



# **IMPLEMENTATION OF A NEW HOMEOWNERSHIP PROGRAM IN JAKARTA**

## **The Case of Zero Down-Payment Housing Program**

Pritha Hayuningtyas  
5026377

January 2022

*“Everyone has the right to live in physical and spiritual prosperity, to have a place to live and to have a good and healthy living environment and the right to obtain health services”*

*(Constitution of Indonesia, 1945)*

Problems



Investigations



Delivery

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions



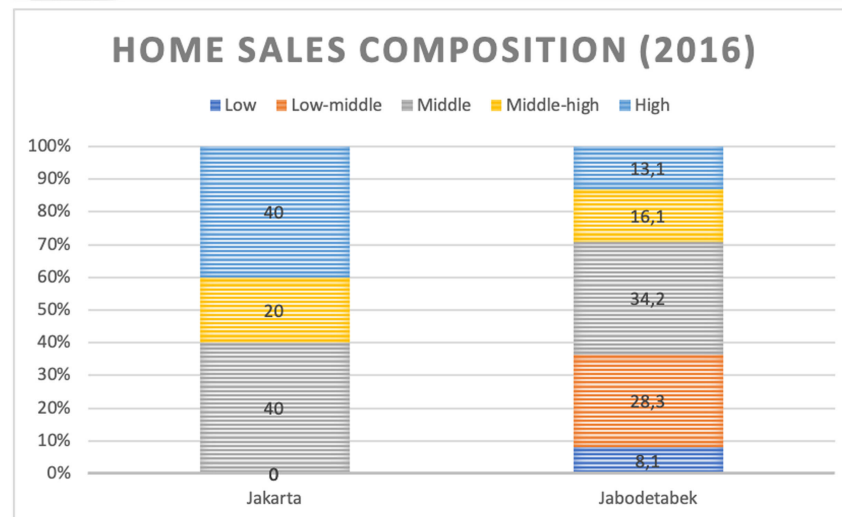
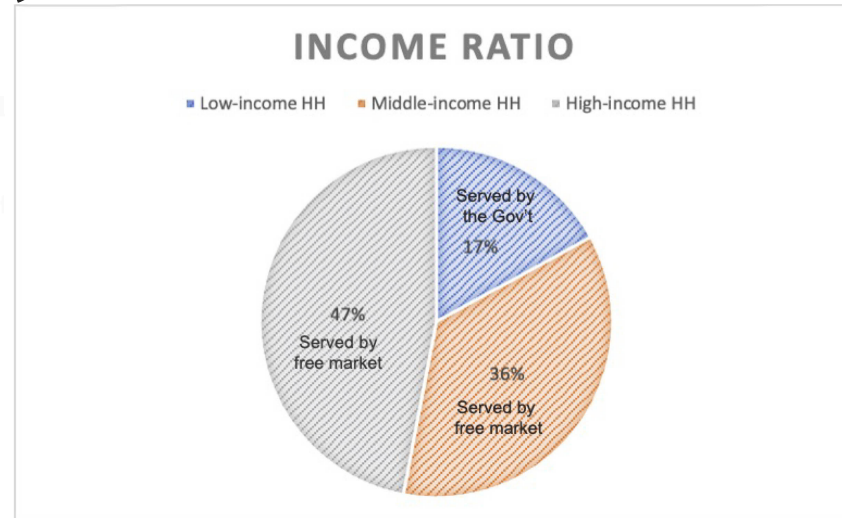
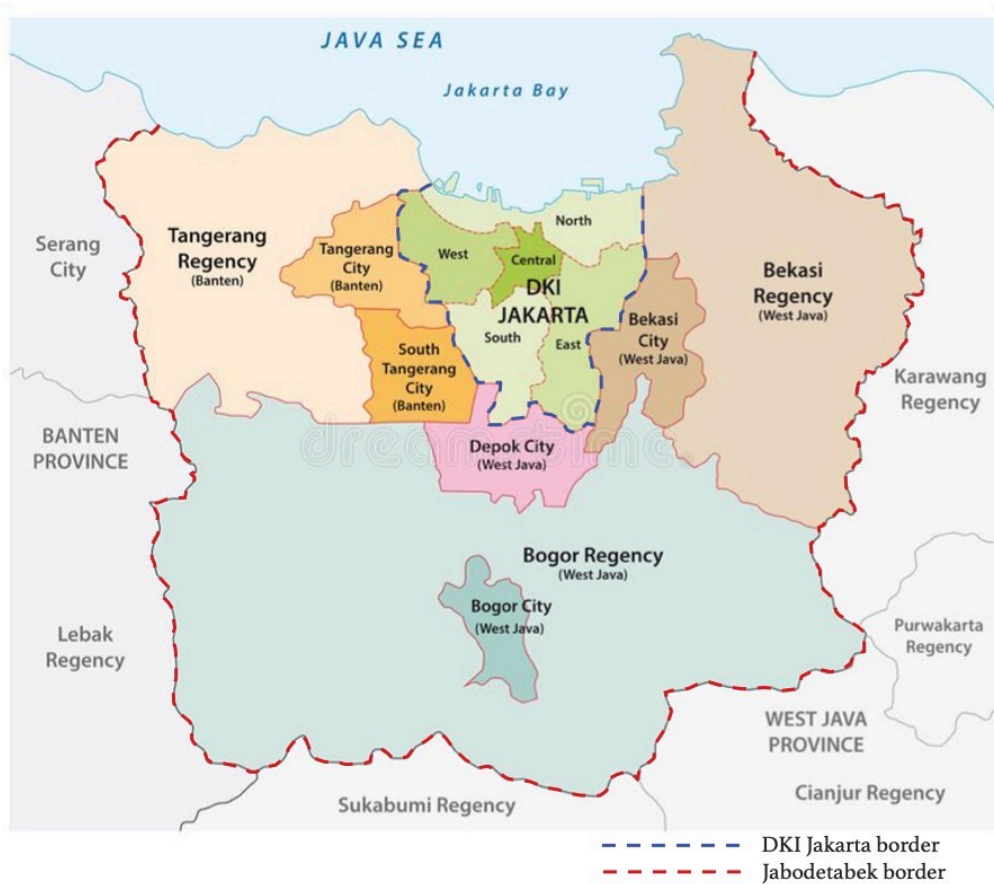


- Flood
- Slums
- Housing Shortage

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions



# JABODETABEK: Megapolitan Jakarta



Source: PTSP DKI Jakarta (2018)

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Zero Down-Payment Housing Program



A financing facilitation to be a homeowner for the low-income households in Jakarta

- ✓ 100% Loan-to-Value ratio
- ✓ Aimed at low-income households (max income of IDR 14,8 million (EUR 875))
- ✓ 5% flat interest rate
- ✓ Loan tenure between 5 – 20 years
- ✓ Multi-family house with *freehold title for apartment unit* (SHMSRS)
- ✓ 100% seed capital from regional expenditure budget (fully funded)

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# ZDPHP and its Problems



Giving the **opportunities** for LIH to own a house in the city – to have the security of tenure

Alleviate **poverty**

Closing the **gap** between the rich and the poor

Address **urban problem**



Down-payment reflects household's **ability** to save money (Harrison et al, 2004) -- > Borrowers who do not make any down payment have a higher rate of default (Kelly, 2008)

Most applicants **fail** to pass the verification (Fitriani, 2019)

There has been a **change in policy** regarding the amount of income allowed to participate in this program (YOA, 2021)

---

*To match better the demand and supply for the LIH in the context of ZDPHP and furthermore, giving recommendation to improve the program as a contribution for the Provincial Government of DKI Jakarta*

---

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions



# Literature Review

Adequate Housing

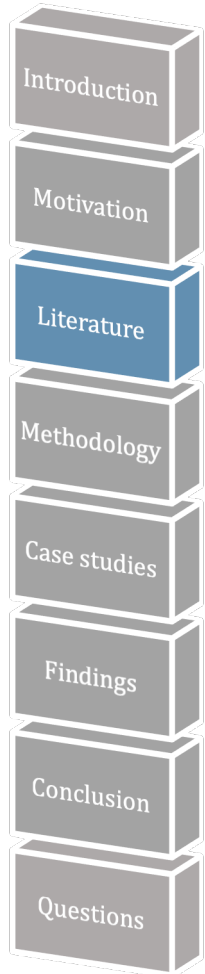
Homeownership

Housing Finance

Housing Subsidy

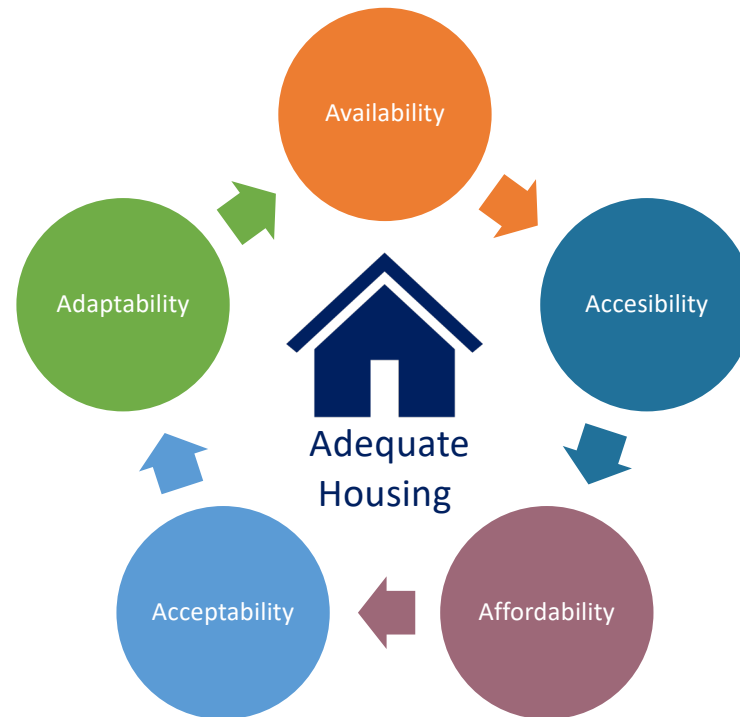
**How** can **the ZDPHP's**  
**accessibility and affordability criteria**  
be improved in order to better match **the demand of**  
**the low-income households** of Jakarta?

1. What is the Zero Down-Payment Housing Program in Jakarta?
2. How effective is the performance of current accessibility criteria in this program?
3. How effective is the performance of current affordability criteria in this program?
4. What is the mismatch between supply and demand in this program?



# Literature Review

Adequate Housing

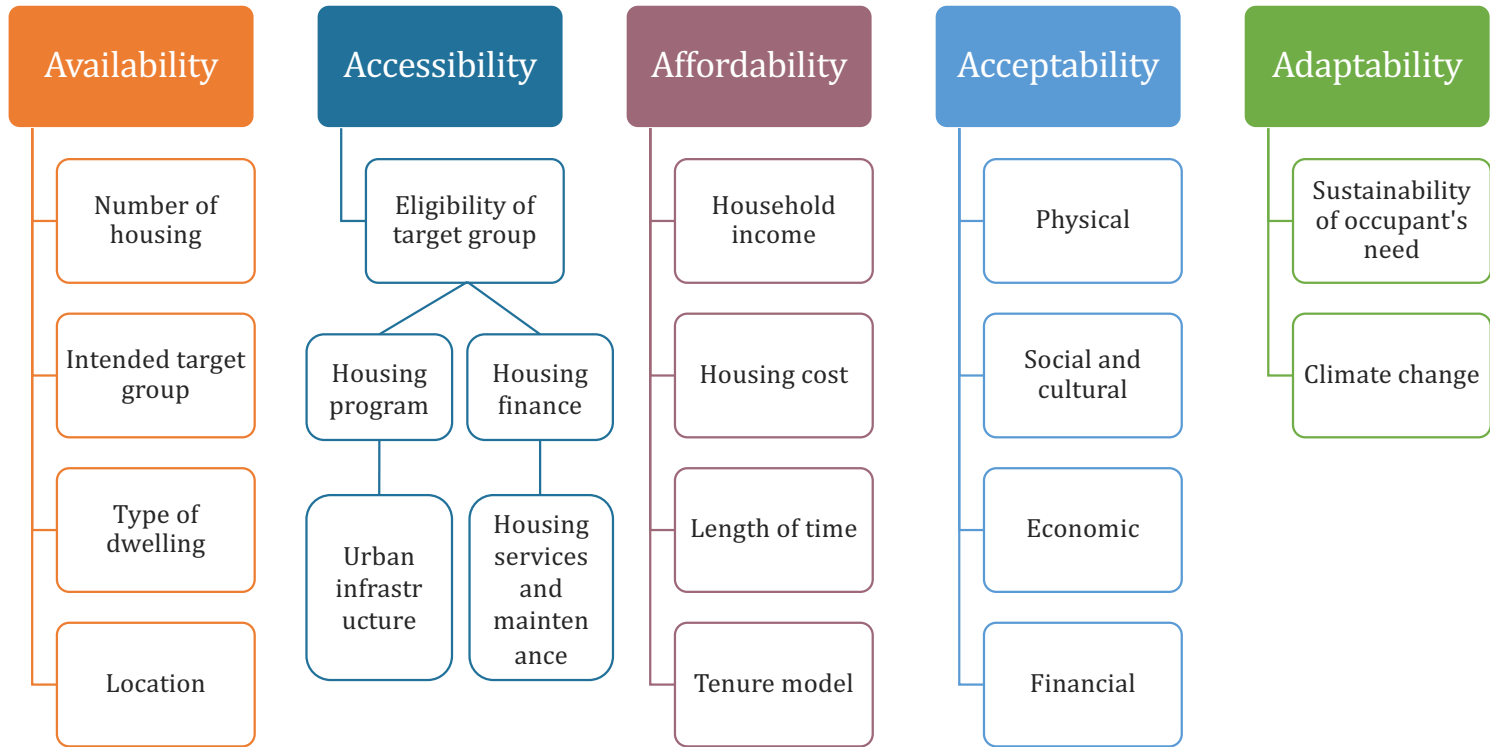


Source: Ayala et al. (2019)

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Literature Review

## Adequate Housing

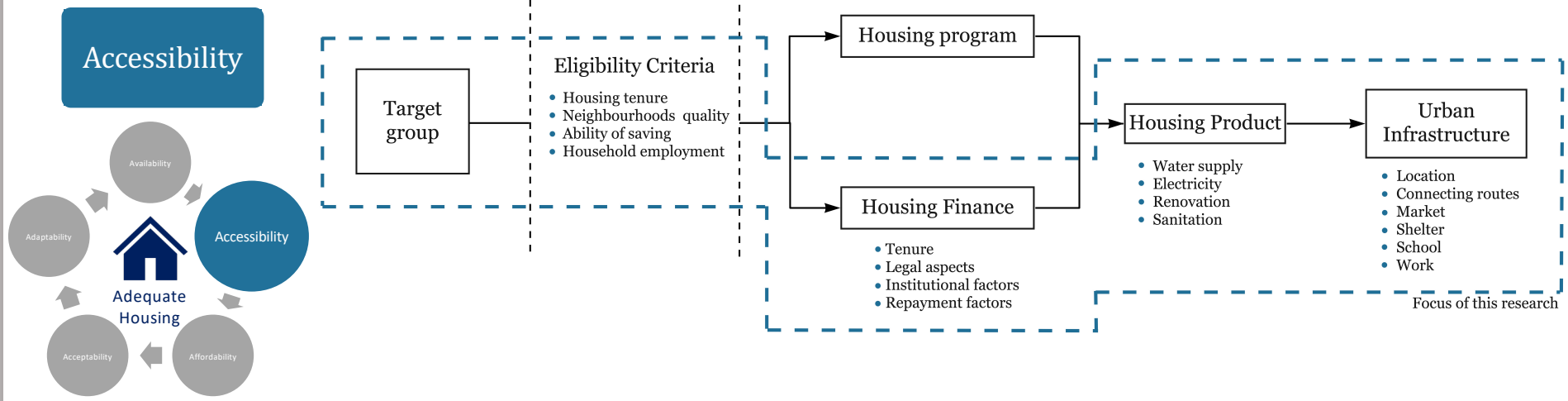


- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions



# Literature Review

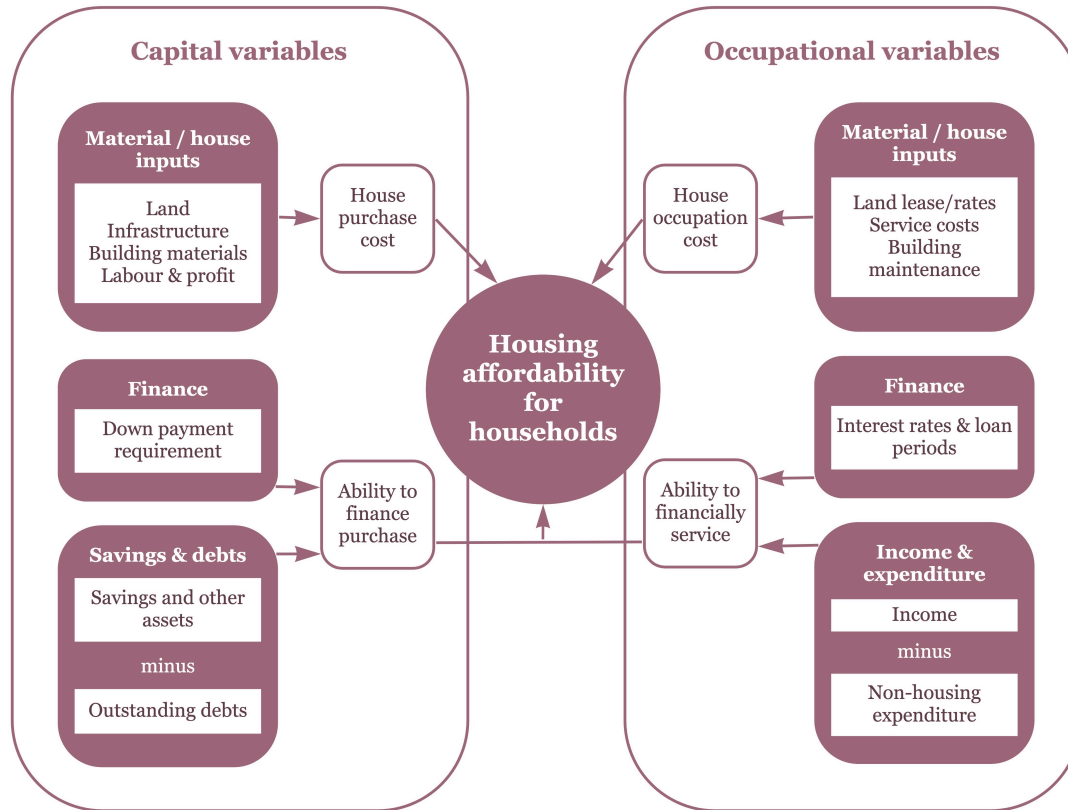
## Adequate Housing



- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Literature Review

## Adequate Housing

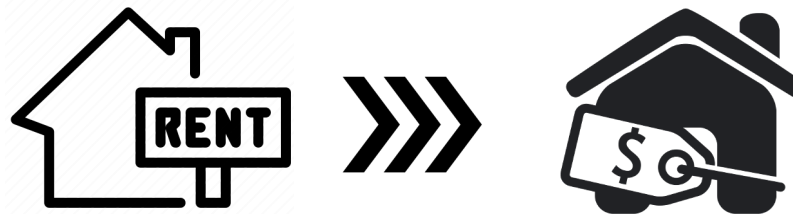


Source: Majale et al. (2011)

- Introduction
- Motivation
- Literature**
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Literature Review

## Homeownership



### Positive factors:

- ✓ Instrument of poverty alleviation and driver of national welfare (Elsinga & Hoekstra, 2015)
- ✓ A key asset to empower the poor (Sherraden, 2003)
- ✓ Asset-based welfare (Beall & Fox, 2009) → Security and transferability (Turner, 1986)
- ✓ Higher responsibility of the property → well-maintained

---

***The government is suggested to promote and facilitate homeownership  
(Saunders, 1990; A. Gilbert, 2012)***

---

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions



# Literature Review

Housing Finance

Housing Subsidy

Financial characteristics of low-income households (UNDP, 1982)

Limited income

Intermittent income

Intermittent employment & nomads

Own small or no assets



Propose type subsidies (Hoek-smit, 2009)

- Interest rate subsidy
- House price subsidy

- Down-payment subsidy
- Mortgage insurance subsidy
- Upfront subsidy with saving program requirement
- Soft-second mortgage

- Contribution to a blocked escrow account
- Payment for a specialized mortgage insurance program
- Borrower education

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

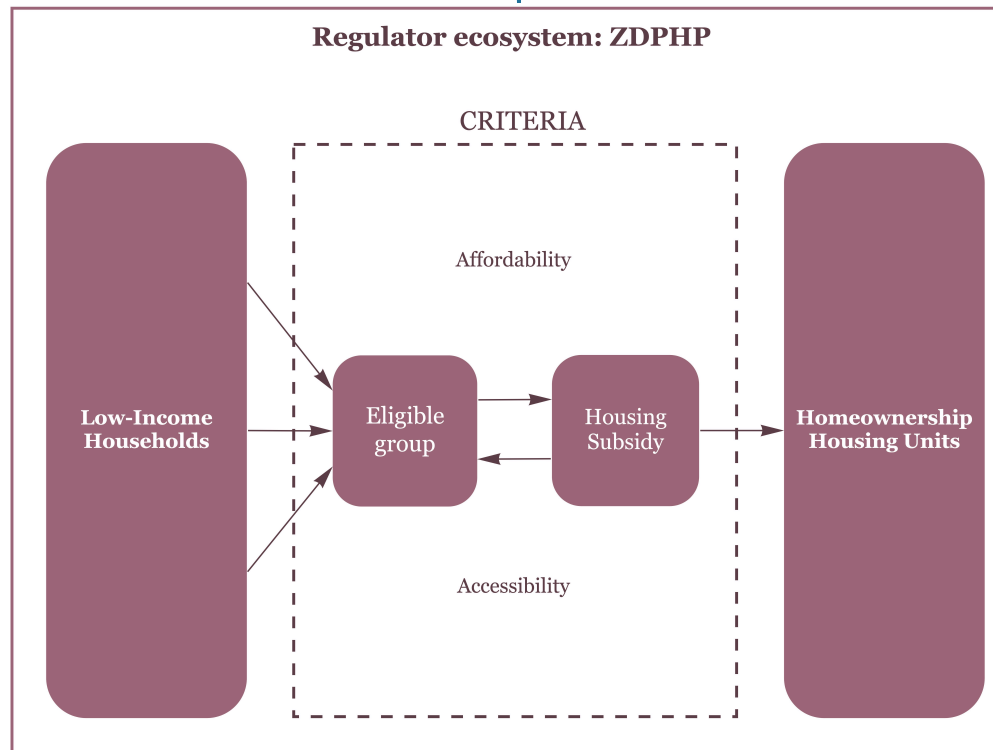
# Research Framework

Adequate Housing

Homeownership

Housing Finance

Housing Subsidy



**Legend:** - - - - - scope of research  
————— context of research

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Research design

Section	Theoretical	Empirical	Synthesis	Outcome
Question	1 What is Zero Down-payment Housing Program?	2 How effective are the performance of the current accessibility criteria? 3 How effective are the performance of the current affordability criteria?	4 What is the mismatch between supply and demand in this program?	How can the ZDPHP's accessibility and affordability criteria be improved in order to better match the demand of the low-income household of Jakarta?
Method	Literature research	Case Study	Implementation Validation	Conclusion
Output	Theoretical framework	Qualitative data Quantitative data	Verifications Verifications	Overview of mismatch, recommendation, limitation, and discussion for future research
Technique	Literature review & observation	Documents and policy reviews Interviews FGD Questionnaire Database	Analysis Expert discussion	
Tools		Operationalization table		

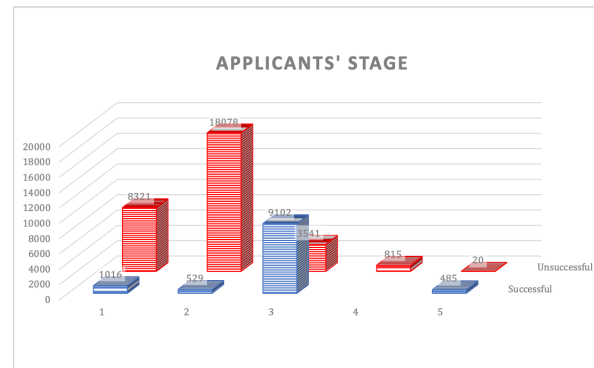
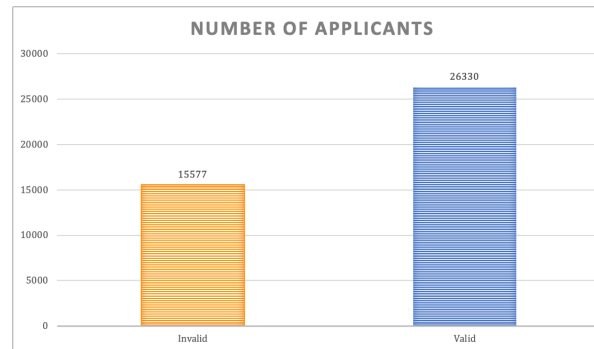
- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Source of Data

## Interviews

No	Organization	Position	Name
1	Facilitation Unit (UPDP)	Staff in investment and risk management division	Fajaresthy
2	Facilitation Unit (UPDP)	Head of sub-section of administration	Muhammad Ali
3	Department of Public Housing Jakarta (DPRKP)	Head of Regulation and Community Participation	Ledy Natalia
4	PD Sarana Jaya	Director of Administration and Finance Chairman of management committee of Nuansa Pondok Kelapa	Bima Priya Santosa
5	PD Sarana Jaya	Building manager Nuansa Pondok Kelapa	Afri
6	Bank DKI	Manager Credit Consumer	Daulat Yusuf Harahap
7	Ministry of Public Works	Deputy of Finance	Iskandar Saleh
8	Regional Research Councils DKI Jakarta	Member	Ibnu Tadjj
9	Wharton University of Pennsylvania	Expert / Director of International Housing Finance Program	Marja C Hoek-smit

## Applicant's database



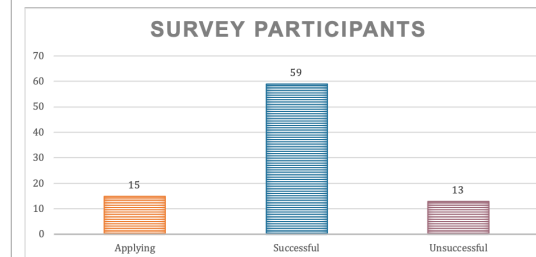
## Policy Documents

- ✓ 13 National-level regulations
- ✓ 16 Regional-level regulations

## FGD

No	Participants	Position
1	Participants #1	Head of community
2	Participants #2	Head of cooperative organization
3	Participants #3	Head of muslim organization
4	Participants #4	Resident

## Questionnaire



- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions



# NUANSA

PONDOK KELAPA



**TYPE ST**  
21.00 m<sup>2</sup> | 160 units  
€ 11,500

**TYPE STC**  
22.25 m<sup>2</sup> | 80 units  
€ 12,200



**TYPE 1 BA**  
23.95 m<sup>2</sup> | 160 units  
€ 13,100

**TYPE 1 BC**  
24.25 m<sup>2</sup> | 20 units  
€ 13,300



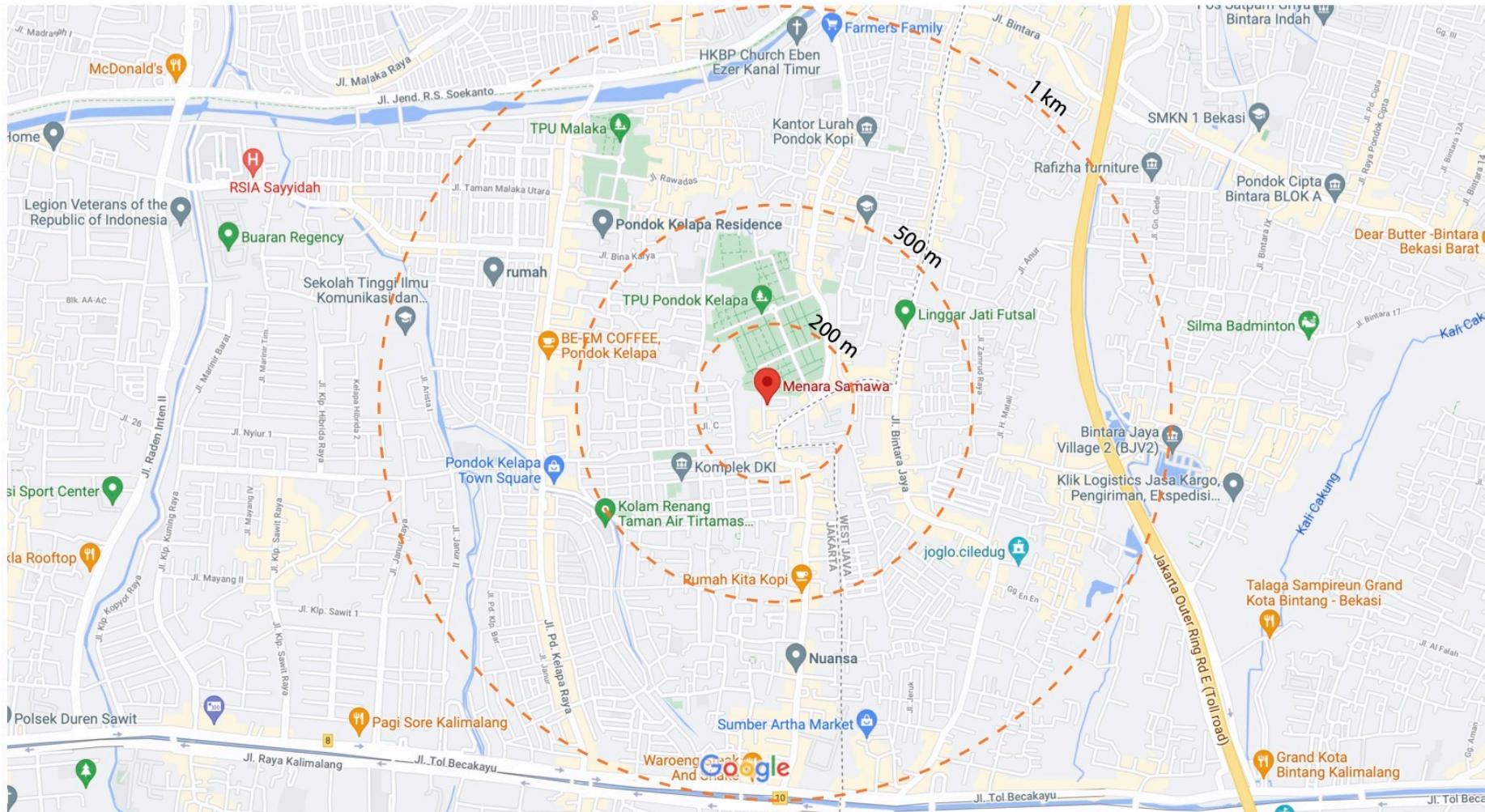
**TYPE 2 BA**  
34.65 m<sup>2</sup> | 340 units  
€ 20,900

**TYPE 2 BC**  
35.30 m<sup>2</sup> | 20 units  
€ 21,300

- Introduction
- Motivation
- Literature
- Methodology
- Case studies**
- Findings
- Conclusion
- Questions

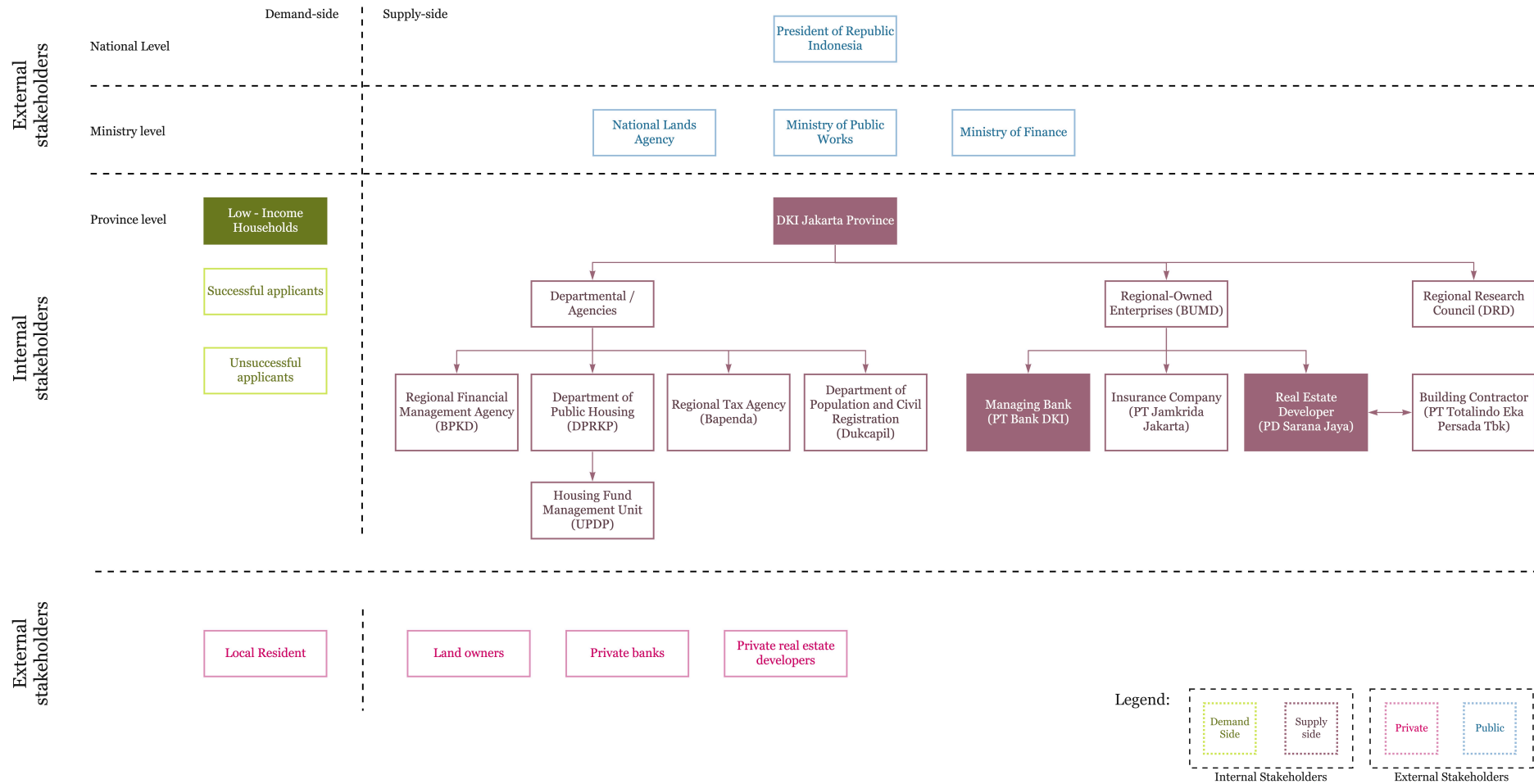


# Location



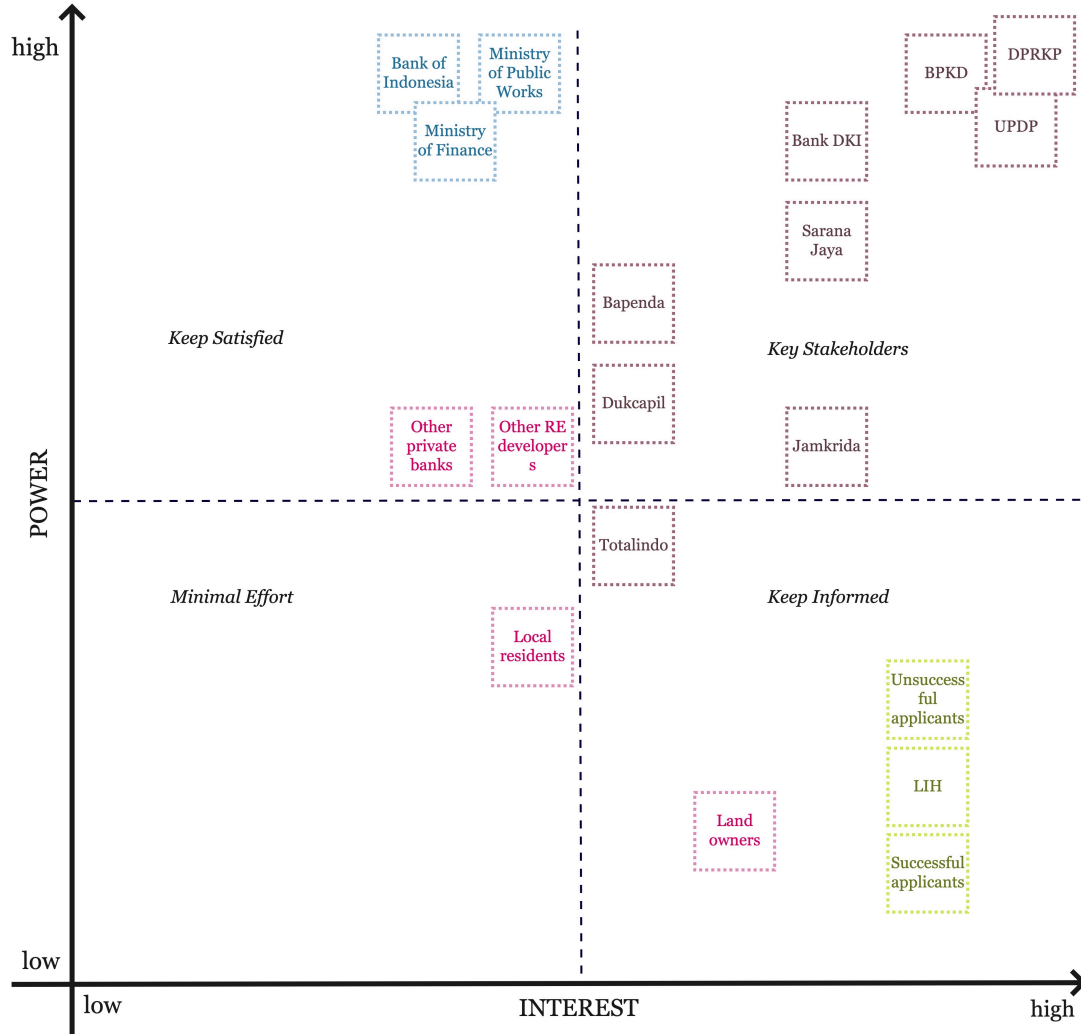
- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Institutional Framework

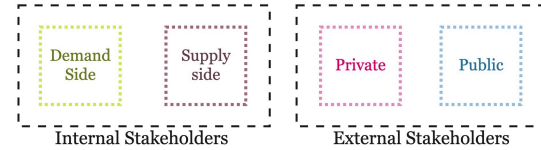


- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Stakeholder Analysis

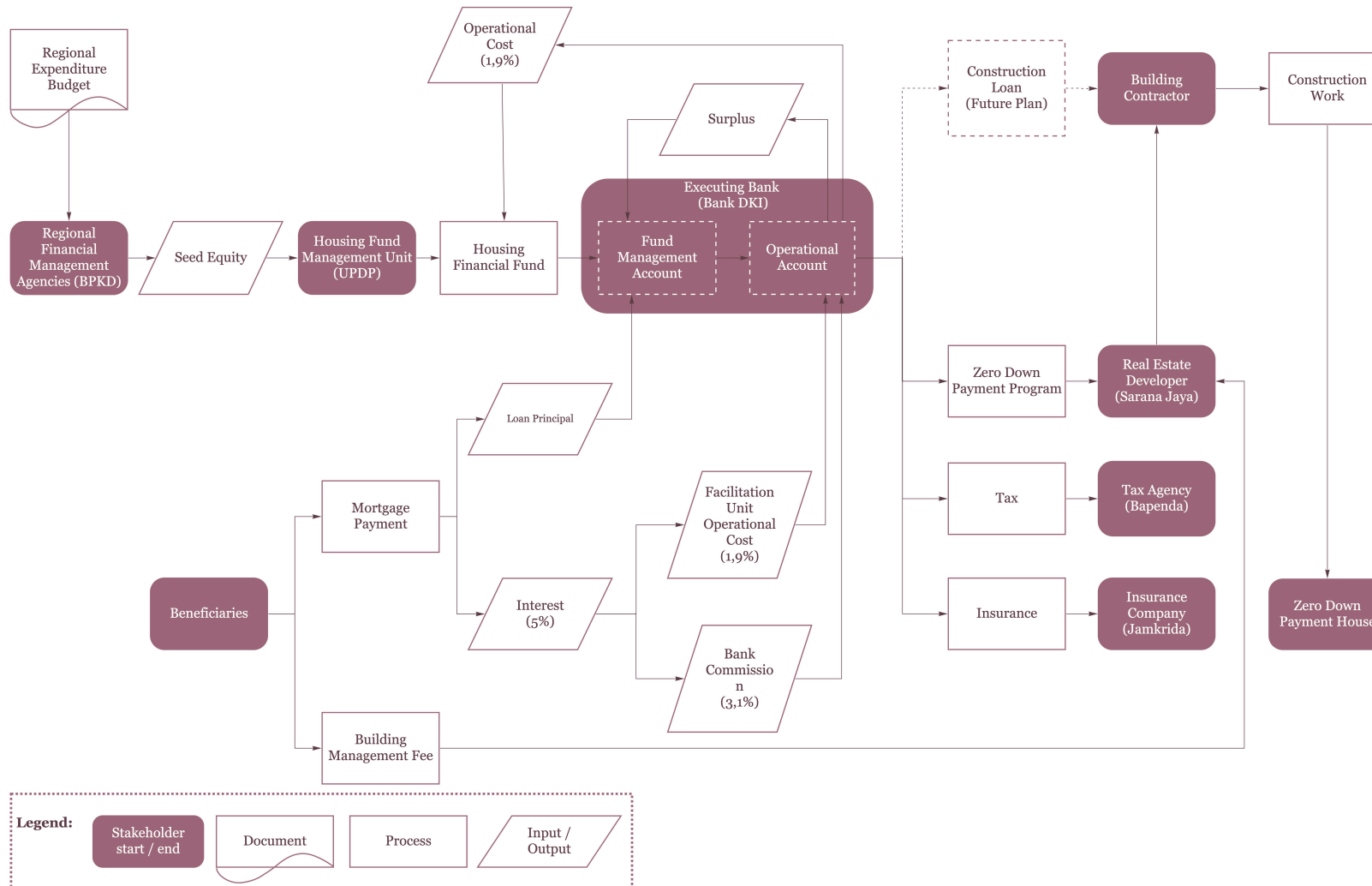


Legend:



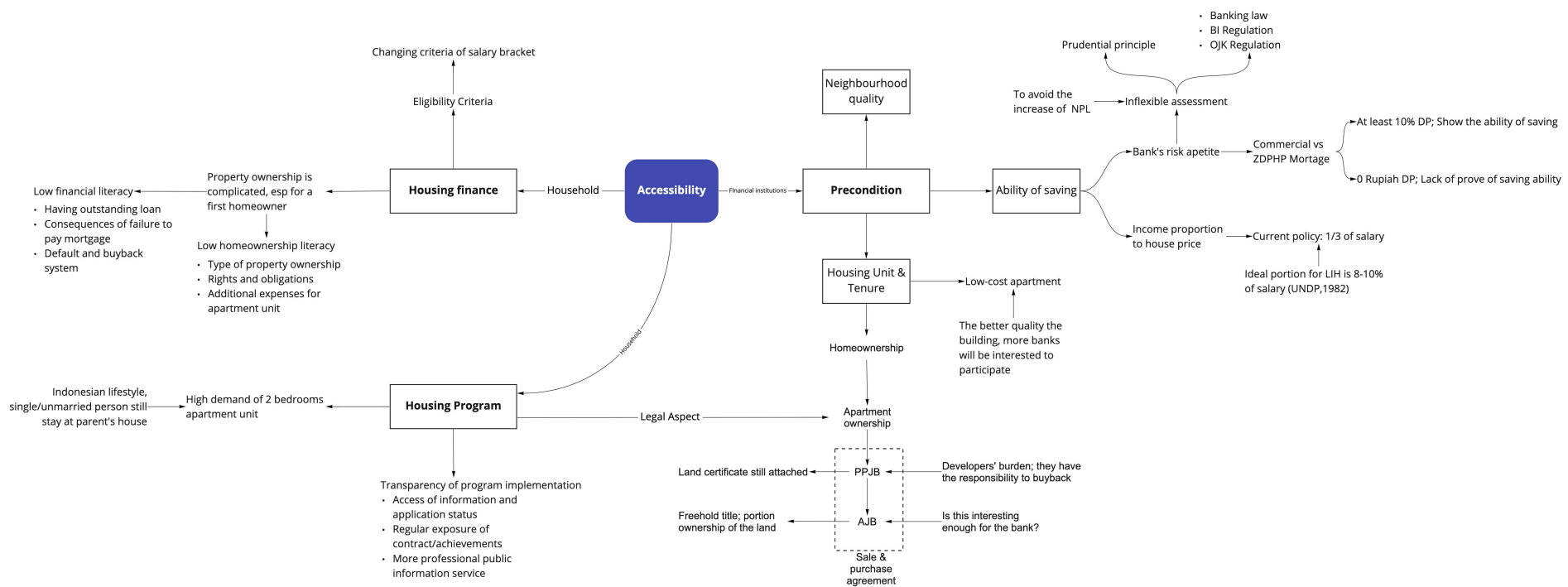
- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Financial framework



- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Accessibility Criteria Assessment



- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions



DEMAND



Low-income HH

SUPPLY



Provincial Government



Executing Bank



RE Developer

Introduction

Motivation

Literature

Methodology

Case studies

Findings

Conclusion

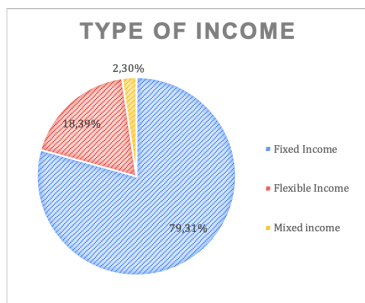
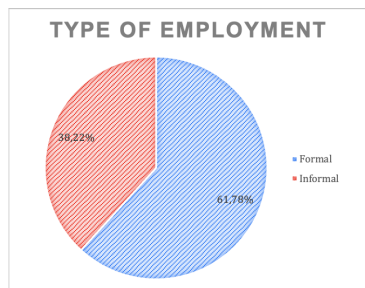
Questions

# Accessibility Criteria Assessment

## Precondition – Ability of savings



### Applicant's profile:



### Beneficiaries' profile:

97% formal workers  
3% informal workers

100% LTV ratio  
(The Governor of Jakarta's Regulation no. 104/2018 Article 6)

### Difficulties in proving the applicants' ability of savings

Informal workers are often being associated with low productivity and underpaid (Jütting & de Laiglesia, 2009)

Avoid high NPL  
Inflexible

Attempts:  
Perform multiple evaluation  
Raised DSR to 60%

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Accessibility Criteria Assessment

## Precondition – Type of collateral



Current beneficiaries' property title: **PPJB**

- ✓ Unofficial agreement
- ✓ No transfer of ownership
- ✓ *Late payment*: pay 150% arrears loan
- ✓ *Default*: loss paid instalments

### AJB

- ✓ Legal agreement
- ✓ Ownership transferred
- ✓ *Default*: Property is valued by appraisal

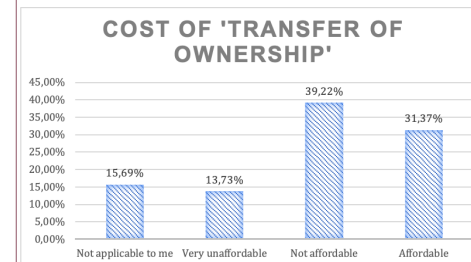


- ✓ Receive back the payment of the property in full price
- ✓ *Late payment*: receive 150% arrears loan
- ✓ *Default*: Do not return installments

- ✓ *Default*: Responsibility of buyback
- ✓ Money loss will be covered by mortgage insurance



- ✓ Owner of the land
- ✓ *Default*: Responsibility of buyback
- ✓ Additional costs for reparation



- ✓ Has informed beneficiaries of additional cost from PPJB to AJB

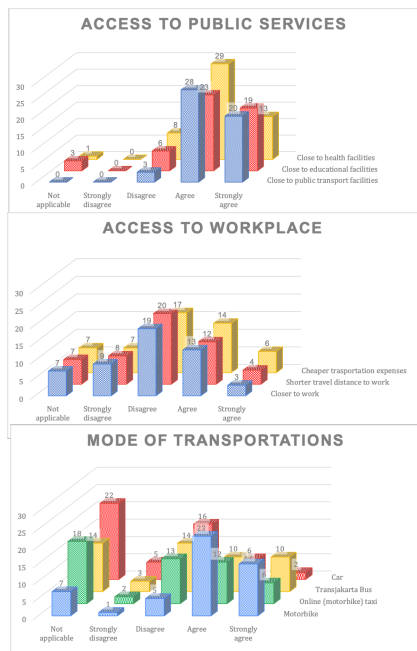
- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Accessibility Criteria Assessment

## Precondition – Neighbourhood quality and risk



- ✓ Immediate house moving after contract signage



- ✓ Pointed out RE developer to **manage** their newly built condominium and **assist** the forming of owners' association within one year after first handover to buyer.  
(The Governor of Jakarta's Regulation No 132/2018 Article 6)
- ✓ Expedite the issuance of Building Completion Certificate (SLF)
- ✓ Strengthen **internal coordination** to support the availability of public facilities surrounding the site



A good assessment from the bank in seeing the value of ZDPHP.  
Good access to public services will increase the housing value (Ball & Kirwan, 1977)



- ✓ Borne the **additional cost** for setting up the building management, esp when there is a delay in forming owners' association.
- ✓ The availability of public facilities helps to **accelerate the sales**.

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Accessibility Criteria Assessment

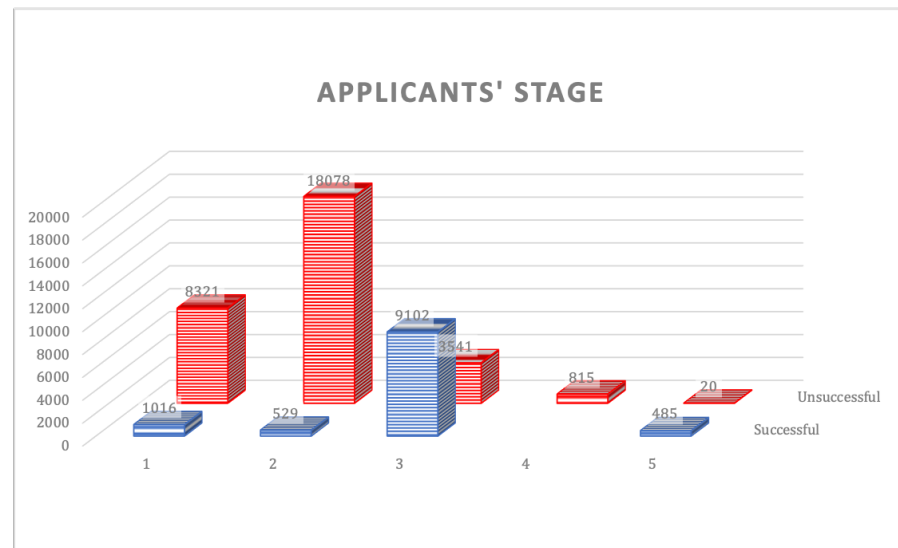
## Housing program - Transparency



- ✓ **Accountable delivery information to avoid corruption**  
Transparency mechanism can prevent corruption in public works (Deng et al., 2003)
- ✓ **Social media is the most preferred media to receive updates and information.**
- ✓ **Questions related with application status.**
- ✓ **High number of unsuccessful applicants due to unreachable to show unit visit.**

- ✓ **Using multiple medium to deliver information:**
  - Facebook Fan page
  - YouTube
  - Instagram
  - Twitter
  - Website

- ✓ **Use one reliable central information hub**



- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings**
- Conclusion
- Questions

# Accessibility Criteria Assessment

## Housing program - Unit type



✓ Collectivism cultural value



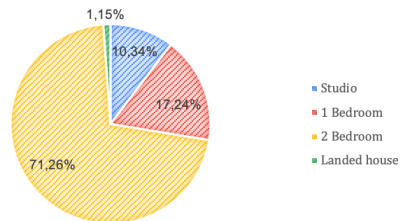
✓ 93 studio units are still being sold



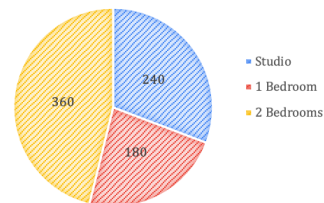
✓ Built too many studio type  
✓ No market survey in advance



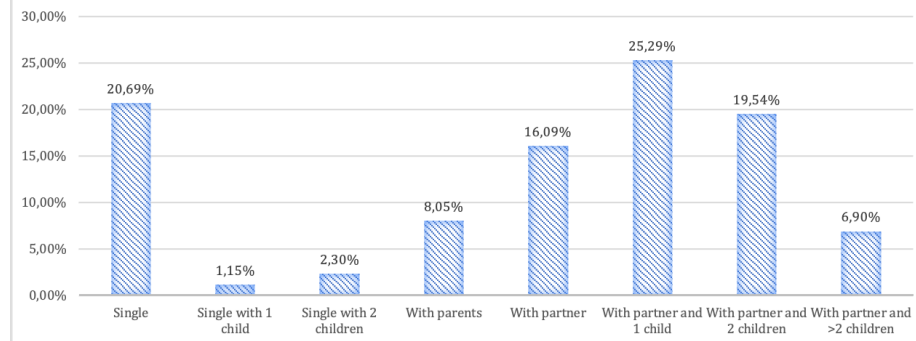
UNIT TYPE PREFERENCES



AVAILABLE UNIT TYPES



FAMILY SIZE



- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions



# Accessibility Criteria Assessment

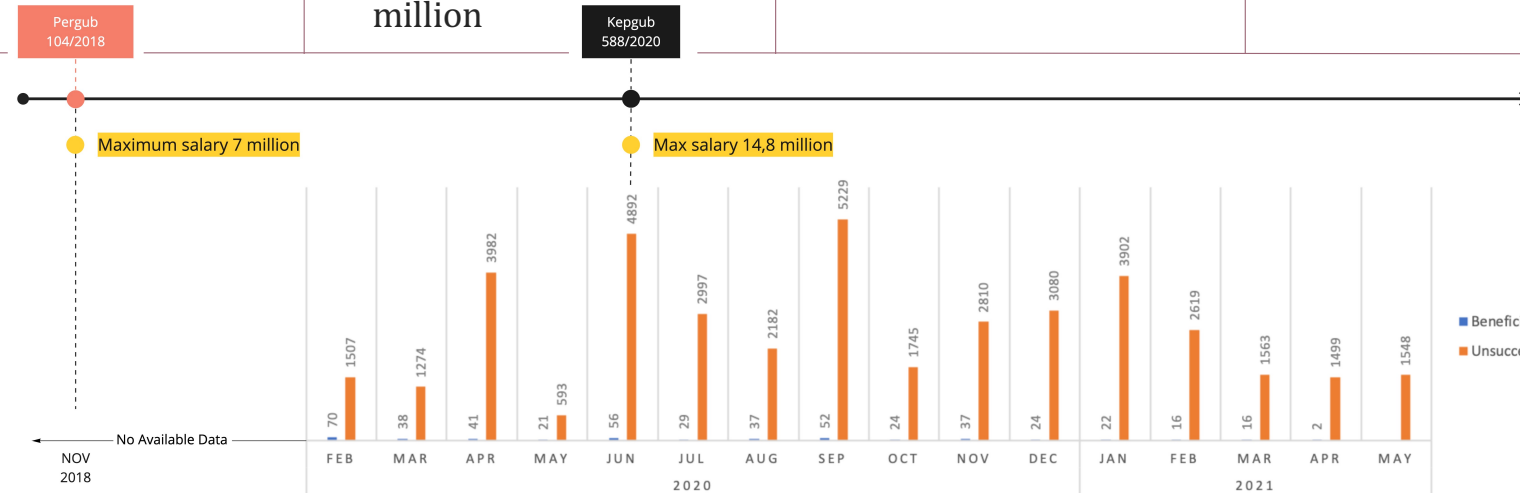
## Housing finance - Housing expenditure ratio



✓ Increased the number of applicants but not the beneficiaries

✓ 1/3 of the total household income is spent for housing (Brendenoord et al., 2014; Luque et al., 2019; Majale et al., 2011)

✓ Maximum salary was adjusted to IDR 14,8 million



- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Accessibility Criteria Assessment

## Housing finance - Housing expenditure ratio



- ✓ Housing expenses between LIH and middle-income households in the same city is **nearly equivalent** (Lozano-Gracia & Young, 2014; Malpezzi & Mayo, 1987)
- ✓ Allocation of LIH's housing expenses is **8-10%** of their household income (UNPD, 1982)
- ✓ The best proportion is to look at the **comparison** between **household income** and what a household pays for **housing and transportation** (Hoek-smit, personal communication, 2021)

Salary Range	Food	Non-food	Total Expenditure
200.000-299.999	193.789,00	103.605,00	297.394,00
300.000- 499.999	288.771,00	183.798,00	472.569,00
500.000 - 749.999	415.714,00	269.950,00	685.664,00
750.000 - 999.999	548.592,00	376.616,00	925.208,00
1.000.000 - 1.499.999	713.277,00	578.350,00	1.291.627,00
> 1.500.000	1.190.491,00	2.195.797,00	3.386.288,00

56% of the non-food expenditure

Housing & Household Facilities Expenditure	Ratio
58.859,70	19,79%
104.418,66	22,10%
153.363,02	22,37%
213.961,73	23,13%
328.570,13	25,44%
1.247.468,31	36,84%

Decreases  
Trend

*The less the people have to spend, the smaller the percentage becomes that the people are able to spend on housing.*

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Accessibility Criteria Assessment

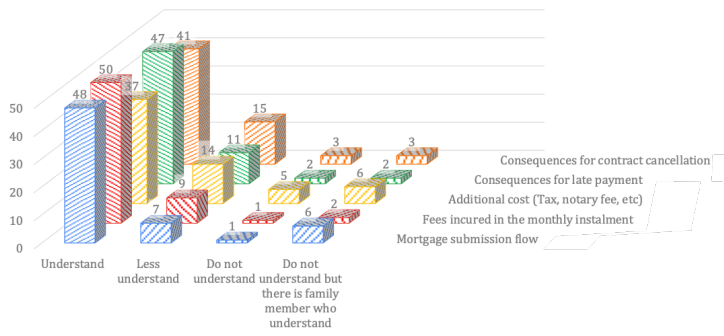
## Housing finance – Financial and homeownership literacy



- ✓ Little exposure to the banking system and credit risks
- ✓ Did not aware of having an outstanding consumer loan (Head of residents' community, FGD, 2021)

- ✓ Rapid growth of manipulative online fintech lending
- ✓ Outstanding consumer loan → lower residual income → less chance to pass mortgage assesstment

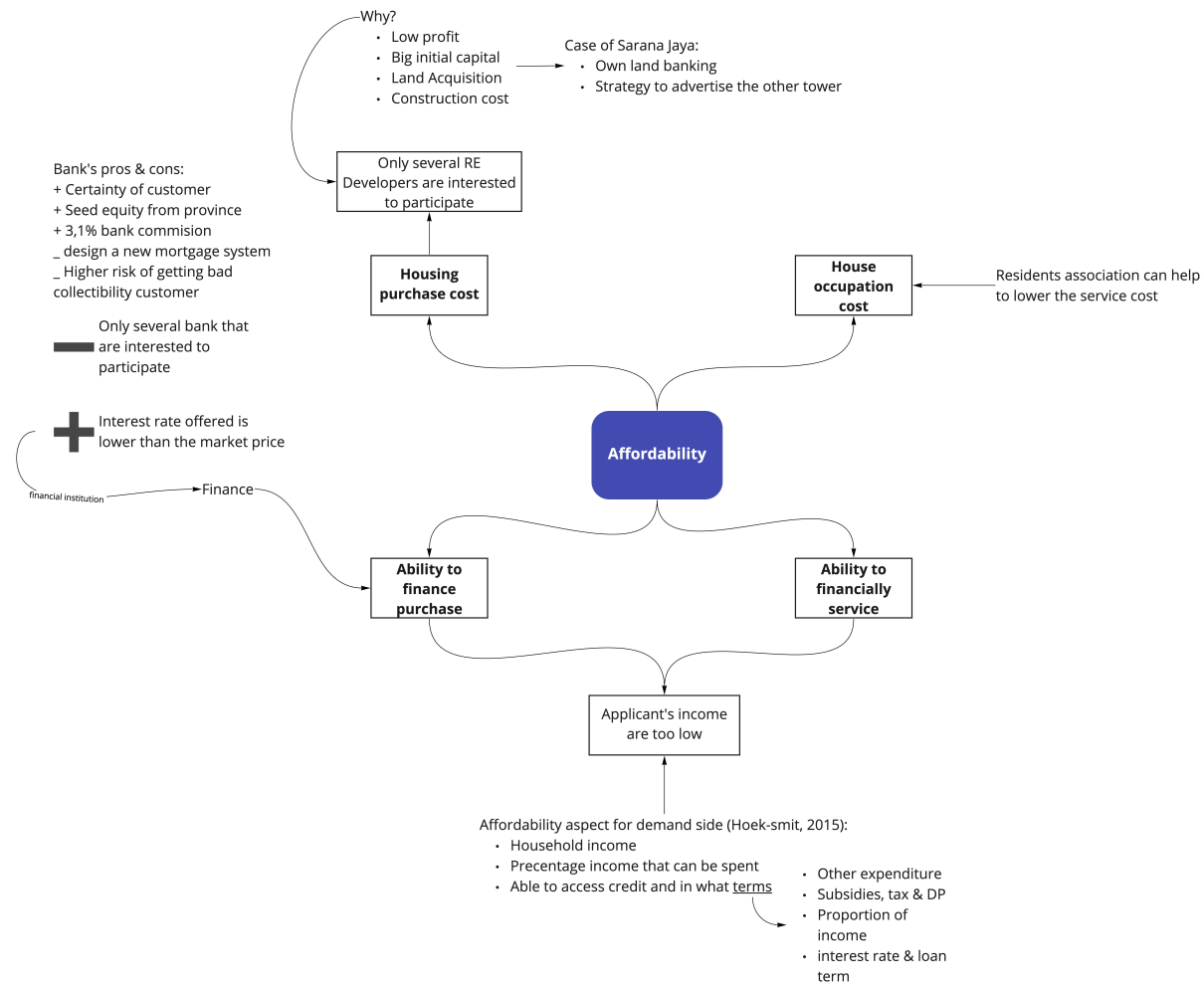
**APPLICANTS' KNOWLEDGE OF HOUSING PROGRAM AND FINANCIAL IMPLICATION**



- ✓ Mortgage system must be easier to understand (UNDP, 1982)
- ✓ Education program should be organized for the LIH (Hoek-smit, personal communication, 2021)
- ✓ Adequate consumer information and education programs must be part of housing planning for LIH (Dübel, 2011; Kohn & von Pischke, 2011)

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

# Affordability Criteria Assessment



- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings**
- Conclusion
- Questions

# Affordability Criteria Assessment

## Housing purchase cost – Regulatory process



- ✓ Unaffordable housing price



- ✓ Housing price for subsidised program in East Jakarta is set IDR 8.8 million (EUR 530) per m<sup>2</sup>  
(The Ministerial of Public Works' Decree no. 552/2016)



- ✓ **Available land banking** helps Sarana Jaya to still earn profit
- ✓ Program continuity will face problem in the future as the **land price is unaffordable**

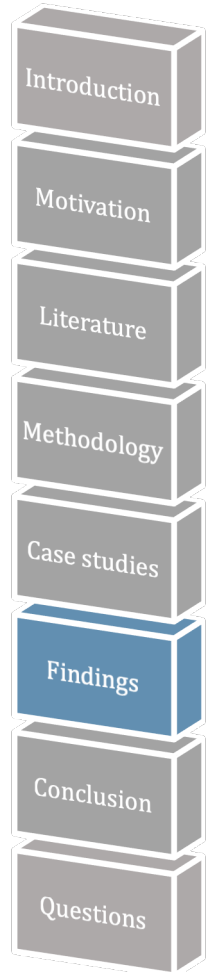


## Housing purchase cost – Construction phase

- ✓ Assurance of building quality

- ✓ SLF is required to eliminate risk from construction delay/failure (Loic Chiquier, 2009)
- ✓ Housing construction fund still need to be developed

- ✓ Unit can only be sold after **100% completion**
- ✓ RE Developer cannot obtain advance payment to fund the construction cost
- ✓ **No financial assistance** in the construction phase



# Affordability Criteria Assessment

## Housing purchase cost – Commercialization phase



- ✓ Unaffordable IPL (building management fee)



- ✓ Postponed the PPSRS formation – due to pandemic



- ✓ Provide alternative land supply: Allows government land to be utilised for social housing (SKGB) (the Ministry of Public Works's regulation No. 17/2021)
- ✓ Avoid postponing the forming of PPSRS



- ✓ Borne subsidy for beneficiary's IPL on top of additional cost for setting up the building management
- ✓ In case of Pondok Kelapa, the forming of PPSRS has been delayed for 1.5 years

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

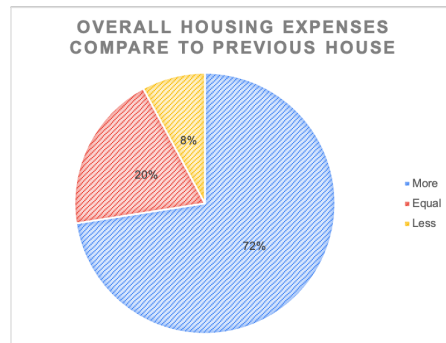


# Affordability Criteria Assessment

## Housing occupation cost



- ✓ Housing expenses is higher than the previous house



- ✓ The benefit as homeowners decline due to the lack of ability and knowledge to maintain the dwelling (Galster, 1987; Littlewood & Munro, 1996)



1. Give clear information regarding fix and variable housing expenses to the applicants
2. Provide some professional help to manage and maintain the building
3. PPPSRS can activate people and decide which job that can be done by the residents



- ✓ Provides internal technician who can do some routine maintenance that does not need special skills, while heavy equipment require specialist/license technician.

- Introduction
- Motivation
- Literature
- Methodology
- Case studies
- Findings
- Conclusion
- Questions

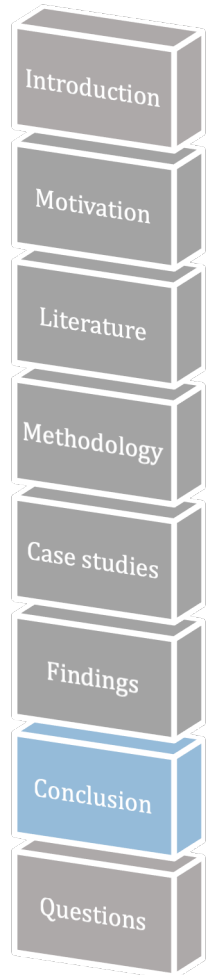
# Conclusion

## Accessibility criteria

- ✓ In the view of 'time value of money', LIH reduce money loss by speeding up the **house purchase** without wasting the time for saving the DP
- ✓ **Principle of prudence relaxation**; Higher DRS allows more LIH to pass the financial assesment by the executing bank
- ✓ **No collateral** requirement. However, in PPJB, the paid instalment will be lost in case of default
- ✓ The presence of **owners' association** (PPPSRS) can help beneficiaries to share their responsibility of the building
- ✓ **Social media** reaches majority of the inhabitants from different economy level in Jakarta, which one of the key to the success of ZDPHP

## Affordability criteria

- ✓ Beneficiaries receives **huge subsidy**
- ✓ The advantage of **forming joint-operation** is the share responsibility between both parties and use less capital
- ✓ **Available land banking** of Sarana Jaya at Pondok Kelapa helped them to make **profit** within the set selling price
- ✓ RE developer is **obligated to manage the building** during the transition period
- ✓ Location plays a big part in terms of access to public services, which provides **big savings** in transports and housing expenses, and also **increase housing value**



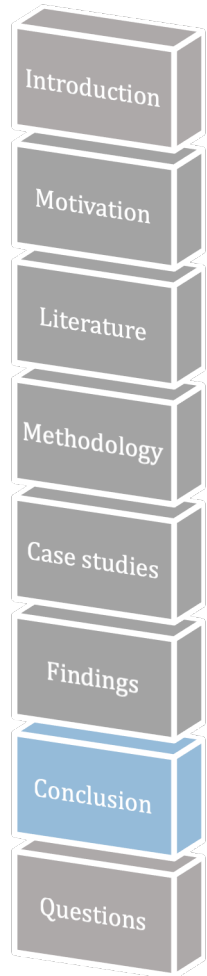
# Conclusion

## Mismatches

- ✓ Bank's **principle of prudence** makes them inflexible, resulted too little informal workers (3% of beneficiaries) while at least there are 38% informal workers
  - ✓ Using **1/3 proportion** of the total households income for housing expenses is too high for the financial condition of LIH in Jakarta
- 
- ✓ RE developer needs **huge equity** to participate in ZDPHP, which will not earn significant profit compare to commercial project.
  - ✓ RE developer borne **higher risks** than the bank
- 
- ✓ Beneficiaries has lack of information and knowledge regarding **homeownership and financial literacy**
  - ✓ There is no clear information regarding **fix and variable housing expenses** to the applicants

## Recommendation for the ZDPHP

- ✓ Using the **actual financial situation** to calculate the right proportion of housing expenses as suggested by Hoek-smit (personal communication, 2021).
  - ✓ An exercise to determine the ratio has shown that *the less amount of money they can spend from their salary, the smaller percentage they spend for housing.*
- 
- ✓ **Financial support for housing provision** should be implemented immediately to help the cost burden by the RE developer
  - ✓ Avoid postponing and **expedite** the forming of owners' association (PPPSRS)
- 
- ✓ Organize **education program** as part of housing planning for LIH
  - ✓ Use one reliable **central information hub**



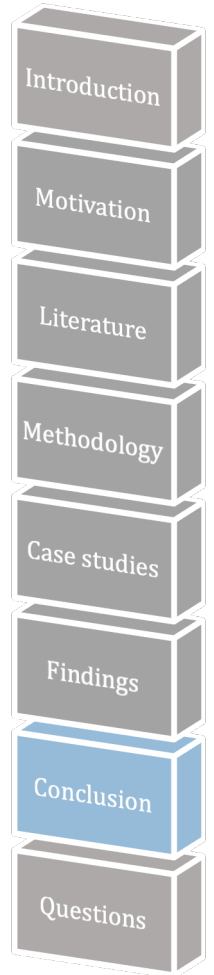
# Conclusion

## Mismatches

- ✓ **Studio units are less attractive** and the most difficult type to be sold
  - ✓ Most Jakarta residents are well known for having high **collectivist cultural values** (Wiswanti et al., 2020)
- 
- ✓ **Unaffordable land price** in Jakarta affects the housing price, while the maximum price has been determined by the Government.

## Recommendation for the ZDPHP

- ✓ **1-bedroom unit and bigger** will be more preferable than a studio unit
- 
- ✓ Allows **government land** to be utilised for social housing (SKGB)



# Recommendation for future research

- ✓ Explore sharia law
- ✓ Research some more detailed information to help perform NPV calculation in order to understand the investment plan
- ✓ Use all 5 As to evaluate the program
- ✓ Includes the other two locations of ZDPHP
- ✓ Perform FGD with unsuccessful applicants

## Limitation

### Theoretical limitation:

- ✓ No available similar theoretical cases easily to be found
- ✓ Only 2 out of 5 As were used

### Case selection:

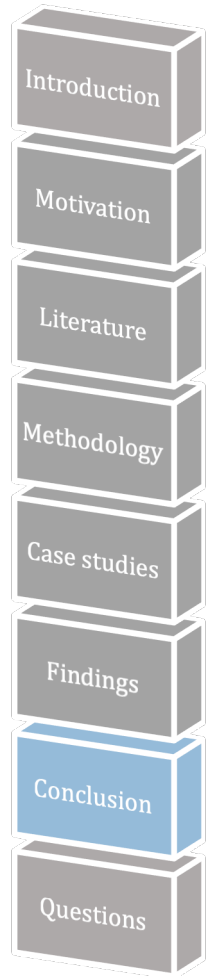
- ✓ Pilot project
- ✓ Implementation stage

### Data set:

- ✓ Errors
- ✓ No consent from the applicants

### External limitation:

- ✓ Pandemic
- ✓ Travel restriction
- ✓ Time differences
- ✓ Language differences
- ✓ Biased result from unsuccessful applicants, due to the use of Instagram account as a tool to contact them





An aerial, black and white photograph of Jakarta, Indonesia. The image shows a dense urban landscape with a mix of low-rise residential buildings and high-rise commercial skyscrapers. A prominent skyscraper with a glass facade and a distinctive top section is visible on the right side. A multi-lane highway or elevated road runs diagonally across the lower half of the image. The sky is overcast with soft, diffused light. Two semi-transparent white rectangular boxes are overlaid on the image, containing text.

# **IMPLEMENTATION OF A NEW HOMEOWNERSHIP PROGRAM IN JAKARTA**

## **The Case of Zero Down-Payment Housing Program**

**QUESTIONS?**