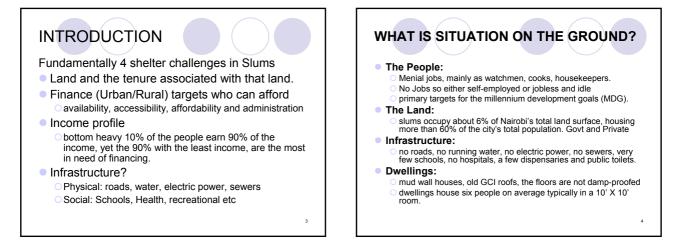
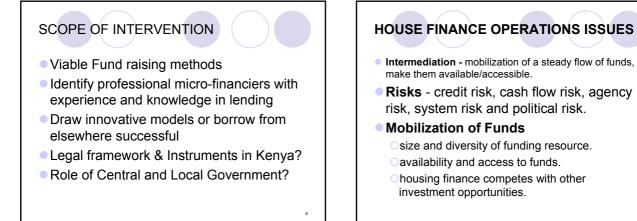


CAME PLAN Introduction Situation on Ground Issues in Housing Finance Operations Bacro-economic Environment Institutions Globalization Globalization Subsidies Conclusions Recommendations





ISSUES IN HOUSING FINANCE OPERATIONS (Cont.)

Interest Rate (Cost of funds)

the price of capital to the borrower.

- return on capital to the saver/lender.
 - close as possible to the market cost of funds.
 - real rate of return on deposit;
 - the risk as well as the actual or expected rate of inflation;
- margin covering operation costs of financial institution.

The Legal and Regulatory Framework

guidelines and rules of the game
 prevent abuse of and damage to the system.

ISSUES IN HOUSING FINANCE OPERATIONS (Cont.)

- Risk of Default or Credit Risk
 ability of the horrower to reserve the local
 - ability of the borrower to repay the loan (credit risk).
 Rising interest rates (system risk). 34% now 18% T. Bill 12%
- The Mortgage Instrument

 the conventional form of securing a housing loan.
 mortgage is a highly formalized legal instrument.
- In Tanzania, for example, the absence of a foreclosure law prevents mortgaged property from being easily converted into cash by the lending institution in case of default.
- For the poor mortgage instrument does not work because of:
 The need for an acceptable title deed as collateral
 - The cost involved in valuation and registration
 Lending policies that set minimum size of loan

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MACRO-ECONOMIC ENVIRONMENT (Cont.) GLOBALIZATION • Net effect of opening up financial markets. • In Zambia has resulted in high interest rates and decline in the Kwacha • Between 1985 and 2000 average interest rates for mortgages yo-yoed between 20% and 90%. • In Kenya Micro-Finance gives Mainstream Banks run for their money • withdrawal of subsidies ought to have a safety net.

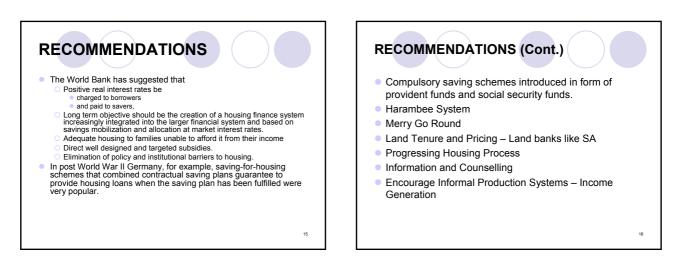


SUBSIDIES

- It is a moral question whether Kenya should enable its poorest citizens to access decent housing.
- subsidy in one form or another should be made an option so that those who can afford pay while those who cannot are assisted.

CONCLUSIONS

- In Kibera as elsewhere, it is clear that housing problems are essentially an income problem.
- The poor; people with very low income or no income need support to get affordable housing.
- Majority of people living in Kenya do not have access to land or basic services
- Cannot afford a loan even for the least expensive commercially built housing units. Kes 7K for 1 Roomed; 11K for 2 Roomed
- Therefore housing finance has to be a major element of our National Housing Policy, which is an important element of Welfare Policy



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RECOMMENDATIONS (Cont.)

- Free Housing for the People Below Poverty Line
 In India they had the Minimum Needs Programme
- Public Private Partnerships (PPP):
- Access to Basic Infrastructure Facilities:
- City Planning tends to exclude Slums:
- Building Codes and Norms:
- Options based on subsidy, loans and beneficiary contribution – Cash, Labour or In Kind for EWS as in Korea, Bangla Desh and India

