

Peru: Giving Legal Titles To Homeowners In Peru's Informal Settlements



The bald hills outside Lima, Peru, are dotted with unregulated settlements. Compact dwellings, built of scrap wood, cement block and brick, extend out to the horizon. More sprout up every month, and children often stay home from school to guard their home while parents work; a house left vacant for even one day could be seized by another homeless family.

Population numbers explain why. Since 1960, Lima's population has quadrupled to more than six million.

Most of these new homes were built without legal title or formal recognition. Without property titles, homeowners cannot use their dwellings as collateral to borrow money that could help them escape poverty.

In the mid-1990s, residents of Peru's informal settlements held about \$20 billion in sleeping capital; without legal registration of their properties, they could not put their own assets to work.

In 1998, the World Bank approved a \$38 million loan to support legal registration of 960,000 urban properties in Peru. More than 1.3 million homeowners have registered their properties since then, and demand keeps growing.

The Comisión de Formalización de la Propiedad Informal, which manages the project, uses popular theater and comes to local festivals in poor barrios to encourage people to register their properties, and thereby benefit from an associated micro-credit program. But word of mouth is just as effective in spreading information since the beneficiaries themselves are the project's biggest supporters.

Nicomedes Mejía and his wife Adela Espinoza had lived in the Tacalá urban settlement outside Lima for more than 15 years before obtaining the title to their house with the help of the project. With their ownership secured, they used home equity to guarantee a mortgage their son Luis, a schoolteacher, took out to build a school in the neighborhood.

Now, thousands of others like Nicomedes and Adela have become lawful owners of their homes, and have used it as collateral to start small businesses, which range from appliance repair shops to bakeries and popular eateries.

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