

Mortgage refinancing firm to ease house shortage

By A SPECIAL CORRESPONDENT
Reuters

KENYA IS to set up a mortgage refinancing company to help to meet the government's goal of providing 500,000 houses in five years as well as make it easier for banks to access long-term finance for home loans, the Treasury said.

Nairobi has an estimated 200,000 annual housing shortfall, which is expected to rise to 300,000 by 2020.

President Uhuru Kenyatta has said provision of affordable housing is one of his four key priority areas in his second term.

"Housing finance in Kenya remains below its potential," the Treasury said in a document outlining the creation of the Kenya Mortgage

Refinance Company (KMRC), to be owned by the state, commercial banks and financial co-operatives.

KMRC is expected to be licensed by the central bank in February next year, with initial debt financing of \$160 million from the World Bank for lending on to financial institutions.

Financial co-operatives

Once it starts operations, the company will raise debt from markets, including mortgage-backed bonds, to lend to banks and financial co-operatives using their mortgage loan contracts with customers as security.

Kenya had just 24,458 mortgage loans valued at \$2 billion or 3.15 per cent of GDP in 2015, compared with about 30 percent of GDP worth

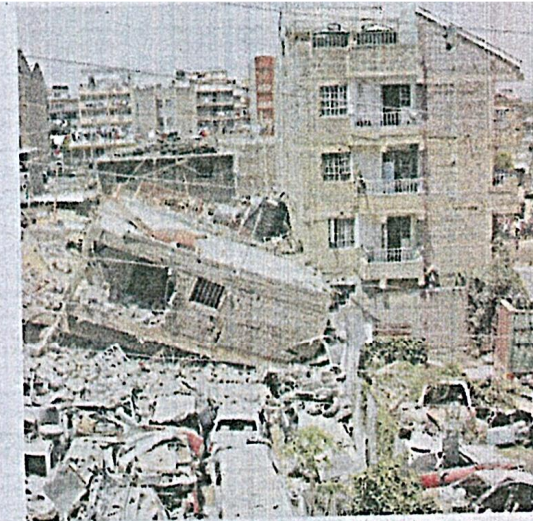
of outstanding mortgages in South Africa.

Tanzania, Malaysia's case

Lenders, among them Kenya Commercial Bank Group which has the biggest share of the mortgages, usually shy away from writing housing loans mainly due to lack of long-term deposits in the industry to match them.

The Treasury, which will follow Nigeria, Tanzania and Malaysia in establishing a mortgage refinancing company, hopes that the KMRC will help to tackle this problem through provision of long-term funding to banks.

High interest rates have also been blamed for keeping mortgages out of the reach of many people.



A poorly constructed residential building's collapse is testament to the desperation for decent, affordable housing in Nairobi. Picture: File