

Housing Finance in Africa: The state of practice and issues to consider

Discussion session in Zambia
Holiday Inn, Lusaka

Kecia Rust
25 October 2007



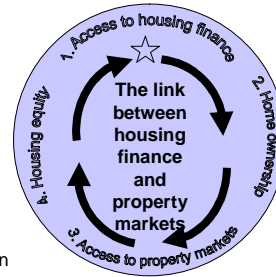
Introduction to the FinMark Trust

- Non-profit, trust formed April 2002 with funding from Department for International Development (DFID) in the UK
- Mission - *"Making Financial Markets Work for the Poor"*
 - First SACU, now African continent mission
 - Funding until 2010
- Approach:
 - Theme areas: transaction banking, insurance, housing finance -also savings and enterprise finance
 - Research, facilitation, advocacy, innovation
- Sisters
 - Urban LandMark: making urban land markets work for the poor – www.urbanlandmark.org.za
 - ComMark: making commodity and service markets work for the poor - www.commark.org
 - Employment Promotion Programme: making labour markets work for the poor - www.commerce.uct.ac.za/Research_Units/DPRU/Employment_Promotion_Program/Home.htm
- Flagship product: FinScope – a tool to measure perceptions of financial access and usage, now in 11 African countries and Pakistan – www.finscope.co.za

2

The housing finance theme area

- **Understanding the housing asset:**
 - Township Residential Property Markets study
 - Housing Entrepreneurs Study (comprising Small Scale Landlords and Home Based Enterprises)
 - Affordable Housing Monitor (currently underway, not yet on the website)
- **Exploring housing finance innovation:**
 - The access frontier for housing finance in South Africa
 - Causes of Default of Housing Micro Loan clients
- **Housing finance in Africa:**
 - Literature review on housing finance development in Sub-Saharan Africa
 - Access to housing finance in Africa –Zambia, Botswana (forthcoming), Kenya (forthcoming), Namibia (forthcoming), and others pending
- **ACCESShousing**



3

Other housing finance sector studies:

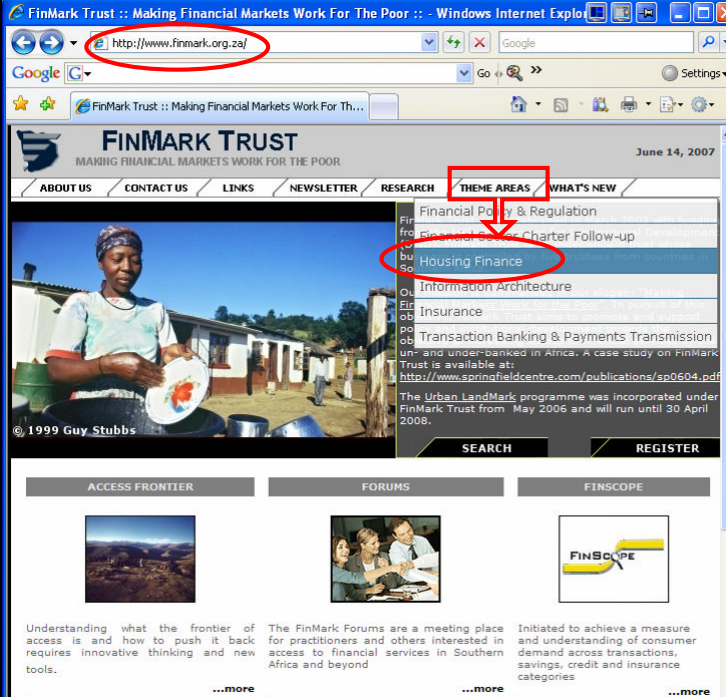
- **Zambia (Gardner, 2007):**
 - “Few self-employed people earn sufficient to qualify for a home loan. This leaves the 16% of all Zambians that are formally employed (2.2-million) as the potential market for housing finance. However, of these, 40% are currently un-banked.”
- **Botswana (von Rudloff, 2007)**
 - “Few self-employed people earn sufficient to qualify for a home loan. This leaves the 17,3% of all Botswana that are formally employed (281,915) as the potential market for conventional housing finance.”
- **Kenya (Alder and Mutero, forthcoming)**
 - “only a small proportion of urban households – estimated to be less than 10% -- have traditionally qualified for mortgage loans from HFIs, with the majority ruled out by their low incomes. Borrowers generally consist of high net worth individuals. Even with the fall in interest rates since the 1990s, and the recent extension of lending terms to 25 years by some HFIs, the impact of mortgage lending is still very limited.”
- **Namibia (Adongo et al, forthcoming)**
 - Some studies indicate that in 2001 a mere 1% of the adult population had mortgage loans (NAMPS, 2001). In 2003, FinScope™ suggested the current market for mortgage loans was 8.52% of the adult population; in 2004 it was 4.63%.

4

FinMark's plans for the future:

- A key focus area must be on access to housing finance for the most poor
 - Attention to the housing asset requires a trans-generational vision
 - Financial, social and economic asse
 - Life cycle approach to understanding the demand for housing finance
 - Insufficient information on what is happening throughout Africa
 - Critical that we learn and study more
- So:
- 
- Housing finance sector country studies:
 - Zambia, Botswana, Kenya, Namibia
 - Ghana, Uganda, Tanzania, Rwanda, Ethiopia, etc.
 - Follow-up with country- or region-specific studies or initiatives
 - Access to housing finance in Africa conference / workshop
 - March 2008
 - Platform for networking and engagement
 - Special emphasis on mechanisms relevant to the most poor – the majority of local populations
 - Housing Finance in Africa web page
 - Open source, hosted and moderated by FinMark Trust
 - Executive African Housing Finance Programme
 - March 2008
 - In partnership with the Wharton School at the University of Pennsylvania

5



FinMark Trust :: Making Financial Markets Work For The Poor :: - Windows Internet Explorer

http://www.finmark.org.za

Google

FinMark Trust :: Making Financial Markets Work For Th...

FINMARK TRUST
MAKING FINANCIAL MARKETS WORK FOR THE POOR
June 14, 2007

ABOUT US CONTACT US LINKS NEWSLETTER RESEARCH **THEME AREAS** WHAT'S NEW

Financial Policy & Regulation
Fin...
Financial Sector Charter Follow-up
bu...
Housing Finance
Information Architecture
Ou...
Fin...
Insurance
ob...
Transaction Banking & Payments Transmission
un- and under-banked in Africa. A case study on FinMark Trust is available at: http://www.springfieldcentre.com/publications/sp0604.pdf
The Urban LandMark programme was incorporated under FinMark Trust from May 2006 and will run until 30 April 2008.

SEARCH REGISTER

ACCESS FRONTIER FORUMS FINSCOPE

Understanding what the frontier of access is and how to push it back requires innovative thinking and new tools. ...more

The FinMark Forums are a meeting place for practitioners and others interested in access to financial services in Southern Africa and beyond. ...more

Initiated to achieve a measure and understanding of consumer demand across transactions, savings, credit and insurance categories. ...more

FINANCIAL DIARIES INNOVATION SERIES URBAN LANDMARK

Thank you!

Kecia Rust
kecia@iafrica.com
+27-83-785-4964
+21-11-880-7694
www.finmark.org.za