investment banking operations and offer the following specific financial services, including mortgage loans to its affiliates and "rediscount operations of the mortgage portfolio of financial institutions [IFI's]" (2009, p. 2).

The creation of Biess was part of the new financial architecture (Senplades, 2009, p. 78) without an explicit regulatory role. However, after almost ten years, there is no research regarding the role it played in the financial market because it was not expected to work as an alternative financial regulation device.

Within this framework, this article seeks to cover this flaw and it is hypothesized that the presence of Biess in the financial system introduced an alternative form of regulation that reduced the interest rate of the mortgage segment and increased the percentage of households with their own homes in the country.

The article is organized in five sections, the first, in which we find ourselves, which introduces the theme and the legal framework for creating the new institutionality. The second, which performs a state of the art about Biess, describes the theoretical framework and used methodology. The results are presented in the third section. In the fourth, this form of alternative regulation in the financial system is discussed. In the fifth and last section, the conclusions are presented.

Theoretical framework and methodology

As introduced in the previous section, the emergence of a new public financial institution in Ecuador by constitutional mandate generated a change in the national financial spectrum through the composition of the mortgage market, the effective interest rate and access to the house ownership.

There is some research on Biess, one from Carrillo (2013) on the influence of mortgage loans with social security resources in construction in the period 2008-2012, finding causality at 90% between loans and the projection of buildings in m2 (2013, p. 110). Ordonez (2015) uses the same time period to perform a time series analysis of construction permits and concludes that without the presence of Biess, construction would have been more dynamic without determining causation and without denying the "contribution of BIESS to growth of the real estate sector" (2015, p. 95). Serrano Cueva and Naranjo Peñaherrera (2014) chronicle the creation of Biess and its management from 2009 to 2014.

Deere and Catanzarite (2017) analyze the relationship between credit sources and their purpose as a means to perpetuate inequality in Ecuador. This study is carried out for 2010 based on a specific survey and it is concluded that the credit system reproduces conditions of inequality and considers Biess as the largest public bank in loans to individuals (2017, p. 124).

On the other hand, CAF in a report prepared by Sanguinetti et al. (2011) following the role that public banks played in the global economic crisis, discuss the elements that justify their intervention and some factors that could define their success. It emphasizes the institutions of development banking which is the category to which Biess belongs, as well as, corporate governance as a success factor.

After almost ten years of the implementation of Biess, it is possible to carry out an analysis of some results in the mortgage segment where the institution acted in two ways, as a direct operator and through rediscount operations in the purchase of portfolio to private IFIs. However, rather than talking about the Biess as institution, the objective of the article is to investigate alternative forms of regulation based on this Ecuadorian experience with a direct operator with resources from social security reserves.

This article represents, in the words of Stiglitz (2000, p. 107), a positive investigation of the consequences of this policy. The mechanisms of public intervention according to Subirats, Knoepfel, Larrue, and Varonne (2008, pp. 158-159) are grouped into four main ways: regulatory, incentive, persuasive, as well as direct provision. By regulatory means, it is sought to generate behavior changes in the target groups, this path includes obligations or prohibitions subject to sanctions in case of non-compliance. The incentive path raises a more indirect intervention that operates through transfers to influence the behavior of the target groups through taxes or subsidies (2008, p. 158). The persuasive path seeks to convince the target groups to adopt a behavior in the sense that the policy pursues. While the direct provision shows and induces the expected behavior of the target groups (2008, p. 159).

In the regulatory path in the financial sector there are several ways to regulate a market, through administrative acts that define general guidelines or specific parameters for the quality of the offered services, the adoption of a set of international regulations such as the Basel Agreements that mark some measures of leverage, liquidity and capital, among others, or establishing maximum prices that guarantee a “fair” rate of return. If these rules are not met, control by the supervisory bodies is required. This implies having human resources that possess the skills to cope with the abilities of the regulated. Despite being the most common regulation, in practice it is not expedient and effective in detecting or preventing malicious behavior, since the moment rules are created, the institutions under control already begin to study how regulations can be avoided.

In economic terms, an alternative and less common form of intervention is through direct provision with one or more public operators that in turn influence the market and stimulate competition. Obviously, the public operator (s) must change the prevailing behavior in the market, otherwise they would become one more and the conditions of that market, in this case the financial one, would not change.

In the case of Biess, it has a long-term funding, that is, it counts with technical reserves that must be returned in an extended period, which creates ideal conditions for the granting of a long-term loans such as mortgages.

The principles on which the investment of social protection reserves should be based are security, performance and economic and social utility (Cichon et al., 2006). Security is indispensable in the management of third-party resources, avoiding speculative elements (2006, pp. 460-461). In terms of performance, "the benefit offered should govern the choice of comparable assets in which to invest the social security reserves" especially for technical reserves (2006, p. 461).

Regarding the third principle, it is recalled that:

> Pension funds (...) can contribute to promoting national production, since, unlike other investors, they have at their disposal not only a large volume, but also a long-term horizon for their investment. If these means are used strategically, they can help ensure a high-income base of the economy. (2006, p. 461)

The objective in the use of reserves is to find a fair balance between maximizing yield and minimizing risk, optimizing the time horizon between the two (2006, p. 462).

The methodology of this article is explanatory and inferential, which is valid for a scarcely studied subject (Hernández Sampieri, Fernández Collado, & Baptista Lucio, 2010, p. 97). The research instruments will be the employment surveys of the National Institute of Statistics and Census (INEC), the supply and demand of credit of the Central Bank of Ecuador (ECB), as well as the portfolio records and interest rates of the same institution. The limitation is in some gaps in the Biess information series.

It is necessary to clarify that the article will make comparisons with private banks but always taking into account that the objectives pursued by each one are different; the private one seeks financial profitability and the public or development one, does not omit it, but prioritizes social profitability, by example, with access to housing.

Results

In 2009, the Ecuadorian economy was affected by the global economic crisis and, therefore, private banks restricted their supply of credit by maintaining procyclical behaviors in the low phase of the economic cycle (Allen & Saunders, 2004), while public banks Increased credit options. Biess started operating in October 2010 but IESS had already started its lending activity a few months before. These two events increased competition in the banking sector and generated concern in private IFIs (2013, pp. 95-96). The concerns came from the long-term funding of Biess, as well as the fact that it was going to stop buying financial papers.

The fundamental advantage of breaking into direct placements and not just being a second-floor bank is that Biess could obtain greater profitability than it had with the purchase of private and public papers in the stock market and, in addition, it can charge fees more easily in discounts on paroles for the repayment of such placements.

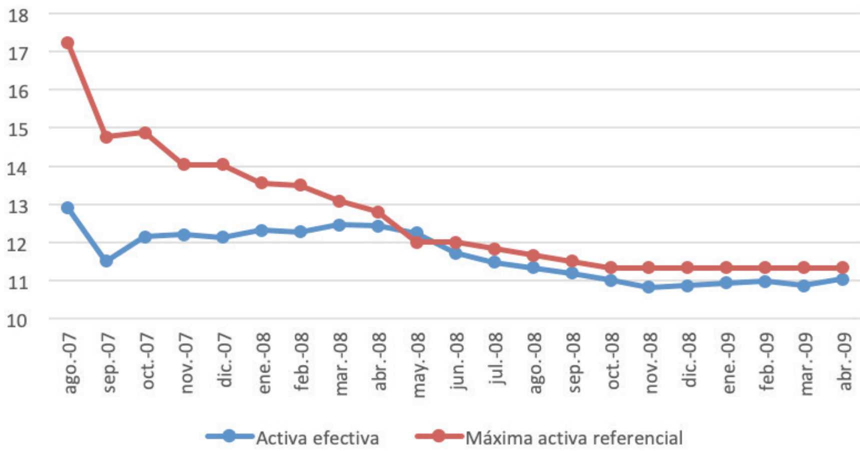
To properly place ourselves in the context of the time, another important fact occurred in August 2007, when the "Financial Justice Law" was passed to set ceilings on active interest rates. Although the Law was declared unconstitutional in this part, the board of the Central Bank defined maximum reference ceilings by segments (Astorga & Morillo, 2010, p. 6).

Figure 1 shows the evolution of the maximum effective active rates due to regulation. These are defined according to the BCE (2010a) as those that the Board of Directors of the Central Bank allows based on a factor that multiplies the rate of the last four weeks at the date of the regulation.

While the reference rate is defined as the weighted average by amount of the operations carried out by the private financial system in the last four weeks (ECB, 2010a).

Then, before the official approval of the Biess Creation Law, there was a reduction in the maximum active rate allowed for the housing segment. In August 2007, it was 17.23%, the following month it went to 14.77% and it was gradually reduced until, as of October 2008, the maximum reference rate for mortgage credit remained at 11.33%. In this same period, August 2007-October 2008 the effective active rate went from 12.9% to 11%, that is, there was a reduction of almost two points.

Figure 1
Maximum active rate and reference rate for the housing segment between August 2007 to April 2009 (in percentage)



Source: BCE (2010a).
Own elaboration.

The policy of setting ceilings in interest rates by credit segment generated strong criticism from private banks, arguing that financial repression would occur (Astorga & Morillo, 2010), that is, credit would be reduced in the economy, something that did not happen as will be seen later.

In the first quarter of 2010, a third of the IFIs had less restrictive conditions in housing loans (ECB, 2010b). Among these, was the *Banco del Pacífico* that operates as a private bank but at that time was owned by the Central Bank and had specific housing loan programs such as the *Hipoteca Pacífico*[1], which increased housing financing options.

All this was gradually revitalized mortgage credit in private and public operators and, at the end of 2011, Biess registered a 62% stake in the generation of the total mortgage portfolio (ECB, 2012, p. 46), situation that went hand in hand with economic growth in those years.

1 Name of ortgage program of the bank.

In addition to the direct placement by Biess, home mortgage portfolio purchases were made to private banks, which gave it more liquidity to place this or other types of loans. On the other hand, this was convenient for affiliates because they received better conditions than those already obtained in private banking, with an effective annual rate between 8.19 and 9.04 (Biess, 2018) and for Biess it meant improving the yields obtained in public papers or in the stock market.

In 2008, IESS purchased 44% of financial obligations such as certificates of deposit, investment certificates and credit securitizations and allocated 42% to public papers (Superintendence of Companies, 2008, section 37). A certificate of deposit, the main fixed-income title purchased by the IESS, has a current return of around 6% in the longer term, that is, only in those papers could an increase in gross profitability of 3 points be obtained. While the state bonds that were issued in December 2008 and purchased by the IESS, had a yield of 6.63% (Ministry of Finance, 2008, p. 5).

This policy boosted the real estate market in housing construction; between 2008 and 2012, there was a growth of 134% in the number of homes to be built (Ordóñez, 2014, p. 17).

These changes in the mortgage market aroused another alert by a member of the Association of Banks, when in March 2011 they declared the danger of a possible real estate bubble in the country (EFE, 2011). The arguments made gave account of the concern generated by the new actor and that could flood the economy with credit, as well as the fact that 100% of the value of the home was granted as credit. In this case, the person of the banking union explained the bubble for the increase in house prices but not for problems in the granting of credit.

Ecuador, was aware of the mortgage experience that caused the global economic crisis and the conditions in granting credit were not relaxed. What was true is that the Biess stopped using resources from the reserves for the purchase of financial instruments and that generated discomfort in the banks.

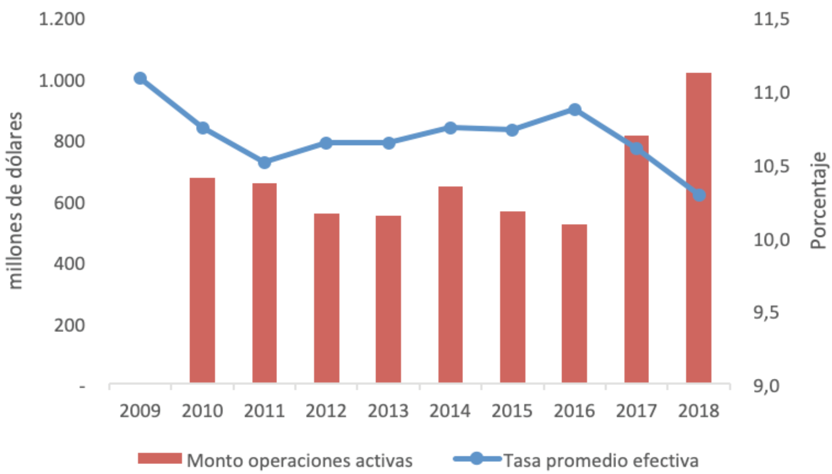
It should also be noted that economic conditions were changing in both supply and demand. In 2015, there was a significant reduction in the price of oil that affected the liquidity of the economy, as well as fiscal accounts, a year later, in 2016, there was an earthquake in Manabí that had a negative impact on the economic activity of the country. In that year there was also the announcement of two laws, the one of capital gains, approved in December 2016 and the one of inheritance, for which only an anti-elusive norm was approved in June 2016. These announcements influenced the activity in the construction sector. The capital gains Law was repealed in 2018. It is necessary to indicate that Biess grants financing not only for first housing, but also for: finished housing, housing construction, remodeling and expansion, mortgage substitution, land and construction, other real estate and mortgaged housing.

Below are some of the results following the appearance of Biess:

Increase in the private mortgage portfolio

The first effect, contrary to what private financial actors warned, has to do with the fact that the private mortgage portfolio remained and even grew as of 2017. Figure 2 shows the total amount of active operations of the private IFI's and the respective effective average rate.

Figure 2
Annual amount of active private mortgage operations and active annual average rate between 2009 and 2018 (in millions of dollars and percentage)



Source: BCE (2019).
Own elaboration

Private banks did not fail to maintain a mortgage portfolio, part of this portfolio was purchased by Biess and retained annual placement amounts of more than 650 million dollars between 2010 and 2011. Between 2012 and 2015, the portfolio originated by private IFI's was reduced and had an oscillating behavior until 2016 with the lowest level due to the economic problems described above.

In the chart above, it is notable as the moment when private IFI's increase the amount of active operations as of 2017, the average effective rate is reduced. Therefore, in addition to the reduction of the rate for the effect of the ceilings until 2008, there are three periods in the evolution of the effective rate: first reduction until 2011, second growth between 2012 and 2016 and third reduction from 2017. In the first and third periods it is observed that the higher the amounts of active operations on the part of the private institutions, the lower the rate. This is most evident with the increase in the portfolio in 2017 and 2018 that could be explained for political reasons in a period in which the IFIS maintained a better relationship with the government in office and received some benefits (King & Samaniego, 2019). In these years, Biess reduced its participation from 66% to 43% between 2016 and 2018 and the mortgage substitution was at low levels, which is logical because the rate of the mortgage segment was lower and there was less interest in replacing mortgage than when the Biess just started operating.

Reduction of the rate in the mortgage segment

Based on the above, the evolution of the rate in this segment is summarized in two moments, a fall of 1.87 percentage points between August 2007 and April 2009 due to the policy of ceilings at interest rates. The other moment occurred with the presence of Biess, in which the rate between May 2009 and December 2018 had a decrease of 2.22 percentage points with erratic behavior in the interim, as explained above.

In the second moment the reduction was greater despite the fact that the real estate sector went through a bad time in 2015 and 2016, due to the economic recession, an earthquake and the announcement of measures with an impact on the sector. This occurred without financial repression in the total portfolio and less in the lower income segment that is not of interest to private banks for which another measure was proposed that will be mentioned in the following section.

Effects on the real economy of reserves by the Biess

This is based on the principle of social security sufficiency, since it represents a notable source of savings in the economies and, therefore, they are resources that are appealing for their magnitude and for the characteristic of temporary funding.

The alternative uses of the social security technical reserves are of special importance because of their effects on the real economy and will define the political priority in their allocation. Savings are also a necessary variable at the macroeconomic level to boost investment. Social security collects contributions and has lower obligations. This is the accumulation phase of the system, before it matures when the population ages and the obligations with retirees increase or the number of active members decreases (Cichon et al., 2006, p. 523).

Access to home ownership

Access to adequate housing is considered a fundamental human right since 1948 (Habitat, 2010). In terms of access to homeownership, as of December 2007, 65.9% of the homes were in a regime of own ownership and 18.9% for lease in which there were almost no differences between households with an affiliated person and without any. While, among households with their own homes, the percentage was 68.2% for those who had an affiliate and 64.5% for those who did not. Households with ceded housing were lower among those with an affiliated person, 10.5% compared to 14.2% who did not. For this same year, 75% of households in the first decile by income had their own homes and 73% for the second decile, with deciles having higher percentages and these percentages are higher among unaffiliated households. Likewise, the percentage of leased housing was 8% in the first decile and 9% in the second (own calculations based on INEC, 2007).

That is, although Biess could grant loans only to its affiliates, the difference in families with their own homes was 3.7 points and the first two deciles had lower percentages of leased homes. By 2018, on the other hand, it is found that at the national level, the percentage of households with their own homes rose to 69.5% and that of lease fell to 17.5%. In these years, there were also specific programs that provided homeownership to the lower strata, so it is important to separate the results between households with some affiliated person and those that do not (own calculations based on INEC, 2018).

By disaggregating housing ownership information between affiliates and non-affiliates for 2018, it is found that households with some affiliated person increased their homeownership more, with 71.9% compared to 66.6% they did not have.

The changes between 2007 and 2018 are presented in Chart 1, in which it is observed that households with some affiliated person reduce the percentage of rented homes by 1.7 points, in those ceded by 0.9 and increase by 3,7 in homeownership.

Chart 1
Change in homeownership of households due to social security affiliation between 2007 and 2018 (in percentage points)

	Unaffiliated	Affiliated
Lease	-1,0%	-1,7%
Own	2,1%	3,7%
Ceded	0,3%	-0,9%

Source: INEC (2007), INEC (2018).
Own elaboration

The quintiles that most increased their participation among households with their own homes and some affiliated person were 2 and 3, which is also explained by the increase in people with affiliation in these income strata.

Negative results, lack of collection management and adverse economic situation

Finally, one of the problems that Biess has faced has been late payment in recent years in which economic activity has been affected, mainly since 2016.

Chart 2
Default rate on BIESS mortgage loans between 2012 and 2018 (in percentage)

2012	2013	2014	2015	2016	2017	2018
1,0	1,7	2,0	2,9	5,3	6,1	6,5

Source: González, J. (2019).
Own elaboration

The information available is less extensive in this area, so it is unknown if this default rate is a specific phenomenon in a geographical area or is wider. It is clear that, in the face of adverse economic situations, people lose their jobs and stop paying loans. Apparently, there have also been problems in the granting of the credit quota (González, P., 2019b) that was due to the interference of some developers to facilitate the purchase of their properties.

The default rate (Chart 2) is above 6% in 2018. This indicator cannot be compared with that of private banks because it is known that BIESS has not punished its portfolio and therefore, its rate includes portfolio that should be punished (Biess, 2019). In the case of private banking, default rates exclude the punished portfolio. It is known that no portfolio punishment procedures have been carried out "due to operational and accounting limitations" (Biess 2019) to which political reasons can be added to carry out collection and risk management of the portfolio at risk, as well as the interference, mentioned above, in the determination of the quota.

Possible real estate bubble

Macías Rendón, Guzmán Sigüencia, and Ramírez Delgado (2015) find that between January 2008 and October 2014 there was an increase in the house price of 1.68% annual average (2015, p. 60) and it is identified that the price of housing grew more than the rent prices. However, the authors find that the variations in the price of housing are explained in 93% by fundamental variables of supply (offer of wages and construction costs) and demand (for economic activity), therefore discard that there is there was a real estate bubble in Ecuador (2015, p. 62).

Discussion and progress

The presence of Biess and the initial purchase of the portfolio modified the financial and real estate market in Ecuador. Different financial regulation measures were applied in the housing segment. The first of maximum ceilings had an initial effect of reduction in the average mortgage rate that fell from 12.9% to 11.03% between August 2007 and April 2009, that is, 1.87 points.

Once Biess enters into operation, the rate continues to decrease to 9.55% in January 2019, breaking the 10 percent floor for the first time. Thus, between May 2009 and December 2018, the rate in this segment had a decrease of 2.22 percentage points with erratic behavior in the intermediate.

It should be noted that this article does not consider direct provision as an end in itself, since Biess, as the Law of its creation states, sought to generate employment and added value, but also generated the conditions for the rate to be reduced in the mortgage segment.

The use of social security technical reserves in the local mortgage market has some advantages for the same sustainability of social security by obtaining better returns (around three points) and in timing of installments through long-term housing loans with funding in the same period.

The direct provision boosted the real economy through the boost to the real estate market, unlike what happened in the past when the resources of the reserves were used in the purchase of fixed-income financial papers with shorter terms that did not translate into better financing conditions.

It is important to highlight that a public operator can be promising if this operator becomes a competitor of private banking offering better financial conditions, as was the case with Biess.

However, it is necessary to mention some problems of the policy since not all the credit went to the first home and the first quintile was not one of the biggest beneficiaries due to the same social security structure and its relationship with the formal labor market. That is why, in August 2015, the public interest housing segment is created, which is granted to loans "with mortgage guarantee to natural persons for the acquisition or construction of single and first-use housing, granted for the purpose of transferring the portfolio generated to a securitization trust" (ECB, 2019).

The real estate bubble alerted by the banks did not exist because the offer increased significantly, although in some place,s the value of the m2 did increase and one should not forget to take into account experiences of speculative bubbles in the real estate market (Harvey, 2014, p. 92).

There is a positive balance, not perfect, in the policy of direct provision with the use of social security technical reserves. This generated changes in the mortgage market, a policy that remains up to date with certain modifications in the calculation of the quota of credit according to lower percentages of income and appraisal (P. González, 2019b). These reforms could be justified within the framework of the reasonable capacity to pay the income (Hudson, 2018, p. 383), however, they should also be read as a way to free up resources to finance the stock market (J. González, 2019) and unsecured loans (Lizarzaburu, 2019). The latter do not have a direct impact on productive generation and could end up in the hands of private banks to pay previously contracted consumption obligations.

Obtaining long-term resources is crucial for the real economy, especially for a structural change strategy that requires a long time to occur (Mazzucato, 2013, p. 51). Housing has been analyzed in this article, but there may be other sectors with greater multiplier effects in the long term that could be analyzed.

Conclusions

The direct provision in Ecuador has been one of alternative regulation in order to improve financing conditions in the mortgage segment. This involved moving from an inefficient situation in which the resources of the reserves were invested in financial products that did not improve credit financial conditions.

Before the emergence of Biess, in Ecuador maximum prices were defined by credit segments that reduced all active rates. The implementation of a public bank that operates with social security resources was based on a constitutional and legal change with resistance from private operators. It should be mentioned that, given changes in the financial market, private banks put pressure and exaggerate on the possible negative effects as exemplified in this article.

Throughout the mortgage segment there was a notable reduction in the rate due to their control and the appearance of Biess in the market. Also, affiliates improve the conditions of their credits. This had a social effect on access to homeownership, more pronounced for quintiles 2 and 3. In economic terms this represents an increase in liquidity that is channeled into the real economy with long-term funds. As a disadvantage is the injection of real estate developers and default rates that despite not being comparable with those of private banks should be taken care of.

Although there is no detailed information on average returns per product of the Biess, in the papers in which the Biess invested there is a better gross return with better guarantees and deadlines.

The hypothesis with regard to the reduction of the rate in the mortgage segment is fulfilled, however, the effects of the regulation on maximum prices and the new public operator feed each other. With regard to homeownership, it increased by 3.6 points nationwide and 3.7 percentage points for households with affiliated persons, therefore, the hypothesis is met.

Pro-market policies make alternative experiences invisible by emphasizing only difficulties. This article contributes to the practical discussion of the legacy of alternative regulatory policies with public operators based on the available information.

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