

As a recipient of the Thinker Summer Research grant from the Center of Latin American Studies and the Global Metropolitan Studies Pre-dissertation Fieldwork grant, I went to São Paulo, Brazil. My idea was to interview participants of the largest homeownership program ever implemented in the country: the Minha Casa Minha Vida (MCMV, My House My Life). My goal was to investigate the ability of MCMV beneficiaries¹ to capitalize on the formal homeownership offered by the program and explore how mortgage debt has affected their socioeconomic status.

I went to the field with one hypothesis in mind: MCMV households are wealthier but poorer. Families are wealthier because now they own a home, they have an asset that they can rely on and extract income from on rainy days, but they are also poorer once there are new costs that emerge from owning a formal home. Low-income families, who move from an informal to a formal housing unit, face an array of new expenses that they were not used to, such as electricity, gas, water, condominium fees,² property taxes, or the mortgage itself. Out of these new costs, I was initially interested in a particular one: the mortgage debt. A sub-hypothesis was that the monthly mortgage payments those families had to endure once they moved to the new unit would be the heaviest on their budget. During my preliminary investigation, I partially validated these hypotheses and developed a more nuanced understanding of these questions.

I started my fieldwork endeavors before arriving in São Paulo. Several weeks before my trip, I contacted academics and public servants that could put me in contact with local organizations and communities in the city of São Paulo. After a couple of e-mail exchanges, the fieldwork alternative that proved most promising involved focusing the preliminary research not in the city of São Paulo but in a municipality called Bauru³, located 300 km from it. In Bauru, a municipal social worker (Ms. Ramos) with more than ten years of experience assisting low-income people within various settings (including housing) was willing to introduce me to MCMV residents and accompany me in every interview I needed. Having her companion was vital for security reasons since many of these housing projects are marked by organized crime, drug trafficking, and high



Figure 1 - Bauru location within the SP state. Source: Wikipedia

¹ At this research stage, I am only focusing on a specific program tier, tier-1, comprised of families with incomes from 1 to 3 times the minimum wage.

² Condominium fees or maintenance fees cover the cost of the upkeep of the buildings, grounds, and common areas, as well as utilities, security, landscaping, and other amenities. These fees are paid to a 'condo administrator' and they are usually lower the more units a building has.

³ Bauru is a mid-size city with almost 380 thousand inhabitants (IBGE 2022). The city emerged in the late 19th century due to its strategic position, a point of connection between Brazil's interior/countryside and the city of São Paulo – justifying a railway station. Over time Bauru became a regional pole due to its industries (the city has five Industrial District areas) and education sector (Bauru is home of the Paulista State University, a large public institution).

violence rates. Furthermore, her proximity to residents would make them more open to talk to me.

Although I was not initially interested in Bauru, I realized there were some benefits of conducting my preliminary fieldwork there, instead of São Paulo. First, the municipality of São Paulo is a very particular case of MCMV project implementation. Although the city has more than ¼ of the state population, it encompasses only 8% of the MCMV-delivered units in the state. Meanwhile, more than half of the state MCMV units were developed in medium-sized cities, even though they house 1/3 of the state population. Therefore, a medium-sized city like Bauru⁴ seems a much more representative case of the MCMV experience in the state. Second, because of the smaller dimension of Bauru, I could easily travel around the city, visit multiple housing projects, and meet several people in a shorter period.

I spent one week in Bauru, familiarizing myself with the city and its housing projects and conducting interviews. During my first day there, Ms. Ramos and I visited all 16 vertical housing projects. As the map below shows, the 16 projects are on the city's outskirts, 5 to 6km away from the city center, many of them neighboring rural properties, freeways, or the last urbanized land plot in the city. During these visits, I could also observe the poor infrastructure quality around some projects – in most of them, public schools, hospitals, and bus stops were very far away, the drainage system was flawed (as in most parts of the city), and there were few places for communal use, like parks or squares.

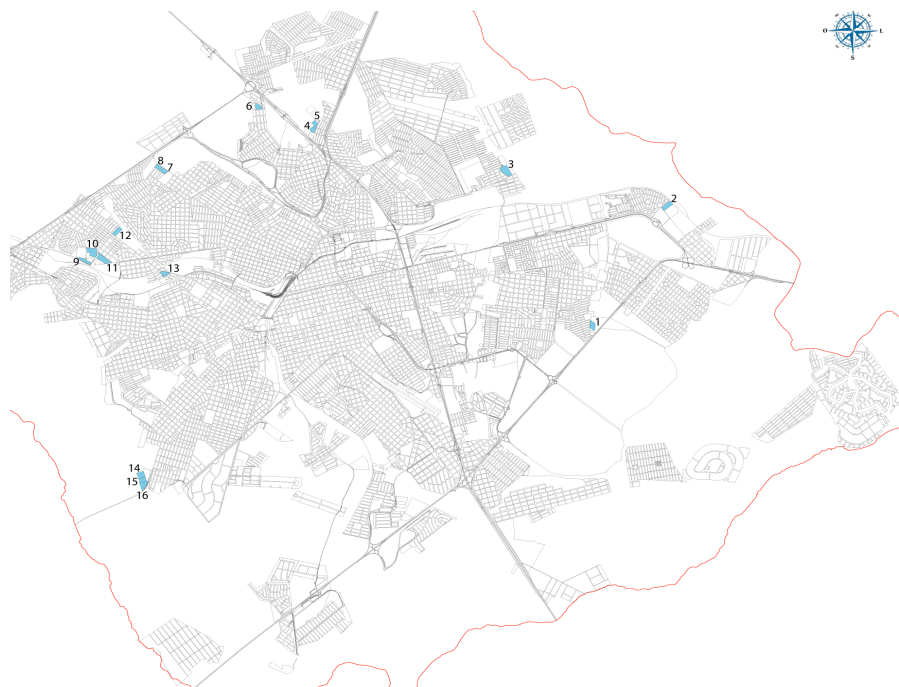


Figure 2- Location of the 16 vertical MCMV projects in Bauru. Source: Author

⁴ Based on data from the Department of Housing from 2019-2009. According to IBGE, a medium size city has between 100 thousand and 500 thousand inhabitants.

On my second day in Bauru, I interviewed a lawyer (Mr. Mello) who worked in a company responsible for managing 9 of the 16 MCMV projects in the city. In Brazil, buildings work as condos and not coops, that is residents are owners of their units (and of a percentage of the common area) and delegate to a company (“the condo administrator”) the operational, financial, and legal management of the whole property. Mr. Mello was the legal representative of one of these companies. We had a long conversation in which he gave me a big picture of the main issues these housing projects and their residents face. Mello reminded me that for most families, the costs associated with the new home (excluding the mortgage) represented 30% or more of their income⁵ – a very high cost, especially for households with informal jobs and volatile incomes. Beyond the economic question, according to him, there was a cultural one: for many of those residents, who never lived in a formal home before and were not used to pay for housing, the new costs were seen as unfair. As he put it, “Residents don’t understand. They think condo fees are rents, taxes, or a bribe to the condo administrators.”

The initial visits to the housing projects and the conversation with Mr. Mello helped me select a subset of projects where I could conduct my interviews. Given the limited time availability, I chose two projects. One was the Ypês residential (number 1 on the map), a project with 224 units inaugurated in 2016, 6km from the city center. The second was the Monte Verde-I residential (number 14 on the map), a 256-unit project built in 2012, 5,5km far from the center of Bauru (Figure 3). I scheduled interviews with the managers of these two projects (who were also residents) and conducted unstructured interviews with a few people I encountered in the common areas of these projects (and who were willing to talk).



Figure 3 - Visit to the Ypês (left) and Monte Verde- I (right) projects

The interviews corroborated the impressions I got from the conversation with Mr. Mello. Some of the takeaways from these conversations are:

⁵ A long been accepted rule in academia is that a household is cost-burdened (severely cost-burdened) if they pay more than 30% (more than 50%) of their income on housing.

- (i) Mortgage debt is not the real problem: most of the residents don't pay their debt, and the public bank (CEF) responsible for managing the mortgages does not intervene⁶. Researchers have already identified that mortgage delinquency rates in MCMV projects average 30%, and CEF has no incentives to take these properties back (Acolin et al. 2019).
- (ii) Many current MCMV residents are illegal: in theory, the initial owners, who won the housing lottery, have to stay in the property for a minimum of 10 years, that is, until their mortgage is repaid, and the property title transferred from CEF to them. However, many have illegally sold their properties via informal purchase agreements. In some cases, it was the organized crime that pushed formal owners out of their homes.
- (iii) The real economic burden is related to condominium fees: on average, 50% of the residents in a project have not made a payment for 30 days or more for the condo administrator. Most residents who fail to make these payments are single mothers.
- (iv) The consequences of late condominium fees are worrisome: the charges imposed on those who fail to pay involve a flat penalty of 1%, interest of 2%, and legal fees. This amount builds up over time, and there are usually two possible outcomes. The resident renegotiates and settles the debt (30% of the cases). Or the family is subjected to financial penalties (70% of the cases): the overdue amount is pulled out from their bank account, and in case they don't have enough liquid assets, other assets are repossessed – like cars or the apartment itself (eviction)⁷.
- (v) In cases of high delinquency rates, condo administrators hire "guarantors": guarantors are law companies who guarantee condos' monthly revenues by transferring an equivalent amount to the condo administrator early every month and assuming the responsibility of collecting condo fees from residents. Two-thirds of the 16 projects have hired this service. Guarantors charge a 5% fee from the condo administrator. Still, most of their revenues come from legal fees incurred every time a resident fails to pay their condo fees (they range from 20 to 30% of the overdue amount). These companies do not seem to be regulated, and some residents see them as 'loan sharks'; others consider them "as "a necessary evil (...) otherwise, this project would become a *favela*".

Beyond the period I stayed in Bauru, I spent two weeks in São Paulo. While there, I spent time building a network of relationships that will hopefully help with my future Ph.D. research. I met with housing policy academics, urban economists, legal scholars, and practitioners involved in managing the MCMV program. I also took advantage of this time to identify useful datasets for the quantitative component of my research.

Overall, this fieldwork led me to important findings that are not present in the academic literature. Thanks to this trip to Brazil, I now have a better understanding of some of the ways the

⁶ It is worth noting that for Tier 1 of the program, the monthly payments that residents owe CEF do not include interest, only the principal (to be repaid in 10 years).

⁷ In the case of the two buildings I investigated, the 10-year period for debt repayment has not passed, so the formal ownership of those apartments was not formally transferred to residents (it is still with CEF). In those cases, condo administrators include a clause in the property deeds stating that the apartment will be used to repay the debt once ownership is transferred from CEF to the resident.

homeownership offered by the MCMV program impacts residents' economic conditions. With the information I gathered, the datasets I identified, and the connections I made, I can work more efficiently during the subsequent phases of my fieldwork. The support of the Tinker Field Research Grant was paramount in this process.



Figure 4 - Interview with one of the residents