



**Terwilliger Center for
Innovation in Shelter**



Housing Microfinance in Tanzania

Final Report

**September
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Executive Summary

ABOUT THE STUDY

Habitat for Humanity International (HFHI) and **Tanzania Mortgage Refinance Company (TMRC)** engaged **Altair Consultancy and Advisory Services Ltd (Altair)** to conduct focused market research with consumers and relevant stakeholders in the housing microfinance (HMF) industry in Tanzania. The research assessed the current state of the HMF market, and explore demand for new HMF products, providing **HFHI** and **TMRC** with a clearer idea regarding how local financial institutions (FIs) can both develop and participate in Tanzania's fledgling HMF market.

The study has worked on the assumption that the most suitable target borrowers for HMF products in Tanzania are low- and middle-income households who earn between 80,000 TZS (\$34) to 1,500,000 TZS (\$630) per month.

Research methods combined desktop review of existing secondary data, and primary research methods including interviews with stakeholders, focus group discussions with potential users, and a quantitative household survey.

STAKEHOLDER INTERVIEWS

Key findings included:

- Low- and middle-income Tanzanian households face a number of housing challenges, including insufficient housing supply, overreliance on insecure, inadequate self-build informal housing, rising building materials costs, irregular income making it harder to plan for housing-related spending and/or access housing finance, and difficulties servicing outstanding loans.
- Generally, financial institutions in Tanzania lacked prior awareness of HMF. However, two had had past experience in providing a HMF product, both of which could be used for the purposes of incremental housing construction, and were capped at 10,000,000 TZS (\$4,267). One of the products could also be used for renovation or improvement of an existing home. The loans differed in their duration, interest rate, application fees (or lack thereof) and some other characteristics. Overall, both institutions were satisfied with the performance of the loans, but were unable to meet demand due to lack of long-term affordable funding.
- Respondents highlighted a number of risks and challenges involved in developing the HMF market. Lack of financing was the most-mentioned, but others included: difficulties in accessing credit risk, the possibility of title fraud or loan diversion, and lack of delivery capacity.
- Despite these, most respondents were enthusiastic about the future potential of HMF in the Tanzanian market, noting the high demand for housing solutions and the compatibility of HMF with the prevailing culture of incremental self-build.

HOUSEHOLD SURVEY

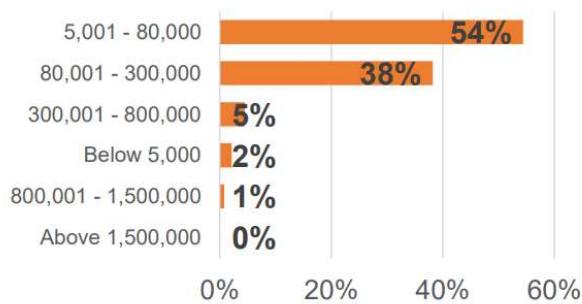
Sample

The household survey covered 377 respondents, two thirds of whom were male. In terms of age, the largest respondent group (41%) was in their 30s. The survey was undertaken in Dar es Salaam, Dodoma, Mbeya, Arusha, and Mwanza.

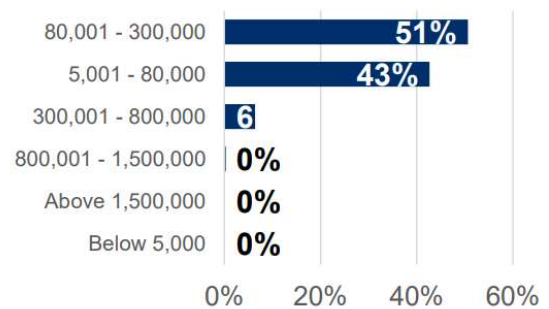
Income and Expenses

All respondents earned between 80,000 and 1,500,000 TZS (USD \$34 to \$630) per month. Half of respondents earned their income day-by-day, and 40% lacked any proof of earnings.

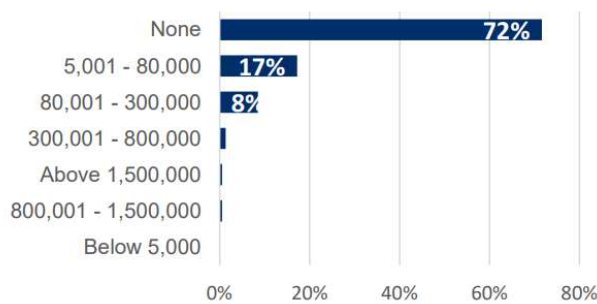
HOUSEHOLD EXPENSES (excluding food)



MONTHLY FOOD SPEND



MONTHLY LOAN REPAYMENTS



RENT (n = 134, or 38% of respondents)



Savings and Borrowing Behaviour

Depositing and withdrawing savings was the most popular financial service used by respondents. Borrowing was nowhere near as popular, and respondents tended to pay for unexpected expenses out of their own savings, or by borrowing from family or friends, rather than taking out a formal loan from a financial institution.

In the event that they did borrow, respondents would generally prefer to do so with a commercial bank, community finance group, or their family and friends, rather than a microfinance institution (MFI), savings and credit co-operative society (SACCOS), or their employer. A good interest rate, bigger loan size, and efficient lending process were likely to be major factors in determining the choice of lender. Most respondents would prefer to limit monthly loan repayments to the 5,000 to 80,000 TZS range.

Recent home improvements

66 respondents reported as having made a home improvement during the past two years. Improving walls, the roof, or flooring, adding more rooms, and modifying or repairing a toilet were amongst the most common types of work performed. Just over half (55%) performed the work independently, with the remainder relying on a contractor. Amongst nearly all respondents (92%), personal savings were used to finance all or some of the work.

Future housing plans

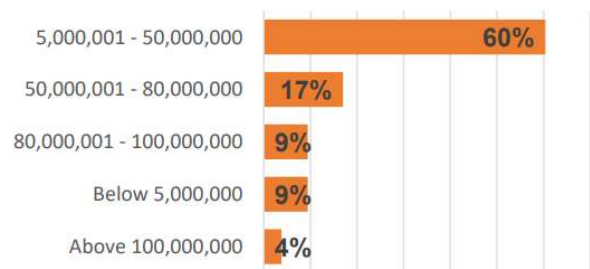
Half of respondents were planning to purchase land within the next two years, while smaller but significant proportions were looking to make home improvements (28%), construct a home (21%), or purchase one outright (14%).

Researchers asked respondents about the estimated budget for these projects:

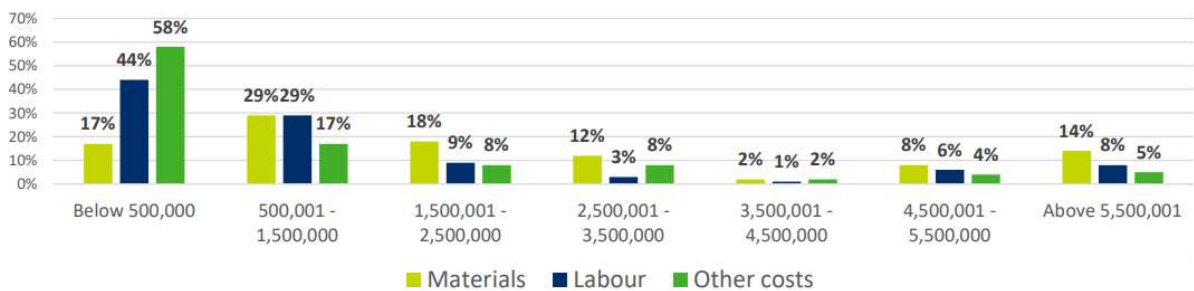
LAND PURCHASE BUDGET (n=189)



HOME PURCHASE BUDGET (n=53)



HOME IMPROVEMENT BUDGET (n=106)



Most (85%) planned to use their own savings to cover some or all of the cost. Amongst the smaller proportion willing to consider borrowing, the preferred loan size was between 500,000 and 5,000,000 TZS, with a two-year tenure.

Housing Perceptions

Two thirds of survey respondents agreed that homeownership was very important, and just over half (51%) believed that the ideal age to become a homeowner was in one’s thirties. Homeownership was perceived to bring a number of benefits, including as an investment, to fulfil day-to-day family needs, as an asset which could be passed on to descendants, as a status symbol, or to save money which would otherwise be spent on rent.

High interest rates, stringent documentation requirements, high deposit requirements, and unaffordable monthly repayments were all cited as barriers to accessing homeownership.

FOCUS GROUP DISCUSSIONS

Housing Aspirations

Focus group discussion (FGD) participants listed several benefits to homeownership, such as lower overall housing costs (compared to renting), ownership of a valuable asset which could be transferred to relatives, a greater sense of permanence and stability, potential for the home to be used for economic activity, the opportunity to let out rooms for profit, and a greater sense of freedom.

FGD participants were interested in making various home improvements:

- Adding toilets
- Replacing or upgrading:
 - Flooring
 - Windows

- Wall materials
- Ceiling
- Roof
- Painting the walls
- Installing a fence
- Repairing wiring, piping, and plumbing

Housing works undertaken during the past two years

TYPE OF WORK	COST (TZS)	SOURCE OF FUNDING	CHALLENGES
Flooring, windows, and painting	3,000,000	Own savings	Building materials were stolen.
Windows		Own savings	First worker hired took their fee up-front and never returned to complete work.
Painting	400,000	VICOBA	Painter hired took their fee up-front and never returned to complete work.
Fencing	500,000		Workers dragged out the project to extract more money.
Electrical wiring	400,000		
Plumbing	280,000	Borrowed from financial institution, plus friends and family	
Flooring	18,000	Own savings	
Flooring and walls	300,000	Own savings	Workers extracted as much money as possible. Having to stay elsewhere during works was inconvenient.
New room	2,000,000	Own savings	Workers used lower quality construction materials than promised, to skim profits. Inflation in cost of building materials.
Flooring	270,000	Own savings	
Window net	100,000		Difficult to source funding.
Replacing ceiling material and painting walls	150,000	Own savings	
Windows and flooring	2,000,000		

Participants anticipated a number of challenges with future home improvement projects, including lack of funding, lack of technical knowledge, and unreliability of contractors.

Borrowing Behaviour

FGD participants generally preferred formal lenders over informal ones (particularly predatory individual moneylenders, *kausha damu*), due to the better interest rates, professionalism, and lengthier repayment schedules they offer.

Some participants also noted, however, that there is a high degree of stigma around lending and borrowing. In Tanzanian culture, they suggested, lenders are often considered to be exploitative, while borrowing is seen as an embarrassing last resort for people who have failed.

Despite this obstacle, many participants reported to having borrowed money in recent years, from MFIs, commercial banks, and VICOBA, for a variety of purposes, including education, business, or construction.

From this experience, participants were unanimous on the importance of good repayment discipline, and demonstrated clear understanding of the negative consequences of defaulting on a loan. However, they felt that lenders varied with regards to how well they communicated these risks.

Preferred Terms for Housing Loan

According to participants, the ideal size of a housing construction loan was 8,000,000 to 100,000,000 TZS, while a home improvement loan should range from 1,500,000 to 10,000,000 TZS.

Different groups had different perceptions regarding the ideal size of repayment instalments. Some preferred larger repayments (as much as 40%-50% of monthly income), to pay off the loan more quickly, while others were more cautious, preferring much smaller payments (as low as 5% of monthly income) to keep servicing the loan manageable.

Low interest rate, simple access requirements (e.g. single proof of identity and single guarantor), and a lengthy repayment schedule were the preferred terms and conditions. Most participants preferred an unsecured loan.

BUSINESS CASE

Demand for HMF in Tanzania

EVIDENCE	IMPLICATION
1. Predominance of incremental self-build amongst low- and middle-income households	HMF is well-suited to this type of housing construction, and smaller loans are relatively more accessible to low-income households
2. Existing loans are being diverted for housing purposes	A housing-specific loan could satisfy housing purposes more effectively than a general purpose one
3. Low/middle-income households are underserved by supply-side actors	If existing institutions are not satisfying the needs of low/middle-income households, HMF has the potential to do so instead
4. High rates of homeownership	Homeowners have more influence over the physical condition of their home than renters, so could borrow HMF to make improvements
5. Substantial repair needs	HMF could be used to finance repairs
6. Outlying problems with WASH	HMF could be used to finance WASH works

In addition, there are wider market drivers which are conducive to the expansion of HMF in Tanzania, including:

- Population growth
- Rising incomes
- Rising housing demand / widespread desirability of land and homes as an asset
- Rising numbers of mortgage lenders across the country
- Rising financial inclusion
- Favourable regulatory environment and support for HMF from Bank of Tanzania

Challenges for Uptake of HMF

On the demand side, issues with affordability, credit risk, cultural stigma regarding borrowing, and unreliability of housing works contractors could negatively affect the prospects of HMF.

Amongst financial institutions on the supply side, low levels of awareness about HMF (particularly regarding how it differs to “traditional” housing finance products like mortgages), low levels of technical capacity, and lack of long-term, affordable funding could hamper the expansion of HMF.

The creation of a specialized HMF fund for Tanzania, a program of awareness-raising financial education activities, and technical capacity building could help to overcome these challenges.

Recommended Product Design

Positioning, branding and nomenclature	"Microfinance" has negative connotations; consider rebranding to "Incremental Housing Finance" or "SME Loan"
End Use of the Loan	1. Land purchase; 2. Home improvement; 3. Incremental Construction; 4. Land title formalization
Preferred Lenders	Households want lenders which offer: a low interest rate; higher ticket-size loan; good service; higher term limits for repayment. Banks and SACCOS may be better suited for this than MFIs.
Preferred Loan Amount	Land purchase: TZS 4 to 10 million (\$1,600 to \$4,000) Home Improvement: TZS 1.5 to 10 million (\$616 to \$4,107)
Preferred or Affordable Monthly Repayments	Should not exceed TZS 20,000 to 400,000 (\$8 - \$164)
Preferred Tenure	2 years
Potential Collateral Arrangements	Documentary proof of homeownership may be limited, so staff at FIs will need additional training to verify validity. Not all borrowers are comfortable with the idea of offering collateral.
Assessing property legal risk	Not as important for HMF as for mortgages, so not a priority. Simple risk assessment scorecards may suffice.
Potential Loan to Cost Ratios	50%-60%,
Women as a Borrower or Co-borrower	In Tanzanian households, men are usually the key financial decision-makers, so men would usually need to be co-borrower with women (or sole borrower)
Mode of Disbursement & Collection	Cash
Loan Utilisation Checks (LUCs)	Site visits after 90 days, with verification of works required before next instalment issued

Next Steps

In the short term, an HMF working group should be established, alongside the design and implementation of three HMF pilot projects with selected partner financial institutions. A capacity building program designed with the specific needs of the Tanzanian market should be set up.

In the medium to longer term, the following actions could help to firmly establish HMF in the country's housing finance landscape: a peer-to-peer learning program between Tanzania and other African countries; the creation of a Tanzanian HMF Knowledge hub; and investment in technology platforms to digitise HMF lending.

Acknowledgements

The authors of this report wish to acknowledge the important role played by the following organisations and anonymous individuals. Their generous participation and support have been essential in ensuring the project has successfully achieved its objectives:

- **Habitat for Humanity International (HFHI)**
- **Tanzania Mortgage Refinance Company (TMRC)**
- **National Bureau of Statistics (NBS)**
- **Mkombozi Commercial Bank PLC (MKCB)**
- **Maendeleo Bank PLC**
- **Vision Fund Tanzania (Non-Deposit taking MFI)**
- **FINCA Microfinance Bank (MFI Bank)**
- **Miliki Makazi Company Limited (Non-Deposit taking MFI)**
- **Makazi Bora Finance (Non-Deposit taking MFI)**
- **Hazina SACCCOS**
- **ELCT Moshi SACCOS**
- **Tanzania Association of Microfinance Institutions (TAMFI)**
- **Bank of Tanzania (BOT)**
- **International Finance Corporation (IFC)**
- **Shelter Afrique**
- **African Development Bank (AFDB)**
- **Centre for Affordable Housing Finance in Africa (CAHF)**
- **Former members of the Housing Microfinance Working Group (x2)**
- **Respondents to the Household Survey**
- **Participants in the Focus Group Discussion**

About the Study

Objectives and Scope

Habitat for Humanity International (HFHI) and Tanzania Mortgage Refinance Company (TMRC) have engaged Altair Consultancy and Advisory Services Ltd (Altair) to conduct focused market research with consumers and relevant stakeholders in the housing microfinance (HMF) industry in Tanzania. The research will assess the current state of the HMF market, and explore demand for new HMF products. This should give HFHI and TMRC a clearer idea regarding how local financial institutions (Fis) can both develop and participate in Tanzania's fledgling housing microfinance market.

The expectation from this study is to:

- Identify the needs and potential for HMF in Tanzania
- Identify the current HMF situation in Tanzania
- Build a case for HMF potential in Tanzania
- Benchmark other markets with matured HMF solutions
- Identify peculiar terms for supporting HMF

This study will provide an up-to-date insight into the state of the HMF sector and potential for such a product for this market. In addition, the expected future outcomes from the study would be to help:

- Mobilize funding to support the diversification of TMRC operations (to potentially include HMF and/or similar products)
- Identify potential financial providers to deliver a demonstrative pilot program to illustrate the business potential of this product
- Provide technical assistance to FIs on product design

Target Segment

One of the objectives of this project is to clearly define target users for HMF in Tanzania, including their income bracket. Based on our secondary research, we have conducted affordability estimates which have produced a provisional target user range of low- and middle-income households who earn between 80,000 TZS (\$34) to 1,500,000 TZS (\$630) per month. (Assuming an exchange rate of 1 TZS to \$0.00043 USD.)

These affordability estimates involved working backwards from different sizes of microloan, ranging from USD TZS 354,750 (USD \$150) to TZS 4,730,000 (USD \$2,000). Assuming repayment periods of either 24, 36, or 48 months, and a monthly rate of interest of 3%, it was found that households would need a monthly income of at least 80,000 TZS (\$34) in order to be able to affordably service the loan. In this context, an "affordable" monthly repayment was assumed to cost no more than a quarter (25%) of monthly household income.

While households with incomes above this range could potentially be included (since accessing a housing loan requires much more than just a certain level of income), we have decided to work within an upper limit to ensure that the research remains focused on the needs of low and lower-middle income groups, especially given we know that households always under-report their income during surveys.

Approach

In addition to desktop review of existing secondary sources, three types of primary research have been used in this study, mixing qualitative and quantitative methods:

- **Stakeholder Interviews:** Sixteen (16) individuals were interviewed remotely via Microsoft Teams. These participants represented a variety of institutions, including banks, microfinance institutions (MFIs), savings and credit co-operative societies (SACCOS), apex bodies, funders, and sector experts. Discussion varied

depending on the type of stakeholder, but covered topics including awareness of HMF, its potential for expansion in the Tanzanian market and preferred/recommended terms for a new HMF product. The results of this research are presented below, and the interview questions are reproduced as an annex.

- **Household Survey:** This quantitative survey collected data from 377 households across different Tanzanian regions: Dar es Salaam, Dodoma, Mwanza, Arusha, and Mbeya. Participants were asked, in Swahili, multiple-choice questions about their financial situation and borrowing behavior, as well as their housing needs and level of interest in new lending products. The questions were drafted in close collaboration with sector experts from **HFHI** and **TMRC**, who also provided quality assurance. The final draft of the survey was also reviewed and officially approved by the National Bureau of Statistics. The results of this research are discussed below. The survey questions themselves are reproduced in full (in English) as an annex to this report.
- **Focus Group Discussions:** Three focus groups were held in-person in Tanzania. Each session involved eight participants, and lasted approximately 2-3 hours. Discussions covered several topics, including the housing aspirations of the participants, their housing construction behavior, their propensity to borrow and save, and their ideal terms for a housing microfinance loan. The results of this research are discussed in detail below. The Focus Group Discussion (FGD) Guide is presented in full as an annex to this report.

Stakeholder Interviews

PREPARATION AND IMPLEMENTATION OF INTERVIEWS

The Altair project team prepared a discussion guide for interviewers. After an introductory section which would apply to all interviews, there followed a number of specialist sections which differed according to the type of stakeholder being interviewed. This discussion guide is presented in the Appendix.

The Governor of the Bank of Tanzania was asked a unique set of questions, designed to capture the important position this organisation occupies in the country's financial system. This interview is reproduced in its entirety in the final section of this report.

TYPE AND MIX OF STAKEHOLDERS INTERVIEWED

The purpose of this stage of the research is to consult representatives of a variety of market actors for their expert views on housing microfinance and its potential to grow in the Tanzanian market. Our criteria for choosing lenders included any or all of the following criteria:

- Could potentially target the Lower-middle income segment
- Has offered HMF in the past
- Has an interest in venturing into Housing Microfinance
- Was a recipient of the BOT's HMFF fund
- Covers a wide range of institutional types

To this end, in consultation with the **HFHI** and **TMRC** teams, Altair interviewed a total of 16 stakeholders across the following categories:

- 1. Commercial Banks (2)**
 - a. Mkombozi Commercial Bank PLC (MKCB)
 - b. Maendeleo Bank PLC
- 2. Microfinance Institutions (MFIs) (4)**
 - a. Vision Fund Tanzania (Non-Deposit taking MFI)
 - b. FINCA Microfinance Bank (MFI Bank)
 - c. Miliki Makazi Company Limited (Non-Deposit taking MFI)
 - d. Makazi Bora Finance (Non-Deposit taking MFI)
- 3. Savings and Credit Co-operative Societies (SACCOS) (2)**
 - a. Hazina SACCCOS
 - b. ELCT Moshi SACCOS
- 4. Apex or Representative Associations (1)**
 - a. Tanzania Association of Microfinance Institutions (TAMFI)
- 5. Regulators (1)**
 - a. The Governor of the Bank of Tanzania (BOT)
- 6. Funders (3)**
 - a. International Finance Corporation (IFC)
 - b. Shelter Afrique
 - c. African Development Bank (AFDB)
- 7. Housing Finance Experts (3)**
 - a. Centre for Affordable Housing Finance in Africa (CAHF)
 - b. Former members of the Housing Microfinance Working Group (x2)

See Appendix II for short descriptions of a selection of these stakeholders.

According to Bank of Tanzania, as of 13th July 2023, there is a total of 1,307 financial institutions (FIs) in Tanzania. Of these, nearly all are non-deposit-taking MFIs (1,283), with the remainder being commercial banks (15), microfinance banks (4), development finance institutions (2), a housing finance company (1), a non-bank financial institution (1), and a mortgage re-financing company (1).¹ Of the 8 lenders Altair interacted with, only 2 Lenders (1 Banks and 1 MFI) had either offered HMF loans in the past or were offering this product currently.

HOUSING CHALLENGES FACED BY LOWER-MIDDLE INCOME HOUSEHOLDS

Two lenders emphasised the growing housing deficit stemming from Tanzania's rapid rate of urbanisation. One MFI noted that most registered housing developers in Tanzania were either government institutions with a narrow customer base of salaried civil servants, or a small number of private real estate companies who tended to focus on exclusive developments for wealthy customers. The majority of households in the lower-middle income segment are therefore un-served or under-served by supply side actors.

Almost all respondents noted that informal, incremental self-construction – that is, households constructing their own homes incrementally over time, continues to be the predominant means of housing construction amongst low- and middle-income segments of the population.

In addition, one MFI opined that there is a lack of a savings culture among the Tanzanian people. While the interviewee didn't expand on this point, in a housing context this presumably refers to a widespread tendency not to save up money for large projects, and a preference for smaller spends on incremental improvements. The interviewee suggested that there is a lack of specialised housing finance products designed for them, as a result of which many households are left with no mainstream source of financing to build and improve their homes.

According to respondents, low-and middle-income household in Tanzania face the following challenges related to homeownership:

- The supply of formal housing is not matching up to the demand
- The corresponding reliance on informal housing – i.e. housing for which the owner lacks title deeds or other proof of ownership, and/or lacks planning permission – ensures a degree of insecurity for occupants
- A lack of a regular source of income, due to many being self-employed, makes it harder to plan for housing spending
- Rising prices of cement and associated building materials raise the cost of construction
- Many of these households, in turn, struggle to access housing finance. Irregularity of income makes this group appear “risky” to lenders, as does lack of proof of ownership or planning permission of their home.
- If these communities do manage to access finance, many struggle to service these loans, particularly longer-term loans due to unaffordable combinations of interest rates and tenures, as well as the irregularity of their income.

AWARENESS OF HOUSING MICROFINANCE (HMF)

Overall, respondents did not appear to have an understanding of HMF and the specific characteristics of this product. Many see it as interchangeable with other types of microfinance or regular housing finance and mortgage loans. For example, they expressed concerns about foreclosure laws and ability to repossess properties which, while important, are not relevant in the case of HMF lending. A majority of the respondents we interacted with required some level of sensitisation on what HMF is.

¹ <https://www.bot.go.tz/BankSupervision/Institutions> ; <https://www.bot.go.tz/Other/Orodha%20ya%20Watoa%20Huduma%20Ndogo%20za%20Fedha%20wa%20Daraja%20Ola%20Pili.pdf>

“We are familiar with it (HMF). A HMF loan is a mortgage loan which is taken for more than 10 to 15 years, specifically for the construction of the house. It is a Secured loan typically for the housing purpose and the security of the loan - land and the housing.”

---A SACCO on what they perceive HMF to be

Many lenders still have a strong hesitation to lend to households with informal titles. They expressed apprehension and confusion in assessing true ownership of homes in the absence of registered title deeds, and consequently their inability to ensure that households are not borrowing from multiple lenders for construction of the same house. Only one bank and one MFI with experience in HMF presented a much more sophisticated understanding of HMF and its business potential both in urban and rural areas and were very bullish on this product and market segment. Their experience in providing HMF is described in the next section.

Funders noted an interest in supporting HMF across Africa more generally, but they had no knowledge or experience with HMF. One major international funder stated that “housing” was a critical mandate for their Africa strategy and has received a big internal push and that they do see a “missing middle” segment for which housing finance needs are still largely unmet. But they were not aware of HMF as a potential means to fill this gap.

One pan-African entity had offered HMF loans in partnership with another development finance institution - *Agence Française de Développement* (AFD) in the past and hence was aware of HMF, but the fund is now closed.

EXISTING HOUSING MICROFINANCE PRODUCT PROGRAMS

Most lenders interviewed did not have any experience in providing HMF products, although some offered traditional mortgages, while another offered a loan designed to be used for purchasing plots of land. One SACCO for example shared that they offer something known as a “development loan” (maximum loan amount of TZS 750,000 [USD \$320, assuming exchange rate of 1 TZS to 0.00043 USD]) which is essentially a personal loan for which they do not track the loan purpose or utilisation, even though many of these were used by the clients for housing/home improvement. They also reported that this was their most popular loan among their clientele.

However, two lenders – one MFI, one commercial bank – did offer HMF as part of their product line. Details of their product, strategy and learnings from this experience are presented in Table 4.1:

[see overleaf]

Overview of Existing HMF Provision in Tanzania		
Institution Type	MFI	Commercial bank
Overview	<p>The MFI was unique in having HMF as its core business, representing 80% of its portfolio. They offer three HMF products:</p> <p>Housing construction, for individual households</p> <p>Home improvements, for individual households</p> <p>HMF loan for small groups of households</p> <p>During the interview with this MFI, discussion focussed on the first of these products. (Detailed discussion of the other two HMF products was prevented due to lack of time.)</p>	<p>The commercial bank was able to offer an HMF loan because of receiving funding from the HMFF from Bank of Tanzania.</p> <p>(This bank also offers traditional mortgages for borrowers seeking to purchase homes. Funding from HMFF plus high demand has meant that the HMF loans have represented a higher proportion of their portfolio than mortgages.)</p>
HMF Loan Purpose	housing construction	housing construction, renovation, or improvement
Target user	<p>lower-middle-income households, of whom:</p> <p>60% were salaried</p> <p>40% were self-employed</p>	households without a property title
Loan amount range (TZS)	500,000 to 10,000,000	Usually around 10,000,000
Loan amount range (USD)	\$213 to \$4,267	\$4,267
Rate of interest	3.5% per month reducing balance (42% per year) - earlier 3% Flat	18% in first year, reducing each year
Processing fee(s)	<p>application fee = 30,000 TZS [\$13 USD]</p> <p>processing fee = 2% of loan amount</p> <p>insurance = 1% of loan amount</p>	2% of loan amount
Construction Technical Assistance (CTA) offered?	No	<p>Before applying for the loan, the borrower is required to enlist the help of a professional contractor to provide a bill of quantities (BOQ) and price quotation for the proposed works. And then through local contractors/masons they help the customer to understand how to build incrementally in order to move into the house and then continue construction.</p> <p>They do not currently charge the customer for this service, but they felt some customers may be willing to pay but others won't. For the Bank however offering this service was a way of mitigating their credit risk by making the house "livable" faster and in budget.</p>
Tenure in months	3 months to 12 months (earlier 24 months, but now restricted due to lack of long term finance)	48 months (since funding tenure was 60 months)

Risk and Challenges	<p>Lack of suitable funding, due to:</p> <p>prohibitively high interest rates, which cannot be passed on to the customer</p> <p>many investors being deterred in investing in this product because of the lack of collateral backing these loans</p> <p>Some customers wanted to borrow more than the maximum amount required, or for longer than the current tenure of 12 months; the MFI cannot offer this due to lack of long-term funding</p> <p>Lack of property titles makes it harder to verify ownership and they have experienced clients providing the same ownership proofs to different lenders</p>	<p>The lender reported that the cost of operations is higher for this product because of multiple visits they have to do to the client's home for appraisal and loan utilization checks. They charge a 2% management or processing fee to cover this. However, this being the most affordable loan in their loan book, access to low-cost funding was the most critical factor for them to continue offering this product to their clients.</p> <p>Some borrowers lacked the financial literacy to fully understand the product and how to construct within a budget</p> <p><i>"For this product to be successful, what matters is the character of the borrower - since the security could be duplicate/fake, after giving us the document, he might take this document and give it to someone else"</i></p> <p>- Perspectives from the Head of Credit at this Commercial Bank</p>
Sources of Funding	<p>Habitat Microbuild and Habitat for Humanity Tanzania are the main funders for the HMF product and this funding involved: a Grant + Loan + Technical Assistance</p> <p>The SELF Microfinance Fund - SELF Microfinance Fund was incorporated on 4th September, 2014 and registered under the Companies Act. It is wholly owned by the Government of the United Republic of Tanzania through the Treasury Registrar. SELF offers funding for an array of products ranging from business loans, school fees and housing loans.</p> <p><i>"But we need more funding - and we can't access it because we don't have the required collateral"</i></p> <p>- This MFI on their ability to raise appropriate financing in the market</p>	<p>Band of Tanzania's (in partnership with the World Bank) Housing Microfinance Fund (HMFF)</p> <p>Bank's own deposits</p>
What worked	<p>Technical assistance from HFHI has been highly appreciated, and has meant that HR capacity to administer the loans has never been lacking</p> <p>Customers are generally satisfied with the interest rate and processing fees offered</p> <p>Overall, they considered this HMF product a success, with a repayment rate of 95% (as opposed to 93% for the same MFI's business loan portfolio).</p>	<p>Housing finance being one of the top 3 needs of their client base</p> <p>Access to low-cost funding from the HMFF fund administered by Bank of Tanzania</p> <p>All relationship officers being given a target of disbursing 2 HMF loans per month</p> <p>HMF portfolio NPAs being lower than their Group Loan and Micro-business Loan portfolios</p> <p>Utilising a "household income assessment" approach as opposed to an "individual borrower's income" approach</p> <p>Prevention of loan diversion by use of a staged disbursement approach (4 tranches) accompanied with physical verifications</p>

		<p>A use of an “alternative mortgage” with local government (since these are properties which are not officially registered with the Ministry of Land). (This is a unique innovation - which could be explored in more detail by HFHI and TMRC).</p>
<p>What they need to scale up their portfolio</p>	<p>“More funding”</p>	<p>Access to affordable long term liquidity was their main challenge, affordable pre-finance or re-finance would be of key interest. Since the funding from BOT has now run out, they have not grown this portfolio and it is currently running down.</p> <p>Access to grants to build capacity of their staff and enhancing operational efficiency of this product program to keep costs under check</p> <p>A means to educate customers on budgeting and planning for construction of a house - they were open to use technology and other product solutions to support their client base with this.</p>

PERCEPTIONS OF HOUSING MICROFINANCE

LENDERS

The two lenders which currently offer an HMF product are keen to continue doing so as they see a vast business potential for this product in the Tanzanian market, particularly since few lenders offer it currently. However, for other lenders who had lower levels of awareness of this product, their opinions differed.

Four of the lenders which do not currently provide HMF indicated that HMF products may have high business potential, owing to:

- High housing demand across all income groups, including low- and middle-income
- HMF being a good fit for the existing culture of incremental self-build
- Existing MF loans being diverted to housing anyway

One MFI stated that while they knew the demand in the market for this product is high, they will remain focussed on their core business (business loans) for now and might think of introducing HMF in 2025, currently it was not an internal priority. Another MFI claimed to be well-prepared to introduce HMF, in terms of staffing numbers and IT systems, but less ready in terms of product design skills and financial literacy.

One SACCO expressed keen interest in offering a HMF loan along the lines of the “savings led approach” they have for their other credit products, but lack of long-term funding was their biggest need in order to do so, since most of their funding is very short term. They said they would be open to launching an HMF product particularly to facilitate buying and selling of plots.

On who would be best placed to offer HMF, one MFI felt that larger Banks and well established MFIs with the ability to raise appropriate funding are best placed to offer HMF loans. One SACCO felt that by including them in HMF programs, funders would be able to reach the true bottom of the pyramid.

“All MFIs that have the mission of the poor at heart and have the DNA of the poor are suitable for HMF...they just need to figure out the methodology in which, how they can do their best”

- a non-deposit taking MFI on who is best placed to offer HMF loans

FUNDERS

All funders agreed that HMF had the potential to generate a positive developmental impact in Tanzania, enabling borrowers to improve their homes and enhance their quality of life.

Funders highlighted the following factors as possible incentives to working with lenders on HMF:

- Identifying local partners with acceptable levels of corporate governance and management succession plans
- Green projects that respect the environment and technical assistance and support to ensure the same
- Proven track record and specialized capacity of staff of the financial institution in housing and housing finance in the product and process of HMF

One funder said that obtaining the blessing of Bank of Tanzania is critical for such a fund to succeed, especially if funding came from international sources as they would need BoT's support to bear the currency risk

One interesting perspective from a large development finance institution was that HMF in their view wasn't aligned with the concept of creating "new housing stock" in the market which is where they see a void currently. The concept of a household incrementally constructing different parts of a home over time was not perceived by them as an immediate means of housing stock creation. In addition, while they were uncomfortable with the unsecured nature of the HMF loan, they also mentioned that if alternate means of security or collateral could be designed (eg. a guarantee structure from the borrower's employers), they will be happy to support such a retail finance product program. For them - what mattered was the capacity of the Financial Institution they are investing in.

Regarding who might be best placed to offer HMF, one funder stated that the most ideal institutions to offer these should be "specialised housing finance entities" with qualified personnel rather than general banks, as the capacities required for Housing Finance (valuation, legal, architectural and technical understanding etc.) is differentiated. Another funder affirmed that general-purpose commercial banks may not be the right delivery partner for such a product. HMF requires specialist knowledge of affordable housing. Smaller, more focused institutions would be a better fit: MFIs first and then SACCOs were their preference.

APEX BODIES

This category of respondent believed that there were no regulatory barriers to introducing HMF in Tanzania and they also believed that this should be a differentiated product category - different from microfinance. However, they stated that HMF is not currently widely offered by Tanzanian lenders primarily due to a lack of affordable, long-term financing, and insufficient technical expertise amongst staff regarding housing to offer a specialist housing finance product. As a result lenders prefer to offer simpler, shorter-term generic consumption loan products, even if many of them are in fact being used for housing purposes.

Respondents in this category did express an interest in participating and supporting HMF products. One stakeholder even recommended the following to be ideal terms for an HMF loan:

Ideal Terms for HMF Loan	
HMF Loan Purpose	defined by borrower's housing needs, should not be too prescriptive
Loan Amount Range (TZS)	Three tiers, depending on borrowers' ability to repay: 500,000 – 5,000,000 5,000,000 – 15,000,000 15,000,000 – 30,000,000
Loan Amount Range (USD)	\$213 – \$2,131 \$2,131 – \$6,394 \$6,394 – \$12,788
Rate of Interest	1.5% - 2% per month

Construction Technical Assistance (CTA) offered?	No – adds unnecessary complications (e.g. risk of tradespeople inflating prices)
Tenure in months	12-36 months

EXPERTS

One expert made an admission that HMF has not worked in Africa and a lot of actors in the ecosystem are still struggling with why this is so. In their view, there appears to be a general perception in the market that this product is within the ambit of an NGO, which needs changing.

One expert made an admission that HMF has not worked in Africa and a lot of actors in the ecosystem are still struggling with why this is so. In their view, there appears to be a general perception in the market that this product is within the ambit of an NGO, which needs changing.

Others suggested that SACCOS were one the main lenders interested in HMF. However, they also noted that most lenders in Tanzania, including SACCOS, tended to have a poor level of understanding regarding HMF, often confusing it for mortgage finance or other types of microfinance. The concept of an unsecured loan relating to housing is not widely recognised.

Furthermore, according to the sector experts, the concept of microfinance has negative connotations for many people, being associated with predatory lending and high interest rates. Some suggested renaming this product to “incremental housing finance” for example to separate the product from the general perceptions linked to Microfinance.

Another interesting perspective shared by an expert was that HMF should be perceived akin to an SME loan for this segment since for many their home doubles up as a place of business. In addition, HMF creates an opportunity for a household to create future rental income cash flows from their own homes.

“It is quite fundamental to look at HMF definition in terms of capital sources, underwriting standards, servicing and most importantly pricing. It is a progressive loan given repeatedly in cycles. A HMF loan today will become a mortgage loan in 10 years”

- An Affordable Housing and Housing Finance Expert on the importance of differentiating HMF from Housing Finance and Microfinance

“You have to structure a Housing Microloan differently from a commercial micro-loan. Quality of the (housing) output does matter, not because of security but because of repayment behaviour. You don’t want to lend for housing and have the housing fall down”

- an Affordable Housing and Housing Finance expert on how and why a HMF loan differs from other micro-loans

Experts felt that HMF would be a suitable product for self-employed households without a steady income stream and without a formal property title. They also noted that more traditional housing finance products – mortgages – are not particularly appropriate for the Tanzanian market, given the irregularity of most citizens’ income stream, the lack of long-term financing, and the low number of developer-built homes for which a mortgage could be taken out on. They therefore suggested that there should be sufficient demand for HMF products in the Tanzanian market.

One expert felt that mission-oriented lenders and institutions, MFIs and SACCOs are best placed to participate in the HMF market, rather than Banks.

PERCEIVED RISKS OF HOUSING MICROFINANCE AND PROPOSED MITIGATIONS

Respondents highlighted a number of risks associated with HMF:

1. Lack of long-term, affordable funding
2. Lack of delivery capacity
3. Challenges in assessing credit risk
4. Title Fraud
5. Loan diversion
6. Poor Portfolio Performance
7. Challenges in repossession of houses in this segment and alternate collateral enforcement
8. Encouraging proliferation of unplanned settlements
9. Inability to repay a consumption loan
10. Moral hazard

These risks and potential mitigation strategies are elaborated further on in the business case.

FEEDBACK ON THE HOUSING MICROFINANCE FUND (HMFF) AND PAST HOUSING MICROFINANCE EFFORTS IN TANZANIA

Awareness of the Housing Microfinance Fund (HMFF), introduced by the IDA and Bank of Tanzania in the 2010s, was limited. Some respondents had never heard of it. Others had heard of it, but had struggled to find further information about it, or were uninterested in investigating further, due to HMF not being a strategic priority for them. One SACCO was aware and interested in the HMFF; however, their proposal was rejected with no clear feedback given. Another respondent was frustrated that the HMFF appeared to be only available for commercial lenders, making MFIs and SACCOS ineligible at the outset itself, when in fact these were the institutions who typically lend to lower-income segments.

In general - the feedback from most stakeholders aware of the fund was that, while it did succeed in creating a previously non-existing portfolio of mortgages, it may not have succeeded in reaching out to lower income households, which it was originally intended for. From the loan amount sizes, it appears to have catered to a different and higher income bracket of households.

SUGGESTIONS AND INPUTS FOR TANZANIA MORTGAGE REFINANCE COMPANY

LENDERS

Non-deposit taking MFIs and SACCOS felt that they should be eligible for any new HMF fund as they are the entities who understand and work with the lower-middle income segment unlike Commercial Banks or MFI Banks.

Unsurprisingly, lenders were keen that any new fund for HMF would have as low an interest rate as possible. One proposed 1%, while others would have been comfortable with 3-5%, which might however be unrealistic.

Lenders were also keen for funding to be offered on a longer-term basis, of five-year tenure at least in order to prevent Asset-Liability mismatches in their balance sheets. Banks for example which largely depend on commercial deposits to fund their loan book stated that up to 70% of their deposits are fixed deposits (FDs) with a maximum tenure of 3 months, this made it very challenging for them to offer longer tenure loans to their clients. In general Banks perceived loans of tenors longer than 5 years a high-risk category for which longer term funding was essential.

One bank also stated that the lower-middle income segment population cannot afford price escalations in their loan and hence any fund catering to them should ideally come at a fixed cost for the entire tenure of the fund.

**“Low-interest five-year loan which we repay the interest on annually, and then the entire principle amount is repaid at the end of the loan period. This would provide us with liquidity during the loan period.”-
- a funding arrangement suggested by a non-deposit taking MFI**

One Bank mentioned that while liquidity was not a challenge for them, they would be very keen on availing a guarantee mechanism from TMRC (first or second loss on a portfolio). Such a guarantee structure (if well designed in terms of cost and efficiency of access), they affirmed, could potentially incentivise them to take more risks and expand their unsecured lending for the lower-middle income segment, potentially even to carve out a housing portfolio within their microfinance business.

FUNDERS

Three funders stated the importance of offering a local currency fund (consequently with a local institution) in order for it to make it economically attractive for lenders:

<p><i>“Tanzanian based financing is key - not international, stretched to upwards of 10 to 15 years, not priced at the commercial rate - somewhere around 10%. That may require subsidised fund facility to make it feasible, or subsidise other things like the registration of property or other costs involved in administering housing loans. That would be attractive to the market.”</i></p> <p>- an international development finance institution on the ideal structure of a potential HMF fund</p>	<p><i>“Currency fluctuations are huge risk. We usually lend in dollars, but Tanzanian institutions prefer TSH transactions - which we don't offer in our portfolio of currencies. This is why we haven't invested in Tanzanian HMF schemes. Interest rates too high in the capital markets - when we add our margin, this becomes unviable for local clients.”</i></p> <p>- a Pan African Housing focussed Investor</p>	<p><i>“If you want long term, local currency with a capacity to recycle itself, then working with local institutions - would be the only option, so the question is - are there established local institutions that can launch and scale up”</i></p> <p>- a Pan African Development Finance Institution</p>
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On the topic of issuing housing-focussed bonds, one funder mentioned that there would be two main parameters to be considered by them in doing so: the depth of market, and evidence that a significant pipeline exists to absorb those funds.

**“We would be interested in launching a Housing Bond on the lines of the Gender Bond in Tanzania - why not?”
(note - this was not with respect to HMF, but housing finance in general)
- an international Development Finance Institution**

Once again, as mentioned earlier, capacity issues (staff capacities, inadequate IT infrastructure) were flagged by a majority of funders and that any future HMF fund if created would need to be accompanied with requisite capacity building standards and expectations.

Creating a refinance or pre-finance fund were preferred over a first/second loss guarantee mechanism by most funders. However, when it comes to designing Guarantee mechanisms for HMF, one funder stated that unfunded guarantee programs typically had very low uptake in the African region since FIs do not trust in the ability to obtain a

guarantee when a default actually happens and therefore these mechanisms have not catalysed impact. However, if it were provided in a funded guarantee format in partnership with an FI, there are structures which can work. For example, if a \$100 M equivalent of local funding is required, a funder can come in with \$20M of soft grant money that will reside with the commercial bank and cover them for the 1st 20% of pro-rata losses, this kind of a mechanism is likely to have more uptake than an unfunded guarantee program (FCDO-UK had created a similar funding structure for off-grid solar developers in Nigeria which worked).

One international funder stressed the idea that capacity of institutions to offer Housing Finance is likely to be low and therefore any fund that could be designed for HMF should necessarily be accompanied by Technical Assistance and Capacity building programs, based on their past experience.

APEX ENTITIES OR ASSOCIATIONS

One Apex entity felt that TMRC could play the role of a knowledge sharing platform for all entities interested in HMF. In addition, they strongly felt that if a new HMFF was to be established, it would need to be open to MFIs, and shared that many MFIs were left out of the last round of funding which was administered by BOT which largely went to Commercial Banks.

EXPERTS

One expert urged TMRC (and other institutions involved in Housing Finance policy) to recognize that incremental housing finance should be viewed as SME finance because housing for this segment often doubles up as a place of work. They urged policy makers and TMRC to stop viewing this as purely a consumption loan, as it not only creates an appreciating individual asset, but also builds business assets of self-employed households, thereby contributing to livelihood generation. In addition, this expert felt that future rental income streams from a fully constructed house are often ignored while appraising these loans.

They also stated that HMF is an opportunity to play a role in financial inclusion by empowering very small scale entrepreneurs who work out of their home, many of whom are women. In addition this expert stressed the need for law-makers to re-look at the housing bye-laws and understand what lenders should and should not be accountable for, in the housing construction process. Experts also urged TMRC to include MFIs and SACCOs in their ambit of lending, and use this as an opportunity to build capacity and operational expertise of these institutions to begin to offer housing loans.

SUGGESTIONS FOR HABITAT FOR HUMANITY

LENDERS

Lenders agreed that HFHI's main role should be capacity building and providing in-house technical assistance for the FI's staff. Training could focus on areas like: financial literacy, product design, operational efficiency, assessing credit risk, and evaluating the value of properties. One lender expressed that HFHI could help them with assessing their client's end use of funds by acting as an intermediary (or creating a platform) between clients and retailers of construction materials. Another respondent was eager for HFHI to share examples of best practice in HMF with them for their learning. Another MFI proposed that introducing end to end digitisation and new IT systems could help lenders wishing to enter this market, by reducing their operating costs.

One lender was eager for HFHI to re-establish the Housing Microfinance Working Group.

One MFI also felt HFHI could help with housing prototype designs together with guidance on how to construct a simple Bill of Quantities.

One MFI suggested that they would be more likely to enter the HMF market if they had greater confidence in the track record, profitability, and potential positive social impact of this type of product. On this front, awareness-raising

activities such as publicising case studies of successful HMF products in other countries would be helpful, such as those financed by HFHI's MicroBuild Fund or those offered by Kenya Women Microfinance Bank (KWFT). On similar lines, another respondent requested HFHI to arrange study tours in best practice countries/locations to facilitate cross learning among peers across borders.

FUNDERS

All funders interviewed expressed an openness to working with HFHI and other local partners in Tanzania. One respondent emphasised that HMF required a multifaceted approach involving various stakeholders to work together with funders – including specialist non-profit entities like HFHI – as this area requires a high degree of expertise in both finance and the technical aspects of housing.

EXPERTS

Another interviewee praised HFHI for its strong level of understanding of the Tanzanian market, and emphasised that it should utilise its local networks to support policy change in favour of catalysing HMF. Other experts who have been founding members of the HMF Working Group in the past also suggested that Habitat should revive this group.

The HMF Working group was set up with the following primary objectives:

- To promote and advance the practice of sustainable housing microfinance in Tanzania
- Resource Mobilization and Fundraising
- Providing training, technical assistance to financial institutions engaged in HMF
- Advocacy and lobbying
- Knowledge sharing
- Developing public knowledge and understanding on the housing needs of the poor

When asked about what factors led to the closure of the HMF Working Group, experts shared that it was mainly because of lack of funding, focus and leadership. Some experts suggested that it be revived as a stand-alone structured non-profit organization which could raise its own funding, rather than an informal, voluntary group to ensure continuity of work and leadership.

One expert added that HFHI is uniquely placed to bring the value of its global network and knowledge of HMF and apply it specifically to a particular country's local context. Thereby there is potential to collaborate with actors like CAHF (who are in the process of studying the HMF lender market to understand who identifies as a HMF lender and who does not). One expert also stated that HFHI and TMRC both could help facilitate peer-to-peer learning between African countries first and foremost. Another expert suggested that Habitat could serve as an "incubation unit" for MFIs and SACCOs who are interested in availing long term funds from TMRC. This unit could provide capacity building and hand holding to the MFIs to bring them up to the standards required by TMRC in order to pass their due-diligence mechanisms.

An Interview with The Governor of the Bank of Tanzania

What in your view are the current financing gaps in the Tanzanian market when it comes to low-income communities and their housing needs?

In my views, current financing gaps in the Tanzanian market when it comes to low-income communities and their housing needs are high due to rapid population increase in relation to the number of houses in Tanzania as indicated by the Tanzania census 2022. The financing gap in housing microfinance is high due to constraints both in the demand and supply side of financing which most hinder low income communities to access the facility.

Constraints from the demand side include:

- low income;
- lack of reliable and sufficient collateral for securing finance from the financial institutions;
- culture of Tanzanians especially low income communities who believe that it's a prestige to build a house using own personal source of finance as opposed to loan acquisition;
- fear of failing to repay the loan and losing the house from liquidation; and
- most of these beneficiaries are engaged in the informal sector, posing difficulty to the Financial Institutions to trace their income.

Constraints from the supply side are as follows:

- nature of funding source to most financial institutions is short term deposits while demand from borrowers mainly is related to medium to long term, thus mismatch of maturities;
- high interest rates due to high operational cost;
- lack of knowledge and experience to design special tailored products to meet the needs of low income earners;
- low capacity to manage risk related to house microfinancing; and
- few financial institutions dealing with this product; hence, limited outreach.

What is BOT's perception on Housing Microfinance and its potential?

BOT implemented housing microfinance project for five years from 2015 to 2019 as a pilot period phase and it indicated that there was very high demand for the product despite the constraints observed in the demand side. The project proved to be a useful intervention in developing the housing microfinance segment by being able to benefit 1,914 households by 2019. Some challenges observed during the project implementation included:

- project period was short thus engaged only few financial institutions, thus limited outreach;
- demand side constraints as explained in Question 1;
- lack of capacity to financial institutions to administer the product and develop products specifically tailored for low income earners.

What is BOT's perception on Demand for HMF among low-income Tanzanians?

As explained above in part A, demand of the product is increasing with the rapid increase in population. It is worth noting that, Tanzania population has increased to approximately 61.7million people in 2022 from 44.9 million people in 2012, majority of which are low-income people. Tanzania housing demand is estimated at 200,000 houses annually, with a total housing shortage of 3 million houses. The demand has also been boosted by easy access to mortgages, with the number of mortgage lenders in the market increasing from 3 in 2009 to 33 by 31 December 2021 and the average mortgage interest rate falling from 22 percent to 15 percent (BOT press release 31st March 2022).

What is BOT's perception on the business opportunity in HMF for lenders in Tanzania?

As explained earlier, the growing population creates demand for housing needs in Tanzania. This presents a significant business opportunity for lenders who can design and deliver appropriate housing microfinance products that meet the needs of this market.

In addition, the Government of Tanzania has extended support for the development of affordable housing by introducing policies and programs to support growth of the sector. This creates an enabling environment for lenders to participate in housing microfinance and provides opportunities for partnerships and collaborations.

What has been BOT's experience with the Housing Microfinance Fund (HMFF) administered by BOT under the World Bank Program? What were the key learnings that emerged from this?

The HMFF enabled creation of a commercially viable housing microfinance market. The project proved the demand and feasibility of the product. The key learnings from this were as follows:

- There is a clear opportunity to scale up the housing microfinance market to reach the unmet needs of the low-income community;
- Both consumers and financial institutions need capacity building to effectively participate in the housing finance market;
- Consumer protection should be enhanced to ensure transparency and disclosure of information in plain language, to allow customers to make sound financial decisions about borrowing;
- To enhance sustainable supply of affordable housing, there should be a close interaction with other market participants such as players in the land market, business and properties formalisation, utilities such as water supply and electricity supply, authorities related to constructions, and relevant ministries and local government authorities; and
- The provision of microfinance for incremental construction addressed a critical gap in the market for an underserved segment. Previously before HMFF, most low-income earners used a lot of time for house construction under self-financing (up to 20 years). HMFF provided stable funding towards the underserved informal and low-income segments.

If the HMFF were to be revived again in today's context, what should the terms and conditions for such a fund be?

The interest rate to the final borrower should be a single digit to address the affordable housing challenges;

There should be a special customised product designed to meet the need of the low-income community in housing microfinance such as repayment schedules should be in line with the borrower's income flows;

Increasing scope of participating institutions to include all banks and financial institutions to increase the outreach; and

Having relaxed collateral requirements. Studies have to be undertaken to understand the risks in this market segment and the mitigation measures.

In your view - what do you view as the key risks of administering HMF (examples below)?

The Key risks of administering HMF includes:

- Lack of clear land titles which can be used as collateral for securing housing loans;
- Difficulty in assessing income from informal sector and thus failure to assess borrower's ability to repay;
- Lack of operational expertise of lenders to administer the product; and
- Cultural barriers associated with this market segment. For instance, the current form, which uses conventional banking system, does not suit believers in Islamic religion.

How can some of these risks be mitigated?

Lack of Clear Land titles:

Mass formalization of land, which will enable low-income earners to get title deeds at lower costs.

Assessing income and ability to repay:

Lenders should have tailor made products which would allow repayment flexibility according to borrower's income flow;

Government to expedite formalization of economic activities so as to enhance mechanism to assess income streams; and

Enhancing their financial capabilities, which will enable them to have stable income whose cash flow projection can easily be determined.

Lack of operational expertise of Lenders:

Provision of capacity building for Financial institutions to enhance their knowledge, skills and expertise in developing and monitoring housing microfinance products.

Therefore, what is an ideal HMF product design in your view?

Loan size: The loan size should depend on the individual borrower's income and ability to service the loan.

Tenure: The tenure should be flexible to meet the needs of borrowers.

Rate of Interest: The interest rate should be affordable, preferably single digit.

Purpose: It should cater for incremental building and house improvement.

Provide CTA (Construction Technical Assistance) or not: There should be a hybrid approach to cater for customer needs.

Collateral offered: Financial institutions may offer unsecured or partly secured collateral, depending on the risk of a particular borrower.

Group or Individual lending: Can be hybrid, both group or individual lending.

Which lenders do you think are best placed to be participating in this sector and why?

Any licensed and regulated financial institutions such as commercial banks, development banks, MFIs, community banks, SACCOS and VICOBA, with proper systems and expertise to develop, offer and monitor housing microfinance loan products can participate. Institutions that are better placed are those with experience in providing small loans to low-income households, good knowledge of the local market including cultural practices, and have flexibility and proximity to their clients.

What do you believe is TMRC's role in promoting HMF in Tanzania?

TMRC being a financial institution and a Special Purpose Vehicle (SPV) on providing long-term funding to banks for mortgage financing purposes, with a great experience in the housing finance market of over 10 years, has a great potential to expand its scope to cater for housing microfinance needs. Also as SPV for on-lending to financial institutions, it can play a critical role of providing long-term finance to banks and MFIs to cater for house microfinance.

Going forward - what do you believe non-profit organizations like Habitat for Humanity Tanzania can do in promoting the cause of HMF in Tanzania?

NGOs such as Habitat can play an important role in promoting HMF by raising awareness to prospective borrowers, particularly low-income communities and other stakeholders, conducting research on how best can low-income communities access funding, providing capacity building to HMF providers, and assisting HMF providers in product designing.

Household Survey

Methodology

QUESTIONS

The questions used in the Household Survey were developed by the **Altair** team and revised in collaboration with experts from **HFHI** and **TMRC** during Q1 2023. This was then submitted to the Tanzanian National Bureau of Statistics (NBS) for their official approval, in line with best practice. The survey commenced once NBS approval was granted, in May 2023. The final version used in the research is presented as an Annex at the end of this report.

Survey questions covered the following areas:

- Basic information (age, profession, household structure etc.)
- Household income and expenses (sources, earnings, spending tendencies etc.)
- Financial behavior (borrowing activities, motivations, preferred financial institutions (both formal and informal) etc.)
- Housing condition (construction materials used, repair needs etc.)
- Housing upgrades (type of modification made, who performed the work, financing etc.)
- Demand for new housing and housing improvements (typology, budget, financing etc.)
- Housing perceptions and priorities (views on homeownership, barriers to housing finance etc.)

The responses to the questions are discussed below.

ELIGIBILITY CRITERIA

To be eligible to participate, participants had to meet the following criteria:

- Be aged 18 years old or older
- Be willing to participate
- Be the head of household²
- Be either: planning to buy a plot of land for housing purposes, construct a home on land owned already, and/or improve and repair their own house
- Be the main person responsible for financing said purchase/construction
- Have a monthly household income of between TZS 80,000 – TZS 1,500,000 (USD \$34 – USD \$630)³

Eligibility was confirmed via screening questions, which researchers asked each potential participant at the outset of every interview. Researchers explained the purposes and scope of the research to all potential participants, to ensure that informed consent could be given.

GENDER SPLIT

The study achieved a 34:66 female-to-male gender split in terms of the respondents surveyed. While this falls short of an ideal 50:50 split, prevailing cultural beliefs around gender roles – with many women reluctant to answer questions about household finances without the presence and approval of a male head of household – mean that achieving such a balance would be very difficult to achieve in practice. In recognition of this difficulty, a target of 25%-30% of respondents being female was set in the project inception report and re-iterated to the research team, meaning that the 34% rate ultimately achieved actually exceeded expectations.

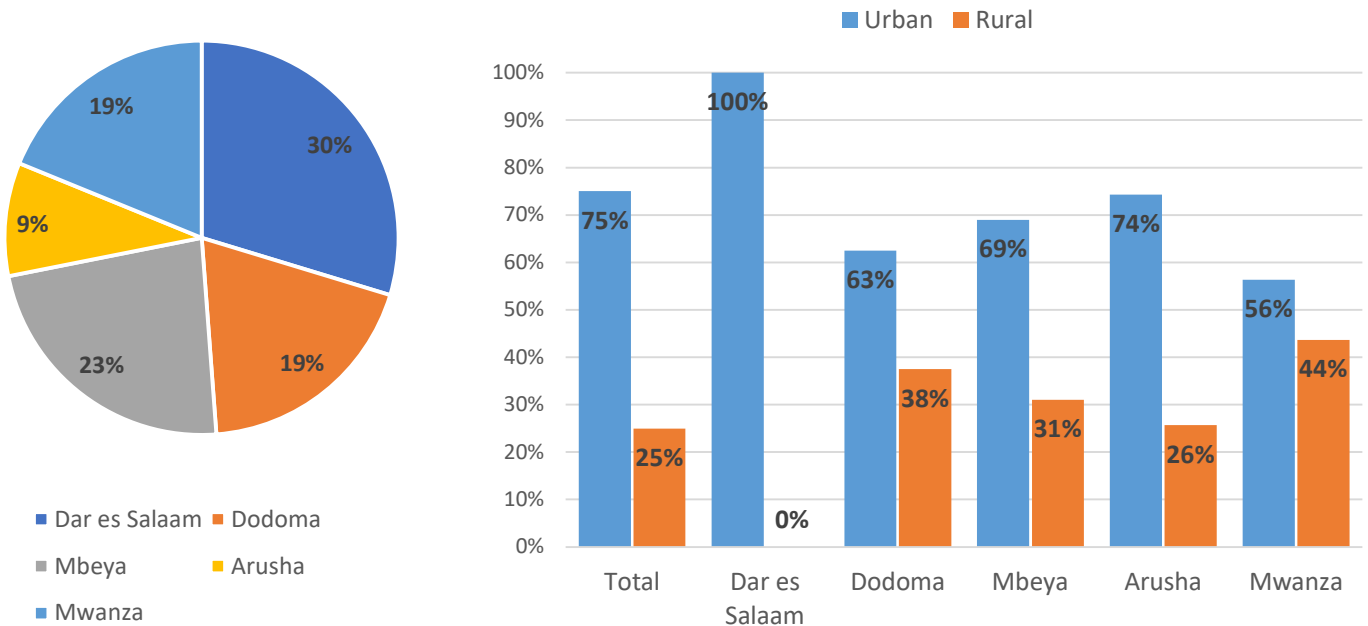
² While the main respondents sought were heads of household, it was noted that these individuals are mostly likely to be male, which presented a risk of excluding the views of women. To counterbalance this, researchers were instructed to ensure that at least 25%-30% of respondents are women, even if they were not heads of household.

³ Here and throughout this report, US Dollar rates quoted are based on an exchange rate of 1 Tanzanian shilling to 0.00043 USD.

GEOGRAPHIC COVERAGE

The geographic scope of the survey covered five regions: Arusha, Dar Es Salaam, Dodoma, Mbeya, and Mwanza. Within each of these regions, a number of districts and wards were covered, spanning both urban (75%) and rural (25%) areas. Our definitions of which areas were urban and which were rural were based on definitions used in official census data. (The census, in turn, defines an area as “urban” or “rural” depending on its population size and level of economic development.) The complete list of areas surveyed is presented in the appendix.

Graph 1: Location of Respondents



HOUSEHOLD SELECTION

Wards acted as the Primary Sampling Units (PSUs). Within each PSU, lower-middle income neighborhoods, and/or areas with informal or semi-formal property titling, were prioritized. Households were selected randomly, via an approach described in the appendices.

SAMPLE SIZE

The Household Survey itself was conducted in May and June 2023 overseen by a team of 32 researchers and 5 supervisors. Each researcher was able to interview 5-7 households per day, with the average interview taking approximately 35 minutes. The survey ultimately completed interviews with 377 households.^{4 5}

⁴ This was the maximum number of household interviews possible within the project budget, while meeting NBS quality assurance standards.

⁵ The minimum threshold for a statistically significant sample size can normally be determined using the following formula:

$$n = N / 1 + N(e)^2$$

Where:

n - is the required sample size from the population under study

N - is the whole population that is under study

Results

GENDER AND AGE

As indicated above, the study achieved a 34:66 female-to-male gender split in terms of the respondents surveyed.

A mix of age groups were interviewed, but the largest group of respondents (approximately 2 in 5) were aged between 30 and 40. Very few respondents (less than 1% in total) were aged 60 or older.

EDUCATION AND OCCUPATION

Overall, 63% of respondents had either attended high school (44%) and/or held a diploma (8%) or university degree (11%). This figure varied substantially by region, being far higher in Dar es Salaam (81%) and Dodoma (57%) than in Mwanza (39%) or Arusha (38%).

Respondents in urban areas overall had higher levels of formal education, with only 4% having never attended primary school or higher, while the same figure was 14% in rural areas.

Broken down by gender, the results on education attainment are very similar between male and female respondents. 64% of the 250 male respondents had achieved a high school diploma or higher; while 63% of the 127 female respondents had achieved the same.

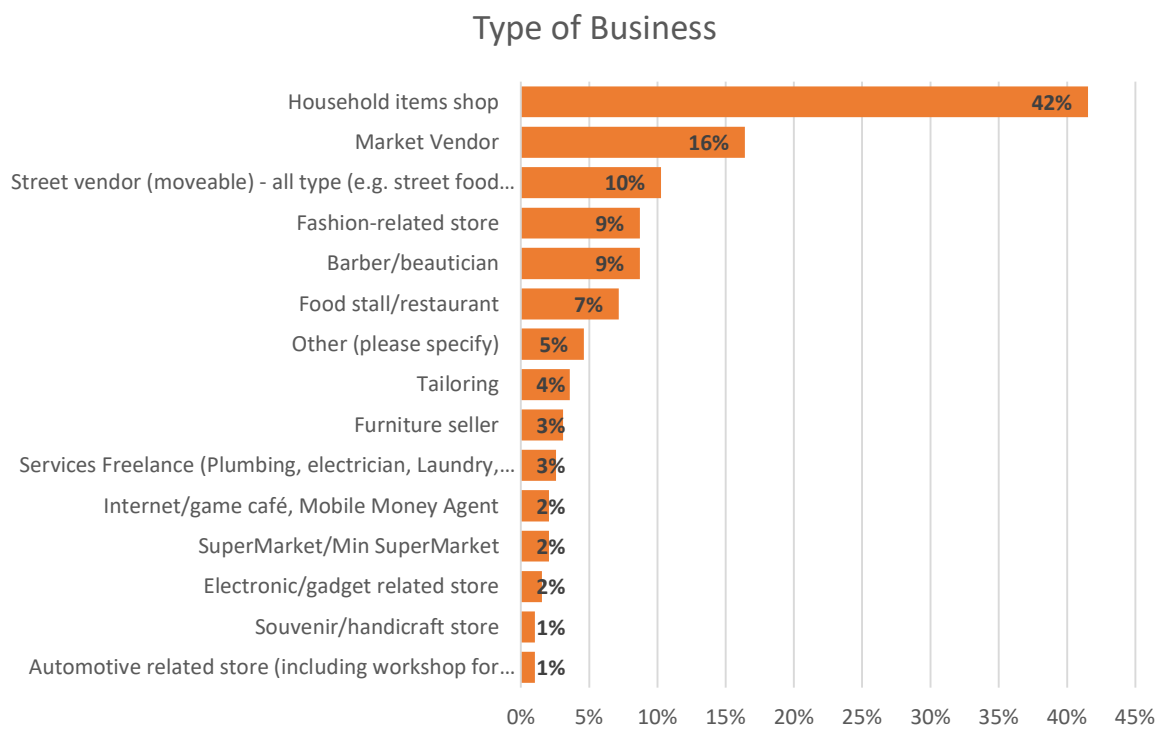
Of the 377 respondents, roughly half (52%) described themselves as self-employed or entrepreneurs. Formal salaried employees in the private (14%) or public (9%) sectors together made up less than a quarter of all respondents (23%).

Amongst the 195 respondents who were entrepreneurs or self-employed, they ran the following types of business:

e - is the precision or sampling error

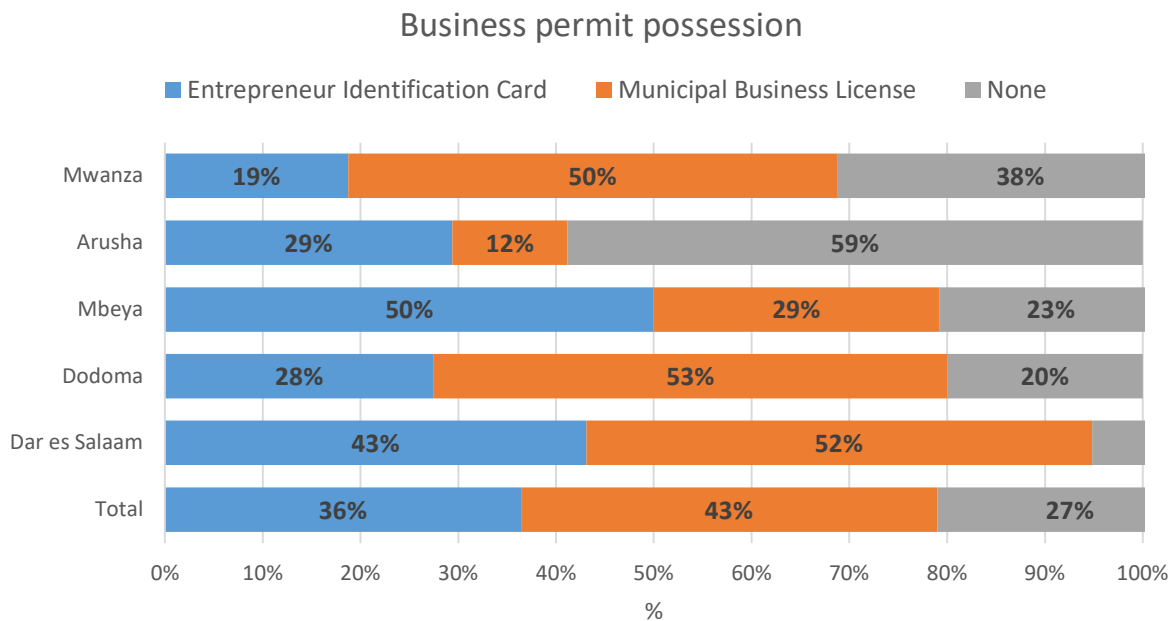
In the context of the present study, N would refer to the population aged 18 and over within a particular income segment. Unfortunately, there is insufficient data regarding the total number of Tanzanian citizens belonging to this income segment. This makes it impossible to calculate the above formula, and determine whether 377 households exceeds the minimum threshold for statistical significance.

Graph 2 – Type of business ran by respondent



These respondents varied with regards to the type of business permit possessed:

Graph 3 – Business permit possession



In gender terms, there are more noticeable splits between male and female occupations. 61% of the 127 female respondents were self-employed or entrepreneurs, while only 47% of the 250 male respondents were. Men were more likely to be salaried employees in the private sector, with 16% of male respondents belonging to this category vs only 10% of female respondents. However, both genders were represented equally in the salaried public sector, with 9% of male and 9% of female respondents working here.

RATES OF HOMEOWNERSHIP AND RENTING

Most respondents were owner-occupiers, meaning they owned the home they were living in. In response to the question, *“Do you, or another member of your household, own this home?”*, almost two-thirds reported yes. Of the remaining 37%, 29% were renters, while the other 8% were living rent-free in a property they did not own.

HOUSEHOLD SIZE AND AGE PROFILE

Respondents were asked a number of questions regarding the size and composition of their household.

12% of respondents lived alone, while 71% of respondents lived with between one and four other people. Only 2% of households had 9 or more members.

Respondents were then asked about the age groups of the members of their household:

While a quarter of respondents had no children living in their household, 71% had between one and three.

Almost 70% of households had some members aged between 18 and 29, while approximately two thirds (67%) had some members aged between 30 and 40.

Most households (63%) had zero members who were aged between 41 and 50. Very few households which had any members aged between 51 and 60 (13% had one member in this category, and 1% had two) 60 or older (4% had one member in this category).

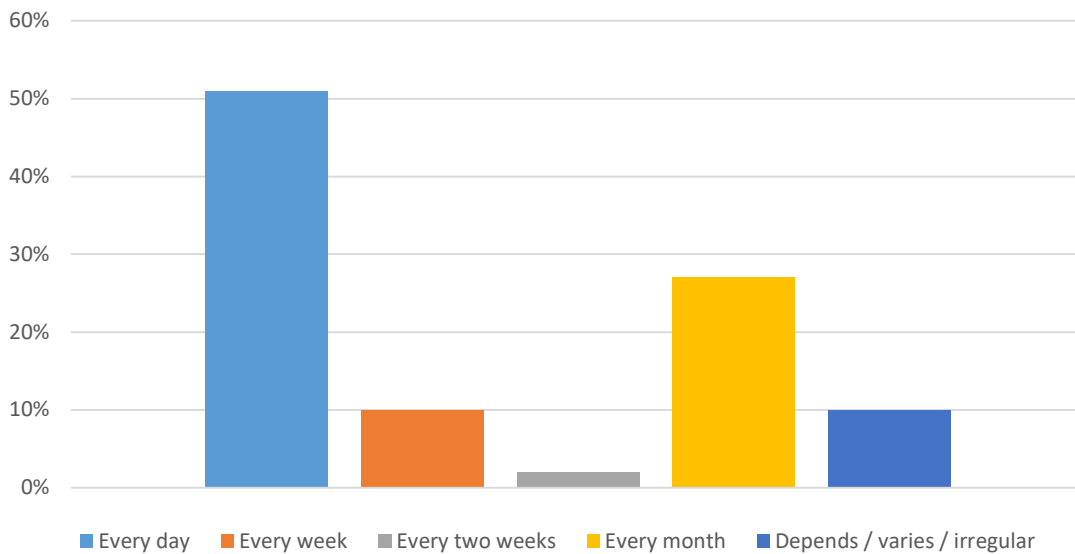
HOUSEHOLD INCOME

All respondents earned between 80,000 and 1,500,000 TZS (USD \$34 – USD \$630) per month.

We asked participants about the frequency with which they earned their income. Half of participants (51%) earned money on a day-to-day basis, while the second-largest chunk – just over a quarter, at 27% - earned it monthly:

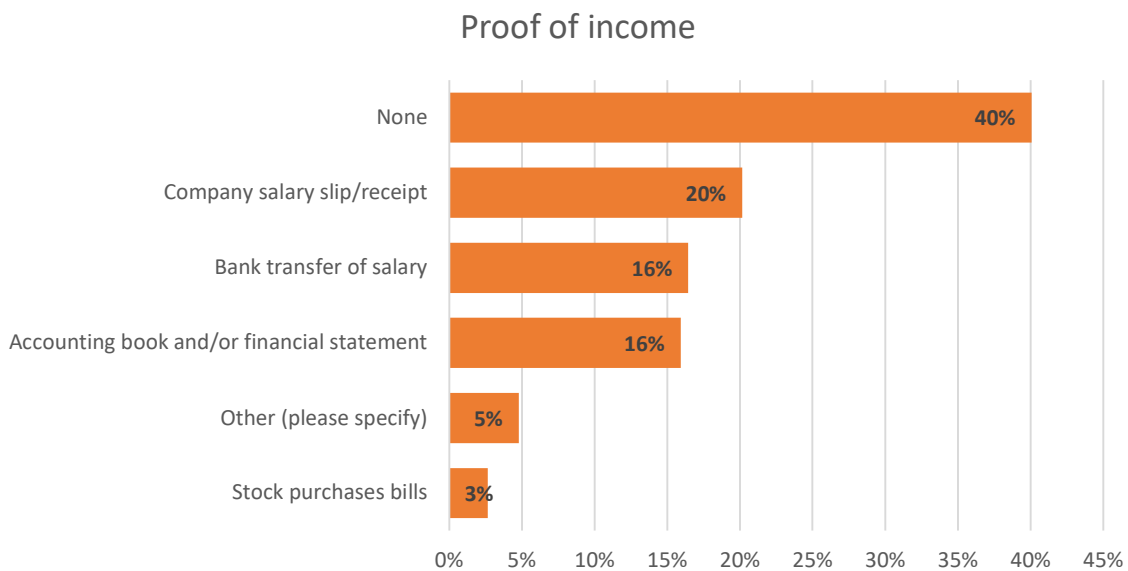
Graph 4: Frequency of Income

"How frequently does your household earn money?"



A factor which may affect the ability of Tanzanian households to access credit is that many do not possess adequate proof of income. Our research found that 40% of respondents lack any such evidence:

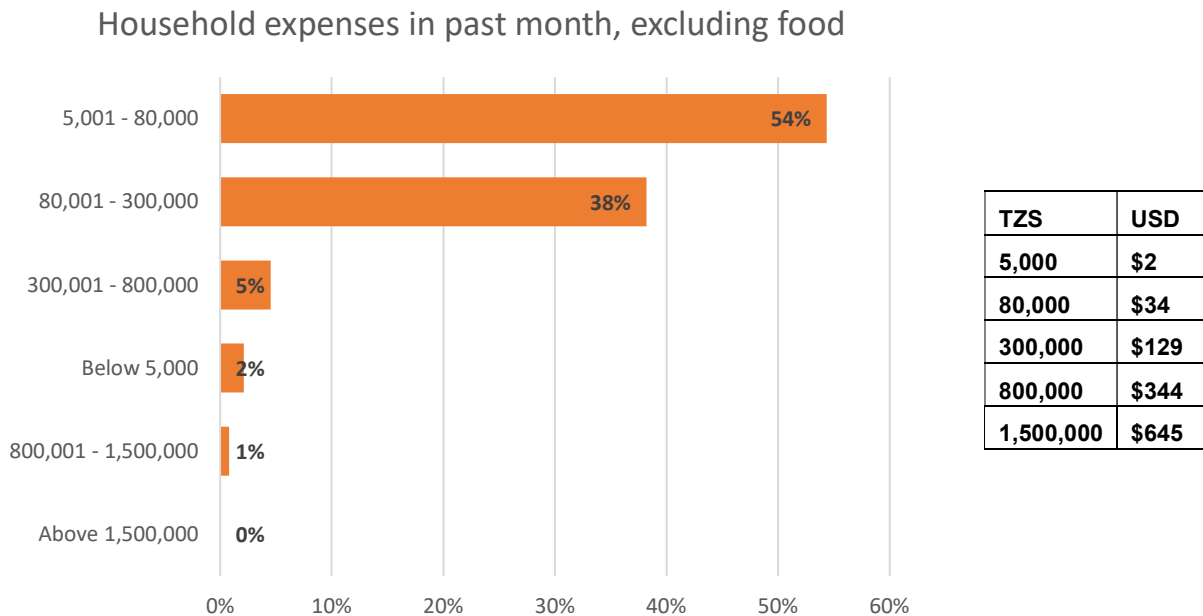
Graph 5: Proof of Income



HOUSEHOLD EXPENSES

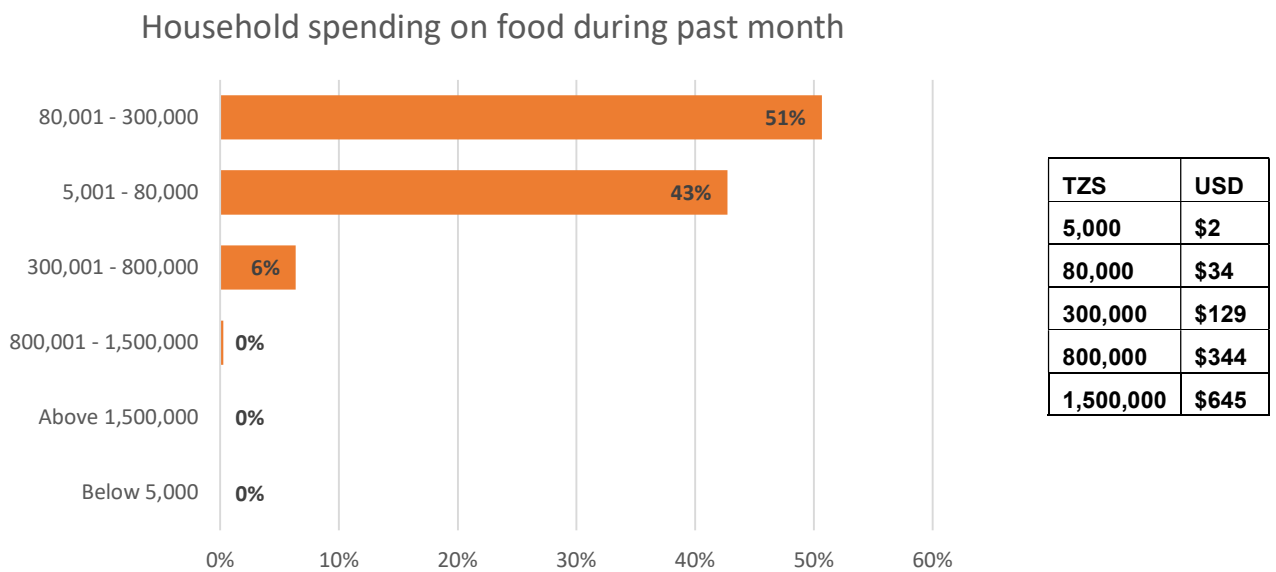
Respondents were asked to estimate their expenditure in the past month. In this type of survey, households tend to classify their routine spending into two categories: “food” and “everything else”. This was reflected in the survey design:

Graph 6: Household expenses in the past month, excluding food (TZS)



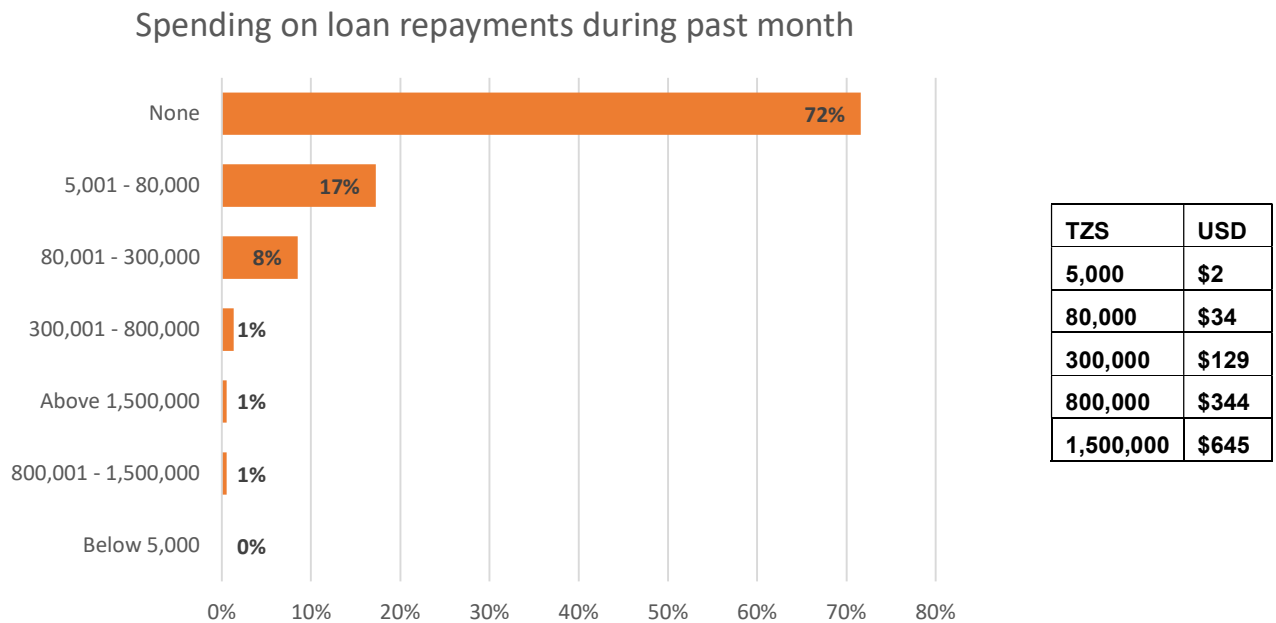
Households surveyed spent varying amounts on food in the past month:

Graph 7: Household spending on food in the past month



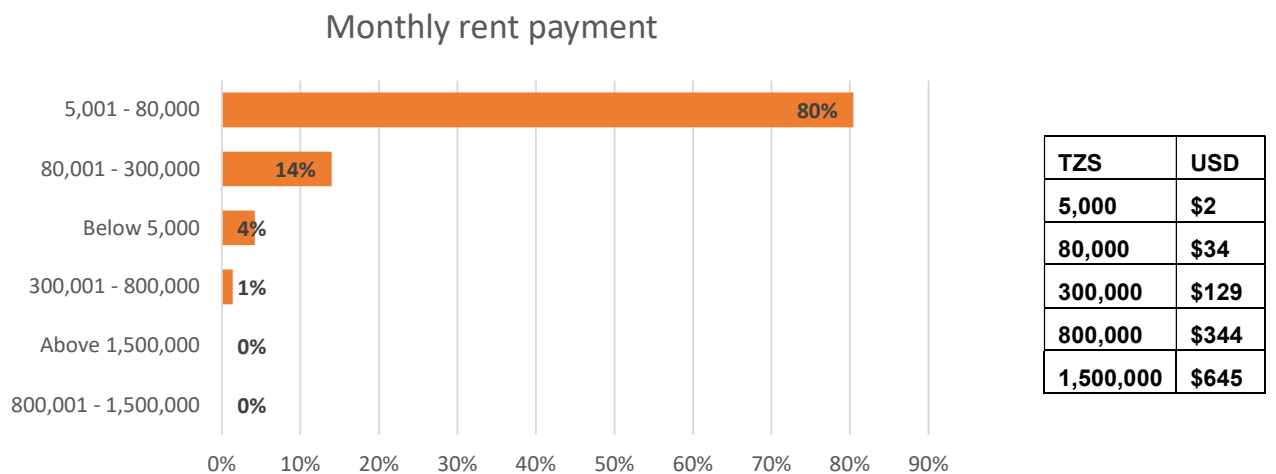
A sizable minority (28%) of households surveyed made loan repayments in the past month.

Graph 8: Value of loan repayments made in the past month



Amongst the minority of respondents who were renters (143 in total, or 38% of all respondents), 72% paid between 20,000 and 80,000 Tanzanian shillings (USD \$8 and USD \$33) in monthly rent:

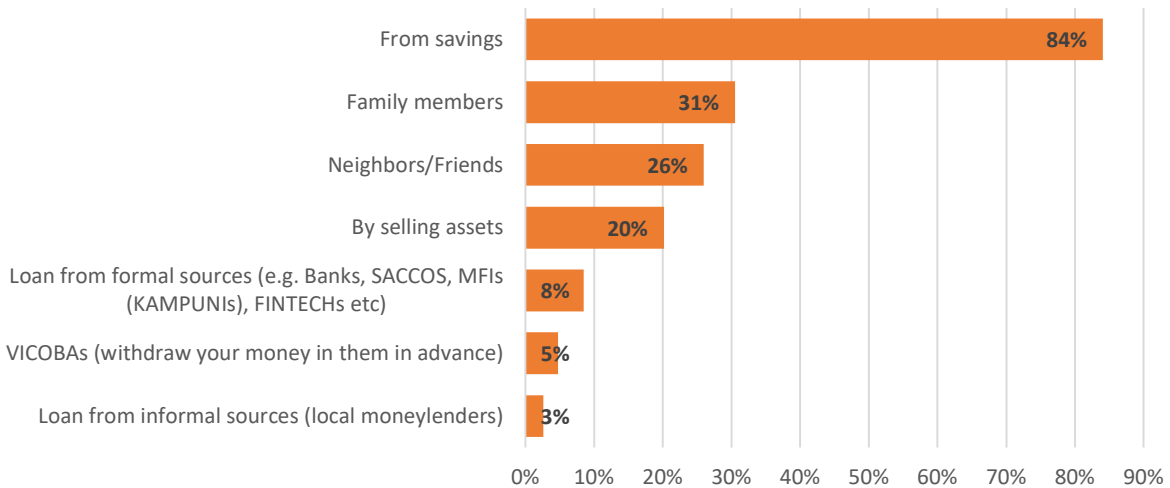
Graph 9: Rent rates, monthly



Households will sometimes face sudden or unpredictable expenses. They draw on a variety of sources to pay for these, although, amongst our respondents, the vast majority (84%) rely on their savings. Households with ready access to funds are more likely to be able to service a debt.

Graph 10: “How do you manage sudden/unpredictable expenses?”

Management of sudden/unpredictable expenses

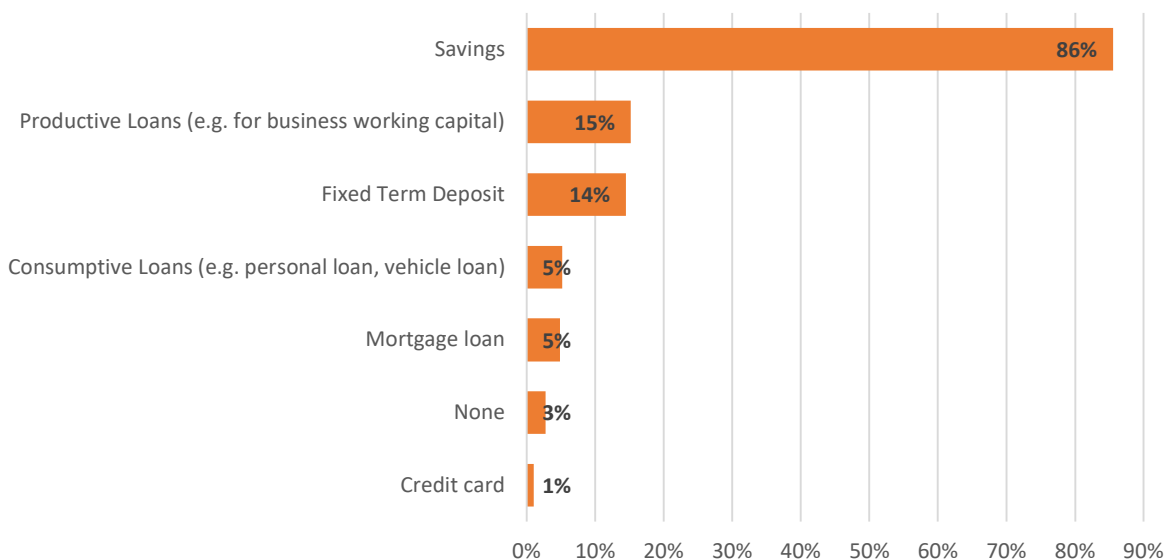


SAVING AND BORROWING BEHAVIOR

Amongst the households who claimed to use a financial institution (290 out of 377 households surveyed, or 76%), the following financial services were used:

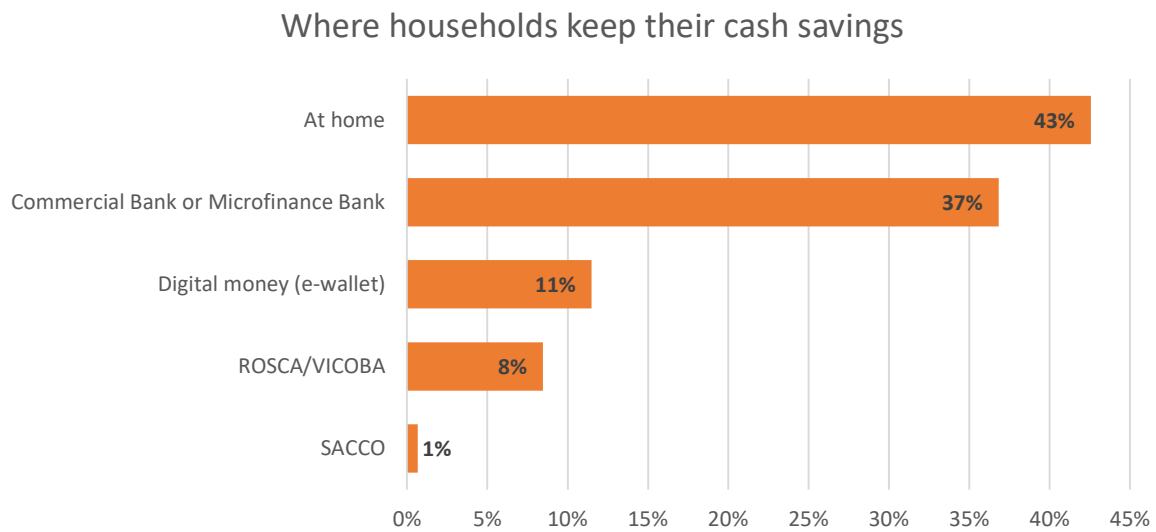
Graph 11: Financial Services Used

Financial services used



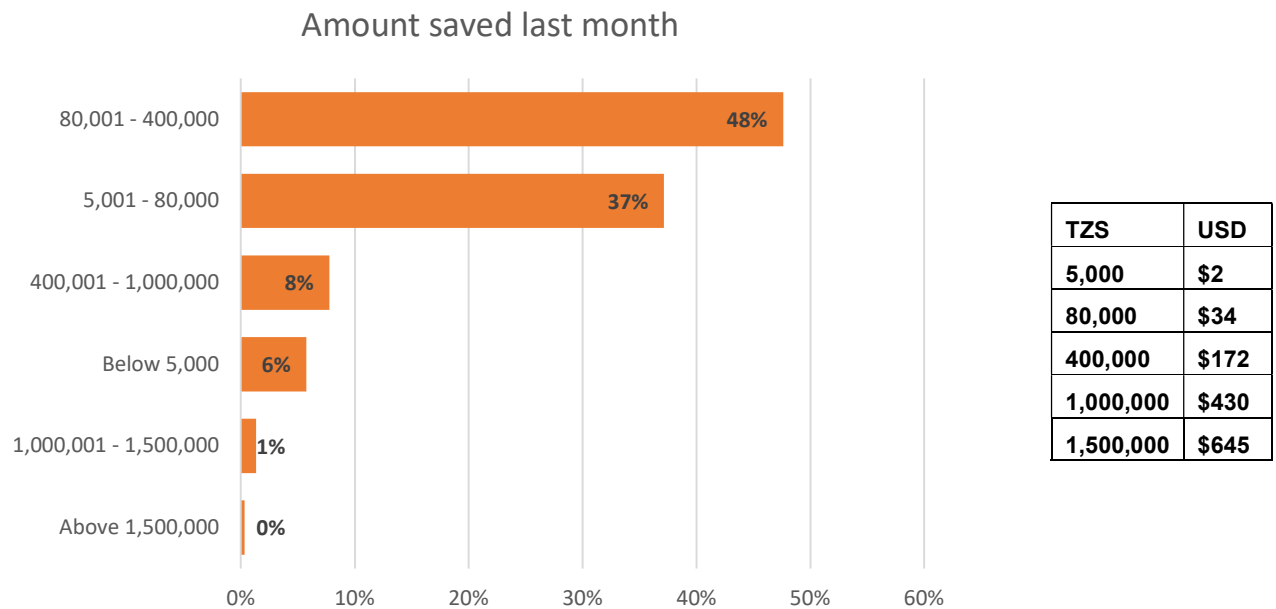
296 of all 377 respondents surveyed (79%) saved in cash (other respondents reported as saving by investing in assets, like their home or vehicle). Of those 296 households who saved in cash:

Graph 12: Where households keep their cash savings



Respondents were then asked about the amount they were able to save each month. Of the 296 who managed to save:

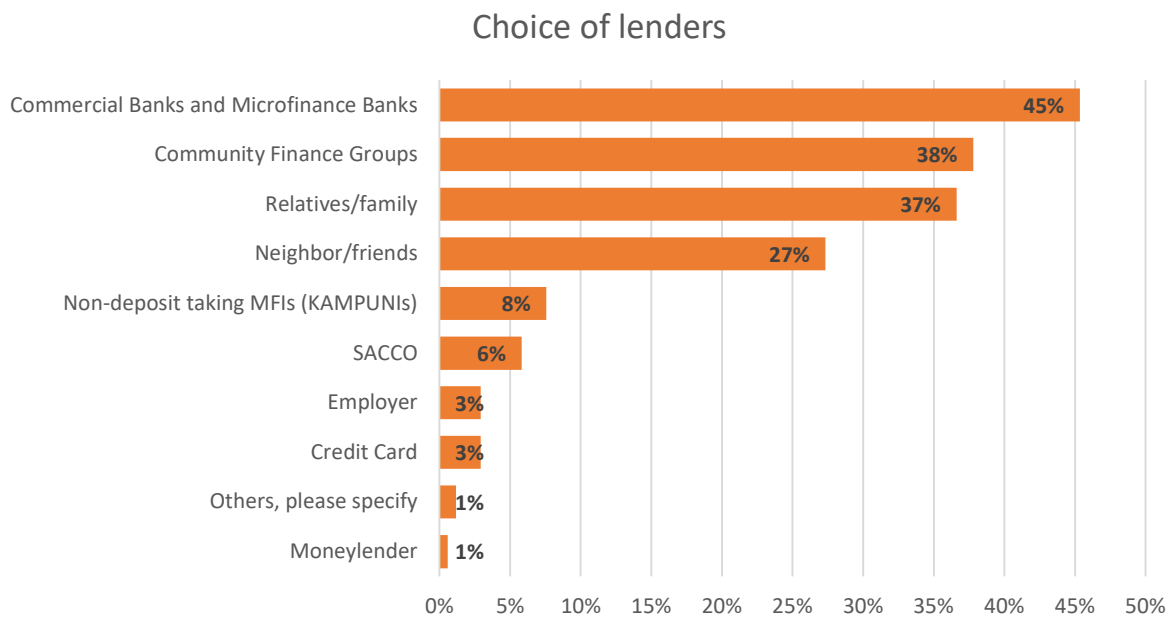
Graph 13: Amount saved last month



172 out of 377, or 46%, of respondents reported as having borrowed money in the past two years.

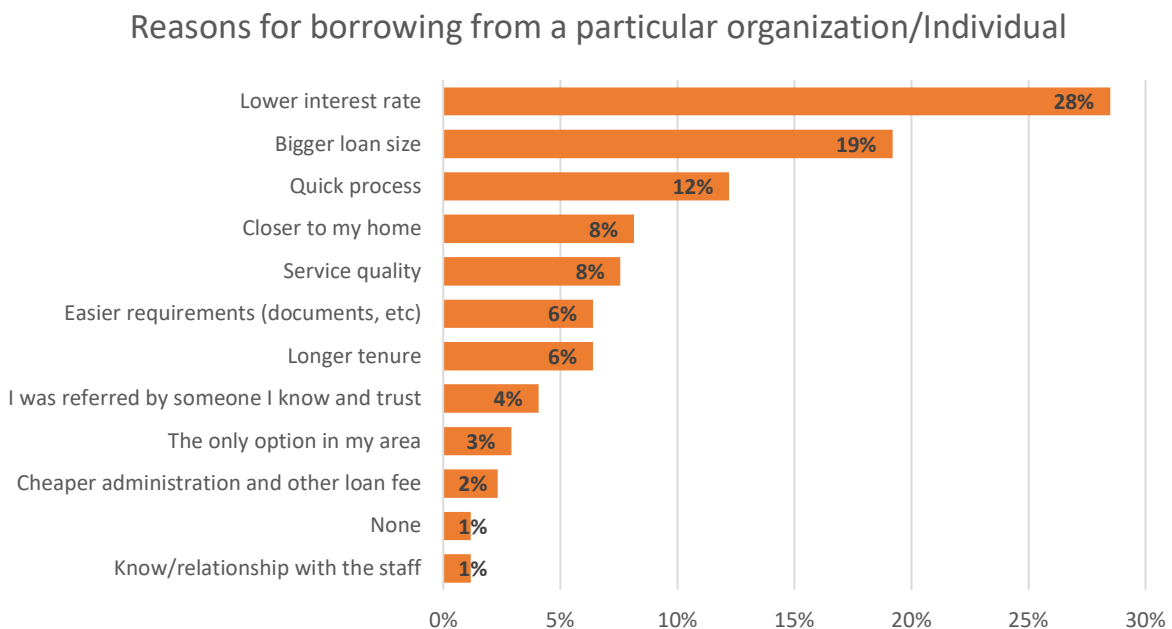
These borrowers went to a variety of lenders, including family (37%) and friends (27%), small-scale community finance associations (38%), as well as formal institutions like banks and MFIs (45%):

Graph 14: Choice of lenders



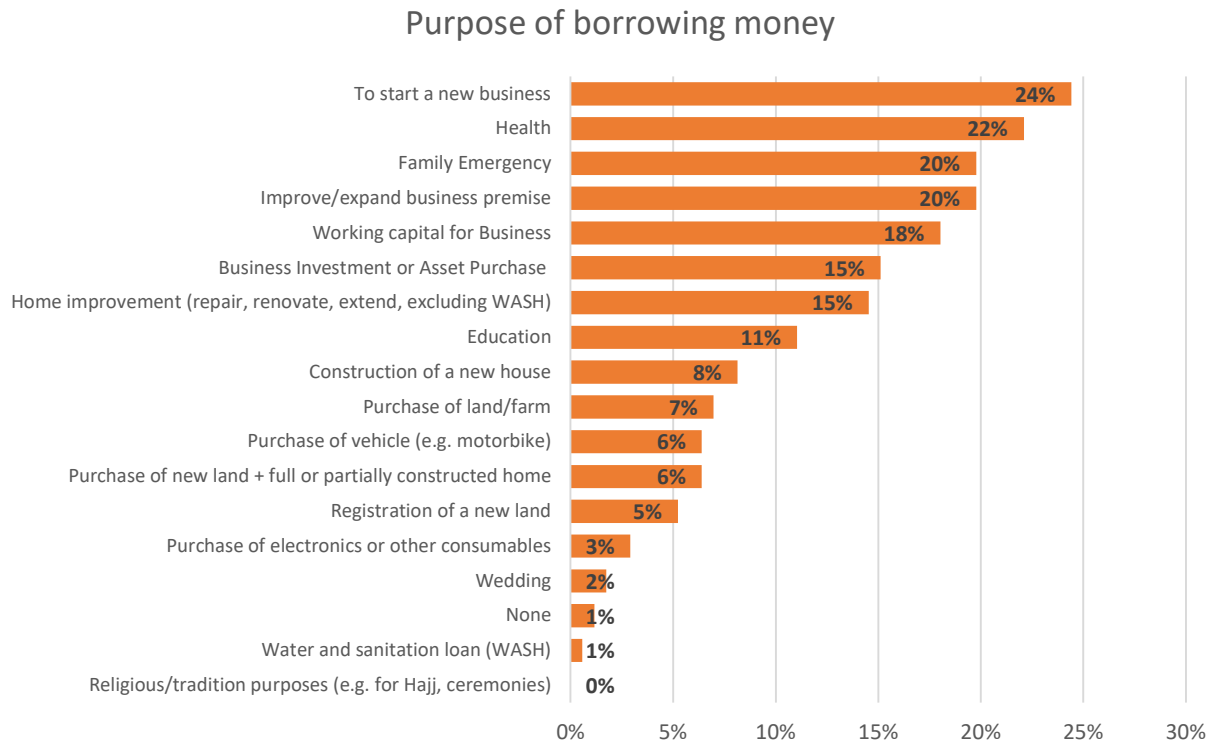
172 respondents provided a variety of reasons for selecting these lenders. Low interest rates (28%) and the size of loan available (19%) and were most frequently mentioned.

Graph 15: Reasons for selecting type of lender



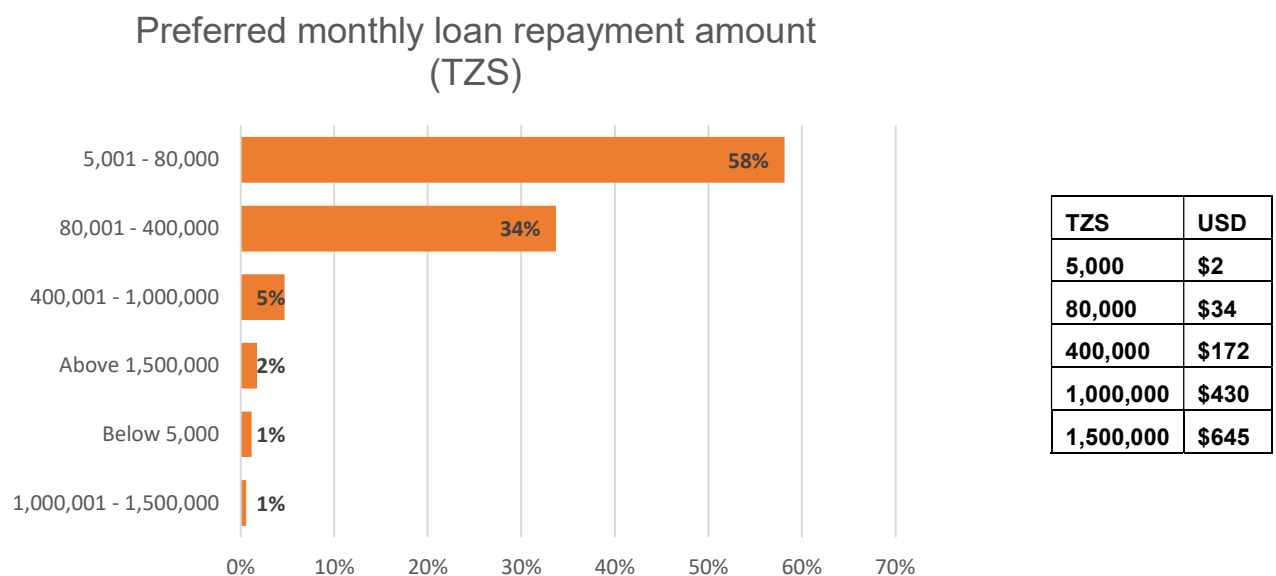
Borrowers borrowed money for a number of purposes. Starting a new business (24%), for improvement or expansion of premises (20%), or as working capital (18%) – were frequently cited. Home improvement (15%) or construction of a new home (8%) were highlighted by some.

Graph 16: Purpose of borrowing money



Respondents were given the opportunity to indicate what amount they would prefer to pay back per month, if they were to borrow money again.

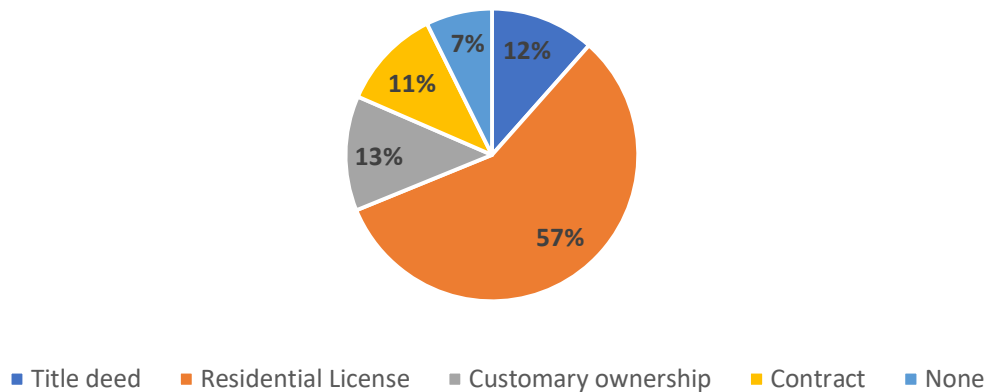
Graph 17: Preferred monthly loan repayment amount



The 260 respondents who reported to owning their home were asked what proof of homeownership they possessed, as this can affect their level of access to housing finance.

Graph 18: Proof of Homeownership

Proof of Homeownership

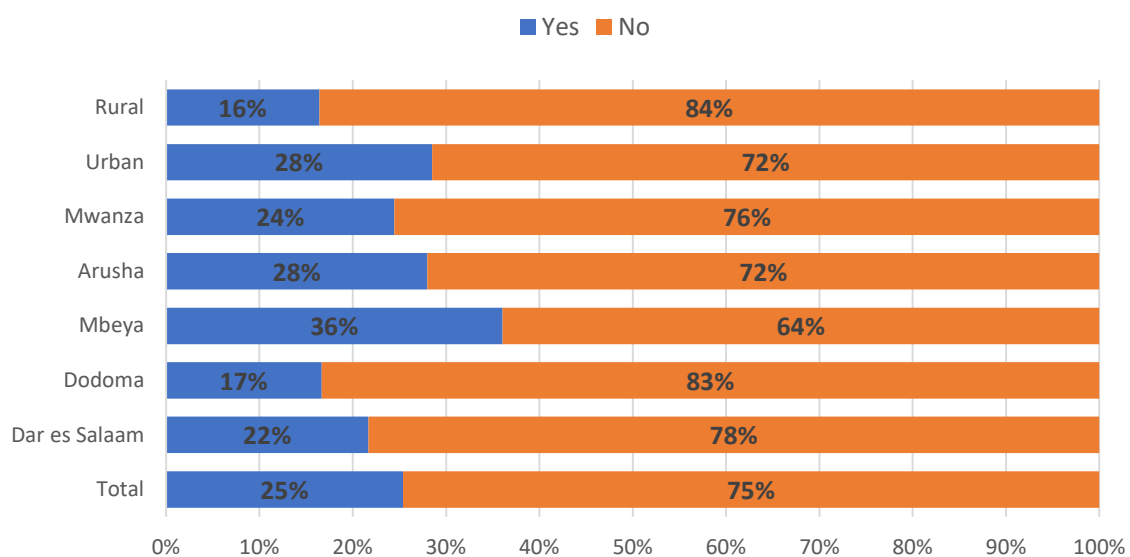


RECENT HOME IMPROVEMENT ACTIVITY

The 260 homeownership respondents were asked whether they had made any home improvements or repairs during the past two years. Of these 260:

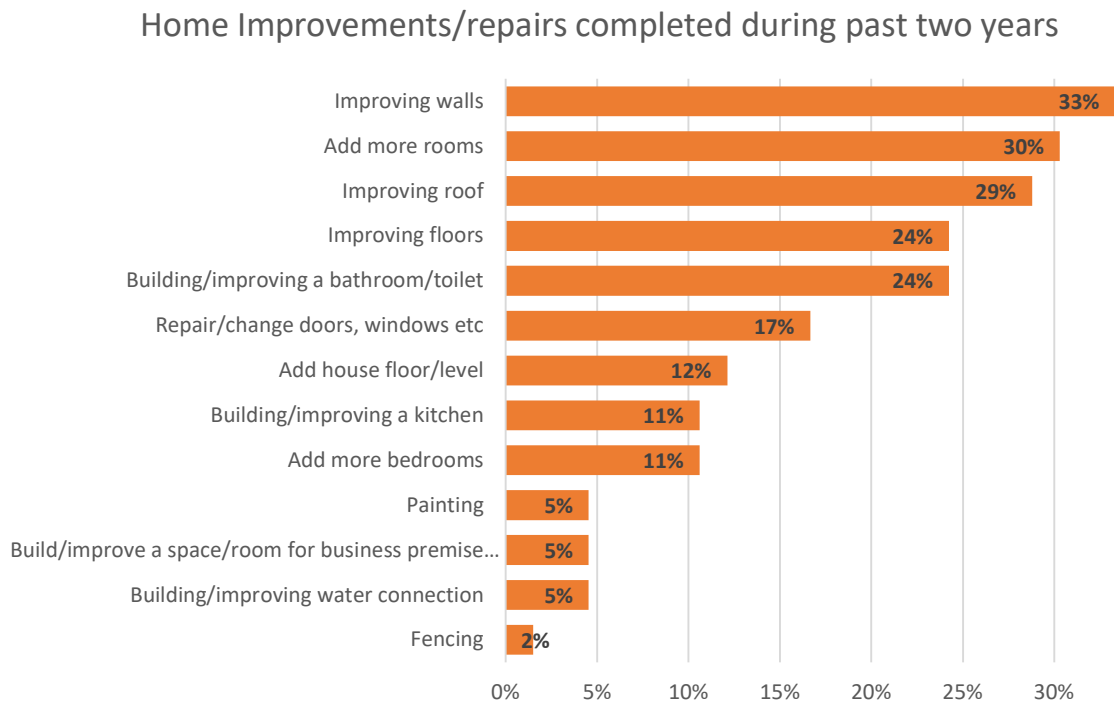
Graph 19: Home improvements in past 2 years

House Improvements/repairs in the past 2 years



Of those 66 who answered yes, the following types of improvement were made:

Graph 20: Types of home improvement made in past two years



When asked who undertook this work, 36 of the 66 respondents (55%) reported as doing it themselves, while the remaining 30 (45%) used a local mason or contractor.

These 66 respondents were then asked how they funded the home repair or improvement. Nearly all (92%) relied upon their own savings for at least some of the cost, but borrowing was also used in several cases:

- Loan from formal financial institution:
 - Commercial bank (23%)
 - SACCOS (3%)
 - Community group (9%)
 - MFI (2%)
- Borrowing from informal source
 - Moneylender (2%)
 - Family or friends (12%)
- One respondent (2%) made use of an employer scheme.

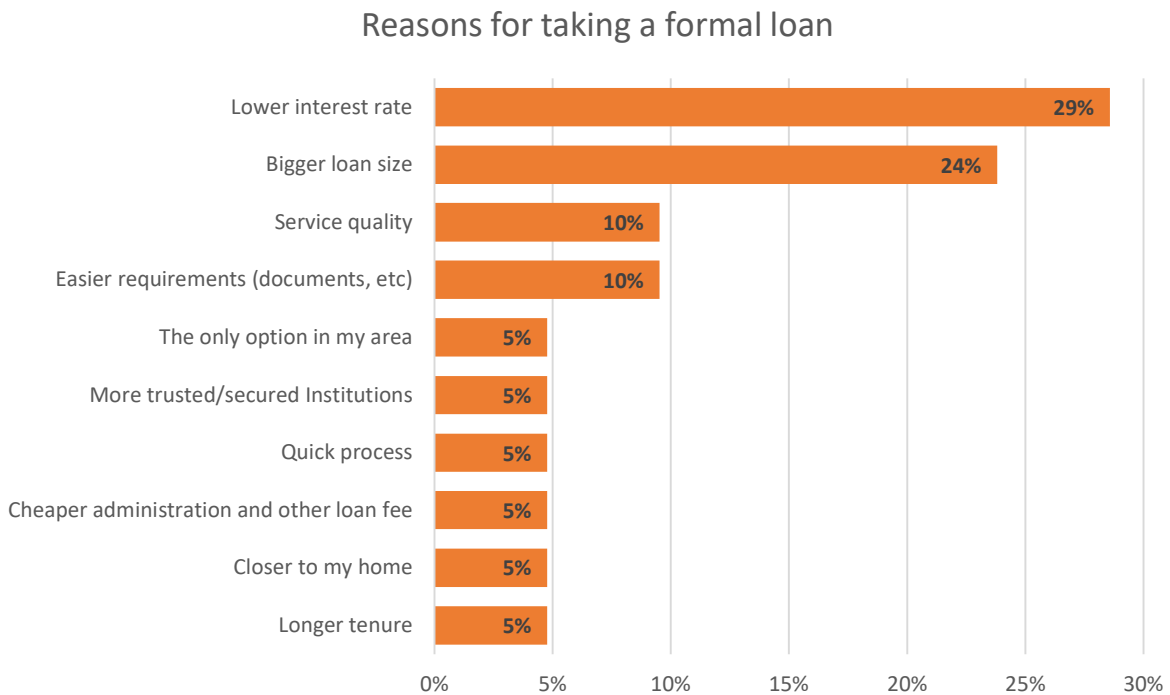
Of the 21 households who borrowed from a formal financial institution, the following types of collateral were used:

- The home/land itself: 7 (33%)
- Fixed asset - other than the land/home being financed: 5 (24%)
- Vehicle (car, motorbike): 2 (10%)
- Cash/savings/Deposit: 1 (5%)
- Proof of employment/salary/company guarantee: 3 (14%)
- Furniture: 1 (5%)

- Personal guarantor: 1 (5%)
- None: 1 (5%)

Of this group of 21 borrowers, motivations for choosing this type of financing were varied, but interest rate and loan size were the most important factors.:

Graph 21: Motivations for choosing a formal loan to finance home improvements



Of the 8 borrowers who used an informal source (moneylender or family and friends, the following reasons were given:

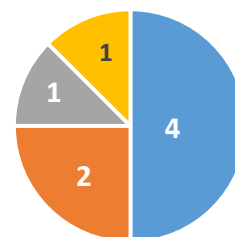
Chart 22: Motivations for borrowing from an informal source to finance home improvements.

Why did you choose to borrow from a more "informal" source?

REPAIR NEEDS

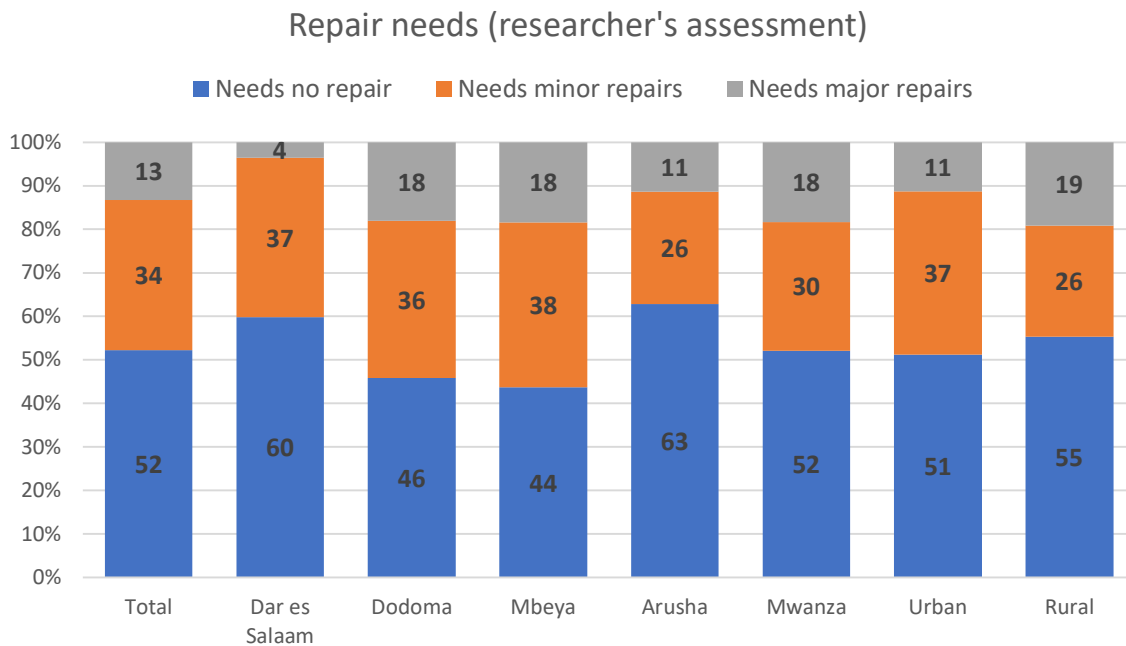
Researchers were given instructions to visually assess whether respondents' homes were currently in need of repair. Approximately half (52%) of our 377 respondents' homes appeared to have no repair needs. Just over a third (34%) had minor repair needs, while the remaining 13% had major repairs needs.

Broken down regionally and by rural/urban zones:



- Unable to make FI's collateral requirements
- FIs had higher interest rates
- Not enough funding for upfront costs/fees at FI
- No reason given

Graph 23: Repair needs (researcher's assessment)



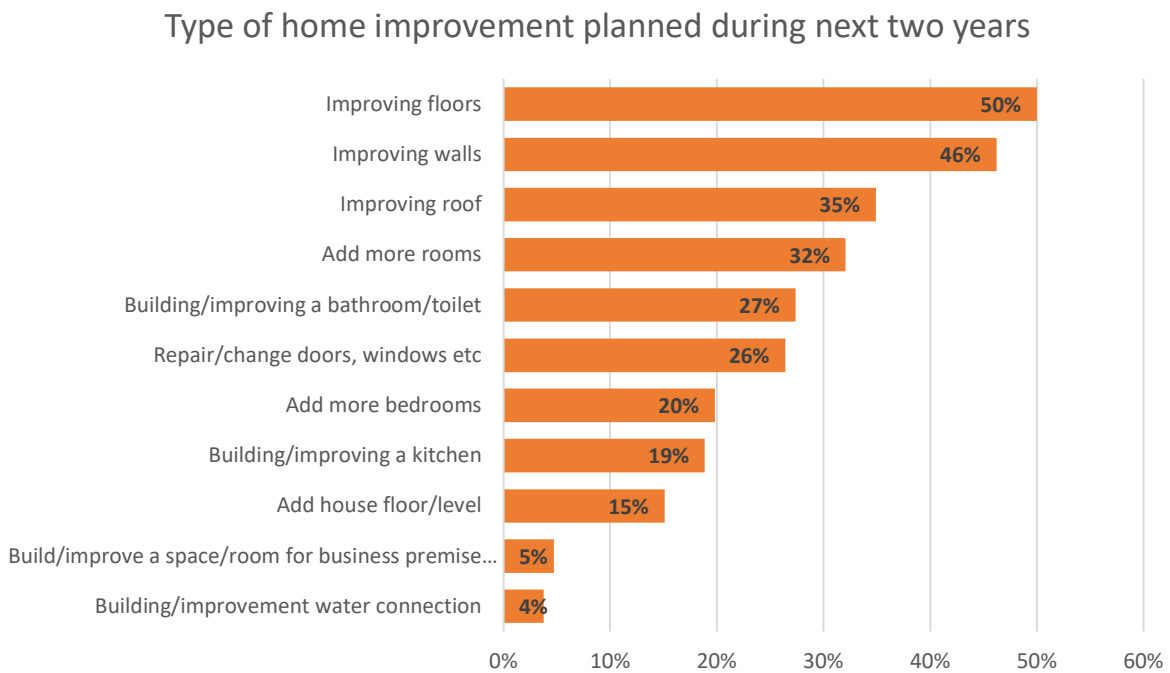
FUTURE HOME IMPROVEMENT PLANS

The researchers then explicitly asked all 377 respondents whether they were planning to make any housing-related purchases or improvements in the next two years.

Around 189 (~50%) were planning to purchase land, while 53 (14%) were planning to purchase a home. 106 (28%) were planning to make improvements, repairs, or renovations to their existing home, while 79 (21%) were planning to build a new house on land already owned.

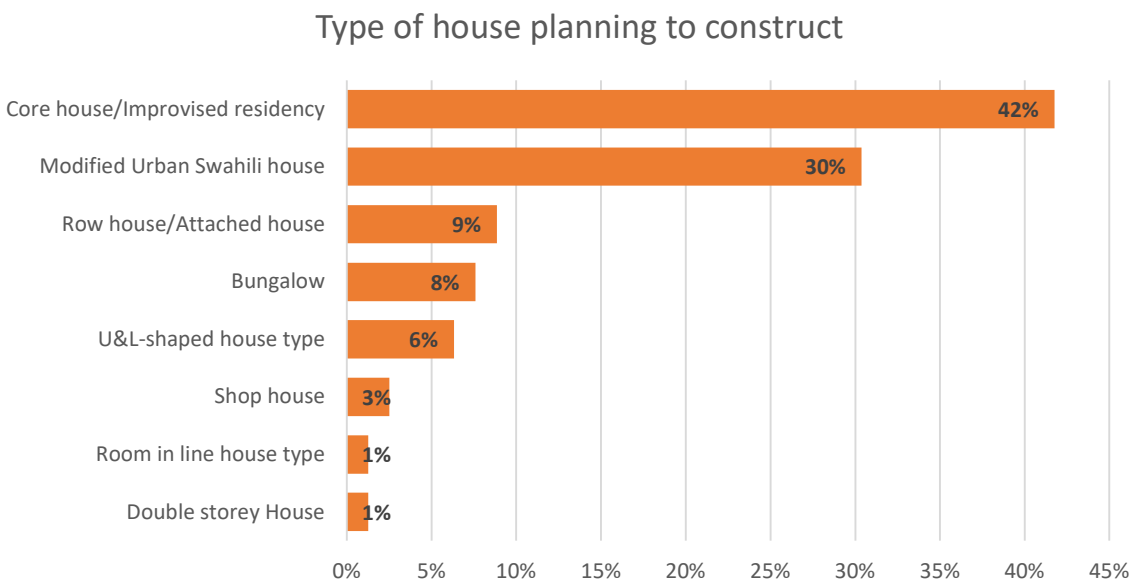
Of those 106 respondents who were planning to make an improvement or renovation to their existing home, the following types of work were planned (more than one response was possible):

Graph 24: Home improvement plans during next two years



Of the 79 respondents seeking to construct a home:

Graph 25: Type of house planned to be constructed

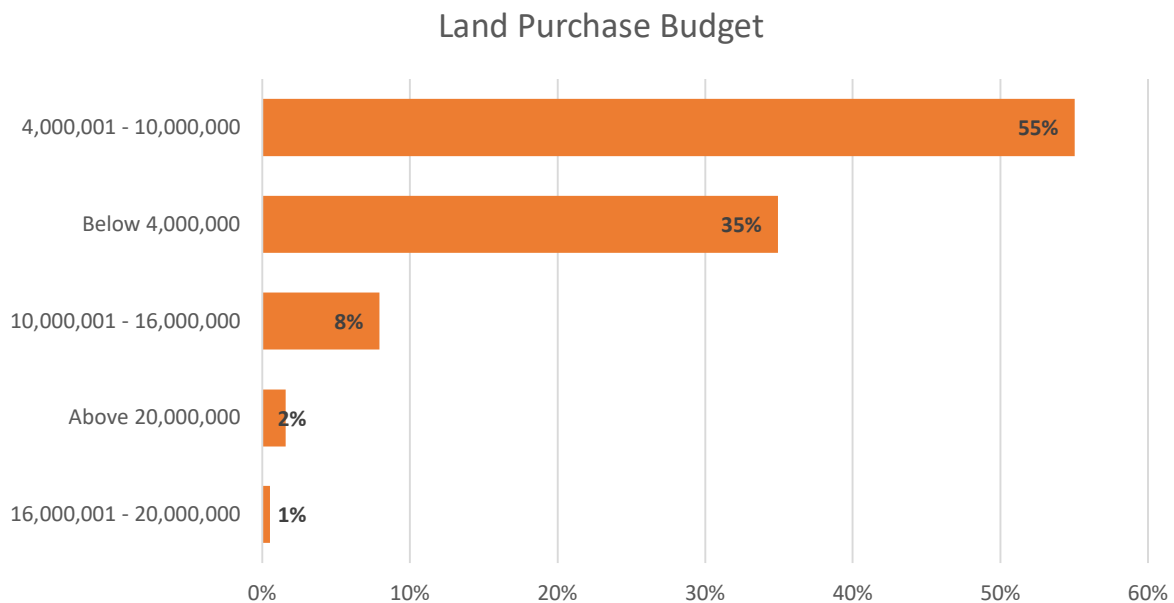


FINANCING FUTURE HOUSING PLANS

Respondents were then asked about their budget for future housing plans.

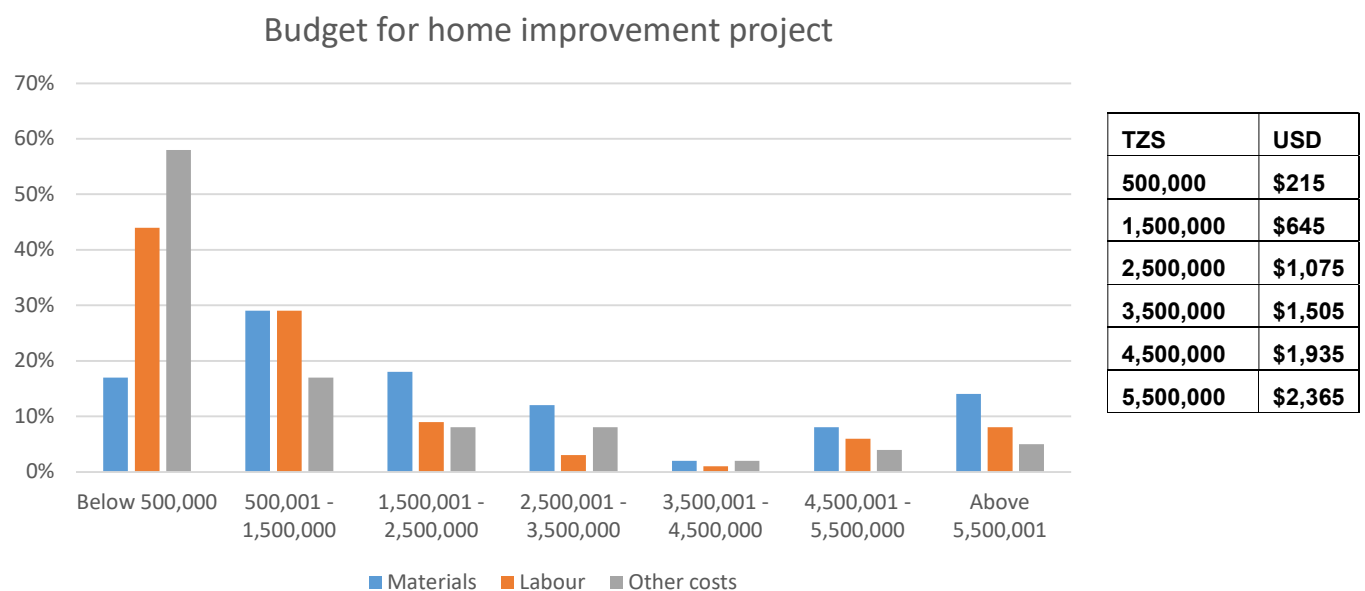
Of the largest group, the 189 seeking to purchase land for housing construction:

Graph 26: Land Purchase Budget



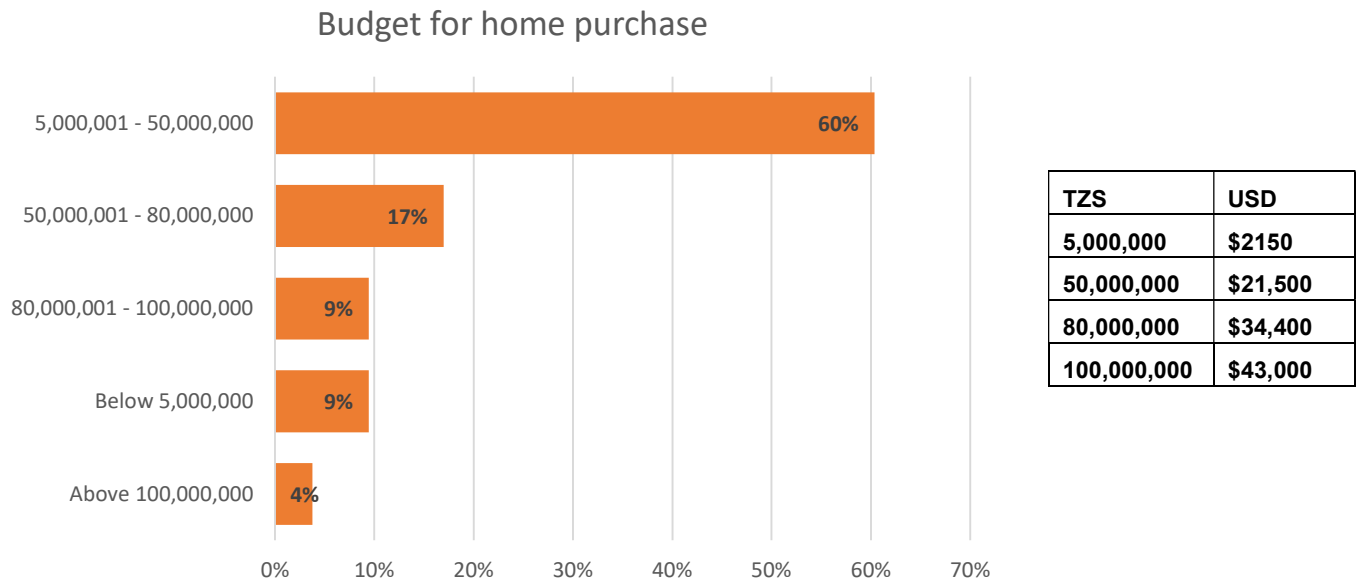
Of the 106 seeking to make improvements or repairs, respondents were able to provide their budget breakdown for labour, materials, and other costs:

Graph 27: Budget for home improvement project



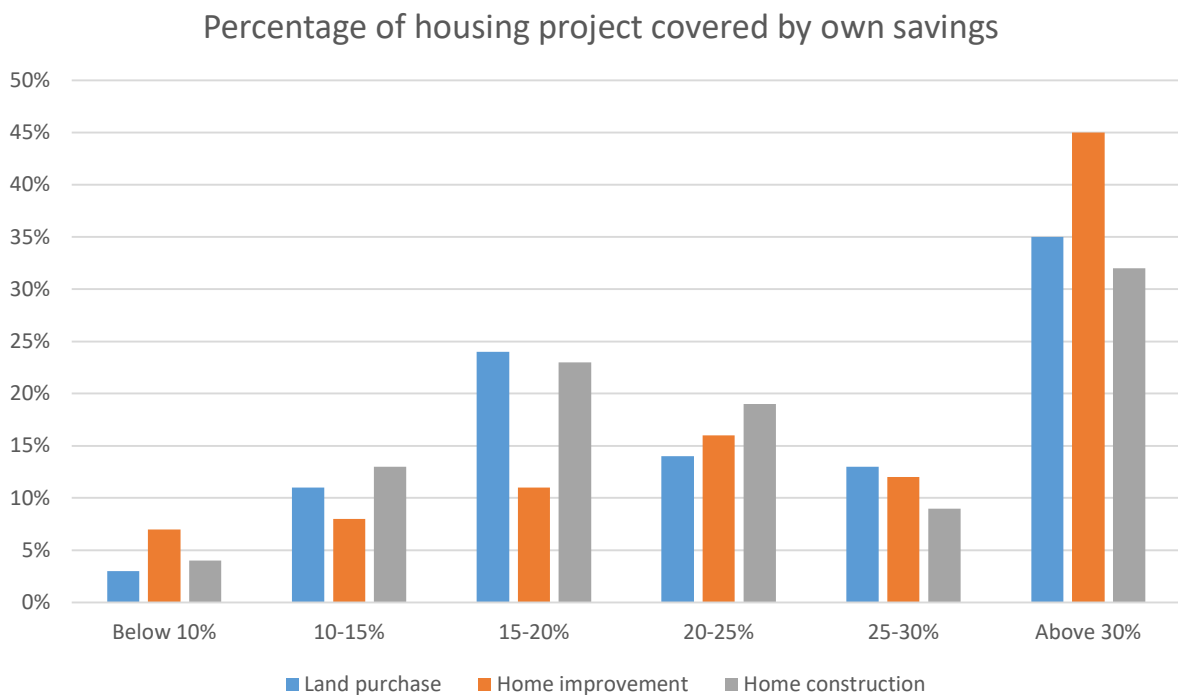
Of the 53 respondents planning to buy their own home:

Graph 28: Home Purchase Budget



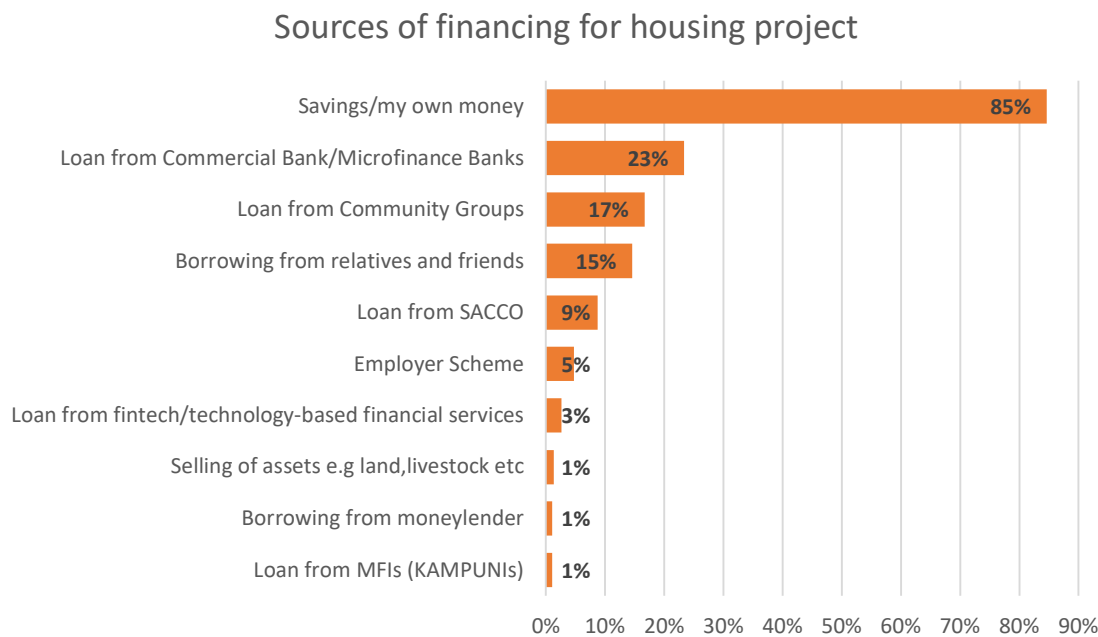
Respondents were then asked what proportion of the project budget could be covered by their own savings:

Graph 29: Percentage of housing project covered by own savings



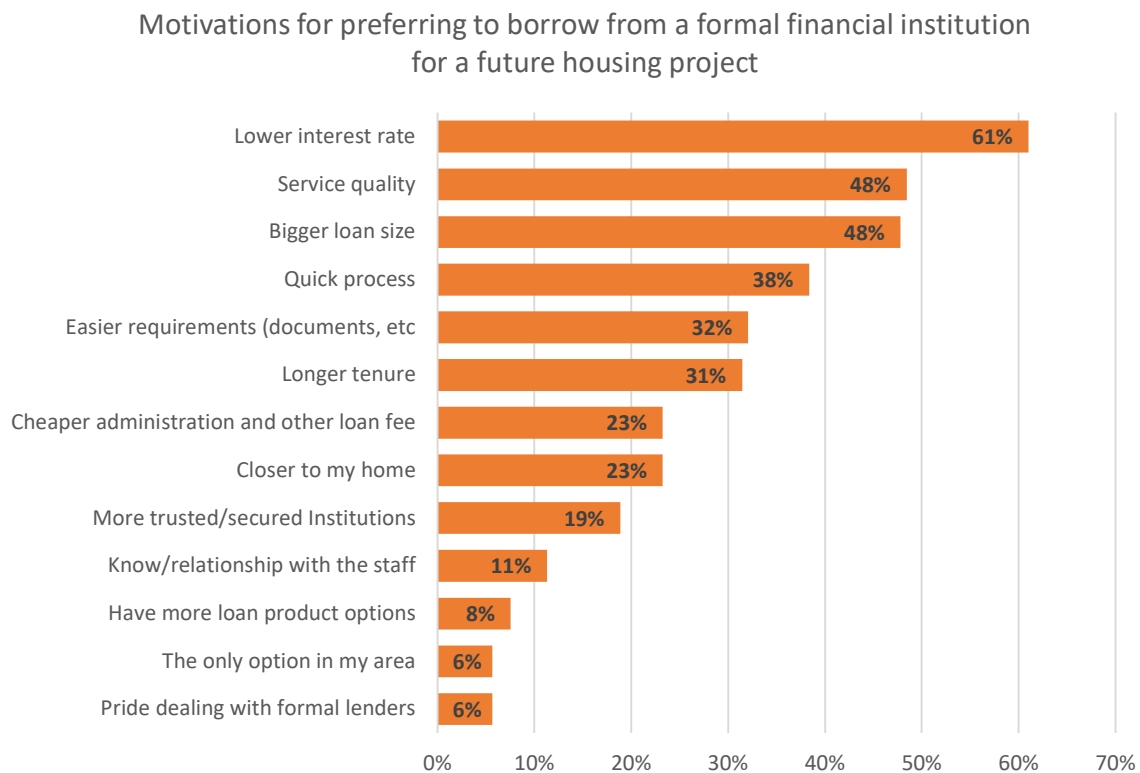
All 377 respondents were asked how they would finance their planned housing project. More than one answer was possible for each respondent.

Graph 30: Sources of financing for housing project



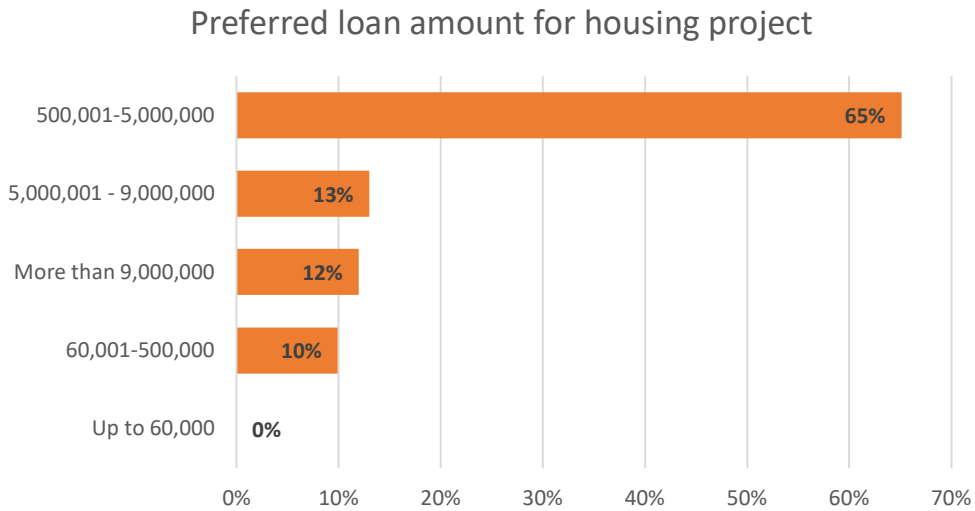
Graph 31, below, shows the reasons why some respondents were considering borrowing from a formal lender.

Graph 31: Motivations for preferring a formal loan to finance future housing project



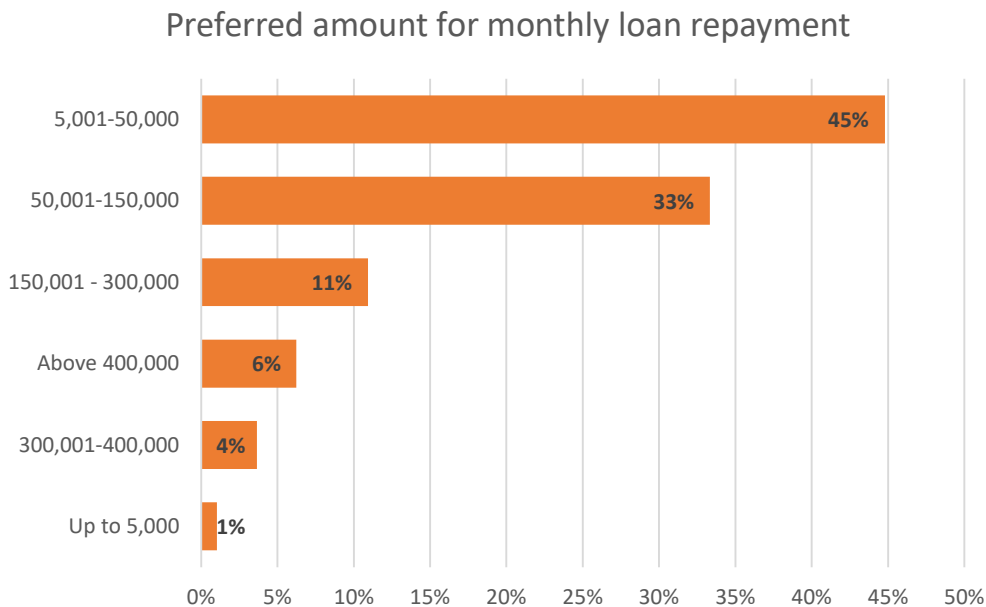
The next graph indicates how much respondents are willing to borrow, in light of the budget of their housing project and their own savings. These results cover 192 respondents, encompassing those who are planning to go to a formal financial institution plus those who will be borrowing from family and friends. The following graph indicates preferred monthly repayments.

Graph 32: Preferred loan amount for housing project



TZS	USD
60,000	\$26
500,000	\$215
5,000,000	\$2150
9,000,000	\$3,870

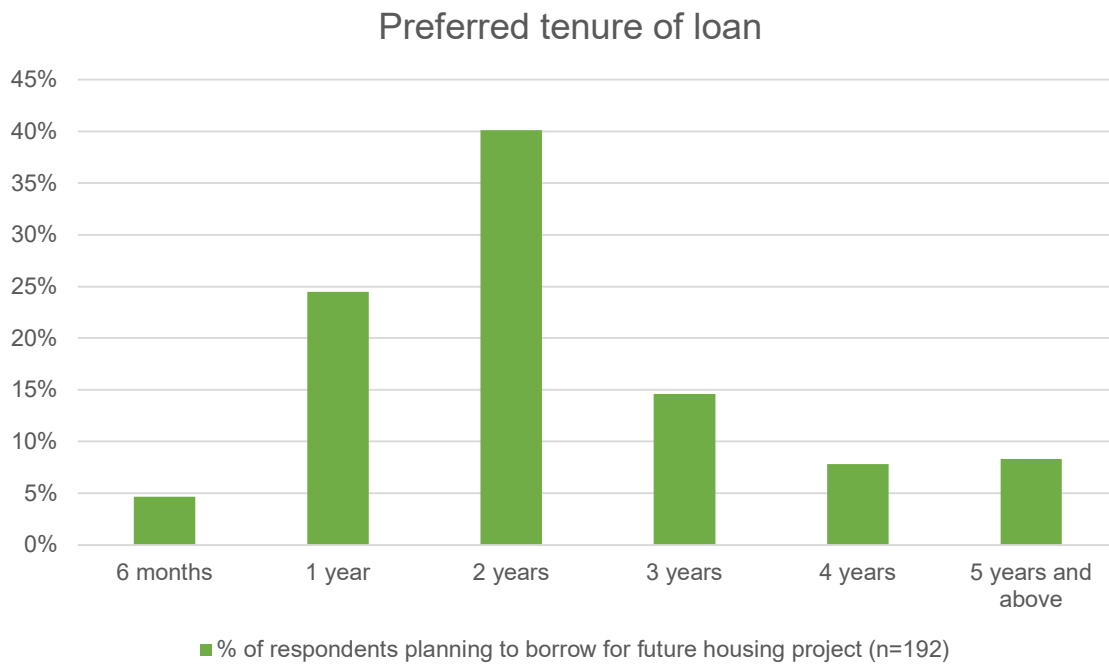
Graph 33: Preferred monthly repayments for housing loan



TZS	USD
5,000	\$2
50,000	\$22
150,000	\$65
300,000	\$129
400,000	\$172

This same group of respondents (192) were then asked what tenure of loan they would be most comfortable with, ideally. 2-year loans were clearly the most popular option.

Graph 34: Preferred tenure of loan

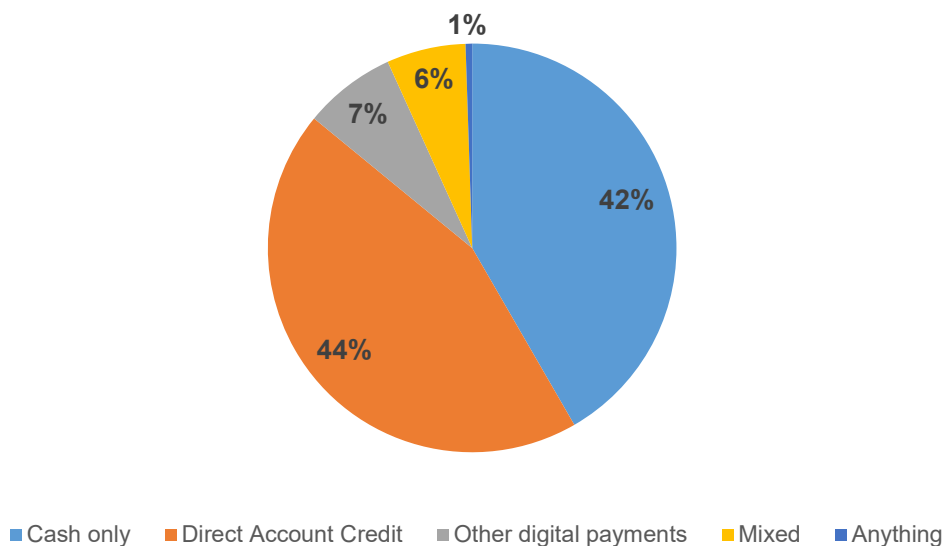


They were also asked whether they would consider taking out a loan for a much longer tenure (10-20 years). Two-thirds (66%) were comfortable with this prospect, while one-third (34%) were not.

For those 192 respondents planning to borrow, preferences for disbursement and repayment methods were recorded. These are presented in Graphs 34 and 35.

Graph 35: Preferred disbursement method

Preferred disbursement method (n=192)

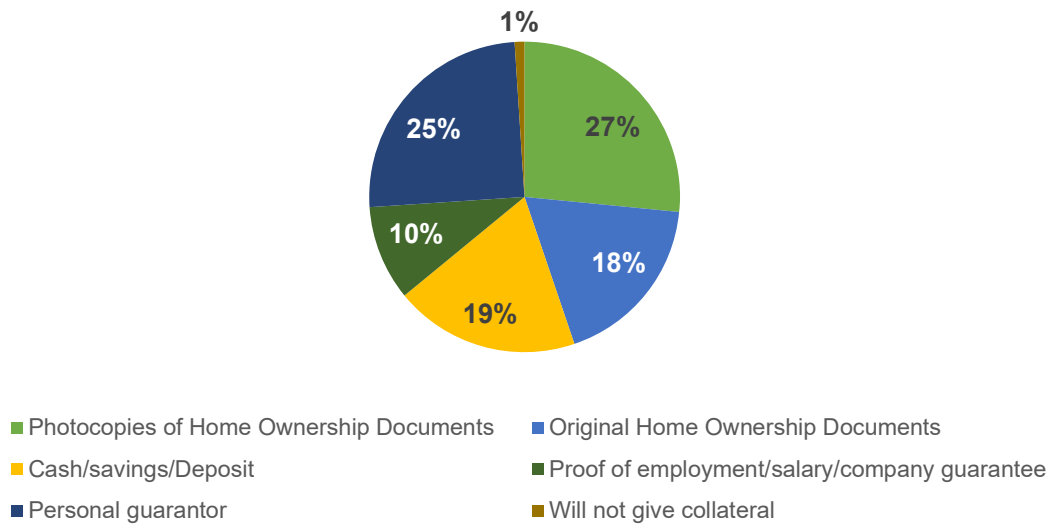


Graph 36: Preferred repayment method

This group of respondents were asked about the type of collateral they would be most comfortable offering, for an unsecured housing loan in the range of 300,000 to 5,000,000 TZS (USD \$123 – USD \$2,053).

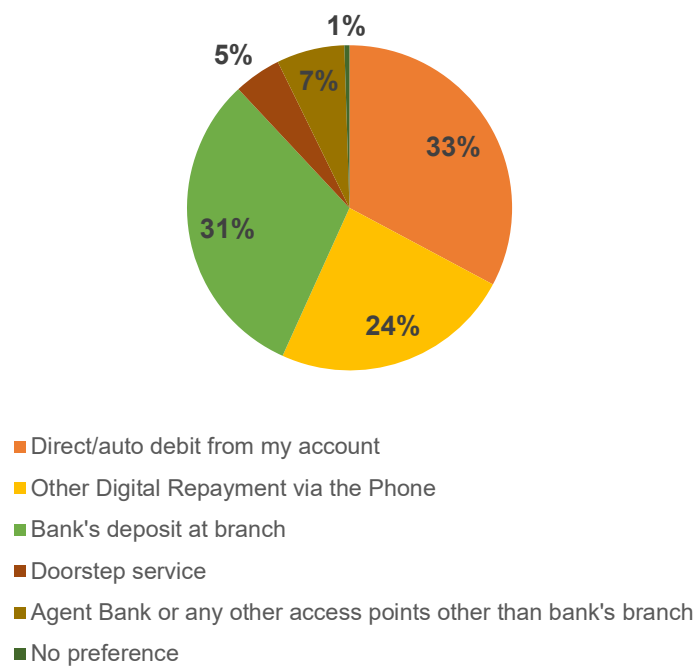
Chart 37: Preferred type of collateral

Preferred type of collateral (n=192)



Graph 38: Preferred repayment method

Preferred repayment method (n=192)

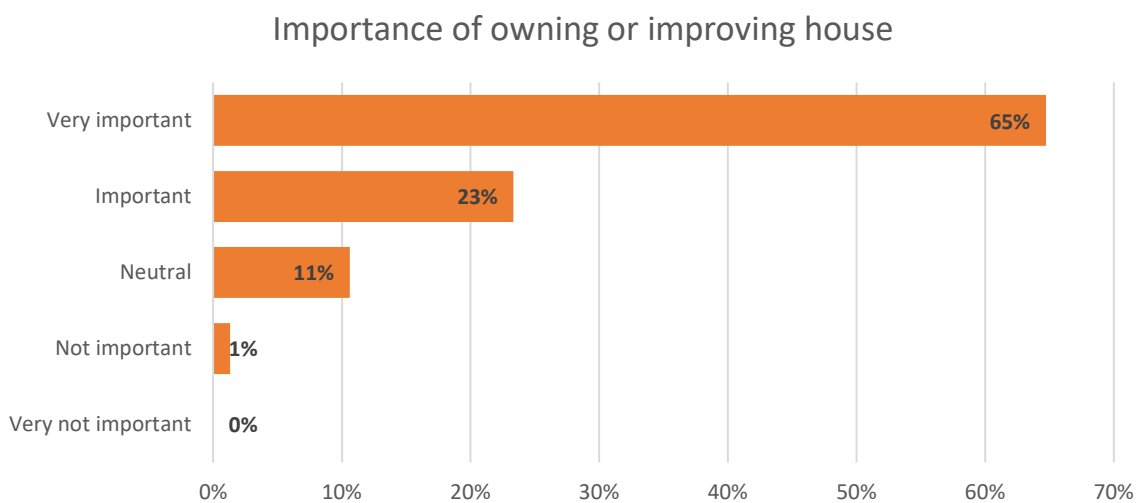


HOUSING PERCEPTIONS AND PRIORITIES

The final set of survey questions were themed around the respondents' general housing-related preferences and priorities.

Respondents were first asked to rate the importance of owning a house (if they didn't already) or improving their house (if they did own it) within the next two years.

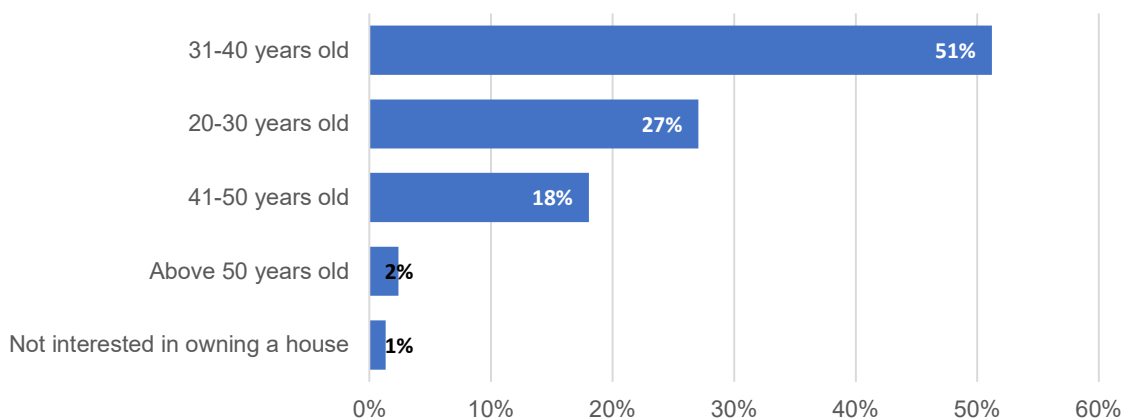
Graph 39: Importance of home ownership or home improvement in near future



All 377 respondents were then asked about the ideal age for becoming a homeowner. Most (51%) responded that a person should own their house by the time they are in their thirties. A quarter (27%) believed it should be sooner, that homeownership should be achieved by one's twenties. Very few – 1% of respondents – were not interested in owning a house at some point in their lives.

Graph 40: Ideal Age for Homeownership

"According to you, by what age ideally should you own a house?"



When these results are broken down into regions, they remain broadly consistent, with age 31-40 remaining the most popular choice – except in Mwanza, where 62% of the 71 respondents stated that one should own their home when aged 20-30 years old, and only 32% selected aged 31-40 years old.

The next question covered motivation for improving or constructing one’s own house. With multiple responses possible from each respondent, almost three-quarters (73%) cited it as a financial investment, while a similar proportion (65%) referred to it as fulfilling a basic need for security and family wellbeing. Roughly a third of respondents claimed to that homeownership would:

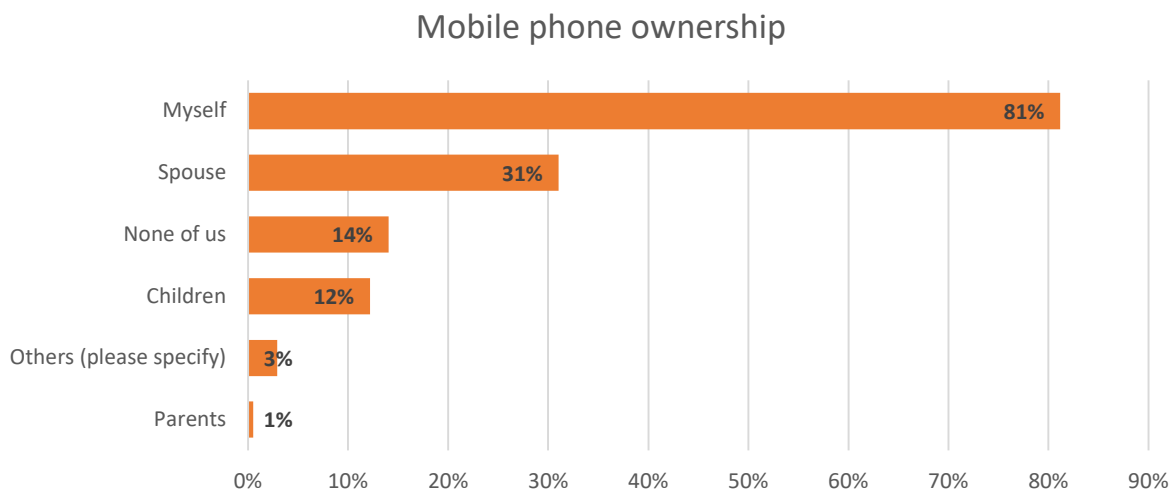
- Benefit their sons and/or daughters (37%)
- Provide a status symbol (36%)
- Save money on rent (31%)

As covered in the results above, a sizable proportion of respondents would require some form of housing finance to realize their housing goals. We therefore then asked respondents about what they considered to be the main obstacles to accessing mainstream (i.e. formal) housing finance. The following factors were the most frequently cited:

- Interest rate
- Requirement to provide documents
- Requirement to pay up-front costs/deposit
- Size of repayment instalments

Finally, respondents were asked whether they owned a mobile phone.

Graph 41 – Mobile phone ownership



Focus Group Discussions (FGDs)

Methodology

SESSIONS

Three focus group discussions (FGDs) were held, during the weekend of Saturday 3rd June and Sunday 4th June 2023. They took place in-person.

Each session lasted approximately between 100 minutes and 150 minutes.

One of the sessions took place in Dar es Salaam, and the other two sessions took place in Dodoma.

There were eight participants in each session.

PARTICIPANTS

Participants were recruited from urban areas within the Dar es Salaam and Dodoma regions.

The minimum age at which participants were eligible to participate was 18 years old, while the maximum age was 60 years old. In practice, participants' ages ranged between 25 and 56 years old, skewing heavily towards participants in their 20s or 30s.

In terms of gender, 13 (55%) of the 24 participants were male, and 11 (45%) were female.

The participants all belonged within an income range of 80,000 to 1,250,000 TZS per month, i.e. were members of socio-economic category (SEC) C2 or D. Professions included:

- Owners of small and medium enterprises (SMEs)
- Construction workers
- Drivers
- Shopkeepers
- Teachers
- Nurses

QUESTIONS

The Focus Groups were hosted by a moderator, who led discussions using a guide. This guide is reproduced in the appendices, below. Excluding introductory and closing sections, the guide covered the following themes:

- Background (basic characteristics of participants)
- Awareness (level of knowledge/understanding regarding microfinance)
- Housing aspirations (housing-related goals of participants)
- Housing construction behavior (participants' approach to building and modifying their home)
- Borrowing and saving behavior (participants' past interactions with financial institutions)
- Demand and propensity to borrow for housing (how likely participants are to borrow for housing purposes in future)
- Preferred terms for a housing microfinance (HMF) loan (what terms and conditions participants would require to feel comfortable taking out an HMF loan)

- Preference for CTA (whether participants are interested in HMF products with a Construction Technical Assistance component)

Results

HOUSING ASPIRATIONS

Participants generally agreed that homeownership made an important difference to one's life. Participants cited a range of benefits it could bring, compared to renting, including:

- Overall reduced cost of living, mainly through money not being spent on rent.
- Homes being an asset which can be passed on to descendants.
- Freedom to use property as one wishes, including painting and decorating it according to one's tastes.
- A greater sense of permanence and stability.
- Ability to use own home as business premises, and/or own land for farming/husbandry.
- Ability to let out rooms in own home, for an added source of income.
- Clarity on rights and responsibilities, whereas in a tenant-landlord relationship there are disputes regarding who should be responsible for repairs and other matters.

The moderator asked participants what they considered to be the ideal age or stage in life to own a home. Some noted that this will vary from person to person, while others cited specific ages, including:

- At 18 years old
- By 22 years old
- By 25 years old
- By 30 years old
- When one becomes independent
- When one starts a family

Participants were asked about what repairs or improvements they would ideally like to make to their present home. Common improvements listed were:

- Adding toilets – most participants who mentioned this desired an indoor toilet, although some were more comfortable with outdoor facilities.
- Replacing or upgrading the flooring – many participants expressed a desire for tiled flooring.
- Replacing or upgrading windows – some wished to change the framing material (e.g. to aluminum), while others were keen to install glass.
- Replacing or upgrading the wall materials – two participants in different groups mentioned replacing sand blocks with cement.
- Replacing or upgrading the ceiling – several individuals expressed a desire for gypsum ceilings.
- Replacing or upgrading the roof – some were eager to install corrugated metal roofs.
- Painting the walls – this was a particularly popular option in one of the FGDs.
- Installing a fence.
- Completing or repairing the electrical wiring, piping, and plumbing.

To get a clearer sense of their particular housing aspirations, participants were then asked to describe what their ideal house would look like, regardless of their current housing situation.

Many stated that the ideal home should have 3-4 bedrooms, including a master bedroom for parents, a guest room for visitors, and 1-2 bedrooms for children.

Some made reference to having a “modern” house with up-to-date furnishings and facilities, such as:

- Indoor toilet
- Tiled floor
- Aluminum or wooden window frames
- Corrugated metal roof
- Cement walls with tiled or whitewashed finish
- One emphasized how big they would like their dream house to be, with 5 rooms, two floors, and distinct kitchen, dining, and sitting rooms. They added that their walls should have a Tanga stone finish.
- Abundant natural light and good ventilation, via large windows, were mentioned multiple times.
- Some mentioned that the land surrounding the house was also important, which could be used for car parking, gardening, and keeping livestock.

While many of the participants in the FGDs were homeowners, this did not necessarily mean that they possessed formal title deeds. While in one group, all participants claimed to have titles for their property, a majority of participants in the other two groups did not. Some possessed a sale contract or residential license, without possessing the deeds themselves. Those who did possess the deeds had usually inherited rather than purchased or built their home.

Asked why they didn't possess the title deeds, participants tended to cite a number of complaints about the process for acquiring them, including:

- Too long – one mentioned that it was expected to take at least 7 months, but delays on top of this were common.
- Cumbersome or bureaucratic – some mentioned that the land registration process could only be undertaken by groups of ten homeowners at a time.
- Corruption amongst municipal authorities and land surveyors, who would often take their fee without providing the promised services in return.

HOUSING CONSTRUCTION AND IMPROVEMENT BEHAVIOUR

Participants were asked if they had undertaken any construction, improvement, or repair work to their own home during the past two years. They were also asked roughly how much this work had cost, where funding had come from, and what the main challenges involved were. Responses included:

PAST HOUSING REPAIRS			
TYPE OF WORK	COST (TZS)	SOURCE OF FUNDING	CHALLENGES
Flooring, windows, and painting	3,000,000	Own savings	Building materials were stolen.
Windows		Own savings	First worker hired took their fee up-front and never returned to complete work.
Painting	400,000	VICOBA	Painter hired took their fee up-front and never returned to complete work.
Fencing	500,000		Workers dragged out the project to extract more money.
Electrical wiring	400,000		

Plumbing	280,000	Borrowed from financial institution, plus friends and family	
Flooring	18,000	Own savings	
Flooring and walls	300,000	Own savings	Workers extracted as much money as possible. Having to stay elsewhere during works was inconvenient.
New room	2,000,000	Own savings	Workers used lower quality construction materials than promised, to skim profits. Inflation in cost of building materials.
Flooring	270,000	Own savings	
Window net	100,000		Difficult to source funding.
Replacing ceiling material and painting walls	150,000	Own savings	
Windows and flooring	2,000,000		

Participants were then asked to look forward to housing works planned in the near future, and to envisage how they would fund this and what challenges they could anticipate. Many were actively saving up for future improvements, but acknowledged that they would need some financial assistance to pay for everything. In terms of challenges, they mentioned:

- Unreliability of workers hired to complete repairs/improvements
- Lack of technical knowledge
- Scarcity of water
- Transportation difficulties
- Accessing funding
- Complexity of construction process

BORROWING AND SAVING BEHAVIOR

Most participants had multiple sources of income, from activities including:

- Running a small business
- Formal employment
- Informal employment
- Trading
- Farming/Husbandry
- Gambling

They saved their income in various ways:

- VICOBA (community savings schemes)
- At home (e.g. in safe boxes)
- Accumulating assets to be sold later (e.g. construction materials)
- Smartphone banking apps
- Commercial banks (e.g. NMB, CRDB)

When unexpected costs arose which could not be covered by their own savings, participants borrowed money from various sources, principally:

- VICOBA
- MFI loan (e.g. BRAC)
- Friends
- Employer
- Bank loan
- Bank account overdraft
- Individual moneylenders

Some participants noted that, in Tanzanian culture, there was a high degree of stigma around the practice of borrowing. High interest rates were criticized, as was the concept of collateral. Putting one's home up as collateral was considered particularly risky. In the words of one respondent:

"In the normal Tanzanian's life the loan taker is counted to be the loser, the one who has failed to find the other ways to survive, the one who has failed in everything so once you think of taking the loan from the bank those who are close to you start to see you as a man with his problems who now decide to carry the other burden over the others which he has already failed to carry."

Following this, respondents were asked to indicate their preferred type of financial institution (FI), whether formal or informal.

Established commercial banks or microfinance institutions (MFIs) were generally preferred, because they offered better interest rates, expert financial advice, and longer repayment schedules, in comparison to informal lenders. However, it was noted that loans from these formal institutions could be difficult to access, often due to rigorous documentation requirements.

Respondents were harshly critical of *kausha damu*, individual moneylenders who were described as predatory "blood-suckers" who aggressively pressurized people into borrowing money from them at high interest rates. Repayments were then required to be made daily. The clients of these moneylenders were described as victims, who often lost their possessions as they fell into arrears.

Respondents were asked to describe recent experiences in taking out loans:

PAST BORROWING EXPERIENCES				
TYPE OF FINANCIAL INSTITUTION	PURPOSE	VALUE (TZS)	REPAYMENTS	COMMENTS
MFI	School fees	400,000	22,000 weekly	
MFI		1,200,000	45,000	
Commercial Bank	Construction		Deducted directly from salary	Smooth process
Commercial Bank	School fees	2,000,000	100,000 per month	Restrictions on ATM use applied. Received threatening calls when fell into arrears.

MFI	Business	600,000		Lost collateral. Repayments crippled business growth.
MFI	Consumer		34,000 weekly	High frequency of repayments was challenging.
VICOBA	Construction	3,000,000	123,000 monthly	
Commercial Bank	School fees			
MFI		500,000	15,000	
VICOBA		900,000	157,000	
MFI	Business	400,000		No issues with repayments.
MFI	Business	500,000	22,500	x2 guarantors with ID and their own home were required

Participants were asked about whether they thought it was important to make timely repayments on loans. There was unanimous agreement that this was important, in order to:

- Build trust with lender, in order to ensure they could borrow again in the future (i.e. an informal credit rating)
- Prevent being blacklisted by lenders
- Preserve one's reputation amongst peers (non-repayment was considered embarrassing)
- Protect any assets offered as collateral
- Avoid police action

They were also asked if the financial institutions that they had interacted with had provided clear explanations for the financial products they were offering (i.e. financial education). Responses varied on this issue.

Amongst those who thought that lenders provided poor or no financial education:

- Some participants suggested that the terms and conditions on loans were written in deliberately obtuse language, to confuse borrowers.
- One participant suspected that FIs used witchcraft to confuse borrowers and set them up to fall into arrears.

Amongst those who made a positive assessment:

- One emphasized that the FI made it very clear how important timely repayment was, and what the risks were.
- One noted that an MFI provided clear instruction in a classroom-like setting.
- Another MFI was praised for providing a formal seminar explaining the terms of the loan.

DEMAND FOR HOUSING FINANCE

Participants were asked if they would be interested in taking out a loan specifically for housing purposes. Participants were generally open to the idea.

Participants were asked how much money they would consider borrowing for a home improvement loan. Amounts quoted (in TZS) ranged from 1,500,000 to 10,000,000 (USD \$616 – USD \$4,107).

For a housing construction loan, the range (in TZS) was 8,000,000 to 100,000,000 (USD \$3,285 - \$41,068).

There was significant variation between discussion groups regarding the proportion of monthly income which participants were prepared to pay in servicing a housing loan. In one group, all participants declared they would be comfortable paying between 40% and 50% of their monthly income, in order to pay off the loan as quickly as possible. In a different group, the proportion was much lower, ranging between 5% and 13%.

They were also asked what their preferred terms and conditions for a housing loan. The key deciding factor would be a low interest rate, and generous time limits for repaying the loan. Simple access requirements were preferred, such as proof of identity (via national ID card) and a single guarantor. Participants were split on whether they would consider offering their house as collateral for a home improvement loan, but most agreed that they would prefer not to.

In the final stage of group discussions, the moderator described the core characteristics of a hypothetical housing microfinance (HMF) loan to participants, valued at between 300,000 and 5,000,000 TZS (USD \$123 – USD \$2,053), designed for the purposes of home improvement, and not requiring collateral. Participants seemed to agree that this was an attractive product.

The moderator also introduced the idea of Construction Technical Assistance (CTA), whereby expert technical advice is provided to homeowners undertaking works on their home. Participants generally seemed to think that this would be a convenient and efficient means of improving the quality of home improvement work. They were, however, divided on whether or not the inclusion of CTA in a HMF loan product would make it more or less attractive, principally because they were unsure whether this would make the product too expensive. In terms of preferred format for CTA, face-to-face learning sessions and paper booklets were the most popular options.

Business Case

Demand for HMF for the lower-middle income household in Tanzania

EVIDENCE OF EXISTING AND LATENT DEMAND FOR HMF

Here are the key findings from all 3 segments of Primary Research of this study which prove why there is and will continue to be a strong demand for HMF in Tanzania:

1. Our research clearly indicated that **informal, incremental self-construction** - households building their own homes slowly and incrementally over time - continues to be the predominant means of housing stock creation and improvement amongst low- and middle-income segments of the population.
2. Lenders also agreed that other **loan facilities (Personal and Microfinance loans) are being diverted for housing** purposes already, even though this is not being separately recognised as a housing loan
3. Stakeholders also unanimously agreed that **households in the lower-middle income segment (defined loosely) are unserved or under-served by supply side actors**. Most formal housing which is either developer-led or built by the government cater to the needs of higher income segments only. Past efforts including the HMFF fund which were meant to fill this gap while succeeded in creating a previously non-existing portfolio of mortgages (a win in itself), it however did not succeed in reaching out to lower income households in particular, for whom the fund was originally intended for.
4. Over 60% of our survey sample identified as owner-occupiers and another 29% also claimed to own a home in another location. The 2012 Census put this number even higher at 74.8 percent of all private households owned the home in which they were staying at the time. This shows a **high perceived level of home ownership** in this segment, which indicates that it is very likely that households have the incentive to improve and invest in their home.
5. Our survey team visually assessed whether respondents' homes were currently in need of repair. By their assessment, **over a third (34%) had minor repair needs, while another 13% had major repairs needs**. In addition, **almost 1/5 (18%) of households self-reported as having made a home improvement in the past two years alone, and more than a quarter (28%) are planning to make a home improvement in the next two years**.
6. The National Panel Survey (Wave 5, 2020-21) has noted improvements in a number of Water, Sanitation and Hygiene (WASH) indicators since the previous survey in 2014-15. Even so, **17.5% of homes continue to use unwashable pit latrines**, while **9.5% of homes remain without any type of toilet**. **10.3% of households continue to lack basic sanitation facilities**. This could indicate potential demand for WASH loans.

Apart from this quantifiable evidence from our study, there are other fin favorable drivers as well as deterrents to the growth and scaling of this product which are discussed in detail in this section, followed by our recommendations for a product framework suitable to the Tanzanian market.

OTHER FAVORABLE MARKET DRIVERS

- 1. Rising population, incomes and housing demand:** As quoted by the Governor of BOT, the demand for home loans is rising in step with the rapid increase in population to approximately 61.7 million people in 2022 from 44.9 million people in 2012, majority of whom can be categorized as low-income households. Tanzania's housing demand is estimated at 200,000 houses annually, with a housing shortage of 3 million houses. The upgrade of Tanzania's classification in 2019 from a low-income to lower-middle income country as per World Bank's Gross National Income calculations (\$1,020 in 2018 to \$1,080 in 2019), also signals improving quality of lives and higher disposable incomes.
- 2. Rising number of mortgage lenders in Tanzania:** The demand for new housing in the country has been boosted by better access to mortgages (mortgage lenders in the market increased from 3 in 2009 to 33 by 31 December 2021) and the average mortgage interest rates falling from 22 percent to 15 percent (BOT Interview notes). Institutions that specialize in HMF will effectively build a pipeline of new clients who can then become eligible for mortgage loans from larger Banks over time.
- 3. Housing and land are still the most desired future investment for Tanzanians:** As per the latest FINSCOPE study, ownership of a house followed by a land/farm remains the two main future spending needs for 47% of all Tanzanians. This was validated by our own study too, where close to 65% of respondents said it was very important to own their own home in the next 2 years, and the top 2 reasons cited included - investment purposes and the safety and security of their family. Our FGDs also revealed that Tanzanians want to own their dream home before 40 years of age and when one becomes independent or starts his/her own family.
- 4. Rising financial inclusion of Tanzanians:** Over the past 5 years there have been significant expansion in Tanzanians using multiple forms of service categories among FSPs (Banks, non-Banks and Informal sources) and formal financial inclusion has grown 11% points from 65% to 76% in 2023. However, in our study, while 76% of our sample were currently using formal financial services, of them 86% stated the most popular service to be savings. Only smaller chunks of the sample reported taking out loans, for business purposes; 15%, consumptive; 5%, or mortgage loans; 5%.
- 5. Increase in mobile phone penetration:** The latest FINSCOPE 2023 study revealed that 75% of all adult Tanzanians own mobile phones, as opposed to 63% in the 2017 study and furthermore 89% of all households now have a mobile phone (however it is not clear how many of these are smart phones). The same was also validated by our own study, where 81% of the respondents said they own a phone themselves but only 42% of respondents with a phone claimed to use it for any mobile banking service.
- 6. NIN implementation and coverage soaring:** The National Identification Number (NIN) has shown significant uptake in the past 5 years, with 57% of adults 18 and older now covered under the program as opposed to just 10% in 2017. This again is a foundational aspect of financial services, which will enhance efficiency and reduce costs of conducting KYC and uniquely identifying borrowers for all financial service providers.
- 7. Bank of Tanzania's progressive view on HMF:** BOT's experience with the Housing Microfinance Fund and positive outlook on the need for appropriate financing

mechanisms for low-income households is extremely encouraging. Our interview with the BOT Governor also clearly showed us the recognition of the importance of a financing mechanism to support incremental housing behavior. Another stakeholder rightfully asserted the critical importance of having the Central Bank's blessing on a product like this for it to prosper and grow in the market.

8. **Favorable Regulations for HMF:** The key legislation governing all microfinance lending in Tanzania is the Tanzania Microfinance Act, 2019. Currently, there are no restrictions placed by this act in offering a microfinance loan for a housing purpose. The Microfinance Act in-fact also allows MFIs to provide “professional advice” to the customers in the form of managerial, marketing, technical and administrative advice. Notably, the Microfinance (Community Microfinance Groups) Regulations, 2019, the Microfinance (Savings and Credit Cooperative Societies) Regulations, 2019 and the Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations, 2019 which all come under the Microfinance Act, explicitly define and recognize HMF or “micro-housing finance” as a permissible activity of entities governed by these regulations. Barring an interest cap of 42% on all Microfinance loans, there are absolutely no end-use restrictions posed by the Microfinance regulations in Tanzania today, which is an extremely positive aspect of the Tanzanian microfinance policy ecosystem.

Risks and Deterrents to the uptake of HMF in Tanzania

RISKS AND DETERRENTS: DEMAND SIDE

1. **Challenge of affordability of a longer term HMF loan for Low-Income Households:** The biggest demand side challenge in HMF is the lack of affordability and ability to repay a higher ticket size, longer term loan by a low-income household. In addition, rising commodity and cement prices together with irregularity of income all pose a housing affordability risk to low-middle income households.
2. **Low-Income Households are associated with Higher Credit Risks:** All the Lenders we spoke with are extremely cautious about lending to low income households, for the obvious credit risks associated with this segment. In addition, in our sample of the 377 respondents, roughly half (52%) described themselves as self-employed or entrepreneurs. Formal salaried employees in the private (14%) or public (9%) sectors together made up less than a quarter of all respondents (23%). In addition, over 51% of households surveyed in our study reported a “daily frequency” of income and 40% of the sample reported having no proof of income at all. In addition, we know that the Tanzanian economy is still largely cash-based, making availability of a digital trail of income data a challenge. Credit Bureaus like Creditinfo are also still a work in progress and cannot provide accurate credit histories particularly for low-income households. More than one lender shared that, in the prevailing Tanzanian credit culture, “borrowers” are still averse to fulfilling their obligations to formal lenders: some borrowers take “pride” in defaulting on a loan (as quoted by one lender), while others mis-perceive loans as grants or a “gift”, with no obligation to repay. Some also alluded to laws being more in

favor of borrowers on this subject. Overall there is a high degree of uncertainty, lack of data and volatility of incomes associated with this segment.

3. **Uncertainty in assessing home ownership.**

While nearly 63% of our respondents reported owning their home, there are challenges with assessment of home ownership. FINSCOPE 2023 however has revealed that there has been a 7% rise in land ownership and a 5% rise in availability of home ownership among Tanzanians since 2017, which is an encouraging trend. Our survey also found that 57% of reported owners only had residential licenses which is not a clear title. Only 12% professed to have a clear title deed or a Certificate of Right of Occupancy (FINSCOPE pegs this at 3% of Tanzanian population). Our FGDs also revealed the process of the formalization of a title deed is long, expensive and wrought with inefficiencies and corruption.

4. **Loan diversion.** Since cash is fungible, loan diversion towards other consumptive purposes is a big potential risk in this segment and hence one that needs to be kept in mind while designing a HMF product.

5. **Cultural and Behavioral Challenge of Tanzanians typically not opting for credit:** Our FGDs revealed that Tanzanians are not quick to think of credit as a means to fulfill their life goals. When participants were asked if they would be interested in taking out a loan specifically for housing purposes they were generally open to the idea, on the other hand they still believe there exists a high degree of stigma (they used the words, loss of honor) around the practice of borrowing itself especially for the purpose of housing. Our interview with the BOT governor also reiterated the fact that households prefer to put in their savings towards housing rather than borrowing. High interest rates were also criticized by many in our FGDs, as was the concept of putting one's home up as collateral for a loan (likely due to the influence of Sharia Law). On the other hand, our FGD participants were in unanimous agreement that it was important to repay loans to build trust with lenders, prevent punitive action and to ensure they would be able to borrow again.

6. **Issues faced by households in dealing with contractors and masons:** Unreliability of contractors/laborers was cited as a big concern by respondents with some of them

Box 1: A counter argument to Loan Diversion, the case of the Kuyasa Fund in from South Africa (1999)

The Kuyasa Fund (Kuyasa) is growing rapidly and sustainably and is a significant housing microfinance role-player in South Africa. Kuyasa is an NGO providing housing microfinance to the lower end of the microfinance market. Since its formation in 1999 it has issued ZAR 76m (USD 9.8 Million) and 15,200 loans. Kuyasa's loans are for home improvements; unsecured and the use of the loan is verified. Kuyasa does not provide any advice, assistance or support and relies on the client to independently employ the funds effectively. Kuyasa encourages savings but its clients save independently as Kuyasa does not collect savings. Loans are available to individual clients who can demonstrate a proven savings record of a minimum of six months. A savings deposit is collected (equivalent to 10% of the principle loan value) and is utilized as the initial loan repayment as legislation prohibits Kuyasa from retaining this as security. When available, clients provide their title deeds which are also retained by Kuyasa until the loan is repaid. Impact studies have shown that the market value of their clients' homes tripled after making Kuyasa-funded improvements. The study found that **loan diversion occurred in less than 1% of cases with zero instances of poor or unacceptable quality.** (Excerpted from [here](#))

having an experience of paying up an upfront cost and having them abscond with their money. Participants generally seemed to think CTA would be a convenient and efficient means of improving the quality of home improvement work. They were, however, divided on whether or not the inclusion of CTA in a HMF loan product would make it more or less attractive, principally because they were unsure whether this would make the loan too expensive.

7. **Need for more transparency and responsible lending practices:** Our FGD respondents were asked if financial institutions they had interacted with had provided clear explanations for the financial products they were offering. Responses varied on this issue. Some participants suggested that the terms and conditions on loans were written in deliberately obtuse language, to confuse borrowers and others had more extreme thoughts. On the other hand, one respondent emphasized that a particular lender made it very clear how important timely repayment was, and what the risks were. While another experienced a training in a classroom-like setting in the form of a seminar. Overall, this aspect is critical in order to build trust between lenders and borrowers.

RISKS AND DETERRENTS: SUPPLY SIDE

1. **Lack of data on quality and quantity of housing stock in Tanzania:** As of 2022, the census has begun capturing data on the number of buildings in Tanzania including the ones under construction. However there is a lack of data on how a quality house is defined and how many of the existing 13.5 million buildings can be considered as good quality housing. This will provide a true assessment of the actual housing stock requirement and thereby the need for financing across various income segments.
2. **Awareness of HMF across all stakeholders is extremely low:** In our stakeholder interviews, across the board (Lenders, Apex Bodies and Funders in particular), we picked up an extremely low awareness on the concept of HMF, even though regulations by BOT are already clear on the same. Barring 2 lenders with experience in this product, no other lender was able to describe the purpose of HMF and what segment this product could serve. The loan was also conflated with either microfinance, personal loans or with a vanilla Housing Finance or a mortgage loan. Multilateral funders and other Pan-African Development Funds also expressed a very poor knowledge on this product.
3. **Lack of long-term, affordable funding:** All lenders unanimously agreed that the lack of affordable, long-term funding is the key deterrent to entering the HMF market. One MFI also mentioned that avenues like international funds or Foreign Institutional Investors also tend to be very restrictive, for instance - they generally want them to lend higher ticket size loans, they expect Bank Guarantees to be provided or expect clients to be using formal certified contractors which is an enormous challenge for this segment. As re-emphasized by the Governor of BOT as well, the availability of a specialized line of funding in affordable terms would most definitely prove to be the strongest incentive for lenders to venture into HMF.
4. **Lack of diversity of institutions offering HMF:** When it came to the HMF fund administered by the BOT, the recipients were largely restricted to commercial banks. Consequently this also limited the kind of households that were impacted by the fund.

There is a need to diversify this funding availability to other institutions such as MFIs (non-deposit taking and Banks), Community Microfinance Groups and SACCOs who are more suited to appraising and understanding cash-flows of low-income customers.

5. **Lack of Capacity of FIs:** Nearly all of our stakeholder interactions including with lenders, apex bodies and Bank of Tanzania itself revealed that a clear unanimous verdict of a lack of “capacity” among lenders being a deterrent for them to venture into HMF. This could be across various aspects in terms of: product and process readiness, human resource capacity and technological capability to handle longer term specialized lending like HMF. Some lenders might be more prepared than others, hence there is a need to perhaps conduct a rapid lender benchmarking to understand the exact requirements across different tiers of institutions.

Box 2: Financing Para-legal titles with the support of Village Level Constitutional Entities

Despite high levels of home ownership, the lack of clear, individual and mortgageable titles has been a systemic barrier to housing finance, particularly in rural India. Swarna Pragati Housing Microfinance, a Housing Finance Company focussed on low-income households briefly tried an experiment between the period of 2009 and 2016, after which it was discontinued indefinitely (for reasons other than this product & title mechanism). It involved a unique product and operational mechanism of mainstream housing finance provision in an environment with absent or poor-quality home ownership titles which involved creating a para-legal title through Village level Panchayats (constitutional governing entities). The SPHM model is one such attempt by the private sector to design and implement a co-operative process that involves various stakeholders, namely – financially excluded households, local self-governments, community-based organizations, and the legal enforcement apparatus to help solve this widespread systemic issue (Excerpted from [here](#)).

6. **Still Developing Credit Bureau Infrastructure:**

As per World Bank's FINDEX data, only 6% of the Tanzanian population were covered by credit bureaus as of 2019. This poses a fundamental roadblock in lending to low-income households and is not likely to be solved very soon. In the absence of bureau scores as a proxy for credit worthiness, other mechanisms need to be put in place by lenders, for which they will need hand-holding.

7. **Legal risks associated with properties:** Almost all lenders spoke about challenges in repossession of houses in this segment and their inability to enforce any type of alternate collateral. Even though this is not an aspect that necessarily applies to HMF, this appeared to be a material deterrent for lenders to lend to this market segment. In addition, lenders need some guidance on what are the potential alternative collateral mechanisms that can be used in the absence of clear title deeds.

How to build a robust HMF market in Tanzania: Our top 5 recommendations

1. **Raise awareness and evangelize HMF:** There is a critical need for sensitisation of Lenders and other ecosystem partners (Funders in particular) on the concept of HMF and how this product offers a viable alternative to a normal microfinance loan or a housing/mortgage loan to service a market need. Aspects like risks associated with asset repossession were another fear for Banks, which

does not apply in this loan to begin with. In addition, HMF can be used for several purposes other than housing (see box below). Overall, we found very low levels of awareness on this product across all industry actors.

We strongly believe that HFHI in particular has a catalytic role to play in the development of the HMF sector. One expert emphasized that HFHI is uniquely placed to utilize its global knowledge and experience together with the local understanding of the Tanzanian market to catalyze the HMF ecosystem in Tanzania. This would require working on various aspects of market building including - consumer education and awareness raising to overcome cultural barriers, consensus building, capacity building, knowledge sharing and advocacy.

1. **Create a specialized HMF Fund for Tanzania:** On the lines of the HMF Fund administered by the BOT, there is a need to create a specialized line of funding for this product through an anchor institution like TMRC with the capacity to lend to a variety of lenders. This proves to be the biggest bottleneck for lenders to venture into this segment, this requires an immediate solution at scale. Specific recommendations are:

Box 3 - Role of SACCOs in Housing in Kenya

Unlike the traditional banking sector, SACCOs and Housing Cooperatives have shown themselves to be innovative and responsive to market conditions and client needs, including housing security. Kenya's SACCO industry has done tremendously well given the challenging environment in which it operates. Recurrent obstacles include cumbersome title transfer procedures and lack of infrastructure. SACCOs have recognized the housing crisis facing many of their members and begun to offer an alternative, more accessible, path to homeownership. SACCOs not only offer cheaper financing options, but they also stimulate investment by providing a platform for sellers and buyers, so much so that the World Bank in 2017 estimated that up to 90% of housing finance in Kenya was provided by SACCOs. Some Housing Cooperatives have even developed their own housing projects. SACCOs in Kenya frequently provide loans that members use to finance housing, while Housing Cooperatives sell land to their members and sometimes act as full-fledged developers. (Excerpted from [here](#))

a. **Eligibility:** Apart from Commercial and Microfinance Banks - Non-deposit taking MFIs, Community Microfinance Groups and SACCOs must be eligible for these funds since they are most aligned with lower-income households

b. **Pricing and on-lending rates:** Bank of Tanzania was of the view that HMF interest rates should be in single digits for it to make sense for households. While this might be unrealistic, it is worth noting that for HMF to take off, households need to see it as a viable alternative to just another consumption loan (more expensive). Further study would need to be done to understand how to price such a fund and what would be an effective wholesale lending rate, keeping in mind that the cost to the customer should be lower than current Microfinance lending rates. One bank also stated that the lower-middle income segment population cannot afford price escalations in their loan and hence any fund catering to them should ideally come at a fixed cost for the entire tenure of the fund.

c. **Tenure:** Lenders were also keen for funding to be offered on a longer-term basis, of 3-5 years tenure at least in order to prevent Asset-Liability mismatches in their balance sheets.

d. **Funding in local currency:** Three funders stated the importance of offering this fund in the local currency as forex and hedging costs tend to make international funding un-attractive to Banks who are able to obtain cheaper funding through capital markets. At the very least the Government of Tanzania must absorb any currency fluctuation risks and costs associated with international funds.

e. **A Housing Bond:** Many stakeholders spoke on the topic of issuing housing focussed bonds, one funder mentioned that there would be two main parameters to be considered by them before they did so:

the depth of market, and evidence that a significant pipeline exists to absorb those funds. To this extent, a page can be taken from the Nigerian Mortgage Refinance Corporation's third series of [Housing Bond issuance in 2021](#), which

was oversubscribed 328%. Credit Enhancement Guarantees on the lines of what has been done by the apex housing body in India - the [National Housing Bank](#) could also be thought of by TMRC, to enable Banks themselves to raise funds through corporate bond issuances at more competitive rates in the local

Box 4 - An interview with Kenya Mortgage Refinance Company (KMRC) on their experience with lending to SACCOs

KMRC is a non-deposit taking FI established in 2018 with a mandate to provide long-term funds to Primary Mortgage Lenders (PMLs) for purposes of increasing availability of affordable home loans to Kenyans. KMRC provides concessional, fixed, long term finance to Banks, MFIs and Saccos so that they can transfer the same benefits to their customers making home loans more accessible to especially the moderate to low-income earners in the country. It is notable that KMRC's shareholding is diverse, with 44% held with Banks, 25% with Govt. of Kenya, 23% with Development Finance Institutions and 8% SACCOs. It is also important to note that KMRC currently lends only to its shareholders. At regular intervals capital calls are conducted in the market and FIs are invited to become equity shareholders in KMRC, and can in turn avail the concessional funding from them.

As on date of writing this report, KMRC lends to 20 of its member Institutions including 8 Banks, 1 MFI Bank (not non-deposit taking MFIs yet) and 11 SACCOs. Currently, at the end of its second year of operations KMRC's refinance portfolio stands at: 8.5 Billion KSh (\$60 Million), reaching 3500 households or properties. Of this portfolio, 90% is towards Banks and 10% is directed to SACCOs. They have just onboarded 1 MFI (Kenya Women Finance Trust) but they are still grappling with how to create a HMF focussed fund that can be utilized by MFIs and would be keen to understand TMRC and BOT's experience and perspective of the same. Their capital is a blend concessional finance (government budgetary allocations, debt from DFIs) and capital market funding (bonds). The Government of Kenya also bears any foreign currency costs including hedging costs which allows them to lend to their PMLs at 5.6% which is highly competitive in the Kenyan market.

They believe SACCOs being obliged to serve their members, are more interested in ensuring customer centricity and are more likely to be their window through which they reach out to lower-income segments. They are now beginning to see a lot of traction with their member SACCOs in incremental housing lending. In order to begin working with SACCOs, capacity building for them was key. Initially, they opined that SACCOs did not have the required capacity to do mortgage lending and therefore this was made a component of the funding given to them. This technical assistance provided covered: building the capacity of existing staff, developing their mortgage departments, developing recruitment criteria, product and people policies etc. They do believe that working with SACCOs was a journey, and one that is constantly evolving.

Tanzanian market.

- f. A dedicated low-income or affordable housing product and team within TMRC: On the lines of the Kenya Mortgage Refinance Company, it would be good for TMRC to set aside a specific pool of funds and human resources towards servicing the needs of low-income households (with concrete definitions), on the lines of the fund segmentation done by the [Kenyan Mortgage Refinance Corporation](#).
- g. Funded Guarantees for Commercial Banks: Banks expressed that liquidity was not really a challenge for them, however they would be keen on a guarantee program run by TMRC (first or second loss on a portfolio). Such a guarantee structure they affirmed, could potentially incentivise them to take more risks and expand their unsecured lending for the lower-middle income segment, potentially even to carve out a housing portfolio within their microfinance business.

However, one funder stated that unfunded guarantee programs typically had very low uptake in the African region since FIs do not trust in the ability to enforce this guarantee when a default actually happens. However, if it were provided in a funded guarantee format in partnership with an FI, there are structures which can work. For example, if a \$100 M equivalent of local funding is required, a funder can come in with \$20M of soft grant money that will reside with the commercial bank and cover them for the first 20% of pro-rata losses, this mechanism is likely to have more uptake than an unfunded guarantee structure.

3. **Link Funding to a Well Designed Capacity Building Program:** One international funder stressed the idea that capacity of institutions to offer HMF is likely to be low and therefore any fund that could be designed for HMF should necessarily be accompanied by Technical Assistance and Capacity building programs on:

- a. The basics of Housing Microfinance
- b. HMF specific product and operational process design and manuals
- c. Pricing strategies
- d. Hiring and staffing for HMF
- e. Differentiated incentive mechanisms for HMF
- f. Marketing and sales communications for HMF
- g. HMF specific credit policy design, credit appraisal templates, scorecards and trade profiling of customers in the low-income segments
- h. Based HMF CTA modules
- i. Loan Application templates and guidelines
- j. Key fact statements templates for the borrowers which outlines all terms and conditions clearly

We believe HFHI and TMRC need to play a critical role in this aspect for HMF to be perceived as a differentiated loan product from microfinance, personal loans or mortgage portfolios from HMF.

4. **Making Tanzanians credit friendly and credit capable needs a focus on financial literacy:** While this is a larger financial ecosystem problem, initial HMF pilot programs will benefit from including some basic form of financial literacy training along with basic CTA orientation for households in conjunction

Box 5: Syntellect, an example of a dynamic, data-based Credit Appraisal solution

When an on-field loan officer interviews a potential client of a lender, their mind is occupied with the policies, guidelines, regulations, targets and the last client they met. It is entirely dependent on them to use their critical thinking to identify a user type, formulate suitable questions on the spot, get actionable insights, interpret their answers, turn various data points into unbiased information and correctly fill assessment and review documentation. His/her priority is to achieve a given target - gathering quality data and making zero errors are second to that. Any unforeseen circumstance is prone to cause discomfort to him/her. Syntellect's RightProfile™ underwriting software supports on-field officers in making these decisions, boosts their productivity, mitigates their human error and enables unbiased credit assessment.

In the form of tablet/mobile underwriting software & application, RightProfile™ assists loan officers through every decision and attempts to minimize the scope of human error and misjudgment. Proprietary algorithms perform Advanced Credit Risk Assessment based on a particular customer segment. Understanding the power of asking the right questions, Syntellect has formulated one-click customer templates with custom questions after extensive research into various customer segments and their behavior. These questions help a lender build a comprehensive, 3-dimensional credit risk assessment report taking into account the financial status, business profile, personal standing of a particular customer. Your feet-on-the-street force is the first point of contact between your potential client and your business. Excerpted from [Syntellect's website](#).

with a HMF loan. Given the MFI regulations in Tanzania do not prevent lenders from offering paid advisory services, this can be explored as an additional service offering for HMF loans in particular at very nominal or subsidized costs to begin with. In addition, HFHI and TMRC must invest in building clear guidelines and templates for Responsible HMF Lending practices to ensure that borrowers are made aware of the terms and conditions along with clear information on grievance redressal mechanisms and channels.

5. Experiment with old and new ideas emerging in the financial ecosystem: HFHI and TMRC can play a role in trying both old and new innovative models of HMF which have been successful in different geographies as below:

- a. HMF can be utilized to finance multiple facets of housing with ample evidence of success of different models from across the globe. See below for some of the successful HMF case studies with niche uses:

Box 6 - Niche uses for HMF, Case Studies from Across the World

The [WaterCredit Program](#) has facilitated \$4.4 Billion in WASH financing through 154 lending partners across the world for purposes linked to water and sanitation infrastructure upgrades.

In 2019, [Habitat and KOMIDA \(Indonesia\)](#) in partnership with Meridia, a social enterprise having expertise in land titling, are partnering to offer an embedded finance product for formalization of land titles. The product was launched in January 2022 and the pilot is currently in progress.

[Kenya – Makoa Poa Housing Loan | Letshego](#) has created a unique business case for targeting finance to owners of urban rental housing. [Letshego](#) offered loans for sums between US\$10,000-25,000 for terms up to 72 months at 14 percent flat interest. Its focus is on urban centers, such as Nairobi and other up-and-coming cities of Kenya where there is a clear demand for creation of quality rental housing stock.

MF lenders like ([KWFT Kenya](#), [Centenary Bank Uganda](#) and [MiBanco, Columbia](#)) prompted by targeted financing from interested investors and donors, have crafted loan products that promote sales of housing-related solutions to increase clean water supply, improve sanitation, generate solar products or reduce firewood consumption. These are frequently managed as a subset of HMF loans.

The [National Cooperative Housing Union, NACHU](#), is a not-for-profit HMF and Technical Services organization supporting housing cooperatives throughout Kenya. NACHU has [facilitated access](#) to various loan types including: Land Purchase, Plotted Developments, Resettlement loans, Infrastructure Loans and Income Generating Project Loans.

- b. A **savings led approach to HMF lending** which encourages households to save up to a certain value of the housing construction budget before they become eligible for a loan. See Box 7 for more information on one such successful model.
- c. HFHI could invest in experimenting with [alternative data based lending](#) including: **TELCO data or mobile phone data** powered by AI/ML based lending algorithms could be a potential alternative or a supplement to traditional income assessment (being experimented in consumer lending across Africa and South-East Asia).

Building such a model for HMF would be a pioneering innovation in the market. Mobile money and payments is yet to take off in a big way in Tanzania, so this data may not be the right approach, however TELCO and mobile phone meta-data could be potential areas in which pilots can be run.

- d. **Lending partnerships with online or offline marketplaces of cement, construction equipment and housing hardware stores** or marketplaces in Tanzania could also be experimented with as a model (in Dar Es Salaam to start with).

Box 7: CEMEX's Patrimonio Hoy Savings Led Housing Program

CEMEX, a global cement manufacturer based in Mexico, introduced a [microfinance programme](#) in 1998, seeing the potential in the demand from the informal housing sector. CEMEX established the Patrimonio Hoy program that increased demand for their cement by a combination of savings and credit designed to increase access to finance in the informal, lower-end of the market. The programme initially created savings groups (Tandas) that allowed for family, or community, members to save funds through CEMEX and receive building supplies in advance (essentially on credit) according to a set plan. They also received technical advice on which building materials were right for the rooms they wanted to build, and warehousing and delivery services.

During the testing phase, 1,000 families had joined CEMEX's tanda clubs. This experiment revealed the following: whereas an average home builder had traditionally built one room every 4-7 years, members of CEMEX's tanda clubs took an average of 1.5 years, less than a third of the time. Not only was consumption of building materials accelerated but also as a result of the program, 18% more families in the test region had begun building, and the average annual spending per family had increased from \$240 to almost \$600. Families planned to build 2-3 more rooms than they had originally, and their constructions now contained 25% more cement per cubic meter. (Excerpted from [here](#))

Box 8: HMF and Market Linkages across the Housing Value Chain

In Aug 2022, [IFC \(World Bank Group\)](#) supported [Letshego's Affordable Housing in Namibia](#) with a 5-year senior loan of up to US \$50 million to the banking and microfinance subsidiaries of Letshego Namibia. The aim of this project is to help Letshego promote access to housing finance via affordable housing mortgages and home improvement loans to underserved individuals in Namibia. [Letshego's Affordable Housing and Home Renovation](#) solutions are accessible digitally via the LetsGo Digital Mall available online and via mobile, making it easier for rurally based customers to access the solution from wherever they may be located. Home improvement finance options include additional benefits such as competitive pricing for labour, construction advisory support and quality building materials can also be accessed via Letshego's dedicated network of established and accredited engineering and construction experts.

Habitat for Humanity and Holcim have signed a strategic partnership agreement in 2022, to work with local MFIs and hardware stores to develop loan products that help families access high-quality construction products and materials, at Holcim's Disensa stores (the largest network of hardware stores in Latin America). Families will be able to access new construction loans products, as well as information on building materials, Disensa's vetted labor, through the platform Construye Paisano – developed by [iBuild Global](#). (Excerpted from [here](#))

In a more dated (2015) but relevant example, [Build It](#), a trading group of independent retailers specializing in building materials and related hardware, wanted to minimize risk for its merchants by curtailing direct credit sales without dampening demand for its products. This was achieved by introducing Consumer Credit, a microlender, into the BuildIt stores to provide loans for the purchase of building materials to their customers. Representatives from Consumer Credit would be stationed in the BuildIt stores and if a customer was to be approved for a loan, cash would be transferred directly from Consumer Credit to BuildIt to fund the customer's construction project. By the end of 2015, micro-loans through Build It stores in South Africa alone were valued in the region of ZAR 40 million (US \$2.7 million) a month. (Excerpted from [here](#))

Box 9 - Digital Embedded Finance - A use case for the Housing Value Chain?

The financial services industry in Africa is undergoing a major transformation with the rise of embedded finance. This new model of providing financial services is characterized by the integration of financial products and services into other products and services, such as e-commerce platforms, mobile apps, and consumer electronics. Governments are also responding with favorable regulations to help support the growth of this mechanism of financing (Excerpted from [here](#)). Pay-as-you-go, off-grid solar companies have been the pioneers of embedded credit solutions on the B2C side. For several years, companies like M-Kopa have provided financing for solar home systems, TVs, and smartphones. However, today, the buy-now-pay-later (BNPL) craze is gaining popularity among tech-enabled businesses across industries, though unlike in developed markets BNPL in Africa is typically used for essential purchases which are fundamental to the wellbeing of consumers and SME's, rather than discretionary purchases. (Excerpted from [here](#)). Housing services, construction materials and cement purchases (particularly if done in bulk through branch servicing points) could be another use-case for the same.

How to build a robust market for HMF in Tanzania: Our recommended product design

Based on the above opportunities and risks identified, the following is recommended as a product design particularly for low-income Tanzanians:

Sl. No.	Product Feature	Insights from our Study
1	Positioning, branding and nomenclature	<p>Some sector experts suggested that the word “microfinance” has negative connotations since it is often associated with predatory lending and high interest rates. Hence some suggested renaming this product to “incremental housing finance” for example. In addition, funders expressed an interest in this product, particularly if there is a climate resilience angle associated with it.</p> <p>Additionally, if the home doubles up as a workplace - then the product can potentially be classified as an “SME loan”. This loan therefore has an opportunity to play a key role in financial inclusion of very small scale entrepreneurs who work out of their home, many of whom are women. One expert suggested that a hybrid business+housing loan can be envisioned particularly for self-employed households.</p>
2	End Use of the Loan	<p>Based on our study findings, the following would be the preferred end use for this loan for this segment, in this order of priority:</p> <ol style="list-style-type: none"> 1. Land purchase (most popular among respondents) 2. Home improvement or renovations 3. Incremental self construction 4. Land title formalization
3	Preferred Lenders	<p>The following emerged clearly as the priorities comes to choosing a lender for the low-income households from our study:</p> <ol style="list-style-type: none"> 1. Lower interest rates 2. Higher ticket size loans 3. Ease of service, service quality, documentation requirements 4. Higher term limits for repaying loans (tenure) <p>When it came to future borrowing, households however expressed an aspirational need to borrow from Commercial Banks, followed by Community Finance Groups and SACCOs in that order of preference.</p> <p>It is likely that “low interest rates” will be a key requirement for households when it comes to a housing loan. Something the Bank of Tanzania was also in agreement with. Given this, Banks and SACCOs might be preferred by these households over NBFC MFIs.</p>
4	Preferred Loan Amount	<p>The budgets mentioned by households for their Housing Projects include:</p> <ol style="list-style-type: none"> 1. Purchase of Land: TZS 4 to 10 Million (\$1,600 to \$4,000) 2. Home Improvement: 1,500,000 to 10,000,000 (USD \$616 – USD \$4,107). 3. Our FGDs revealed a range of loan requirements of TZS 50,000 to TZS 5 Million for all housing purposes <p>All of these ranges broadly align with the definition of HMF globally. Loan amounts can therefore be as low as</p>
7	Preferred or Affordable Monthly Repayments	<p>We learned that current loan repayments being made by households in this segment are in the range of TZS 20,000 (\$8) to 400,000 (\$164) USD per month. It is therefore likely that monthly repayments should not exceed this range for households earning in the range of TZS 80,000 to TZS 1.5 Million, as was our sample. This works out to be roughly 26% to 40% of their monthly income.</p>

		<p>Majority of the sample of households saved in the range of TZS 20,000 to TZS 300,000, so this would technically be the maximum available amount to service a loan on a monthly basis.</p> <p>Monthly repayments should therefore not exceed 40% of their income. However, a much more prudent rule would be 15-20% given the volatility and risks associated with the incomes of this segment.</p>
5	Preferred Tenure	Majority of our respondents preferred a 2 year tenure for the loan, with very few opting for higher tenure loans of 3 to 5 years. Higher tenure loans would therefore require higher Financial Literacy and sensitisation among this segment.
6	Potential Collateral Arrangements	<p>It is likely that a majority of this customer base targeted by HMF will have any one of the following three documents to certify ownership: Residential licenses, customary ownership documents and informal contracts. Given they are not clear title documents, alternative mechanisms need to be used to assess the validity of these documents. Staff will have to be trained accordingly.</p> <p>For HMF most respondents preferred to pledge the following as collateral - photocopies of home ownership docs, personal guarantor and cash collaterals, in that order. In the FGDs, opinion was split on whether they would consider offering their house as collateral for a home improvement loan.</p>
	Assessing property legal risk	<p>Fundamentally, since HMF is an unsecured cash flow based loan, proof of ownership should not be a concern and a lender need not spend significant time and resources in assessing property legal risks.</p> <p>Some experts suggested involving municipal or local authorities in the lending process to assess the validity of informal titles like residential licenses, customary ownerships or other contracts. Other culturally appropriate methods of involving the neighborhood and community leaders to vouch for ownership of the household's land can be used to investigate ownership of the land in the area.</p> <p>Habitat could also support FIs to develop simple localized property risk assessment scorecards to supplement a lender's credit appraisal process. Bank of Tanzania was of the view that HMF lending should be a collaborative approach between multiple stakeholders in the land market, entities associated with business formalization, utility providers like water and electricity supply boards, authorities related to construction, and relevant ministries and local government authorities.</p>
8	Potential Loan to Cost Ratios	Households are happy to contribute more than 30% of the building or renovation costs from their own savings, they therefore display an eagerness to invest higher equity in their home. This also mirrors the hesitancy to turn to debt for housing. Loan to cost ratios can therefore be lower for this product to further reduce credit risk, as low as 50-60%.
9	Women as a Borrower or Co-borrower	Our study revealed that the head of the household makes most financial decisions, big or small, so while a women must be made the borrower or co-borrower, it is the head of the household - typically the husband who makes all the key financial decisions
10	Mode of Disbursement & Collection	The Tanzanian economy still has a very high dependency on cash, as confirmed by the FINSCOPE 2023 study. It is therefore very likely that any new product accounts for disbursements and collections in primarily cash.
11	Loan Utilisation Checks (LUCs)	Undertaking site visits 90 days after loan disbursement, or with "before and after" photos of their home improvement work to avail next staged disbursement with penalties attached to loan purpose deviation. This can be employed for loans

		>\$1000. Technology platforms (like iBuild & HomeHub) are attempting to solve these issues digitally at scale whereby a household could themselves report construction progress, un-assisted from the convenience of their home and request the next tranche of loan disbursement. This could be considered for a pilot project partnership in Tanzania.
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Next Steps: A High Level Implementation Plan

Short Term:

1. Anchor a new **HMF Working Group** which should become the focal point of discussion, deliberation and advocacy among various actors including Lenders, NGOs, Donors, Multilateral Organizations, Apex Bodies, Self Regulatory Entities and Bank of Tanzania itself to help create and disseminate a body of knowledge on HMF. Through the Working Group, it would also be beneficial to conduct knowledge exchange programs to help lenders understand first hand from other FIs in other regions who have successfully built a HMF portfolio over time (Nicaragua, Ecuador, Cambodia, Philippines, India, Indonesia, Kosovo - to name a few). The group could also serve as an advocacy and research platform to help share relevant recommendations to the Bank of Tanzania and the larger funding and multilateral community over time to help evolve the outlook and policy ecosystem in this space.
2. Kickstart **3 new pilot programs** with **1 Bank, 1 MFI and 1 SACCO** to showcase proof of concepts of sound HMF product design for different use cases including WASH, land title formalization, land purchase and home improvements.
3. Build a Tanzania specific **HMF Capacity Building Program and Responsible HMF Lending Practices** which could be rolled out in the form of 1 week to 10 day Class Room training for various levels of management within an FI that covers the entire gambit of HMF lending, including how to provide financial and housing literacy to consumers.
4. HFHI should consider building a global flagship **HMF Incubation Program** to support FIs with end to end capacity building and co-create HMF POCs and Pilots continuously. FIs who have been through the HMF incubation program can then become a **pipeline of potential candidates for a dedicated HMF fund** set up within TMRC and for the HFHI Microbuild Fund as well.

Medium Term:

5. Build an up-to-date **knowledge hub for HMF** to publish: successful case studies and best practices from Africa and the world and outline the business case in HMF
6. Facilitate **peer-to-peer learning** between African countries in the sub-continent

Longer Term:

7. Invest HFHI's own equity in **technology platforms** through local partners to help digitize the HMF lending journey. HFHI could offer this service to lenders at a nominal upfront or licensing fee. The platform capacities could include:
 - a. Digitised construction plans and BoQs
 - b. Digitised LUC capabilities to enable users to request tranching disbursements seamlessly
 - c. Housing prototypes including climate friendly construction design

- d. Links to construction materials and cement marketplace through which consumers can buy them directly

Appendix I – Stakeholder Discussion Guide

Goal: Assess Business Case, Incentives and Challenges for all these stakeholders to enter into the HMF market

Remember to ask each stakeholder for permission to record and transcribe interview. If granted, turn on recording and automated transcription.

STANDARD QUESTIONS FOR ALL RESPONDENTS

1. Name of who we speaking to: [optional]
2. Designation:
3. Name of the organisation:
4. Organisation's legal form:
5. Regulated by:

I. Awareness, general perception and outlook on Housing Microfinance (HMF)

1. Have you heard of HMF? If yes - how would you define Housing Microfinance (HMF)? (If not, provide a context to the stakeholder)
2. What is your perception on the business potential for this product given your knowledge of the Tanzanian market?
3. What are the risks and challenges associated with HMF and how can they be mitigated?
4. Who are the ideal FIs to be offering HMF products and why?
5. Assess perception of the erstwhile HMFF Fund started by World Bank and administered by Bank of Tanzania (BoT):
 - a. Do you know about it?
 - b. What is your general opinion on this fund? - Targeting, terms, operational administration, outcomes etc.
 - c. If a lender - did you try to access that fund? If yes/no why?
 - d. What challenges did you face in accessing that fund?
 - e. What about the fund worked?
 - f. What about the fund needed improvement?
6. If TMRC were to revive a similar fund, what can be done differently to ensure better targeting, reach and scalability?

- a. Eligibility
- b. Pricing
- c. Terms
- d. Partners

QUESTIONS FOR PRIMARY LENDERS

BANKS, MICROFINANCE BANKS, NON-DEPOSIT-TAKING FIs/MFIs & SACCOs

II. Understanding the FI's appetite for serving the LMI segment

1. How many branches do you have across the country? Regions covered?
2. What type of products and services do you specialise in?
3. Is Housing Finance a high priority for your institution? If yes/no why?
4. What is the income range of your average client/member?
5. What is the business opportunity you perceive in the lower-middle income segment (LMI)?
6. What are the challenges involved in dealing with low-/middle-income clients [talk about the income brackets for HMF in particular]? *probe for details - reasons may include:*
 - *lack of documentation (e.g. for land titling, sources of income)*
 - *income assessment*
 - *difficulties with repayment/reliability*
 - *loan diversion*
 - *Other?*
7. What are your risk mitigation strategies in dealing with the LMI segment?

III. Understanding current housing finance (non-HMF, mortgage) offerings

1. Current Housing Finance products or services:

(duplicate table depending on number of products/service offered: x1 table per product/service)

Question	Response
Name of the housing loan product or service?	
Size of portfolio (absolute and as a % of your entire balance sheet) and how many clients have used it to date?	
Purpose	

Loan amount Range and Average (TZS), and average monthly repayment amount?	
Interest rates?	
Processing fees (as a % of the loan amount)?	
Construction Technical Assistance (CTA) offered?	
Loan Tenure in months?	
LTV/Downpayment requirements	
Other terms and conditions?	
Who is the typical clientele?	Salaried or self-employed?
Gross Non-Performing Assets (NPAs)s – if they are willing to share	

IV. Understanding current HMF offerings, challenges, needs from TMRC/HFHI

If the FI is currently offering HMF

1. What are your customer's key credit requirements in your view – ask them to list in order (eg. Business loan, personal loans, education loans, housing loans etc.). Is housing top of mind for your customers?
2. Record details of the HMF product:

HMF Loan Product – Standard Questions		
Ref	Question	Response
A	What is the name of the HMF product?	
B	What is the size of your outstanding portfolio in this HMF product (both absolute and as a % of entire balance sheet), and how many clients have used it to date?	
C	Loan purpose	
D	Range of loan amounts and average (TZS)?	

E	Rate of Interest (annualized)?	
F	Processing fee (as a % of the loan amount)?	
G	Construction Technical Assistance (CTA) offered?	
H	Tenure in months?	
I	Other terms and conditions?	
J	Who is the typical clientele?	
K	Gross Non-Performing Assets (NPAs) if they are willing to share	

3. Would you consider this product a success? If yes/no/why?

4. Are you satisfied with the portfolio performance of your HMF products? How does it compare with your other loan products? Any specialized risk mitigation measures you have in place?

5. What operational challenges/obstacles have you experienced in offering HMF?
 - a. HR capacity – number of specialised staff; knowledge and skills
 - b. competition from other products
 - c. cannibalization with personal loans etc.

6. Market related challenges?
 - a. Does the existing regulatory environment for your institution help or hinder the introduction and growth of these HMF product portfolios? Comments?
 - b. What is your primary source of funding for your HMF portfolio? What are the terms? Is this a major challenge for scaling this product?
 - c. What factors would make you more likely to introduce new HMF loan products in the future?
 - d. Do you have challenges accessing capital/investors?

7. Product related opportunities/challenges?: What are the ideal terms for a HMF loan in your view, and where have you encountered a challenge? Probe on:

- a. Loan amounts
 - b. Interest rates
 - c. Affordability
 - d. Assessing ownership/land titling
 - e. Tenure (ask about what tenure they would be comfortable with for uncollateralized loans)
 - f. Collateral offered if any
 - g. Fees
 - h. CTA
8. What are your current sources of financing for your existing HMF product(s)?
9. How could the Tanzania Mortgage Refinance Company (TMRC) help you scale up this portfolio, what kind of financing/capital instrument would be of interest to you?
- multiple choice, tick all that apply and get details*
- a. Wholesale finance
 - b. Refinancing
 - c. Securitisation
 - d. First-loss guarantee product
 - e. Other?
10. If TMRC were to design such a fund/product for HMF, what should the appropriate terms and conditions be?
- a. Eligibility Criteria:
 - b. Rate of Interest:
 - c. Repayment Terms:
 - d. Collateral/Security expectations:
 - e. Other pricing details:
 - f. Other:
11. How could Habitat for Humanity Tanzania help you:
- a. Capacity building for your staff

- b. Convening a working group to help FIs understand this product better
- c. Provide toolkits/process documents to help your teams
- d. Provide in-house technical assistance
- e. Grant Financing

IF THE FI IS NOT CURRENTLY OFFERING HMF

12. Why do you not currently offer any HMF products?

Tick reasons:

- *Lack of long term financing*
- *Lack of affordable financing*
- *Operational difficulties (lack of staff knowledge/capacity)*
- *Lack of awareness / understanding amongst customers*
- *Lack of demand*
- *Low profitability*
- *Not a priority for us/our leadership*
- *Don't know about this product*
- *Regulatory/Policy challenges*
- *Other?*

13. What are your customer's key credit requirements in your view - ask them to list in order (eg. Business loan, personal loans, education loans, housing loans etc.) Is housing top of mind for them?

14. Are you considering introducing an HMF product? If so, how would you characterise your organisation's seriousness towards launching it. Please explain your answer.:

- a. Very serious
- b. Neutral
- c. Not a Priority
- d. Will consider if....

15. If not keen at all, why?

16. How could the Tanzania Mortgage Refinance Company (TMRC) help you enter the HMF market? What kind of financing/capital instrument would be of interest to you?

multiple choice, tick all that apply and get details

- a. Wholesale finance
- b. Refinancing
- c. First-loss/Second-loss guarantee product
- d. Securitisation
- e. Other?

17. If TMRC were to design such a fund/guarantee product for HMF, what should the appropriate terms and conditions be?

- a. Eligibility Criteria:
- b. Rate of Interest:
- c. Repayment Terms:
- d. Collateral/Security expectations:
- e. Other pricing details:
- f. Other:

18. How could Habitat for Humanity Tanzania help you in this endeavour?:

- a. Capacity building for your staff – if so, in which area? (e.g. HMF portfolio management, HMF product design, CTA etc.)
- b. Convening a working group to help FIs understand this product better
- c. Provide toolkits/process documents to help your teams
- d. Provide in-house technical assistance
- e. Grant Financing

19. Any other feedback or inputs for TMRC + HFHI?

QUESTIONS FOR REGULATORS / APEX BODIES

III. Perception on HMF and Risks associated

1. What is your general perception on the HMF product and demand for the same?

2. Do you think the current market regulations for Banks/SACCOs/MFIs etc are conducive to Housing Microfinance? If yes/no - could you elaborate?

3. Do you think it is important to recognise HMF as a “specialized product” at the regulator’s level? How will this help or not? Will you be open to this?

4. What do you view as the main risks of administering HMF?
 - a. Lack of clear land titles
 - b. Longer tenure loans
 - c. Other aspects associated with this market segment?
 - d. Assessing income and ability to repay
 - e. Financial sustainability
 - f. Lack of operational expertise of Lenders

5. What in your view are some of the mitigation techniques for the risks you just outlined above?

6. What is an ideal HMF product design in your view?
 - a. Loan size
 - b. Tenure
 - c. Rate of Interest
 - d. Purpose
 - e. CTA or not?

- f. Collateral offered
 - g. Group or Individual lending
 - h. Other
7. What do you believe is TMRC's role in promoting HMF in Tanzania?
8. If you were TMRC and you had to design a fund to promote this product, how would you go about designing the same? What would be the key terms and conditions?
9. What do you believe non-profit organizations like Habitat for Humanity Tanzania can do in promoting the cause of HMF in Tanzania - given all the past efforts?

QUESTIONS FOR POTENTIAL INVESTORS / FUNDERS FOR TMRC

III. Investing in HMF

1. When it comes to investing in Financial inclusion how do you prioritise housing finance in your investment strategy?
2. Do you think HMF fills an important gap in housing finance access for lower-middle income households? Why (not)?
3. In your view, is HMF an attractive investment opportunity? Why (not)?
4. What factors would make you *more* likely to invest in HMF? (*both in Tanzania specifically and more generally*)
5. What factors would make you *less* likely to invest in HMF in Tanzania? (*both in Tanzania specifically and more generally*)

6. What criteria would you apply before extending funding (in whatever structure) towards a HMF program? *(both in Tanzania specifically and more generally)*

7. Do you currently have avenues of funding available which could be used to finance HMF? *(both in Tanzania specifically and more generally)*

8. Would you be willing to partner with TMRC and/or Habitat for Humanity Tanzania to creating a financing instrument for HMF? What do you envisage their role to be?

9. What would be your preferred type and structure of the fund?

10. If the World Bank HMFF were to be revived under the banner of TMRC - what should be the fund's goals and terms and conditions? Which lenders should TMRC focus on working with?

QUESTIONS FOR **SECTOR EXPERTS**

III. Lessons Learned for HMF

1. Why HMF?
2. What opportunities are there for HMF to fulfill unmet housing needs in Tanzania?
3. In your view, what factors are impeding the growth of the HMF sector in Tanzania? (regulatory, capacity, lender's perceptions etc.)
4. What factors would facilitate the growth of the HMF sector in Tanzania?
5. Based on your knowledge of other African countries' experiences with HMF, what lessons do you think should be learned and applied to Tanzania? Think about both successes and failures.
6. Based on your knowledge of other countries' experiences with HMF, outside of Africa, what lessons do you think should be learned and applied to Tanzania? Think about both successes and failures.
7. What do you think is the role of an organization like TMRC to help support the HMF industry in Tanzania? What is the need of the hour?
8. What do you think is the role of a non-governmental organisation (NGO) like Habitat for Humanity International to help support the HMF industry in Tanzania?
9. If TMRC were to design a fund dedicated to HMF, what kind of fund should it be?
 - a. Wholesale finance
 - b. Refinance

- c. Guarantee
- d. Securitisation
- e. Other?

10. If TMRC were to design such a fund/guarantee product for HMF, what should the appropriate terms and conditions be?

- a. Eligibility Criteria:
- b. Rate of Interest:
- c. Repayment Terms:
- d. Collateral/Security expectations:
- e. Other pricing details:
- f. Other:

11. How could Habitat for Humanity International Tanzania help you in this endeavour:

- a. Capacity building for your staff if so, in which area? (e.g. HMF portfolio management, HMF product design, CTA etc.)
- b. Convening a working group to help FIs understand this product better
- c. Provide toolkits/process documents to help your teams
- d. Provide in-house technical assistance
- e. Grant Financing
- f. Other:

12. Any other feedback or inputs for TMRC + HFHI?

Appendix II – Locations for Household Survey

ARUSHA

RURAL		
Region	District	Ward/Area
Mbeya	Mbeya District Council	Mbalizi
Mbeya	Mbarali District Council	Town
URBAN		
Region	District	Ward
Mbeya	Mbeya City Council	Isyesye
Mbeya	Mbeya City Council	Ilomba
Mbeya	Mbeya City Council	Nsalaga

DAR ES SALAAM

URBAN		
Region	District	Ward
Dar-Es-Salaam	Temeke Municipal Council	Azimio
Dar-Es-Salaam	Kinondoni Municipal Council	Bunju
Dar-Es-Salaam	Temeke Municipal Council	Chamazi
Dar-Es-Salaam	Kinondoni Municipal Council	Goba
Dar-Es-Salaam	Kinondoni Municipal Council	Kawe
Dar-Es-Salaam	Kinondoni Municipal Council	Kimara
Dar-Es-Salaam	Ilala Municipal Council	Kivukoni
Dar-Es-Salaam	Kinondoni Municipal Council	Makumbusho
Dar-Es-Salaam	Kinondoni Municipal Council	Manzese
Dar-Es-Salaam	Temeke Municipal Council	Mbagala
Dar-Es-Salaam	Temeke Municipal Council	Mianzini
Dar-Es-Salaam	Temeke Municipal Council	Mjimwema
Dar-Es-Salaam	Kinondoni Municipal Council	Msasani
Dar-Es-Salaam	Kinondoni Municipal Council	Sinza
Dar-Es-Salaam	Kinondoni Municipal Council	Tandale
Dar-Es-Salaam	Ilala Municipal Council	Ukonga

DODOMA

RURAL AREAS		
Region	District	Ward
Dodoma	Dodoma Municipal Council	Mbalawala
Dodoma	Dodoma Municipal Council	Mkonze
Dodoma	Chamwino District Council	town
URBAN AREAS		
Region	District	Ward
Dodoma	Dodoma City Council	Kilimani
Dodoma	Dodoma City Council	Kiwanja cha ndege
Dodoma	Dodoma City Council	Makole

Dodoma	Dodoma City Council	Kikuyu
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MBEYA

RURAL AREAS		
Region	District	Ward/Area
Mbeya	Mbeya District Council	Mbalizi
Mbeya	Mbarali District Council	Town
URBAN AREAS		
Region	District	Ward
Mbeya	Mbeya City Council	Isyesye
Mbeya	Mbeya City Council	Ilomba
Mbeya	Mbeya City Council	Nsalaga

MWANZA

RURAL AREAS		
Region	District	Ward
Mwanza	Misungwi District Council	Buhingo
Mwanza	Magu District Council	Bukandwe
URBAN AREA		
Region	District	Ward
Mwanza	Municipal Council	Buhongwa
Mwanza	Municipal Council	Butimba
Mwanza	Municipal Council	Luchelele
Mwanza	Municipal Council	Pamba
Mwanza	Nyamagana Municipal Council	Mabatini
Mwanza	Nyamagana Municipal Council	Isamilo
Mwanza	Nyamagana Municipal Council	Mkolani

Appendix III – Household Selection within Primary Sampling Units

RANDOM ROUTE

Once the enumerator arrives at a sampling point, they would keep to the left-hand side of the street to begin the random walk. Steps to be followed here are:

The interviewers would select a landmark within the sampling point which would be the starting point. The landmark could be a school, church, market, shopping complex among others.

HOUSEHOLD SELECTION

To ensure random selection, the first household to be selected would be determined by whether the day of fieldwork falls on an odd or an even date - if the day falls on an odd date, the first household on the left hand side on the street/road would be selected and if the day falls on an even date then the second household on the street/road would be selected.

After every successful interview, the enumerator would be required to skip the next four households on the left-hand side of the road/street then select the fifth household. The skipping routine would not be applicable to rural areas with sparse populations.

RESPONDENT SELECTION

The head of household was interviewed. Researchers were instructed to seek a mix of male and female interviewees, with a minimum of a quarter of all respondents having to be female.

If the selected respondent is not at home, the enumerator is required to make one call back in a span of one day in a bid to get him/her for the interview. If the respondent is not located after the call back, no substitution would be done. Instead, the selection would continue at the next eligible household until the total number for that sampling point is reached.

In case of a refusal, the respondent who refuses shall not be substituted in any way, but the selection would continue at the next eligible household until the total number for that sampling point is reached.

Appendix IV – Household Survey

Housing Microfinance in Tanzania

Quantitative Household Survey

Greetings

We are [names of interviewers] from an organization called Altair that is doing research on behalf of Habitat for Humanity which is trying to understand the requirements for affordable housing and its financing in Tanzania. We try to ensure that voices and ideas from people like you are used in designing housing loan products.

Screening questions (to be asked to the survey respondent from the household)

i. How old are you?	18 years old or older → GO TO QUESTION ii Less than 18 years old → <i>Stop the interview!</i>
ii. Are you willing to participate in this interview?	Yes → GO TO QUESTION iii No → <i>Stop the interview!</i>
iii. Are you the head of this household / chief wage earner?	Yes → GO TO QUESTION vi No → GO TO QUESTION iv
iv. Is the head of household available to speak now, or can you speak on their behalf?	Yes → GO TO QUESTION vi No → GO TO QUESTION v
v. [Is this respondent male or female?] - <i>Do not ask</i>	Female → GO TO QUESTION vii Male → GO TO QUESTION vi
vi. In the next two years, do you plan to... buy a plot of land, construct on your land, and/or improve and repair your own house?	a. Yes to any → GO TO QUESTION vii b. No to all → <i>Stop the interview!</i>
vii. Will you be the main person responsible for financing that?	a. Yes → GO TO QUESTION viii b. No → <i>Stop the interview!</i>
viii. Can I ask roughly what your household earns per month? (this is meant to the entire household's income, not the individual who we are speaking to)	within the range of TZS 80,000 and TZS 1,500,000 → START INTERVIEW: GO TO "Greetings [continued]" outside the range of TZS 80,000 and TZS 1,500,000 → <i>Stop the interview!</i>
*NOTE TO INTERVIEWER: While the main respondents we are seeking are heads of household, we are aware these are mostly likely to be male, so this risks excluding the views of women. To counterbalance this, we are aiming to ensure that 25%-30% of respondents are women , even if they are not heads of household.	

Greetings [continued]

Thank you, we can now proceed with the interview. We appreciate your time, so our interview will only take 30-45 minutes. The details of the interview and your name(s) will be kept confidential - so please feel free to express your views/opinions.

GENERAL INFORMATION (ALL RESPONDENTS)

1	What is your name? (full name)	
2	[What is the gender of the respondent?] OBSERVE; DO NOT ASK	Male Female
3	How old are you?	18 - 29 30 - 40 41 - 50 51 - 60 Above 60
4	[Do they live in an urban or rural area?] IDENTIFY THE LOCATION; DO NOT ASK	Urban Rural
5	[Which region do they live in?] CODE THE REGION; DO NOT ASK	Dar es Salaam Dodoma Mbeya Arusha Mwanza
6	What is your address?	DISTRICT: _____ WARD: _____ VILLAGE/STREET NAME: _____
7	Do you, or another member of your household, own this home?	Yes No - I/we pay rent on it No - I am staying in it rent-free

		Other (please explain): _____
8	Do you currently own a home somewhere else?	Yes No
9	What is the highest educational qualification you have achieved?	No formal education Elementary Middle school High school Diploma University Still in School / Other (please specify): _____
10	What do you work as?	Entrepreneur/Self-employed → GO TO QUESTION 11 Salaried employee - Public sector → GO TO QUESTION 13 Salaried employee - Private sector → GO TO QUESTION 13 Outsourced contractor → GO TO QUESTION 13 Farmer/Fisherman → GO TO QUESTION 13 Agriculture labor (non-salaried) → GO TO QUESTION 13 Non-agriculture labor (non-salaried) [including skilled-labor such as mason] → GO TO QUESTION 13 Family labor (unpaid) → GO TO QUESTION 13 Retired → GO TO QUESTION 13 Housewife → GO TO QUESTION 13 Unemployed → GO TO QUESTION 13 Other (please specify): _____ → GO TO QUESTION 13
11	If you are an entrepreneur or self-employed, what type of business are you engaged in? <i>(multiple answers permitted)</i>	Household items shop (Duka la mahitaji ya nyumbani) SuperMarket/Min SuperMarket Market Vendor (Mfanyabiashara wa sokoni) Street vendor (moveable) - all type (eg. street food seller, toys seller, etc.) - Mmachinga Food stall/restaurant Barber/beautician

		<p>Fashion-related store (Duka la nguo) Services Freelance (Plumbing, electrician, Laundry, Clothes Pressing, etc.) Automotive related store (including workshop for vehicle) Souvenir/handicraft store Furniture seller Electronic/gadget related store Internet/game café, Mobile Money Agent Tailoring</p> <p>Other (please specify): _____</p>
12	<p>If you are an entrepreneur, what kind of a business permit do you have? <i>(multiple answers permitted)</i></p>	<p>Entrepreneur Identification Card Municipal Business License Others (please specify) None</p>
13	<p>What is your marital status?</p>	<p>Married → GO TO QUESTION 14 Single → GO TO QUESTION 15 Divorced → GO TO QUESTION 15 Widow/widower → GO TO QUESTION 15</p>
14	<p>What does your spouse work as?</p>	<p>Entrepreneur/Self-employed Salaried employee - Public sector Salaried employee - Private sector Outsourced contractor Farmer/Fisherman Agriculture labor (non-salaried) Non-agriculture labor (non-salaried) Family labor (unpaid) Retired Housewife Unemployed</p>
15	<p>What best describes your living situation?</p>	<p>Nuclear/only one household Joint/sharing with other family members</p>
16	<p>How many people live in your home?</p>	<p>1 2 3</p>

		4 5 6 7 8 9 10+
17	How old are they? <i>(Write number of residents belonging to each age group)</i>	Below 18 _____ 18 - 29 _____ 30 - 40 _____ 41 - 50 _____ 51 - 60 _____ Above 60 _____
PROCEED TO SECTION B		

HOUSEHOLD INCOME AND EXPENSES (ALL RESPONDENTS)

1	On average, what is the monthly income of your household? <i>Note for the tool: SEC to be automatically calculated from this and populated.</i>	Below 80,000 80,001 - 400,000 400,001 - 800,000 800,001 - 1,000,000 1,000,001 - 1,250,000 1,250,001 - 1,500,000 Above 1,500,000
2	Which members of your household earn an income? <i>(multiple responses possible)</i>	Head of household Spouse Children (please mention number of children): _____ Parents Others (please specify): _____
3	How many of these income-earning family members are women/girls (female)?	0 1

		2 3 4 5 or more
4	How frequently does your household earn money?	every day every week every two weeks every month depends / varies / irregular / seasonal Other (please specify): _____
5	What kind of proof do you have for your sources of income?	Company salary slip/receipt Bank transfer of salary Stock purchases bills Accounting book and/or financial statement None Other (please specify): _____
6	In the last month, how much did your household spend on normal expenses, excluding food (TZS)? <i>exclude the following items:</i> <i>-food</i> <i>-luxury goods</i> <i>-electronics</i> <i>-furniture</i> <i>-loan repayments</i> <i>-rent</i> <i>-one-off purchases</i>	Below 5,000 5,001 - 20,000 20,001- 40,000 40,001 - 60,000 60,001 - 80,000 80,001 - 100,000 100,001 - 150,000 150,001 - 200,000 200,001 - 300,000 300,001 - 400,000 400,001 - 600,000 600,001 - 800,000 800,001 - 1,000,000 1,000,001 - 1,250,000 1,250,001 - 1,500,000 Above 1,500,000
7	In the last month, how much did you spend on food (TZS)?	Below 5,000 5,001 - 20,000 20,001- 40,000 40,001 - 60,000 60,001 - 80,000 80,001 - 100,000 100,001 - 150,000 150,001 - 200,000 200,001 - 300,000 300,001 - 400,000 400,001 - 600,000 600,001 - 800,000 800,001 - 1,000,000

		1,000,001 - 1,250,000 1,250,001 - 1,500,000 Above 1,500,000
8	In the last month, how much did you spend on loan repayments?	Below 5,000 5,001 - 20,000 20,001 - 40,000 40,001 - 60,000 60,001 - 80,000 80,001 - 100,000 100,001 - 150,000 150,001 - 200,000 200,001 - 300,000 300,001 - 400,000 400,001 - 600,000 600,001 - 800,000 800,001 - 1,000,000 1,000,001 - 1,250,000 1,250,001 - 1,500,000 Above 1,500,000
9	Do you pay rent?	Yes → GO TO QUESTION 10 No → GO TO QUESTION 11
10	How much is your monthly rent?	Below 5,000 5,001 - 20,000 20,001 - 40,000 40,001 - 60,000 60,001 - 80,000 80,001 - 100,000 100,001 - 150,000 150,001 - 200,000 200,001 - 300,000 300,001 - 400,000 400,001 - 600,000 600,001 - 800,000 800,001 - 1,000,000 1,000,001 - 1,250,000 1,250,001 - 1,500,000 Above 1,500,000
11	How do you manage sudden/unpredictable expenses? <i>(multiple responses possible)</i>	From savings By selling assets Loan from formal sources (e.g. Banks, SACCOS, MFIs (KAMPUNIs), FINTECHs etc) Loan from informal sources (local moneylenders) VICOBAs (withdraw your money in them in advance) Family members Neighbors/Friends Others, please specify
12	Who usually decides how to spend /save the household income?	Myself Spouse

		Husband and wife together Others (please specify)
13	Who usually manages small household expenditures (<TZS 100,000)?	Myself Spouse Husband and wife together Others (please specify)
14	Who usually manages large household expenses? (>TZS 100,000)	Female head of household Male head of household Female and male heads of household together Others (please specify)
15	Who usually decides from where to borrow money?	Myself Spouse Husband and wife together Others (please specify)
PROCEED TO SECTION C		

FINANCIAL BEHAVIOUR OF THE HOUSEHOLD (ALL RESPONDENTS)

1	In your household, who saves at or borrows from a financial institution? (e.g. a bank, non-deposit MFI, SACCO) <i>(multiple responses possible)</i>	Myself → GO TO QUESTION 2 Spouse → GO TO QUESTION 2 Children → GO TO QUESTION 2 Others (please specify) → GO TO QUESTION 2 None of us → GO TO QUESTION 3
2	What services do you use from this financial institution? <i>(multiple responses possible)</i>	Savings Fixed Term Deposit Productive Loans (e.g. for business working capital) Consumptive Loans (e.g. personal loan, vehicle loan) Mortgage loan Credit card Other (please specify): _____
3	When your household saves, in what form do you save?	cash/savings → GO TO QUESTION 4 Jewelry/Gold → GO TO QUESTION 6 Stocks/Livestock → GO TO QUESTION 6 Improving housing → GO TO QUESTION 6 Fixed asset/Land/Home → GO TO QUESTION 6

		<p>Vehicle/business machinery → GO TO QUESTION 6</p> <p>Others (please specify) → GO TO QUESTION 6</p> <p>None, I don't save every month → GO TO QUESTION 6</p>
4	If saving in cash, where do you save your money?	<p>At home</p> <p>Commercial Bank or Microfinance Bank</p> <p>SACCO</p> <p>ROSCA/VICOBA</p> <p>Digital money (e-wallet)</p> <p>Others (please specify)</p>
5	How much did you save last month (in TZS)?	<p>Below 5,000</p> <p>5,001 - 20,000</p> <p>20,001- 40,000</p> <p>40,001 - 60,000</p> <p>60,001 - 80,000</p> <p>80,001 - 100,000</p> <p>100,001 - 150,000</p> <p>150,001 - 200,000</p> <p>200,001 - 300,000</p> <p>300,001 - 400,000</p> <p>400,001 - 600,000</p> <p>600,001 - 800,000</p> <p>800,001 - 1,000,000</p> <p>1,000,001 - 1,250,000</p> <p>1,250,001 - 1,500,000</p> <p>Above 1,500,000</p>
6	<p>In the past two years, have you borrowed money?</p> <p><i>(multiple responses possible)</i></p>	<p>Yes, under my (or my spouse) name → GO TO QUESTION 7</p> <p>Yes, under my child name within the same family card → GO TO QUESTION 7</p> <p>Yes, under my child name not on the same family card → GO TO QUESTION 7</p> <p>Yes, under my parents' /direct family name within the same family card → GO TO QUESTION 7</p> <p>Yes, under my parents' /direct family name different family card → GO TO QUESTION 7</p> <p>Yes, under non-family members' name → GO TO QUESTION 7</p> <p>No → GO TO SECTION D</p>
7	<p>Where/who did you borrow the money from?</p> <p><i>(multiple responses possible)</i></p>	<p>Commercial Banks and Microfinance Banks → GO TO QUESTION 8</p> <p>Non-deposit taking MFIs (KAMPUNIs) → GO TO QUESTION 8</p> <p>SACCO → GO TO QUESTION 8</p> <p>Community Finance Groups → GO TO QUESTION 8</p>

		<p>Moneylender → GO TO QUESTION 9 Credit Card → GO TO QUESTION 9 Relatives/family → GO TO QUESTION 9 Neighbor/friends → GO TO QUESTION 9 Employer → GO TO QUESTION 9 Others, please specify → GO TO QUESTION 9</p>
8	What channel did you use to borrow and repay the loan?	<p>Agent Mobile Payments Cash Transactions at Doorstep Cash transaction at the Bank Branch other</p>
9	Why did you choose to borrow from this organisation / person?	<p>Bigger loan size Longer tenure Closer to my home Lower interest rate Cheaper administration and other loan fee Quick process Easier requirements (documents, etc.) Know/relationship with the staff Service quality The only option in my area I was referred by someone I know and trust Others (please specify)</p>
10	What did you use the borrowed money for? <i>(multiple responses possible)</i>	<p>To start a new business Working capital for Business (e.g. purchase inputs/stocks, hire more workers) Investment or Asset Purchase Loan for Business (e.g. purchase machinery, equipment, tools) Improve/expand business premise Home improvement (repair, renovate, extend, exclude water and sanitation) Water and sanitation loan Construction of a new house Purchase of new land + full or partially constructed home Purchase of land/farm Registration of a new land Purchase of vehicle (e.g. motorbike) Purchase of electronics or other consumables Education Health Wedding Religious/tradition purposes (e.g. for Hajj, ceremonies) Family Emergency Others (please specify)</p>
11	If you still owe money, how much do you pay back each month (TZS)?	<p>Below 5,000 5,001 - 20,000</p>

		20,001- 40,000 40,001 - 60,000 60,001 - 80,000 80,001 - 100,000 100,001 - 150,000 150,001 - 200,000 200,001 - 300,000 300,001 - 400,000 400,001 - 600,000 600,001 - 800,000 800,001 - 1,000,000 1,000,001 - 1,250,000 1,250,001 - 1,500,000 Above 1,500,000
12	If you were to borrow money again in the future, how much would you prefer to pay back each month (TZS)?	Below 5,000 5,001 - 20,000 20,001- 40,000 40,001 - 60,000 60,001 - 80,000 80,001 - 100,000 100,001 - 150,000 150,001 - 200,000 200,001 - 300,000 300,001 - 400,000 400,001 - 600,000 600,001 - 800,000 800,001 - 1,000,000 1,000,001 - 1,250,000 1,250,001 - 1,500,000 Above 1,500,000
PROCEED TO SECTION D		

UNDERSTANDING CURRENT HOUSING CONDITIONS AND RECENT HOME IMPROVEMENTS MADE (IF ANY)

CURRENT HOUSING CONDITIONS (ALL RESPONDENTS)

In this section - take note of the following without asking the interviewee directly, unless you are unclear on what options to select.

Building Materials		
1	Flooring	Cement Ceramic Tiles Parquet or polished wood Terrazo PVC Tiles Wood Planks Earth/Sand Cow Dung

		No Flooring
2.	Walls	Stones Cement Blocks / Stone Blocks Sundried Bricks Burnt Bricks Glass Wood and Iron Sheets Bamboo Poles/ Wooden Planks Grasses Container
iii.	Windows	glass plastic other _____ none
iv.	Roofing	Corrugated Iron Sheets Tiles Concrete Asbestos Grass/Leaves Mud and Leaves Plastics Tent/Container
Repair Need		
v.	Does the building need renovation/repair?	Needs no repair → GO TO NEXT SECTION - "RECENT HOME IMPROVEMENTS AND UPGRADES" Needs minor repairs → GO TO QUESTION vi Needs major repairs → GO TO QUESTION vi
vi.	Which part(s) of the building need renovation/repair? <i>(multiple responses possible)</i>	flooring walls windows roofing
GO TO THE NEXT SECTION: RECENT HOME IMPROVEMENTS/UPGRADES		

RECENT HOME IMPROVEMENTS/UPGRADES

This section is only for respondents who claim to be owners of a home, whether or not it's the one that you are currently doing the interview in, i.e this section is only for those households that answered yes to Q8 in Section A

1	What best describes your current housing status?	Homeowner - under my name → GO TO QUESTION 2
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		<p>Homeowner - under my spouse's name → GO TO QUESTION 2</p> <p>Homeowner - under my parents' /parent-in laws' name → GO TO QUESTION 2</p> <p>Homeowner - under my child's name → GO TO QUESTION 2</p> <p>Homeowner - under other family's name → GO TO QUESTION 2</p> <p>Homeowner - under someone else's name→ GO TO QUESTION 2</p> <p>Homeowner - under multiple people's names → GO TO QUESTION 2</p> <p>Tenant/renter → GO TO SECTION E</p> <p>Living in a Family house/rent-free → GO TO SECTION E</p> <p>Government provided → GO TO SECTION E</p> <p>Company provided → GO TO SECTION E</p> <p>Other (please specify): _____ → GO TO SECTION E</p>
2	What proof of homeownership do you have?	<p>Title deed</p> <p>Residential License</p> <p>Customary ownership</p> <p>Contract</p> <p>None</p>
3	What is the size of the building and land that you currently own?	<p>Building: ...m²</p> <p>Land: ... m²</p>
4	What type of house do you currently own?	<p>Modified Urban Swahili house</p> <p>Double storey House</p> <p>Bungalow</p> <p>Room in line house type.</p> <p>U& L-shaped house type</p> <p>Row house/Attached house</p> <p>Core house/Improvised residency</p> <p>Shop house</p> <p>Others, please specify</p>
5	What type of kitchen do you have in your home?	<p>Inside main house, with stove</p> <p>Inside the main house without a stove</p> <p>Detached from house, with stove</p> <p>Detached from house without a stove</p> <p>I don't have a kitchen</p>
6	During the past two years, have you made any improvements / repairs to your home?	<p>Yes → GO TO QUESTION 7</p> <p>No → GO TO SECTION E</p>
7	<p>What kind of home improvements/repairs have you done in the last two years?</p> <p><i>(multiple responses possible)</i></p>	<p>Add more rooms</p> <p>Add more bedrooms</p> <p>Add house floor/level</p> <p>Building/improving a kitchen</p> <p>Building/improving a bathroom/toilet</p> <p>Building/improving water connection</p>

		<p>Improving walls Improving roof Improving floors Repair/change doors, windows etc. Build/improve a space/room for business premise (attached to home) Other (please specify): _____</p>
7	Who did most of the work?	<p>Self-built → GO TO QUESTION 7 Local masons/contractors → GO TO QUESTION 8</p>
8	What difficulties did you experience during the work?	<p>Lack of up front capital/money/savings Lack of financing from lenders Lack of access to construction materials Lack of skills / knowledge Lack of time to accomplish None Other (please specify) _____</p> <p style="text-align: center;">GO TO QUESTION 12</p>
9	What challenges did the masons and contractors experience during the work?	<p>Lack of capital/money/savings Lack of financing from lenders Lack of knowledge or clarity on building/construction/planning/budgeting Lack of construction materials suppliers Poor quality of construction Lack of time to accomplish housing goals Lack of transparency in dealings with the contractors/masons Could not stay within budget - under or over-spent</p>
10	How did you pay them?	<p>Cash Bank transfer Cheque Mixed above Other (please specify): _____</p>
11	How did the payment schedule work?	<p>Paid all in-advance Paid later (after accomplishing the works) Mixed paid in-advance some and the rest after finishing Paid in installments based on project progress Paid as loan installment payment during and/or until the project finished Others (please specify)</p>
12	Did you get any expert / professional advice before or during the work?	<p>Preparation of a floor plan/construction plan (design/layout/visual) → GO TO QUESTION 14 Developing a costing estimate → GO TO QUESTION 13 Choosing and Purchase of construction materials → GO TO QUESTION 14 Others (please specify) → GO TO QUESTION 14</p>

		I didn't take any outside professional help → GO TO QUESTION 13
13	Why didn't you take any expert / professional advice?	I didn't need it I didn't have money/budget for that I couldn't find any professional help I did it by myself No specific reason/I didn't know if I need it Others (please specify)
14	How much did you spend on the work (TZS)? <i>(record response for each area)</i>	Material costs: Labor costs: Other costs (such as for any local permits, bribes etc): Home Improvement Costs:
15	How did you fund the work? <i>(multiple responses possible)</i>	Savings/my own money → IF ANSWERS <u>ONLY</u> THIS, GO TO SECTION E Loan from Commercial Bank/Microfinance Banks → GO TO QUESTION 16 Loan from SACCO → GO TO QUESTION 16 Loan from Community Groups → GO TO QUESTION 16 Loan from MFIs (KAMPUNIs) → GO TO QUESTION 16 Loan from fintech/technology-based financial services → GO TO QUESTION 16 Borrowing from moneylender → GO TO QUESTION 20 Borrowing from relatives and friends → GO TO QUESTION 20 Employer Scheme → GO TO SECTION E Others, please specify: _____
16	What type of loan did you take out?	Mortgage loan Loan or Grant from a Government program Consumptive/Multipurpose Personal Loan Other loan (please specify)
17	To access the loan, how much of the total value of the work did you need to provide up-front?	30% (and above) of total costs 20%-29% of total costs 10%-19% of total costs Less than 10% of total costs I didn't contribute, the entire project expense was covered by loan

18	Were you required to put up anything as security for the loan? What was it? (collateral)	<p>The home/land itself Fixed asset - other than the land/home being financed Vehicle (car, motorbike) Cash/savings/Deposit Jewelry/gold Proof of employment/salary/company guarantee Furnitures Personal guarantor I didn't give any collateral Others (please specify)</p>
19	Why did you choose to take out a formal loan?	<p>Bigger loan size Longer tenure Closer to my home Lower interest rate Cheaper administration and other loan fee Quick process Easier requirements (documents, etc.) Know/relationship with the staff Service quality More trusted/secured Institutions Pride dealing with formal lenders Have more loan product options The only option in my area Others (please specify)</p>
20	Why did you choose to borrow from a more "informal" source?	<p>Applied for a formal loan, but did not get approval → GO TO QUESTION 21 Unable to provide all the required documents Unable to meet collateral requirement → GO TO SECTION E Not enough funding for upfront costs/fees, including for down payment → GO TO SECTION E Higher interest rate → GO TO SECTION E Overly complicated/long process → GO TO SECTION E Have no repayment capacity → GO TO SECTION E Uncomfortable dealing with formal lenders → GO TO SECTION E Not confident will get approval → GO TO SECTION E Too far from home → GO TO SECTION E There is no bank or financial institution in my area → GO TO SECTION E Unfavorable loan terms (tenure, size) → GO TO SECTION E Others (please specify) → GO TO SECTION E</p>
21	Why did you not get approval for the formal loan?	<p>Unable to meet all property required documents Unable to meet all income required documents Unable to meet collateral requirement Not enough fund for upfront costs/fees, including Down payment Blacklisted Customer I don't know</p>

		Others (please specify)
PROCEED TO SECTION E		

DEMAND FOR NEW HOUSING / IMPROVEMENTS (ALL RESPONDENTS)

1	<p>What is the housing purchase/improvement you are planning on doing in the next 2 years? (multiple responses possible)</p>	<p>Home purchase → GO TO OPTION A Land purchase → GO TO OPTION B Home Improvement/Renovation/Upgrade of Existing Home → GO TO OPTION C Construction new house on owned land → GO TO OPTION D</p>
Option A - Home Purchase		
2	<p>What kind of home do you want to purchase?</p>	<p>Modified Urban Swahili house Double storey House Bungalow Room in line house type. U& L-shaped house type Row house/Attached house Core house/Improvised residency Shop house Others, please specify</p>
3	<p>What is your budget for buying a new home (TZS)?</p>	<p>Below 5,000,000 5,000,001 - 10,000,000 10,000,001 - 20,000,000 20,000,001 - 30,000,000 30,000,001 - 40,000,000 40,000,001 - 50,000,000 50,000,001 - 60,000,000 60,000,001 - 70,000,000 70,000,001 - 80,000,000 80,000,001 - 90,000,000 90,000,001 - 100,000,000 Above 100,000,000</p>

4	How much can you contribute towards this budget on your own?	Below 10% 10% - 15% 15% - 20% 20% - 25% 25% - 30% Above 30%
Option B - Purchase of Land		
5	What kind of land would you want to purchase?	Land in my hometown Land in the city where I work Agricultural land Land in the new Government City (Dodoma)
6	What would your budget be for purchasing this land?	Below 4,000,000 4,000,000 - 6,000,000 6,000,000 - 8,000,000 8,000,000 - 10,000,000 10,000,000 - 12,000,000 12,000,000 - 14,000,000 14,000,000 - 16,000,000 16,000,000 - 18,000,000 18,000,000 - 20,000,000 Above 20,000,000
7	How much can you contribute towards this budget on your own?	Below 10% 10% - 15% 15% - 20% 20% - 25% 25% - 30% Above 30%
Option C - Home Improvement/Renovation/Upgrade of Existing Home		
8	What kind of improvement do you want to do? (multiple responses possible)	Add more rooms Add more bedrooms Add house floor/level Building/improving a kitchen Building/improving a bathroom/toilet Building/improvement water connection Improving walls Improving roof

		<p>Improving floors Repair/change doors, windows etc. Build/improve a space/room for business premise (attached to home) Others, please specify</p>
9	<p>Do you have these facilities/documents under your (or your spouse) name? (multiple responses possible)</p>	<p>Yes, I have electricity bill written under my (or my spouse) name Yes, I have water bill written under my (my spouse) name Yes, I have tax receipt for the last two years under my (my spouse) name Yes, I have license of the building written under my (my spouse) name Yes, I have phone (fixed line) bill written under my (or my spouse) name I don't have it all I have it but not written under my (or my spouse) name</p>
10	<p>What is the legal status of the land your are living on currently?</p>	<p>Yes. The land is registered in my name Yes. The land is registered in my spouse's name Yes. But the land is registered under another family member's name Yes, but without any proof of ownership. Yes, but my land is mortgaged to a financial institution/lender No, I don't own this land yet</p>
11	<p>What is the overall cost that you expect for house construction/improvement in TZS (including masons, materials and contractors)</p>	<p>Material costs: TZS. Labor costs: TZS. ... Other costs (such as for any new licenses, taxes etc): TZS.</p>
12	<p>Of this budget - how much can you contribute on your own with your savings?</p>	<p>Below 10% 10% - 15% 15% - 20% 20% - 25% 25% - 30% Above 30%</p>

Option D - Construction of a New House on Owned Land		
13	What type of house are you planning to construct?	Modified Urban Swahili house Double storey House Bungalow Room in line house type. U& L-shaped house type Row house/Attached house Core house/Improvised residency Shop house Others, please specify
14	How many bedrooms are you planning on having?	2- 3 bedrooms 3- 4 bedrooms 4- 5 bedrooms
15	How many bathrooms are you planning?	Only 1 bathroom 1-2 bathrooms
16	What type/material of walls do you want?	Bricks Cement blocks Wood/plywood Mud Cement Others, please specify I don't know
17	What type/material of floors do you want?	Concrete/brick Wood Parket vinyl Tile/blocks Granite Dirt/earth Others, please specify I don't know

18	What type/material of roof do you want?	<p>Rolling asphalt roof Cement Metal/Iron sheet Clay Tiles Concrete/cement Asbestos type of roofing Wood Others, please specify I don't know</p>
19	What type of kitchen do you want?	<p>Attached with main house, with stove Attached with the main house without a stove (use wood, etc.) Detached house with stove Detached house without stove (use wood, etc.) I don't need a kitchen I don't know</p>
20	What type of electricity supply are you planning to install?	<p>Single Phase Three Phase Personal genset/solar panel Not electrified (such as kerosene lamp) Others, please specify I don't know</p>
21	What type of water supply are you planning to install?	<p>Personal water pump Well (without pump) Water from Water Authorities like DAWASA, DUWASA, MOROWASA None, use community water supply None, purchase from local private providers None, use river/lake/etc. Others (please specify) I don't know</p>
22	What is the overall cost that you expect for house construction/improvement in TZS (including masons, materials and contractors)	<p>Material costs: TZS. Labor costs: TZS. ... Other costs (such as for any new permits, taxes etc): TZS.</p>

23	Of this budget - how much can you contribute on your own with your savings?	Below 10% 10% - 15% 15% - 20% 20% - 25% 25% - 30% Above 30%
Ask for both Options C and D		
24	How are you planning to do your house construction or improvement?	By myself and with the help of related family members Local masons / contractors A combination of all of the above Other?
25	How difficult is it for you to build a plan or budget for your project?	Easy Neutral Difficult
26	Would you be willing to pay for a service which helps you plan and budget for your housing project?	Yes → GO TO QUESTION 27 No → GO TO QUESTION 28
27	How much would you be willing to pay for such a service?	Below 100,000 100,000 - 150,000 150,000 - 200,000 Above 300,000
28	Why would you not be willing to pay for this type of service?	Cannot afford expensive Don't want to pay for it Don't know where to find such a service I can do it myself or I have family members who can do it for me
29	How easy is it to find suppliers for procuring all your building materials?	Easy Neutral Difficult

GO TO SECTION F

DEMAND FOR HMF

1	<p>Apart from your own contributions, how do you plan to finance your housing project (multiple responses possible)?</p>	<p>Savings/my own money → IF ANSWERS <u>ONLY THIS</u>, GO TO QUESTION 14</p> <p>Loan from Commercial Bank/Microfinance Banks → GO TO QUESTION 2</p> <p>Loan from SACCO → GO TO QUESTION 2</p> <p>Loan from Community Groups → GO TO QUESTION 2</p> <p>Loan from MFIs (KAMPUNIs) → GO TO QUESTION 2</p> <p>Loan from fintech/technology-based financial services → GO TO QUESTION 2</p> <p>Borrowing from moneylender → GO TO QUESTION 3</p> <p>Borrowing from relatives and friends → GO TO QUESTION 3</p> <p>Employer Scheme → IF ANSWERS <u>ONLY THIS</u>, GO TO QUESTION 14</p> <p>Others, please specify: _____</p>
2	<p>Why do you choose to borrow from them? <i>(multiple responses possible)</i></p>	<p>Bigger loan size</p> <p>Longer tenure</p> <p>Closer to my home</p> <p>Lower interest rate</p> <p>Cheaper administration and other loan fee</p> <p>Quick process</p> <p>Easier requirements (documents, etc.)</p> <p>Know/relationship with the staff</p> <p>Service quality</p> <p>More trusted/secured Institutions</p> <p>Pride dealing with formal lenders</p> <p>Have more loan product options</p> <p>The only option in my area</p> <p>Others (please specify)</p>

4	In whose name will you be borrowing the money?	Myself Husband Wife Husband as 1st borrower and wife as co-borrower Wife as 1st borrower and husband as co-borrower Parent's name Children's name
5	Why under that name (multiple responses possible)?	Have salary proof in their name Collateral to be used is under their name The other person is blacklisted Have bigger chance to get the loan, in general No specific reason, just preferred or more comfortable like that Others, please specify
6	What financing model do you prefer?	Individual loan Group loan No preference
7	Given your housing project budget and your own savings, how much money would you need as a loan in TZS?	Up to 60,000 60,001-120,000 120,001-240,000 240,001-500,000 500,001-1,000,000 1,000,001-3,000,000 3,000,001 - 5,000,000 5,000,001 - 7,000,000 7,000,001 - 9,000,000 More than 9,000,000
8	How much money can you afford to pay monthly towards repaying the loan in TZS?	Up to 5,000 5,001-10,000 10,001-20,000 20,001 -50,000 50,001-100,000 100,001-150,000 150,001 - 200,000 200,001-300,000 300-001-400,000 Above 400,000
9	What is the maximum loan tenure you are comfortable with (in years)?	6 months 1 year 2 years 3 years 4 years 5 years and above
10	Would you be comfortable repaying a longer tenure loan (10-20 years)?	

		Yes No
11	How do you prefer to receive the loan? (disbursement)	All in cash Direct Account Credit Other Digital Payments via the Phone Mixed Anything
12	How do you prefer to repay the loan?	Direct/auto debit from my account Other Digital Repayment via the Phone Bank's deposit at branch Doorstep service Agent Bank or any other access points other than bank's branch Others (please specify)
13	If you are offered an unsecured loan in the range of 300,000 to 5,000,000 TZS (\$150 to \$2000) for a housing loan, what alternate form of collateral would you be willing to offer?	Photocopies of Home Ownership Documents Original Home Ownership Documents Cash/savings/Deposit Proof of employment/salary/company guarantee Personal guarantor Will not give collateral Others (please specify)
14	If you are uninterested in borrowing a formal loan, or are not confident that you would be approved for one, can you tell us why? (multiple responses possible)	Unable to meet required documents Unable to meet collateral requirements My household salary/income is above the maximum limit Do not have enough money for the down payment Do not have enough money for the total upfront costs, besides down payment The overall house condition is too basic The house size is too small for me/my family The house location is too far The price is still too expensive Blacklisted Others (please specify)
GO TO SECTION G		

PERCEPTIONS AND PRIORITIES FOR HOUSING

1	How do you rate the following sentence "How important it is for you to own a house or improve your house within next two years"	Very important Important Neutral Not important Very not important
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2	According to you, by what age ideally you should own a house?	20-30 years old 31-40 years old 41-50 years old Above 50 years old Not interested in owning a house
3	Why do you think you should improve or construct your own house (multiple responses possible)?	Investment Family health/security/basic needs Symbol of status For their sons/daughters Save money on rent Others, please specify
4	What are your major concerns (maximum five) in accessing mainstream housing finance? (Multiple response possible) Please rank your top five responses.	Down payment requirement Loan documents requirement Up-front costs requirement (provision, admin fee, insurance, tax) Interest rate Installment size Availability of preferred products (such as unsecured loans) Availability of preferred Financial Services Have no collateral Have land/home as collateral but has no proof of legal ownership as required by FIs Blacklisted status Religious values barriers to get loan, in general I would rather wait to accumulate savings than take loan Others (please specify)
5	What are your major considerations for selecting a particular housing finance provider? (Rank top five from the given options)	Loan size Down payment Total up-front costs Interest rate Loan installment size Tenure Type of Loan (secured or unsecured) Processing time Document requirements Collateral requirement
6	Who owns a mobile phone in your household (multiple responses possible)?	Myself Spouse Children Parents Others (please specify) None of us → GO TO END OF SURVEY

7	What services do you access through your mobile phone (multiple responses possible)?	Making calls Basic text messages Facebook Instagram WhatsApp/Line Internet/Browsing Mobile Banking Other services using apps (tickets/hotel/taxi etc.)
END OF SURVEY		

Thank you

That brings us to the end of the survey. Thank you very much for your participation, we appreciate your time and patience.

ENUMERATOR NAME _____

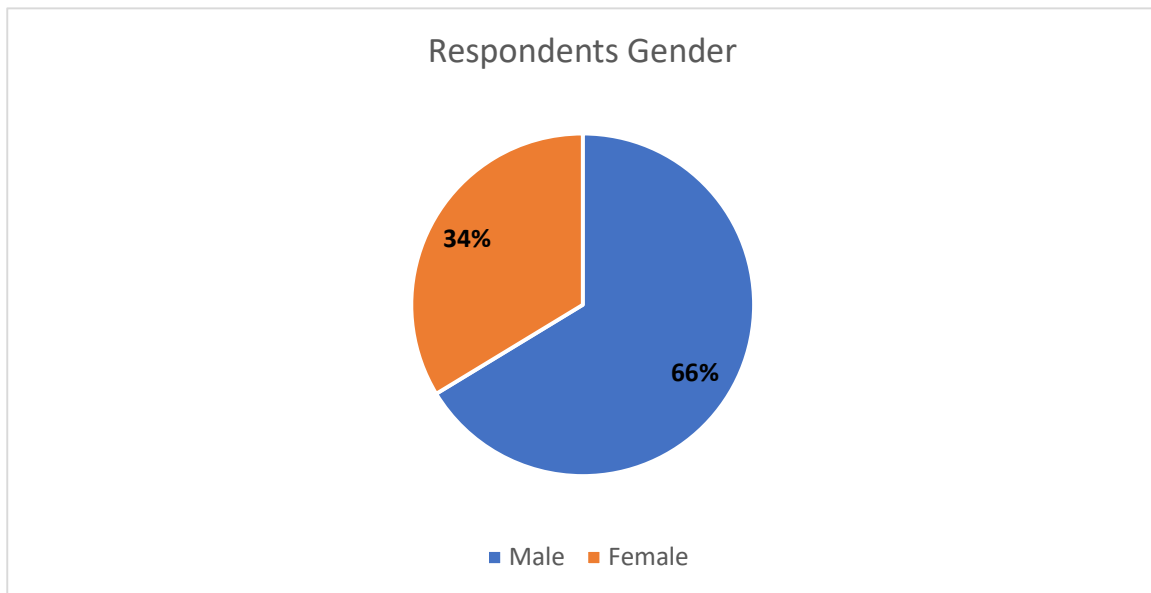
ENUMERATOR #: _____

REMINDER: GPS should be captured before moving to the next household, the tool shall not allow you to move onto the next survey if this is not done successfully.

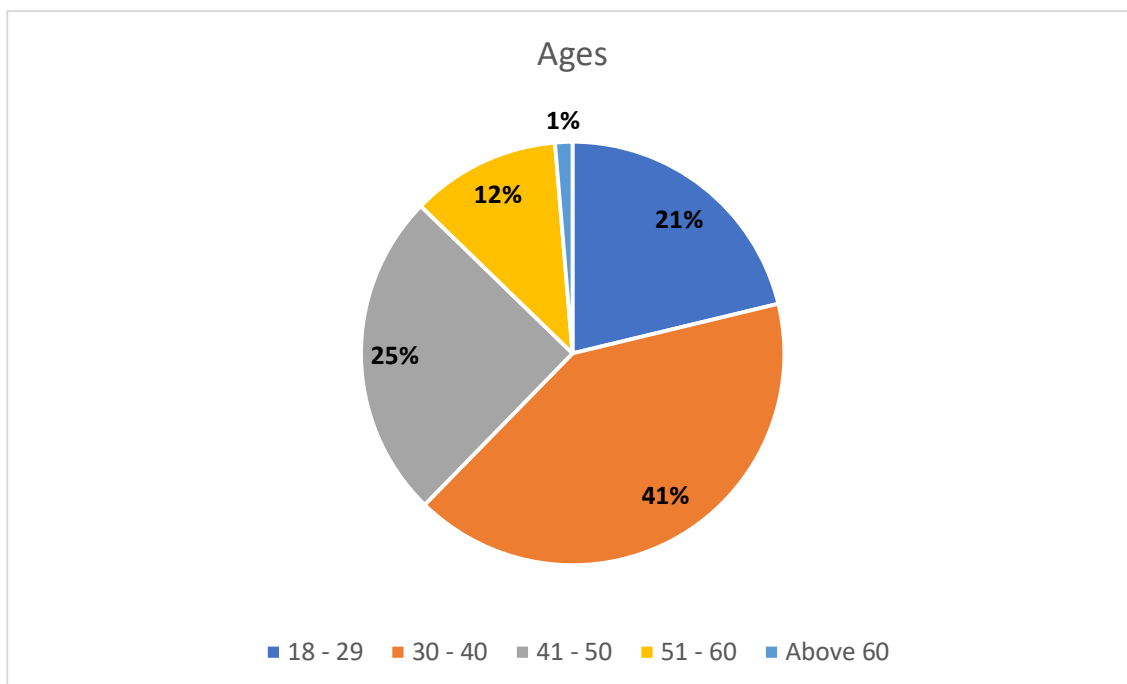
Appendix V – Full Survey Results

GENERAL INFORMATION

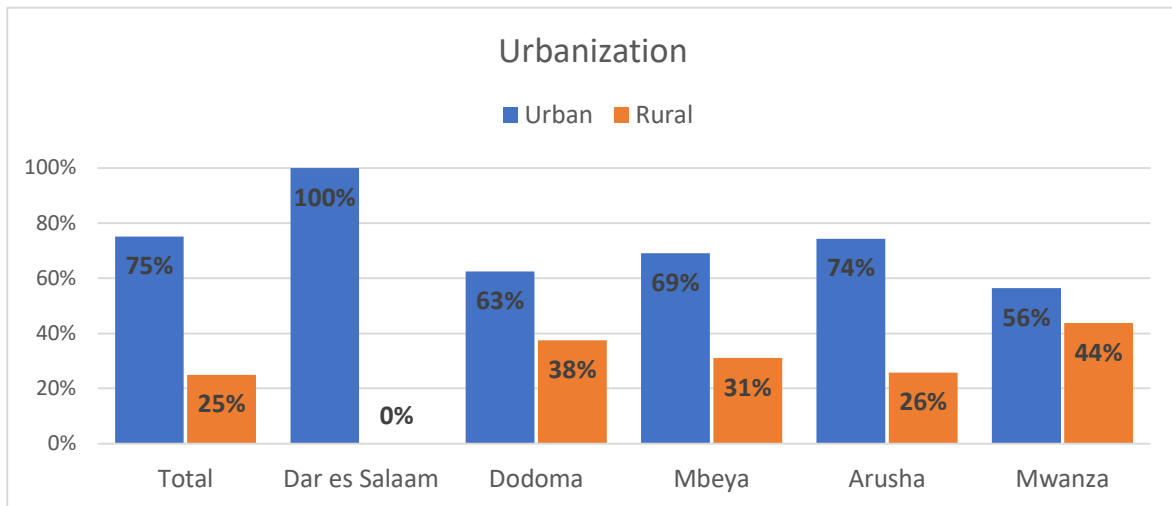
Q2. Respondents Gender



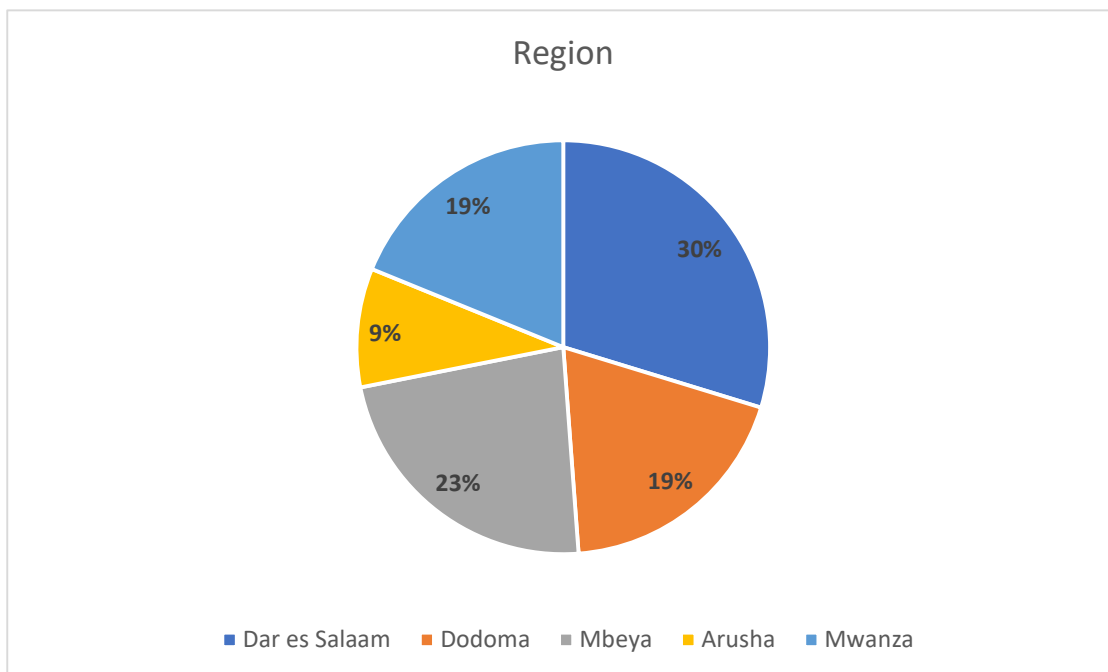
Q3. How old are you?



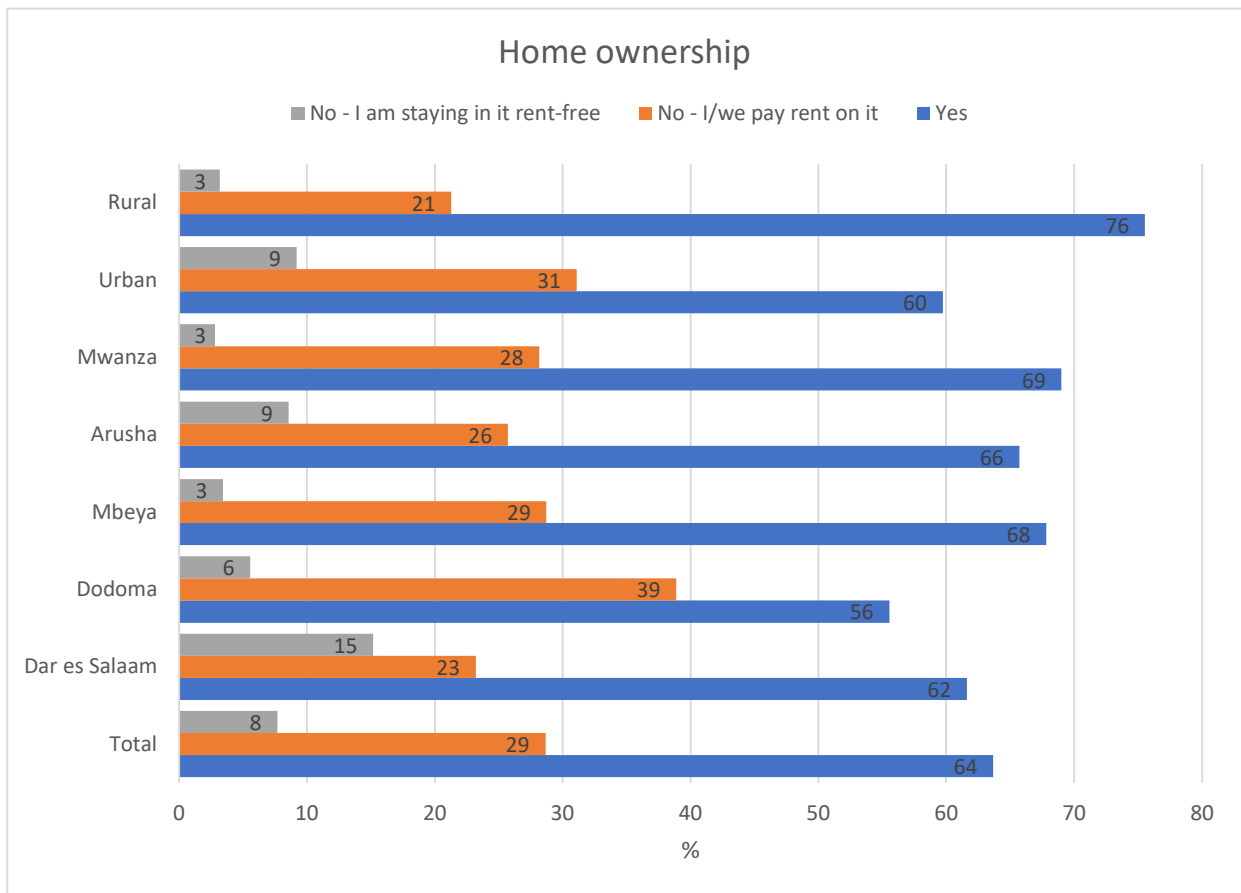
Q4. Urbanization



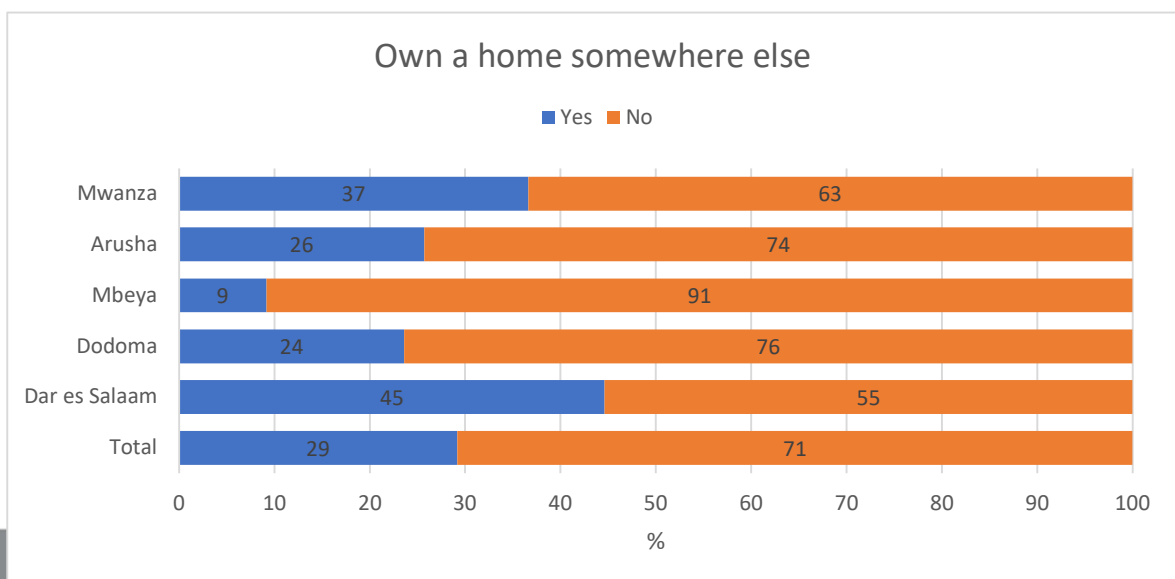
Q5. Region



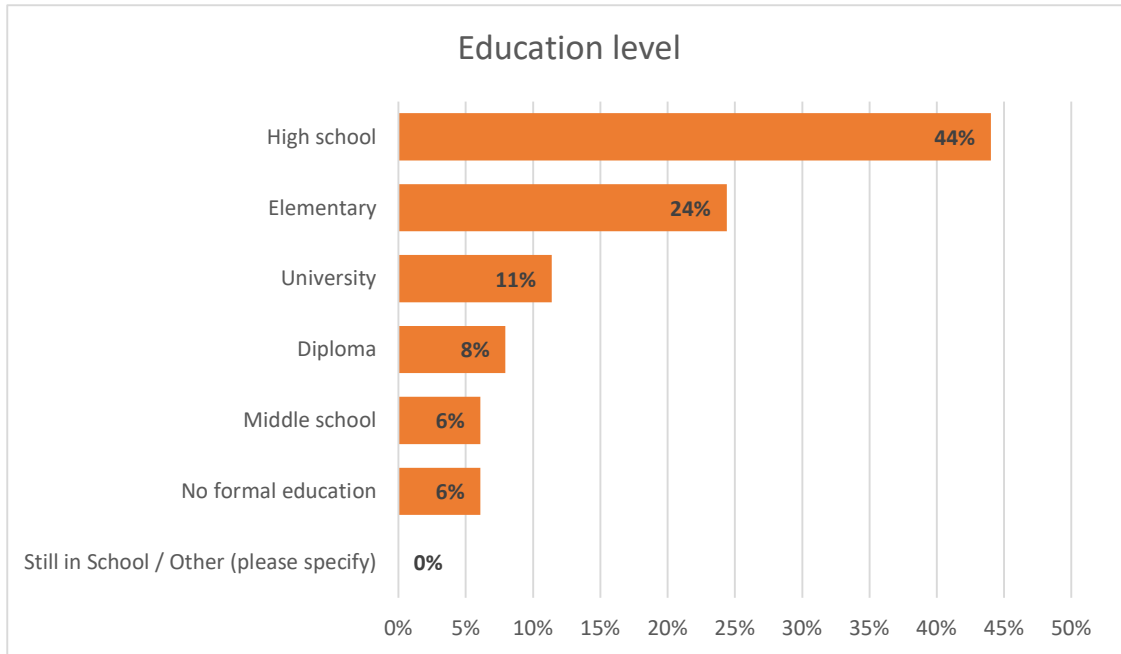
Q7. Do you, or another member of your household, own this home?



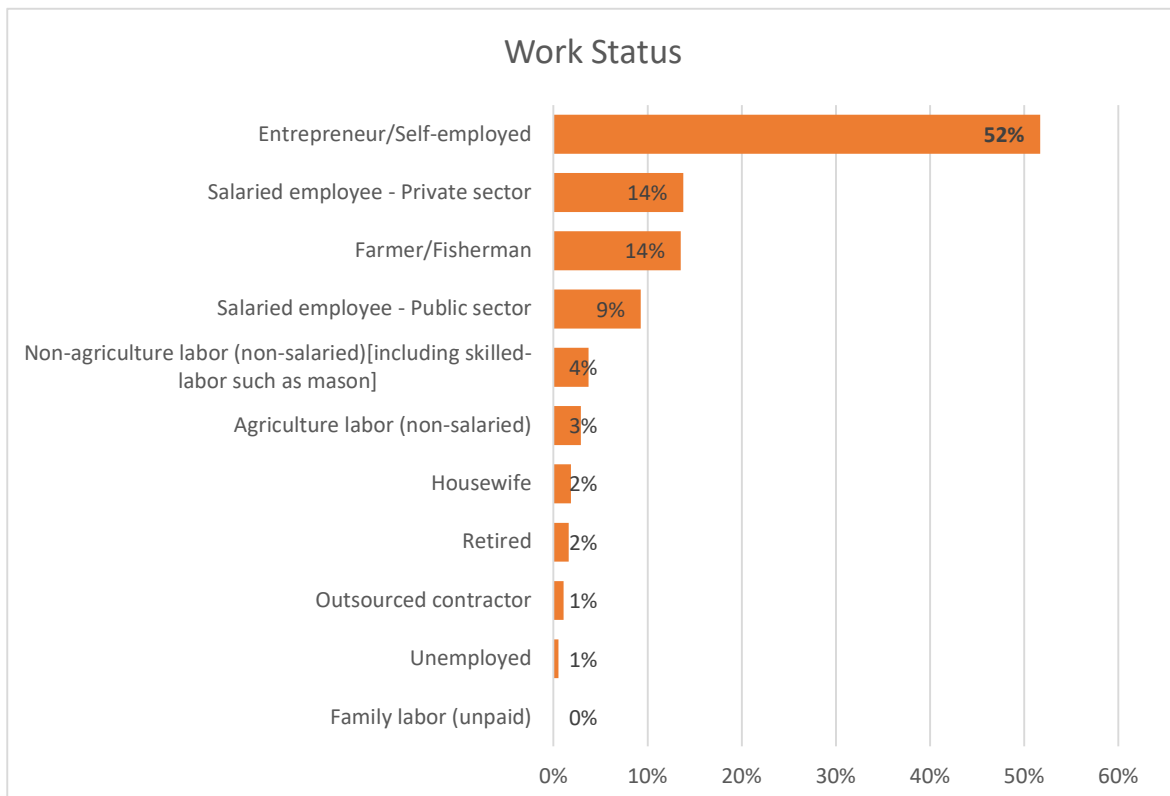
Q8. Do you currently own a home somewhere else?



Q9. What is the highest educational qualification you have achieved?

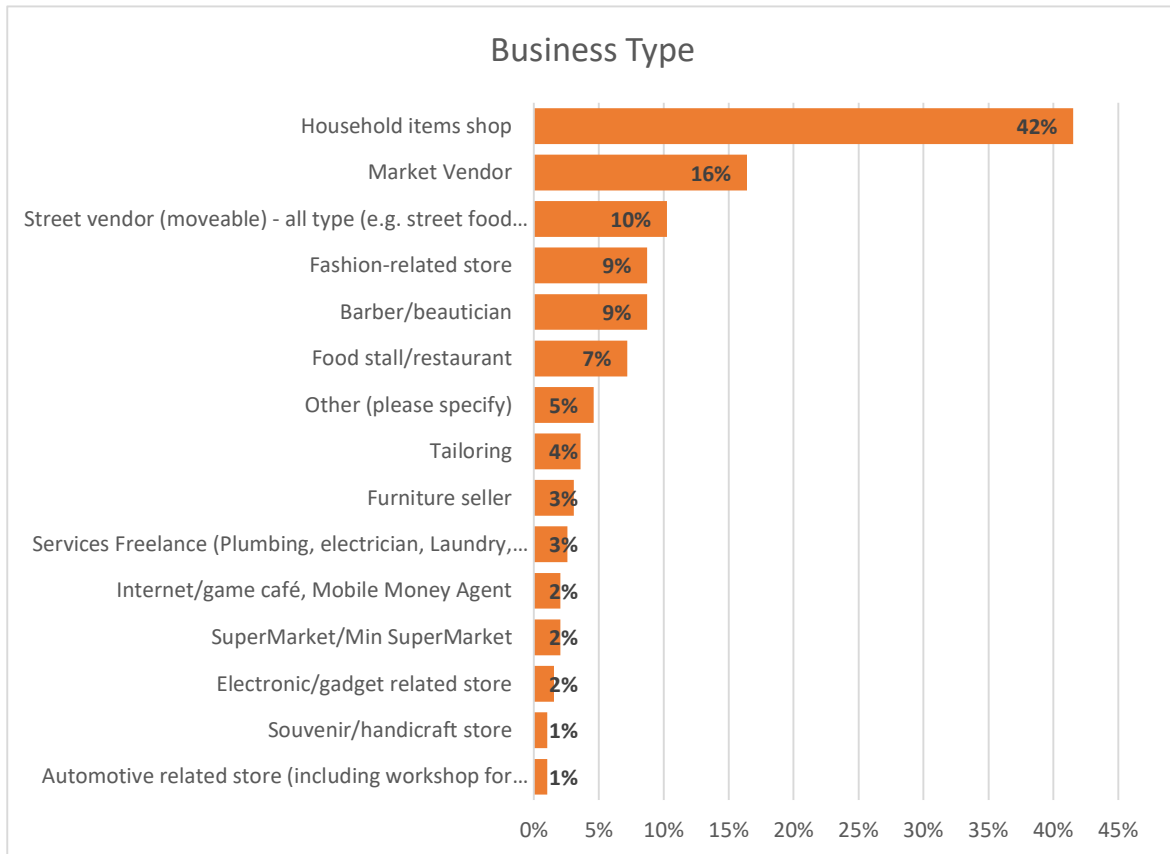


Q10. What do you work as?



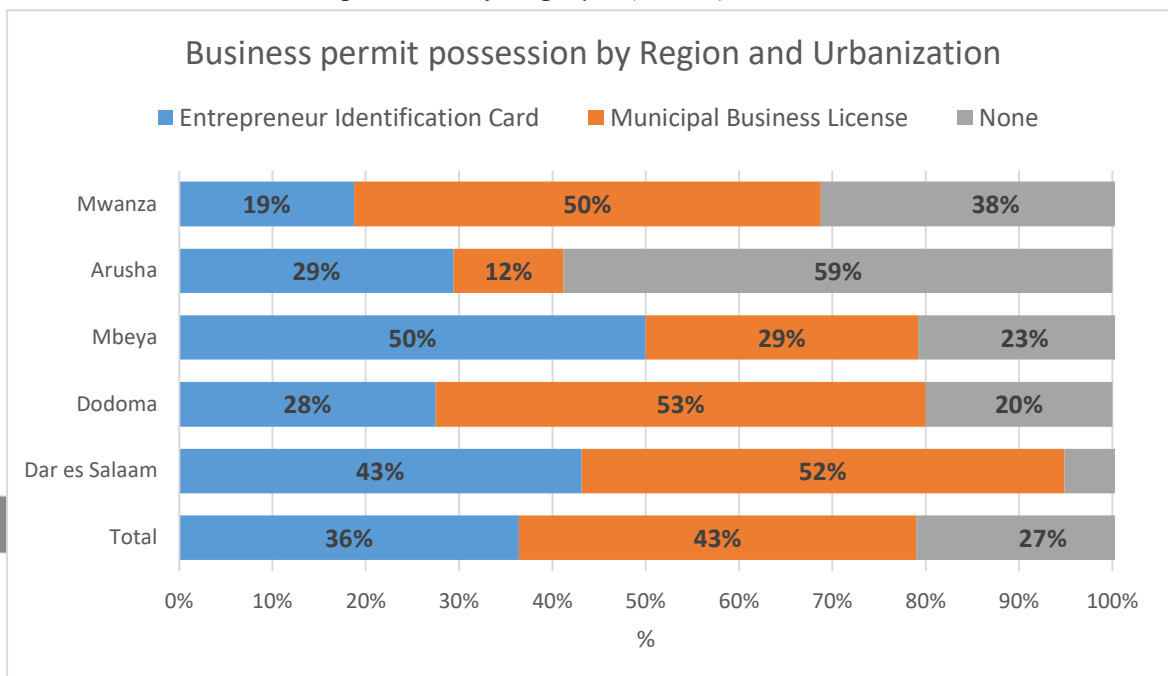
Q11.If you are an entrepreneur or self-employed, what type of business are you engaged in?

Base: Those who are entrepreneur/Self-employed(n=195)

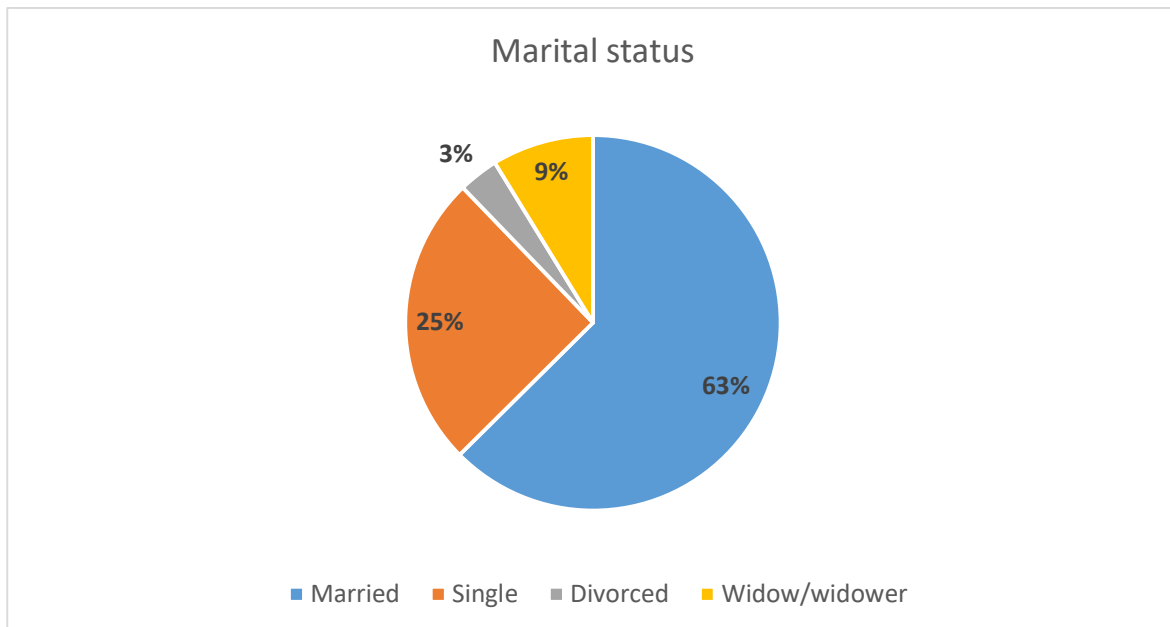


Q12.If you are an entrepreneur, what kind of a business permit do you have?

Base: Those who are entrepreneur/Self-employed(n=195)

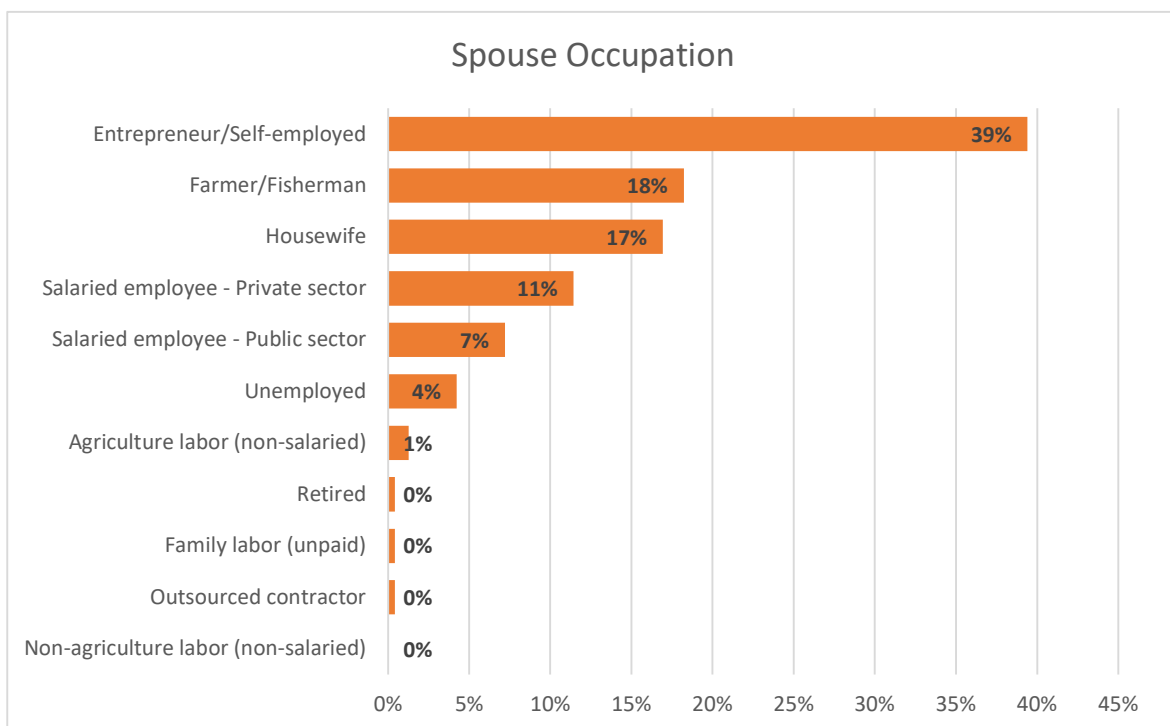


Q13. What is your marital status?

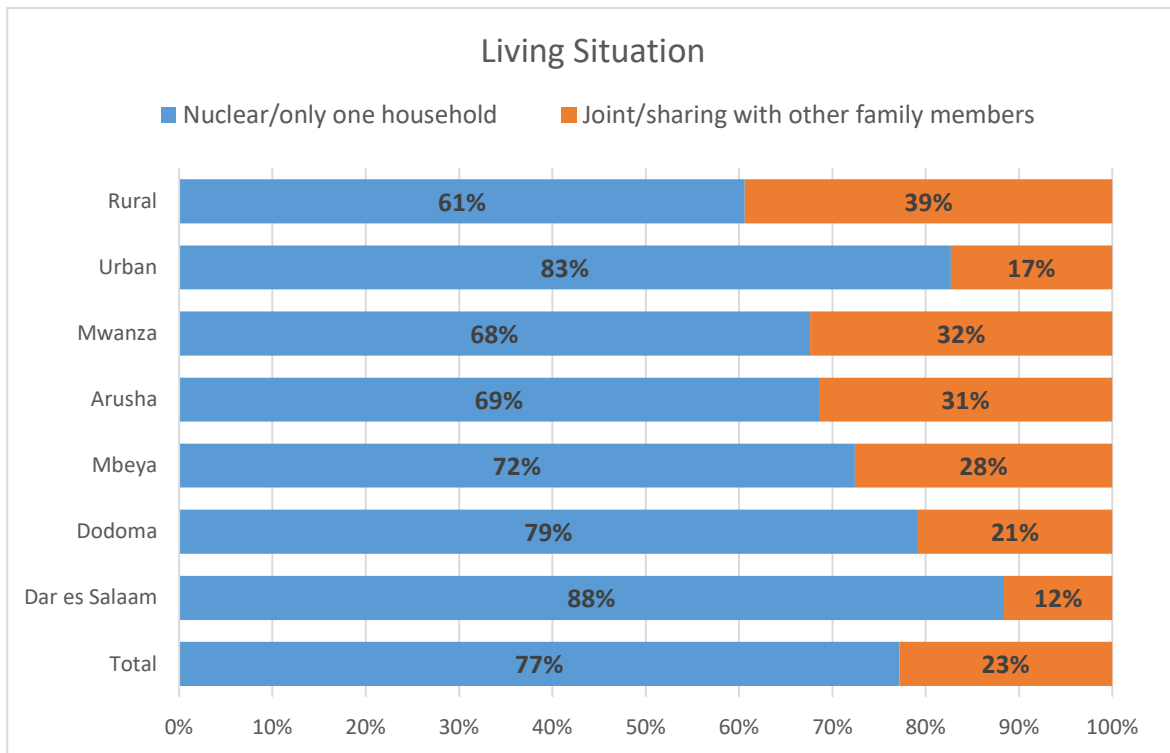


Q14. What does your spouse work as?

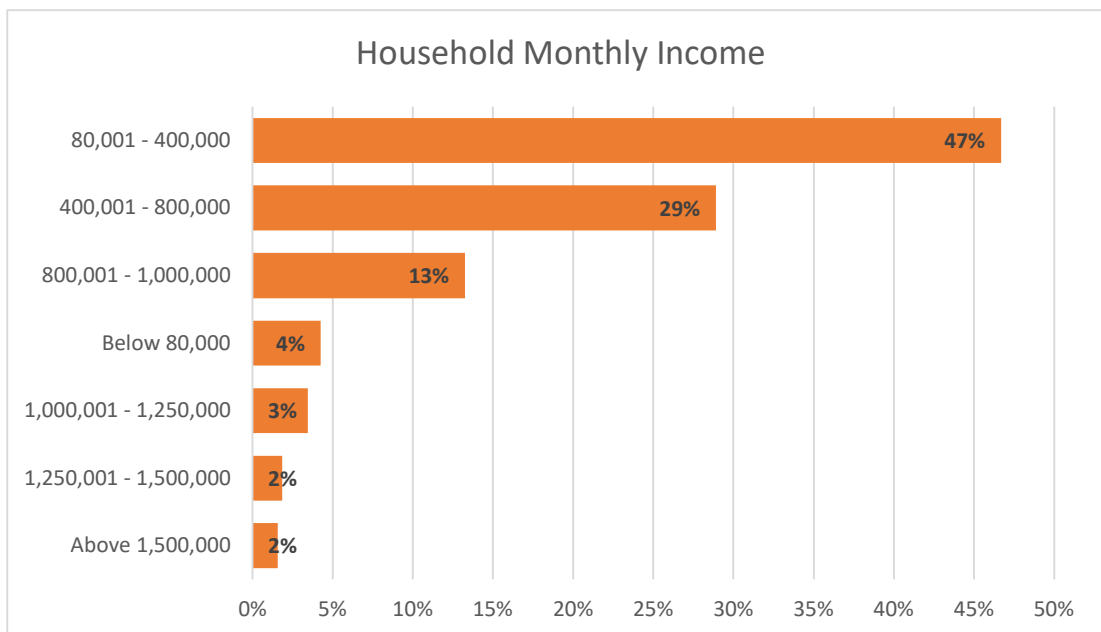
Base: Those who are married (n=236)



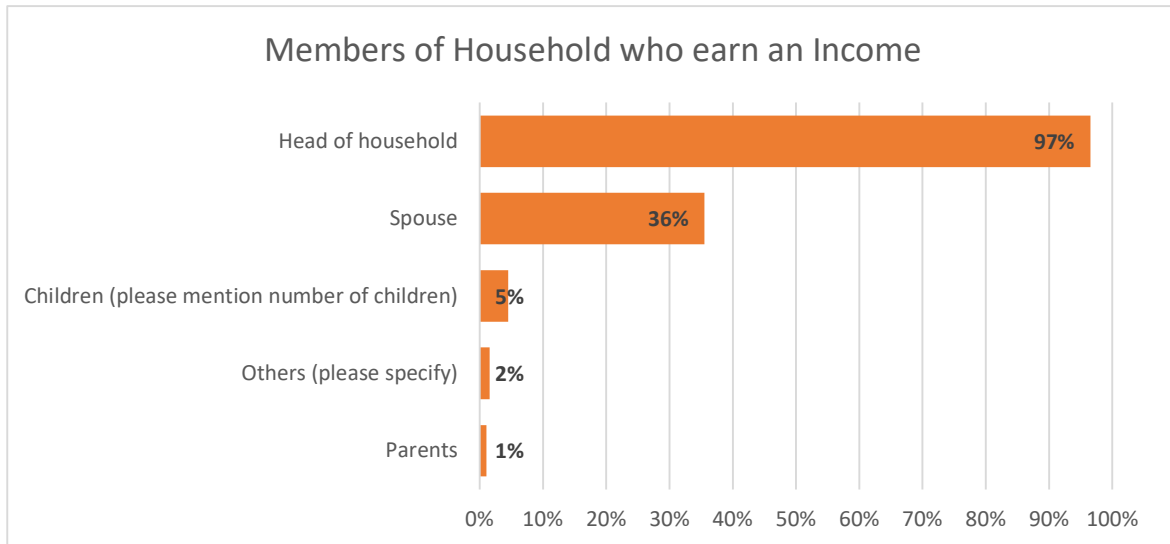
Q15. What best describes your living situation?



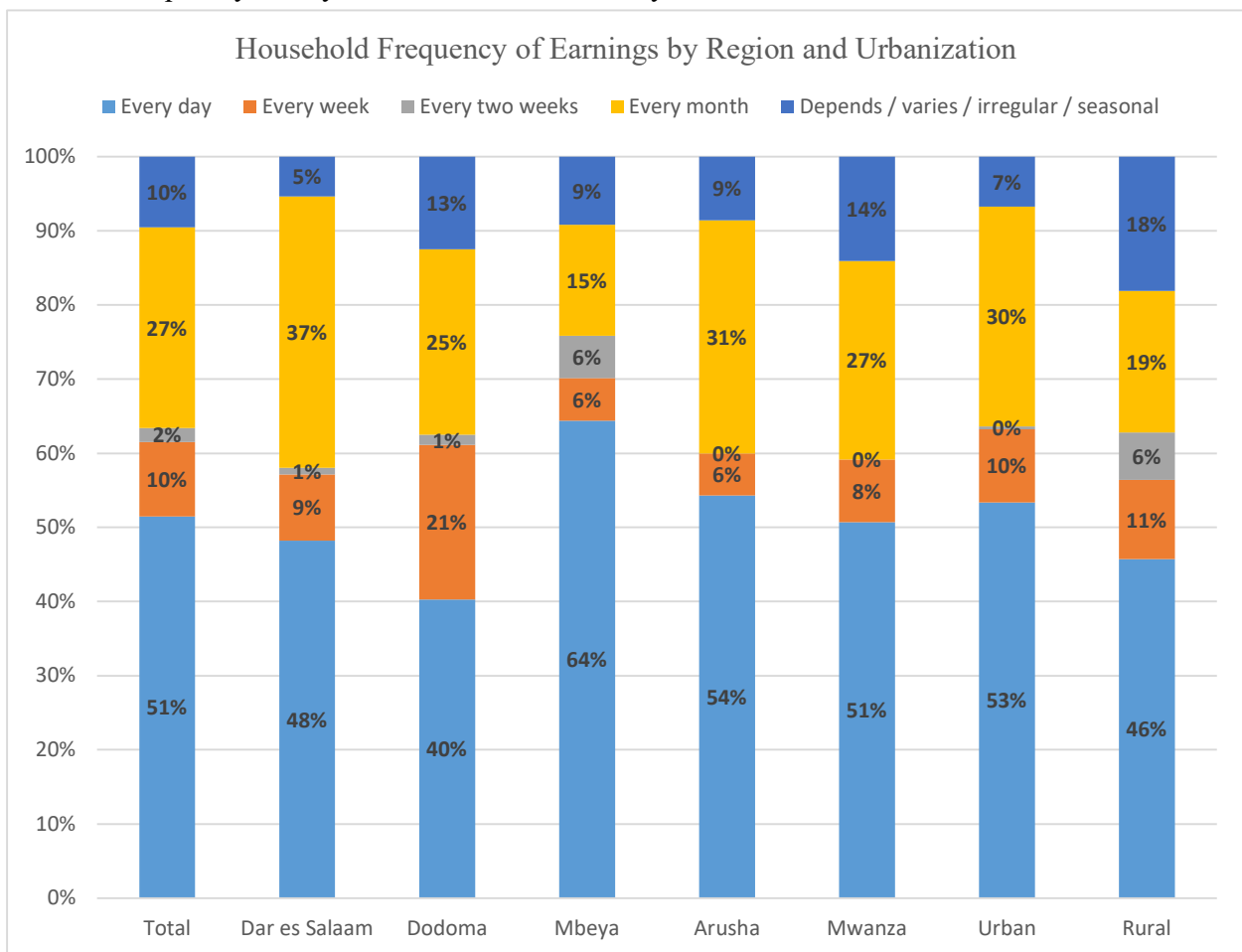
B1. On average, what is the monthly income of your household?



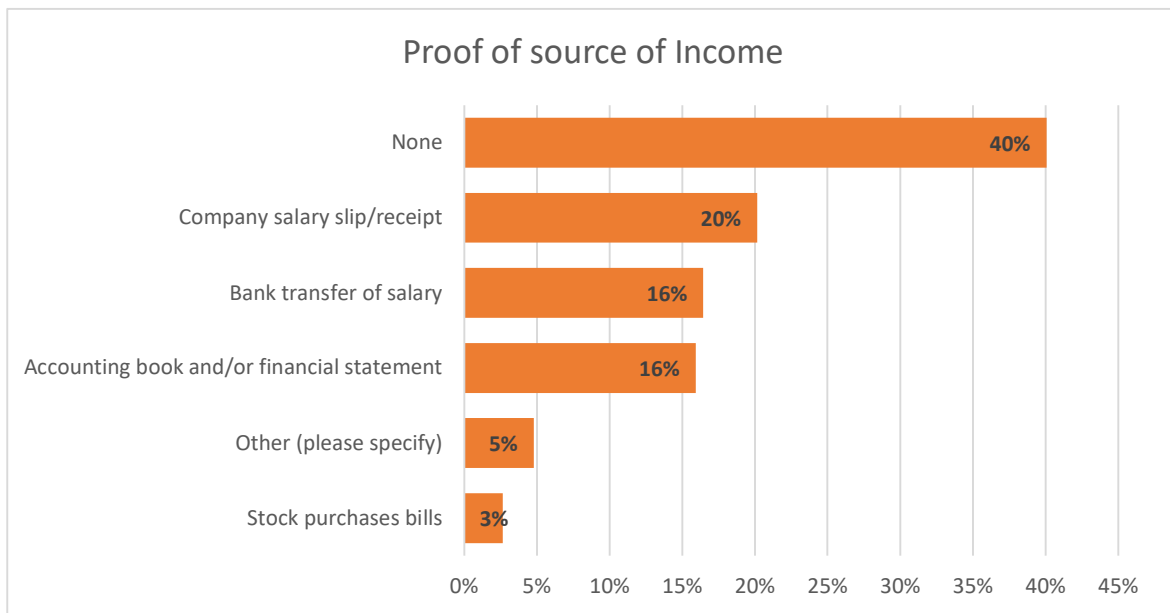
B2. Which members of your household earn an income?



B4. How frequently does your household earn money?

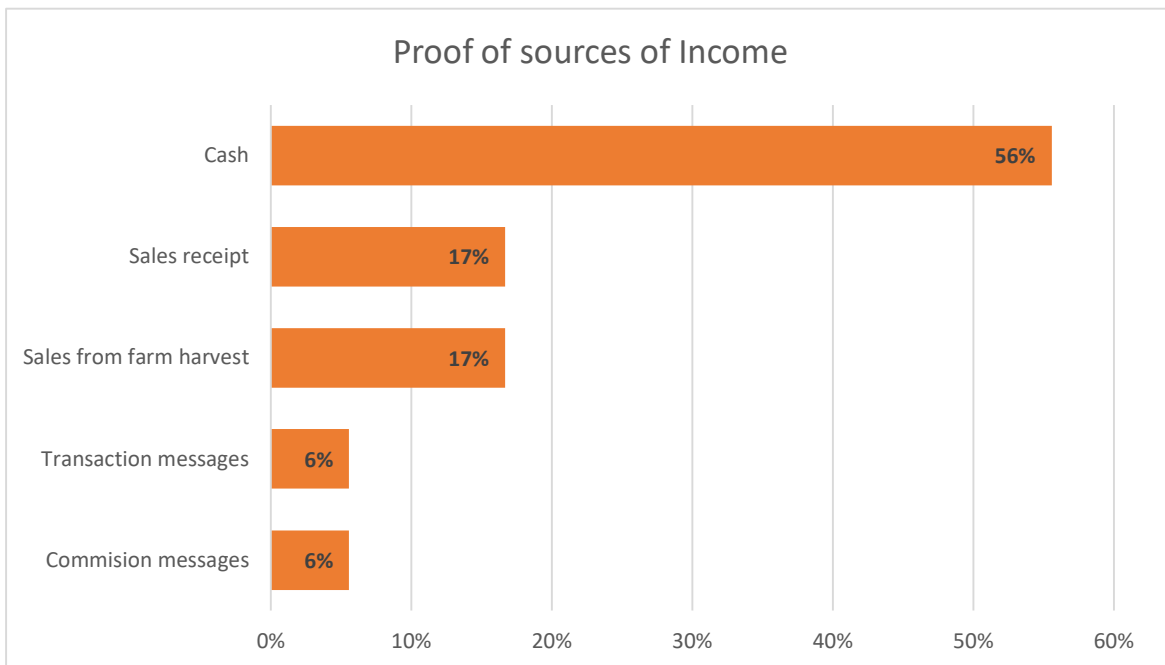


B5. What kind of proof do you have for your sources of income?

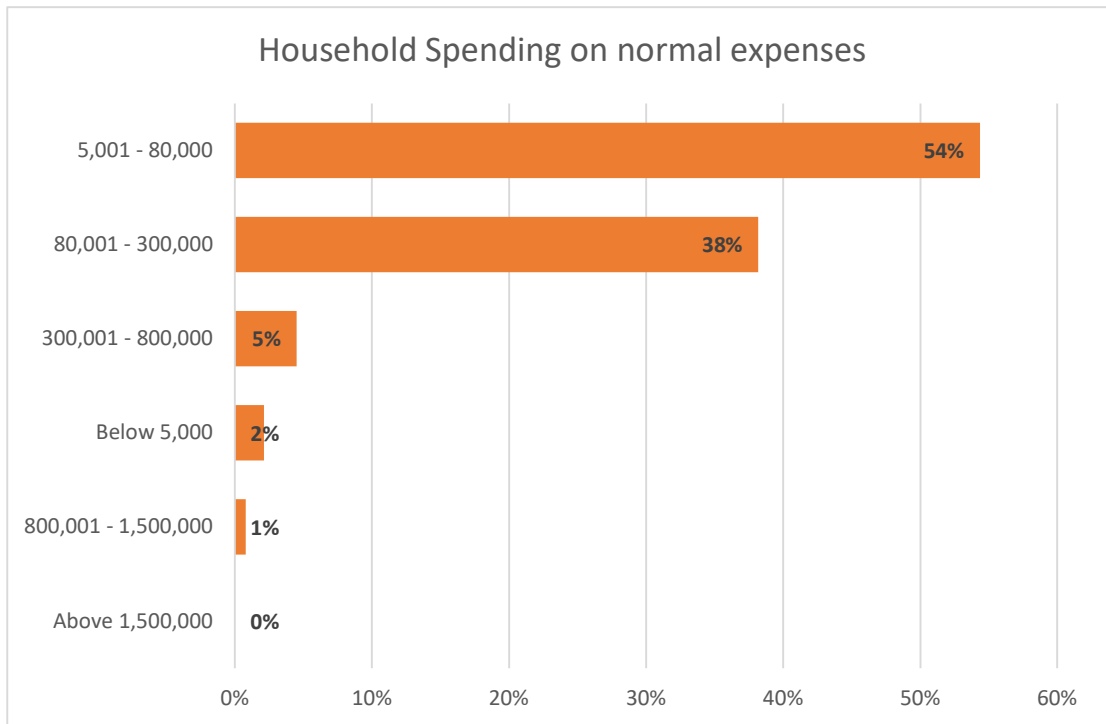


B5_Other. What kind of proof do you have for your sources of income? _ Other specify

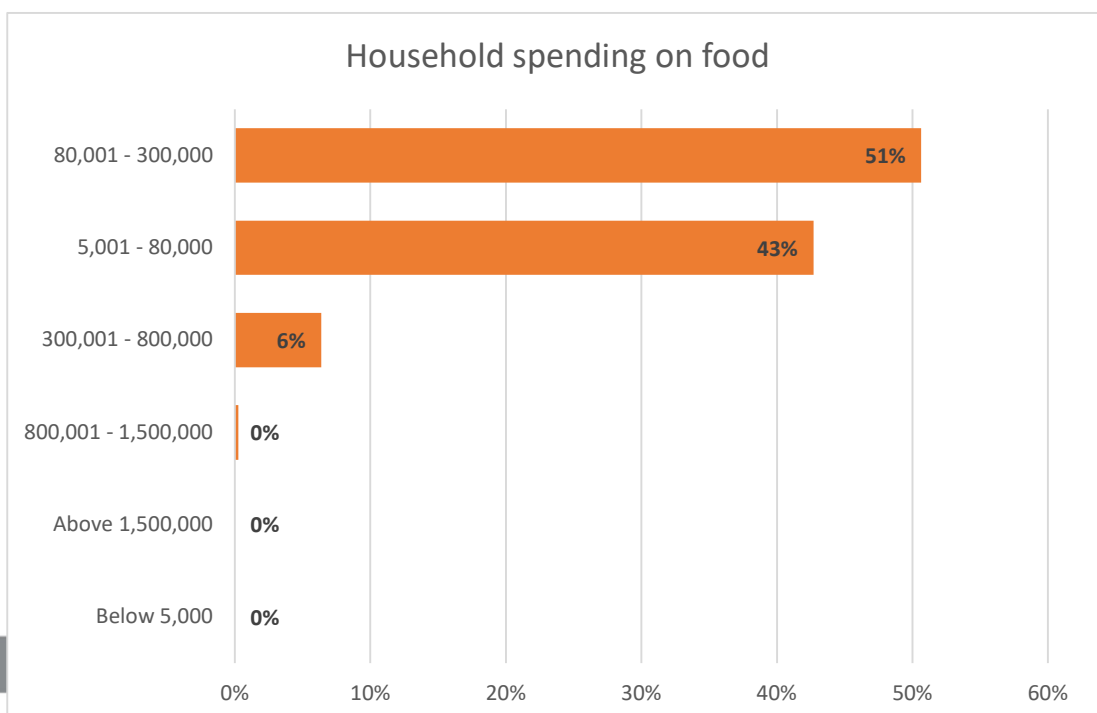
Base: Other specify (n=6)



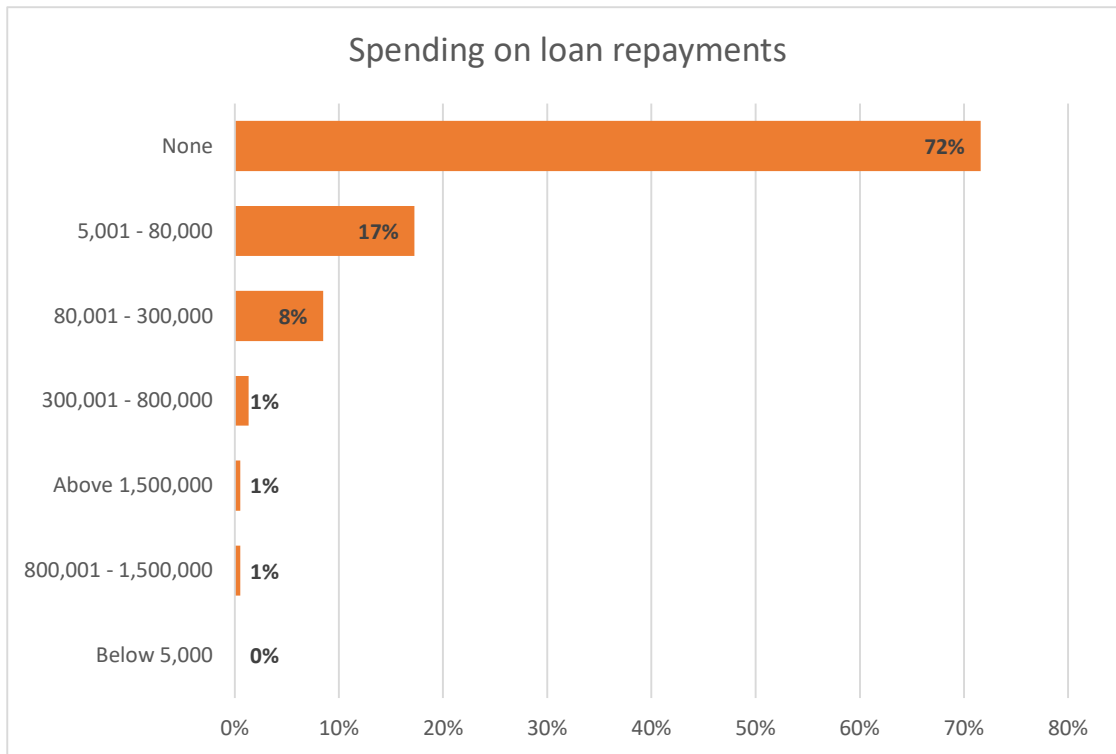
B6. In the last month, how much did your household spend on normal expenses, excluding food (TZS)?



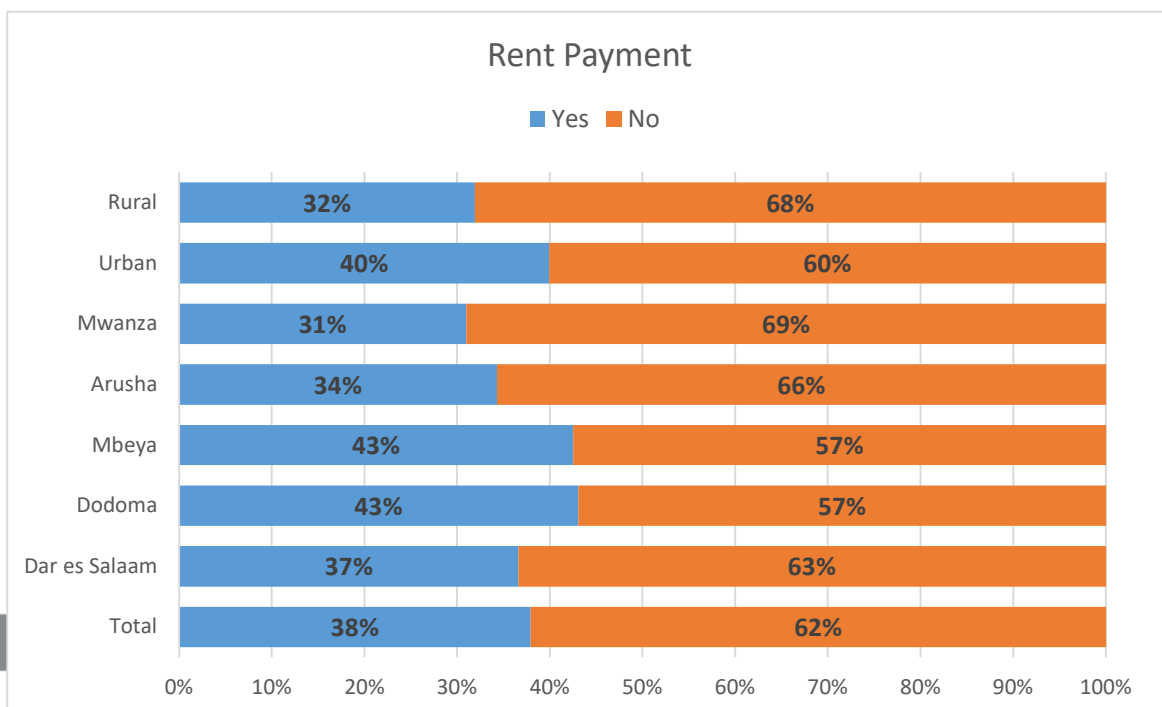
B7. In the last month, how much did you spend on food (TZS)?



B8. In the last month, how much did you spend on loan repayments?

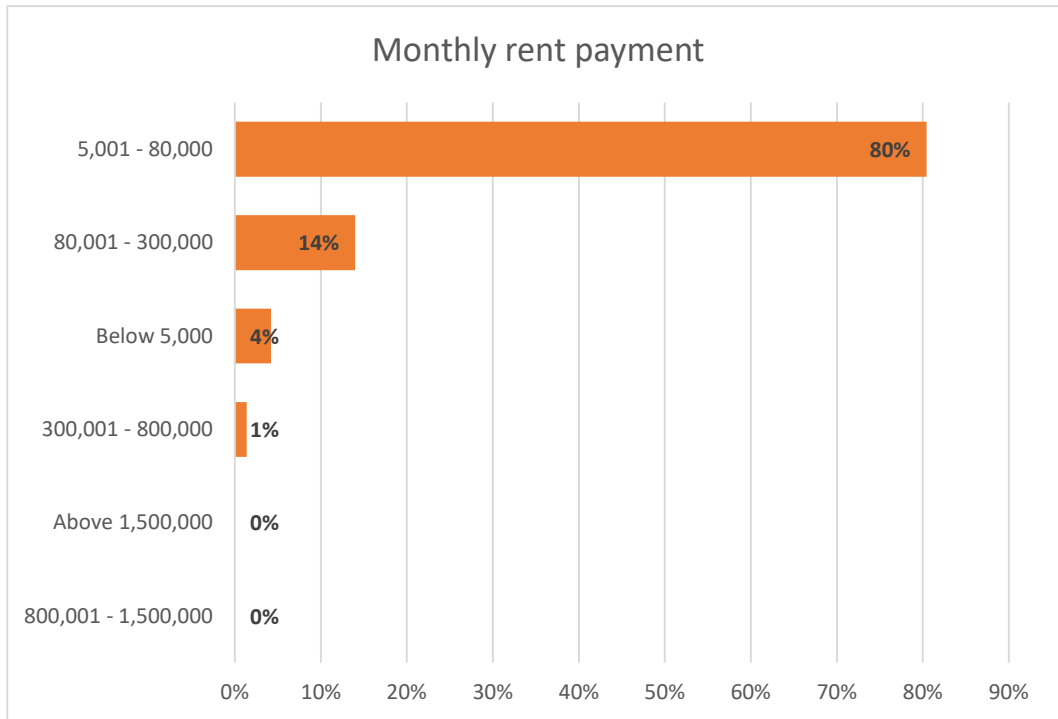


B9. Do you pay rent?

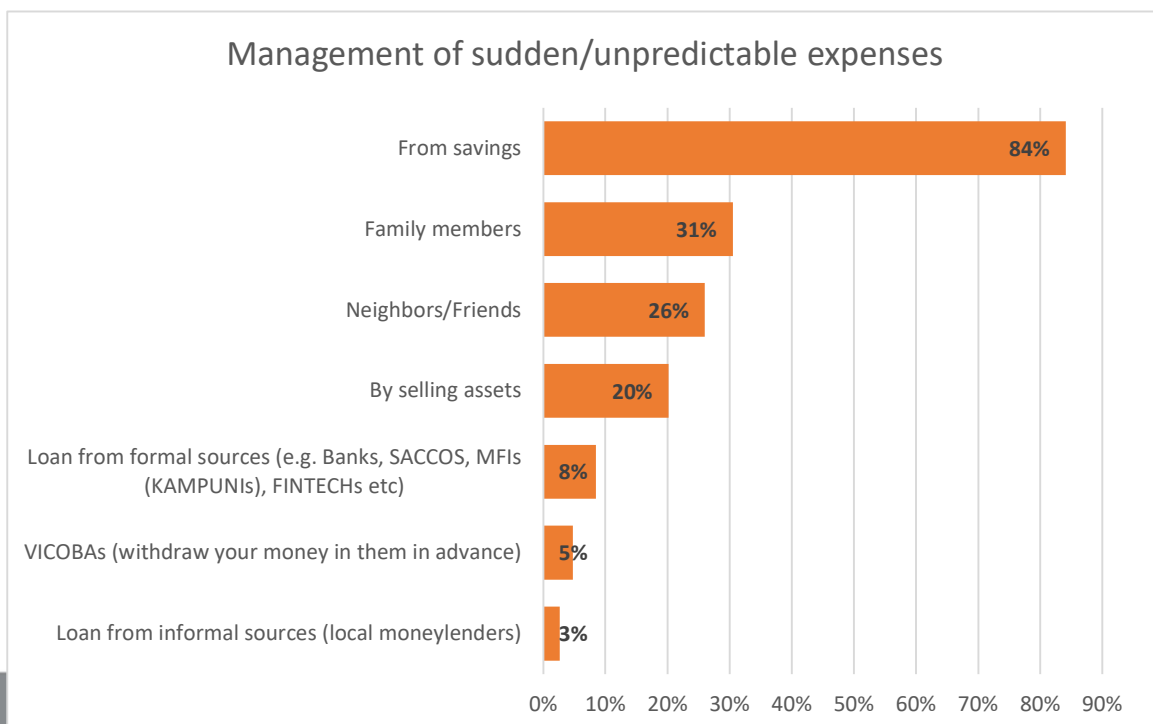


B10. How much is your monthly rent?

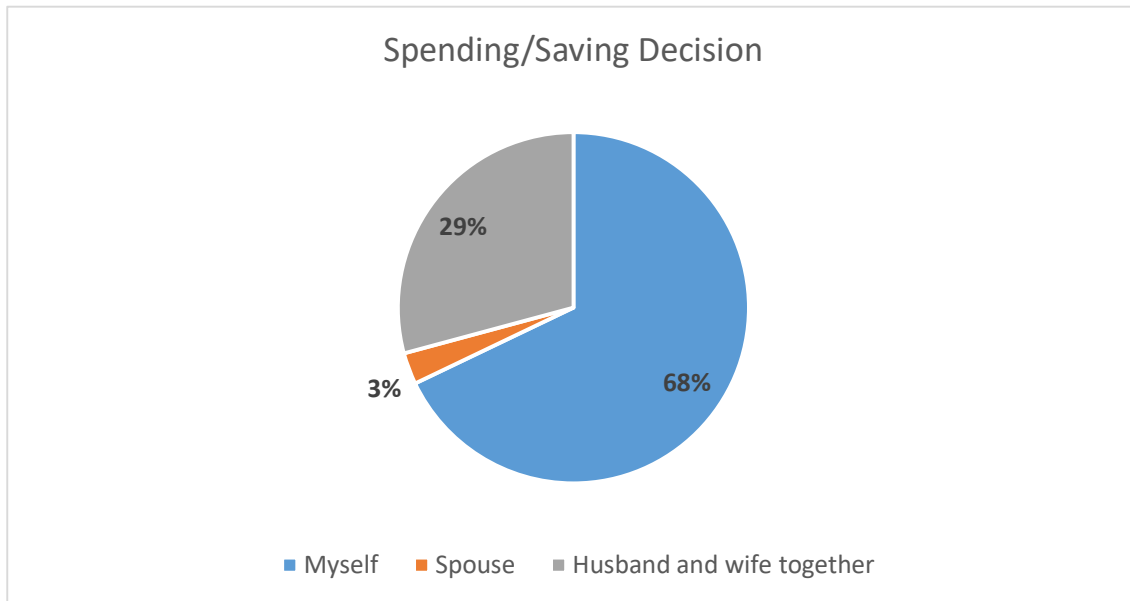
Base: Those who pay rent (n=143)



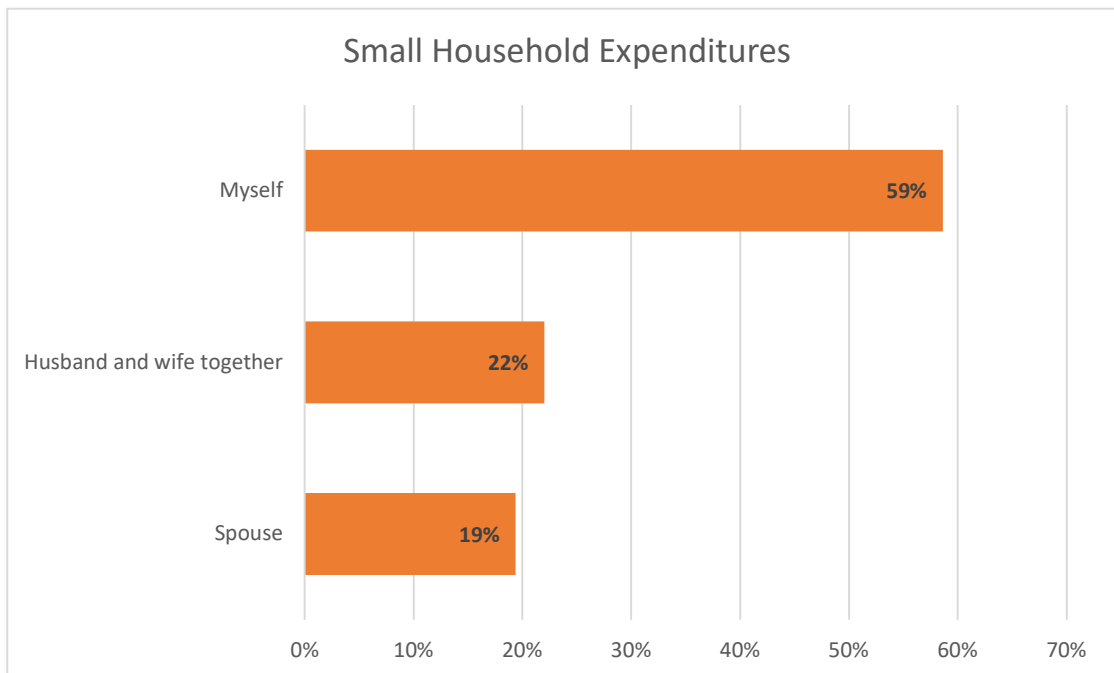
B11. How do you manage sudden/unpredictable expenses?



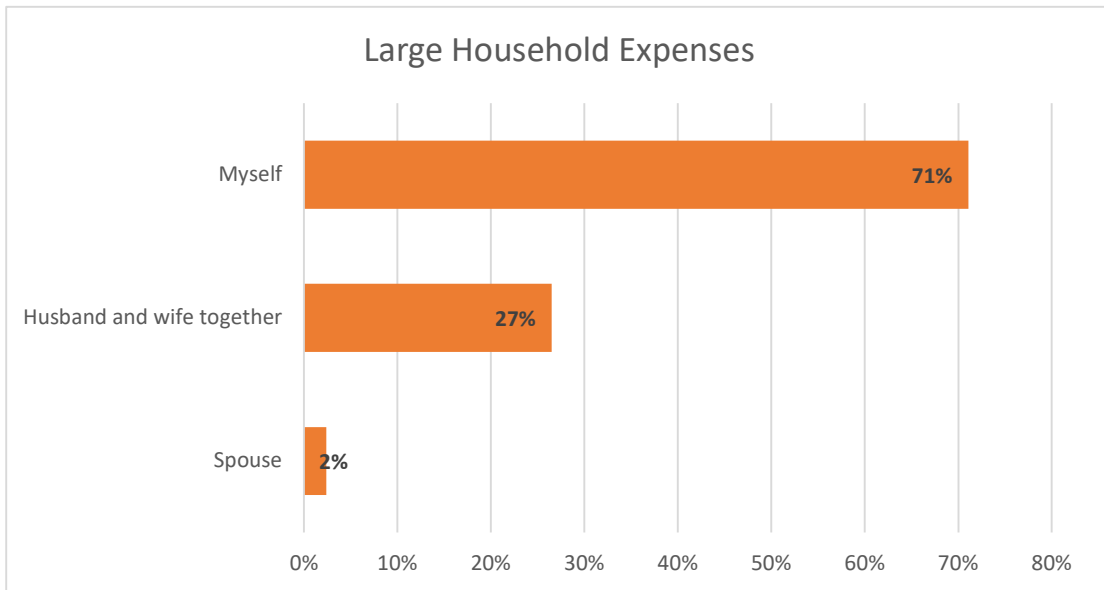
B12. Who usually decides how to spend /save the household income?



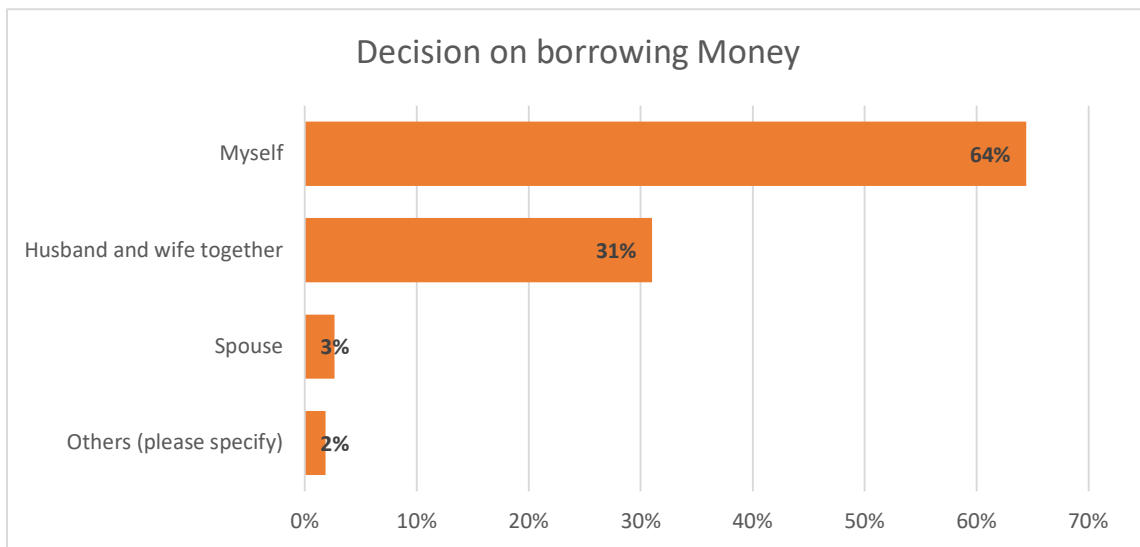
B13. Who usually manages small household expenditures (<TZS 100,000)?



B14. Who usually manages large household expenses? (>TZS 100,000)

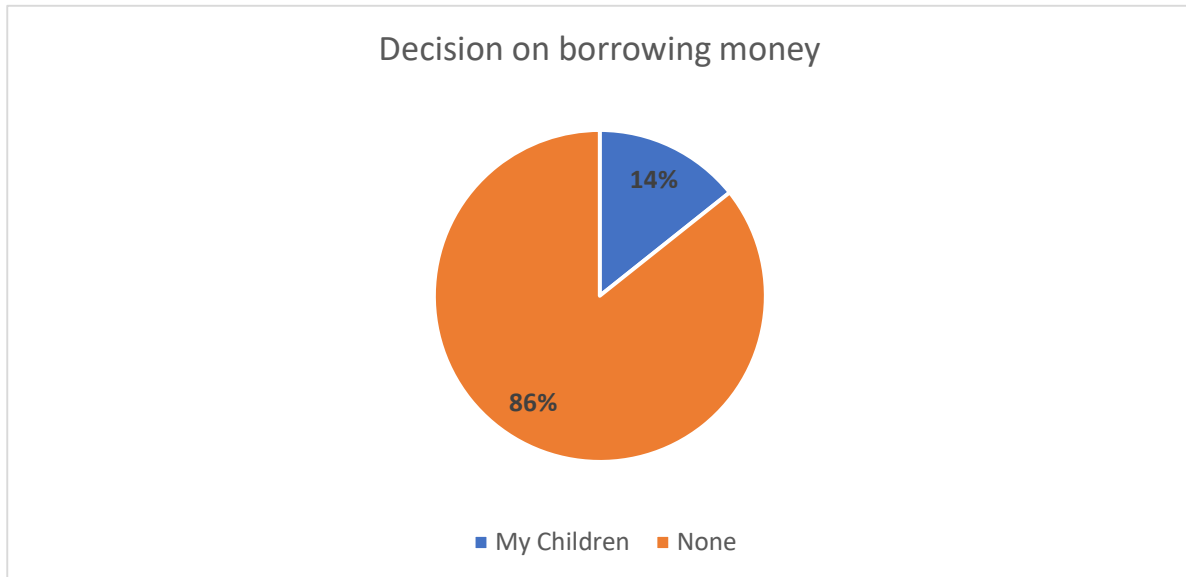


B15. Who usually decides from where to borrow money?



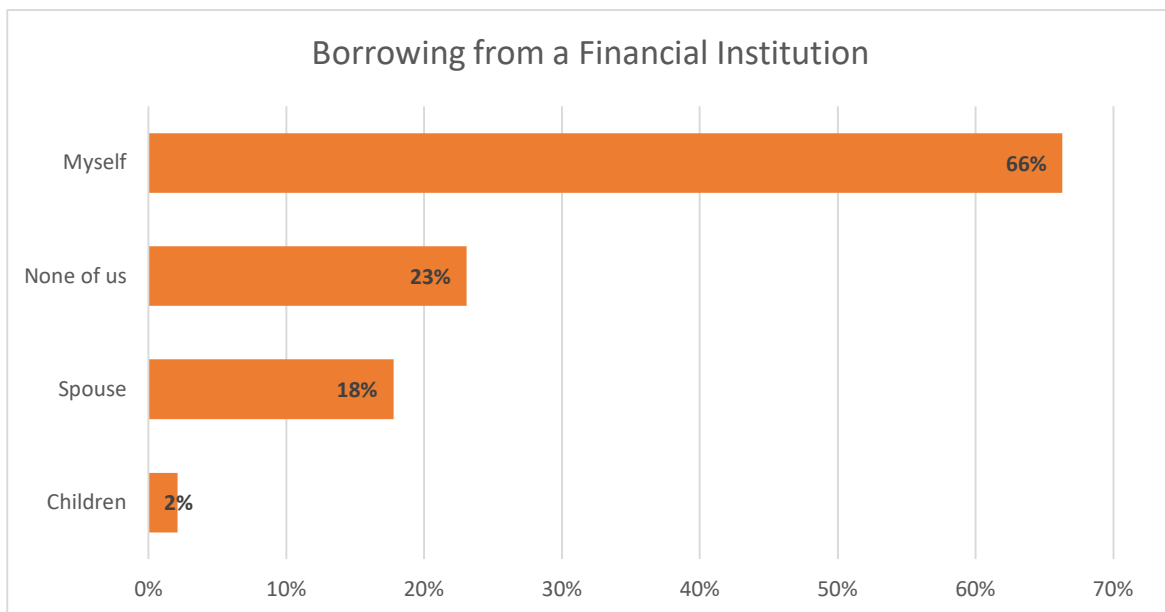
B15_Other.Who usually decides from where to borrow money? Other specify

Base: Other specify(n=7)

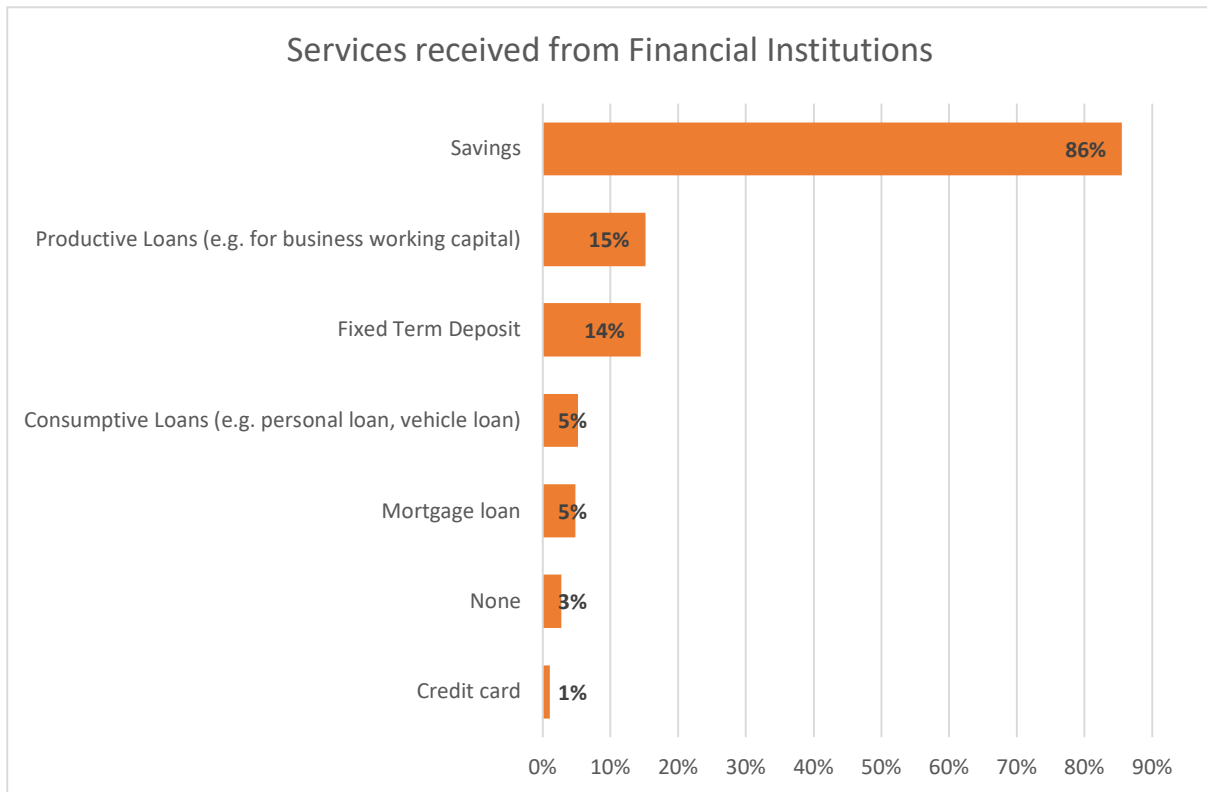


C. FINANCIAL BEHAVIOUR OF THE HOUSEHOLD

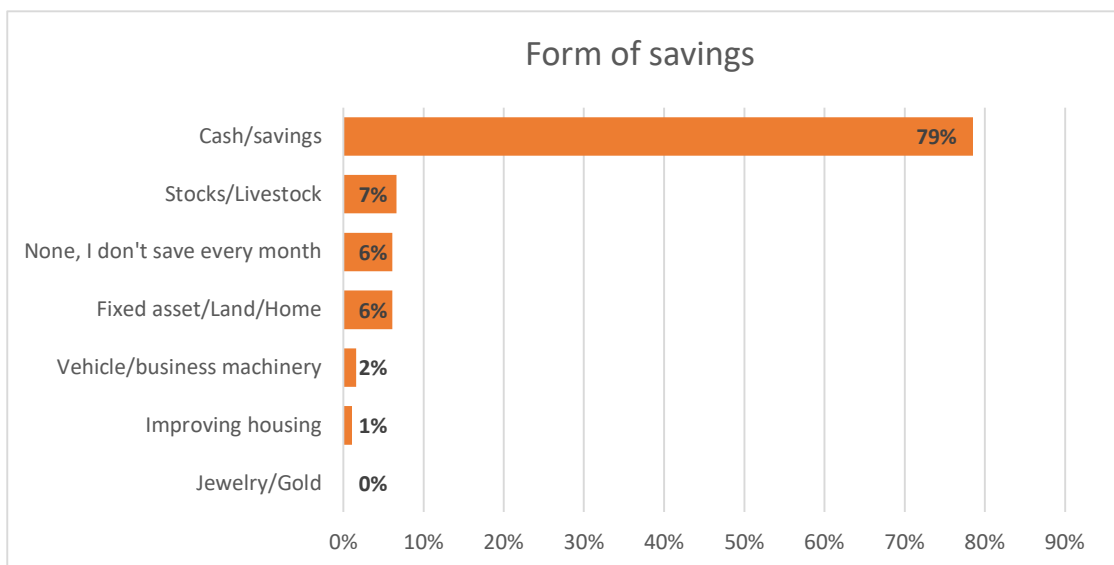
C1. In your household, who saves at or borrows from a financial institution?



C2. What services do you use from this financial institution?

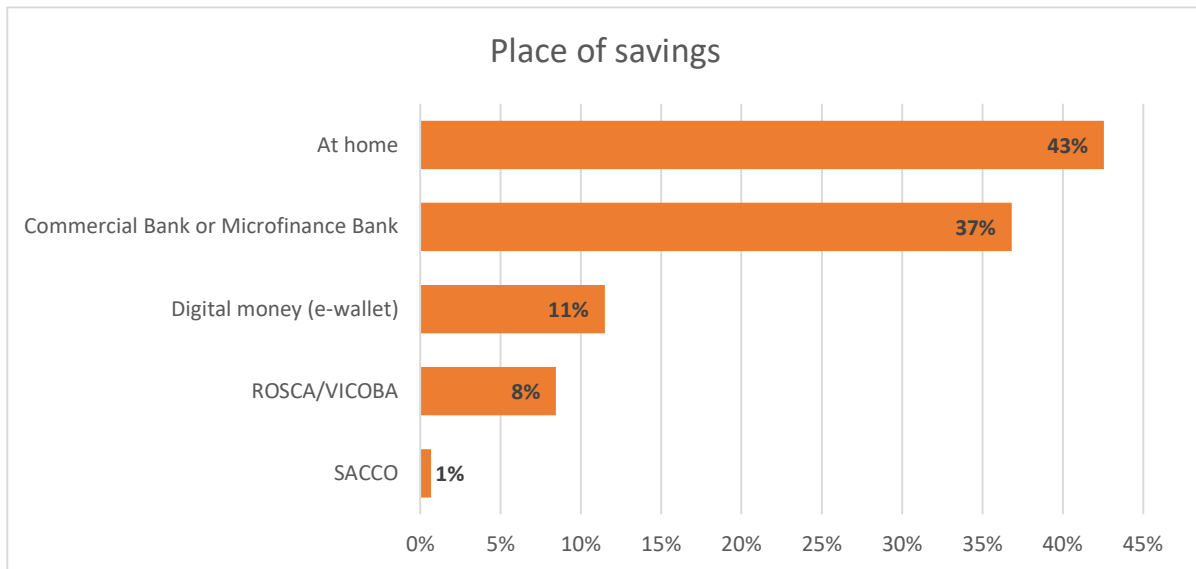


C3. When your household saves, in what form do you save?

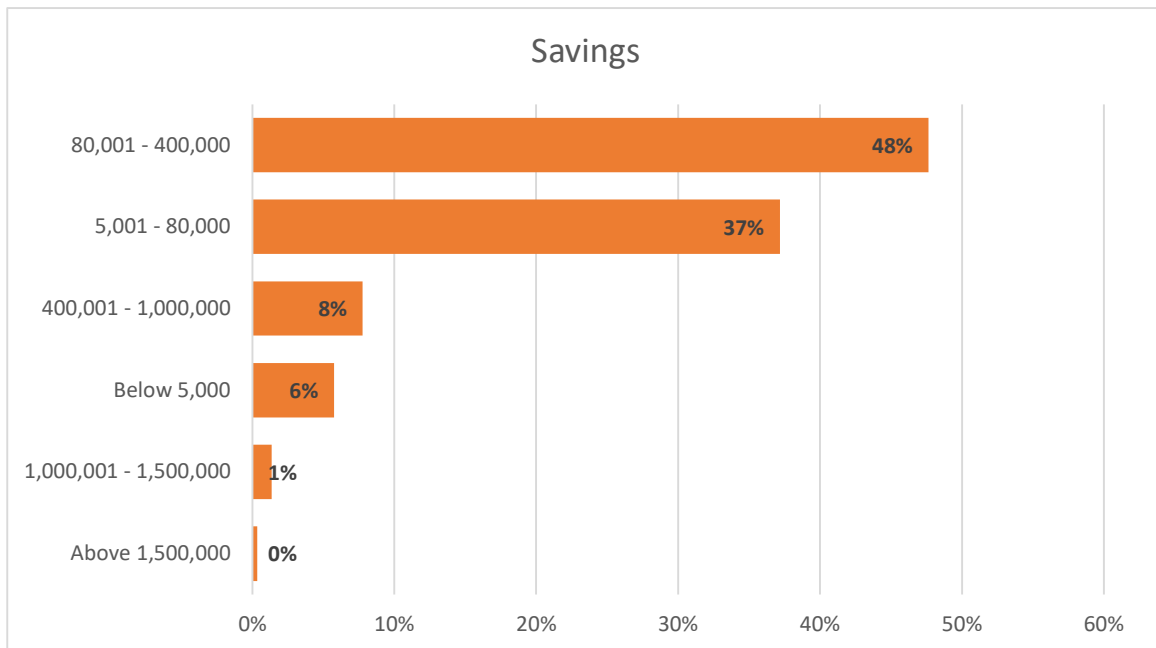


C4. If saving in cash, where do you save your money?

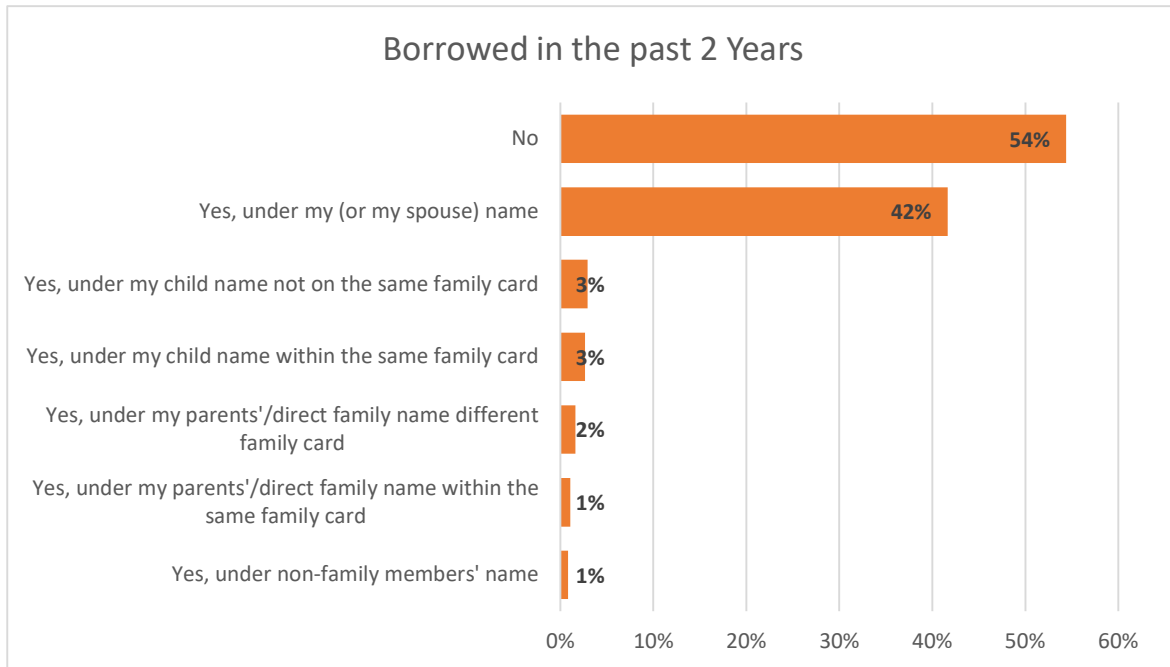
Base: Cash/Savings (n=296)



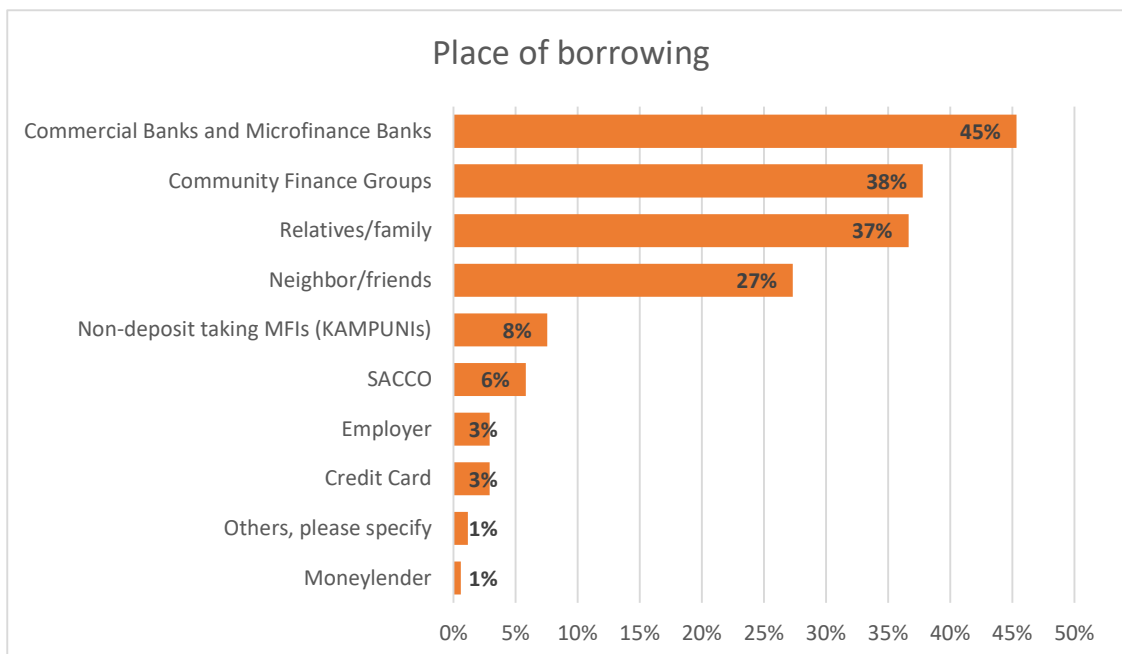
C5. How much did you save last month (in TZS)?



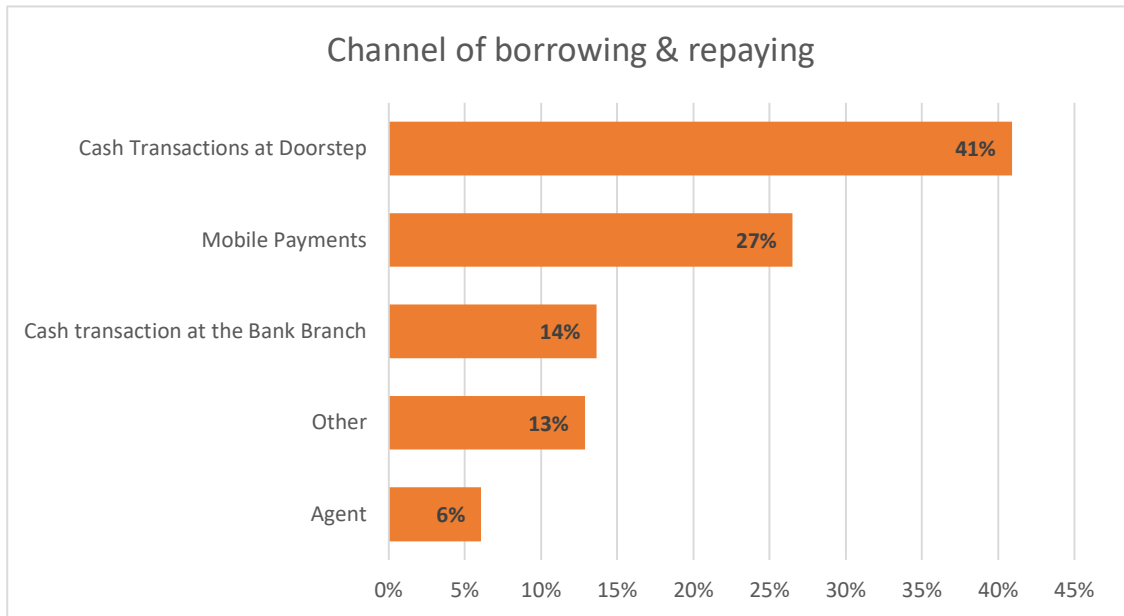
C6. In the past two years, have you borrowed money?



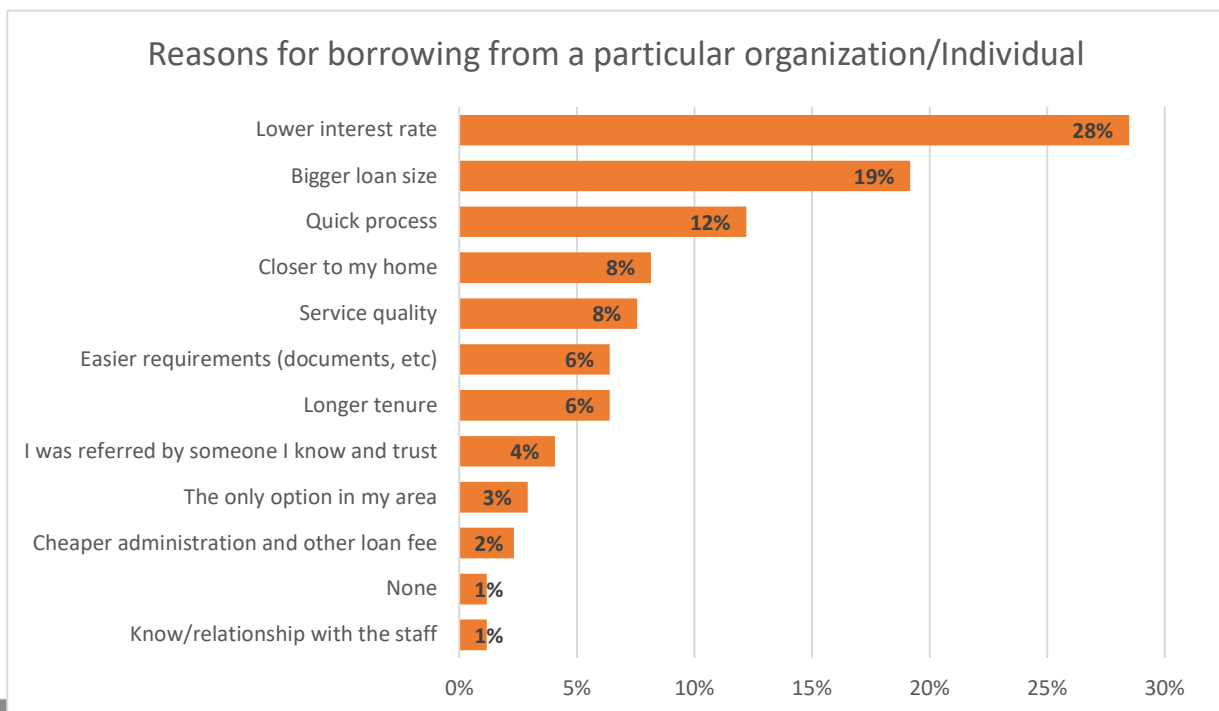
C7. Where/who did you borrow the money from?



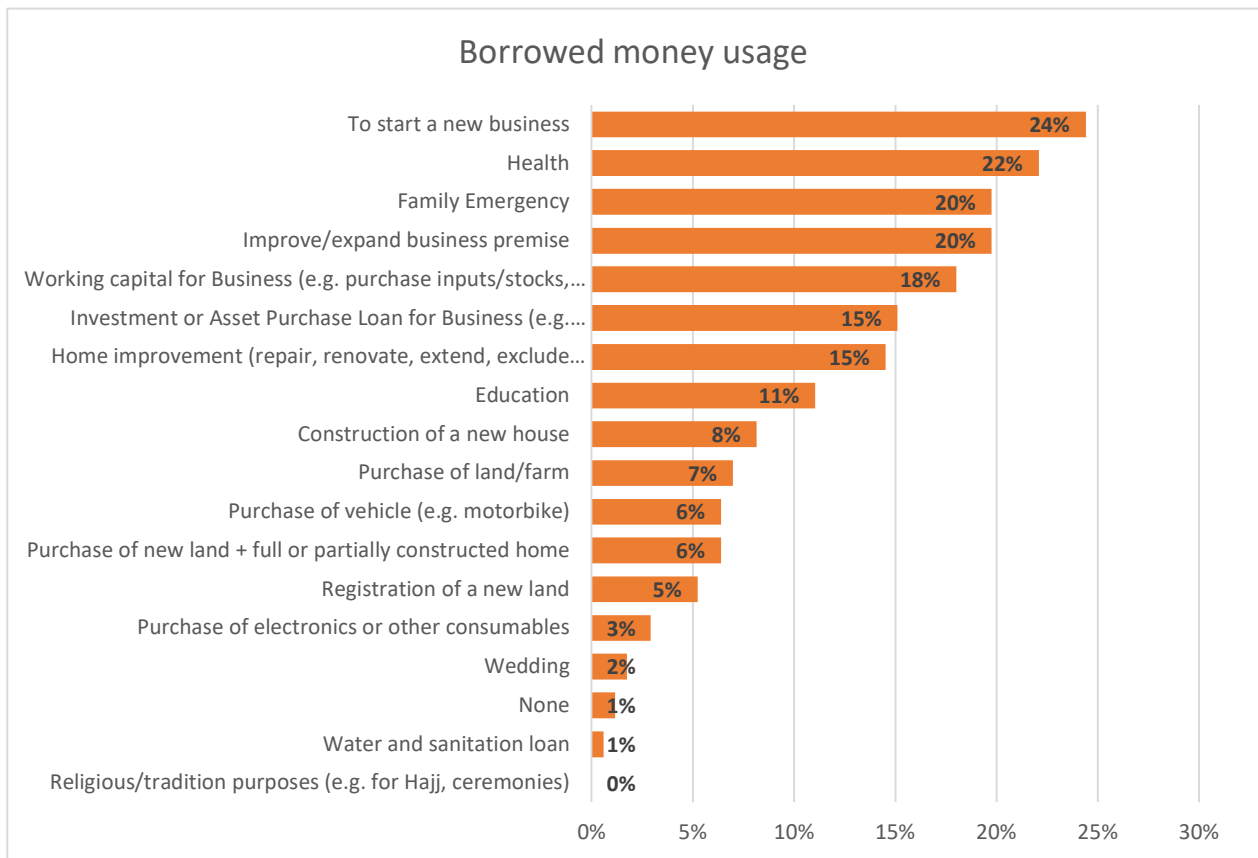
C8. What channel did you use to borrow and repay the loan?



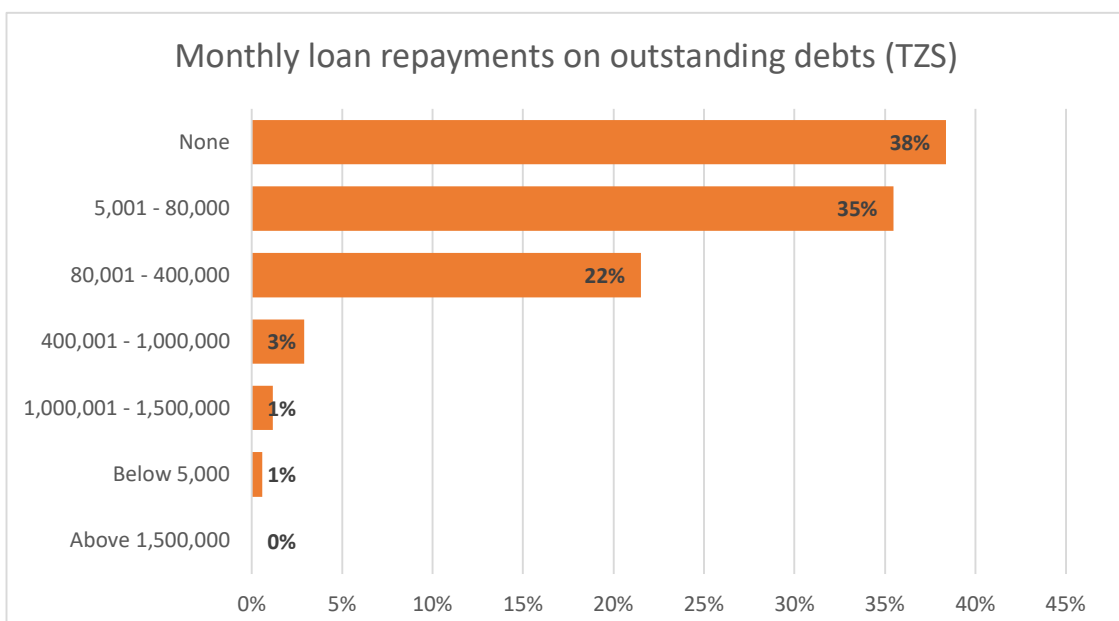
C9. Why did you choose to borrow from this organisation/person?



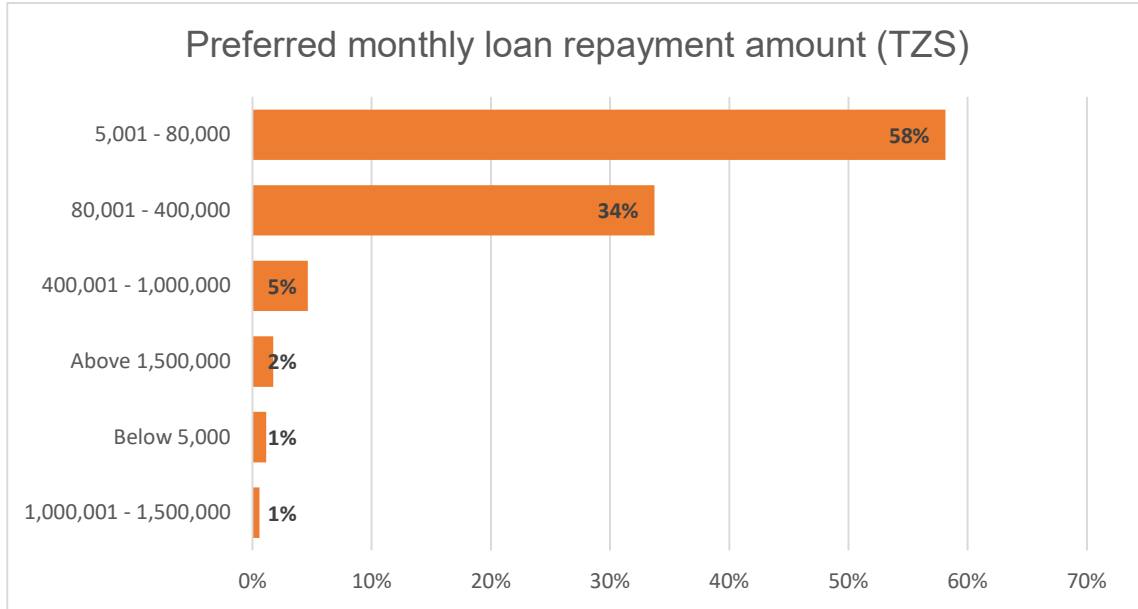
C10. What did you use the borrowed money for?



C11. If you still owe money, how much do you pay back each month (TZS)?



C12.If you were to borrow money again in the future, how much would you prefer to pay back each month (TZS)?

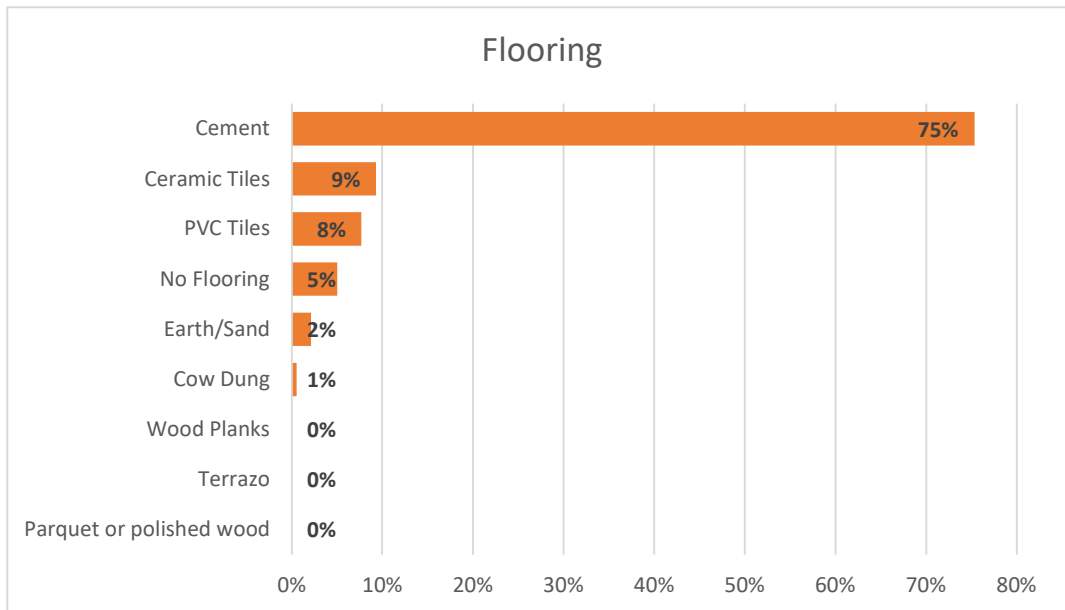


D. UNDERSTANDING CURRENT HOUSING CONDITIONS AND RECENT HOME IMPROVEMENTS MADE

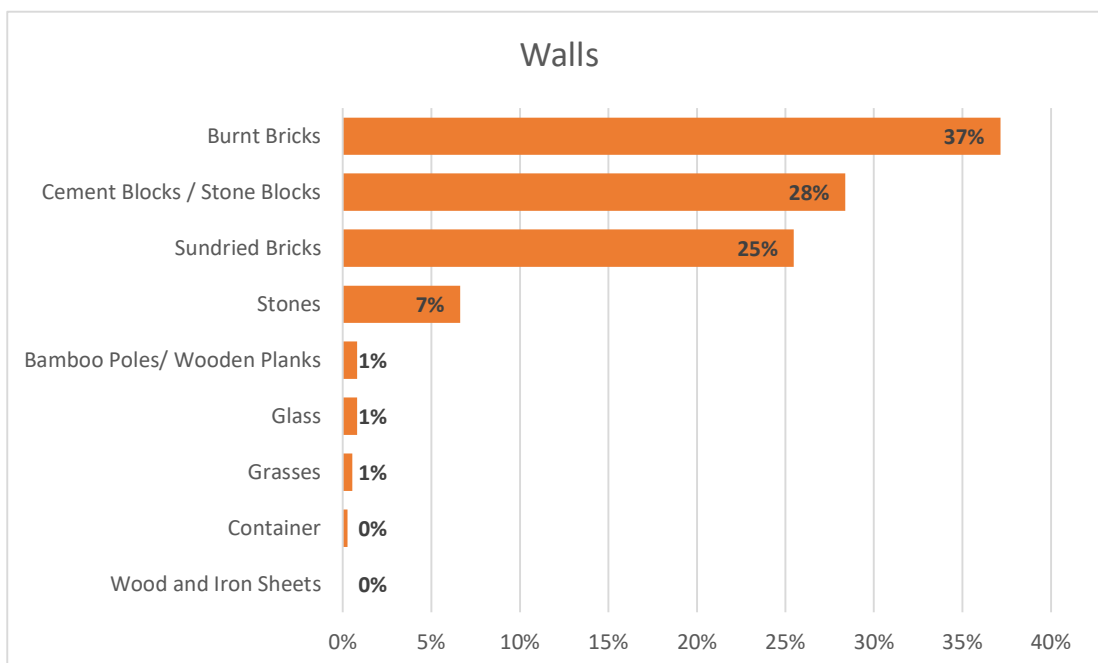
CURRENT HOUSING CONDITIONS

Building Materials

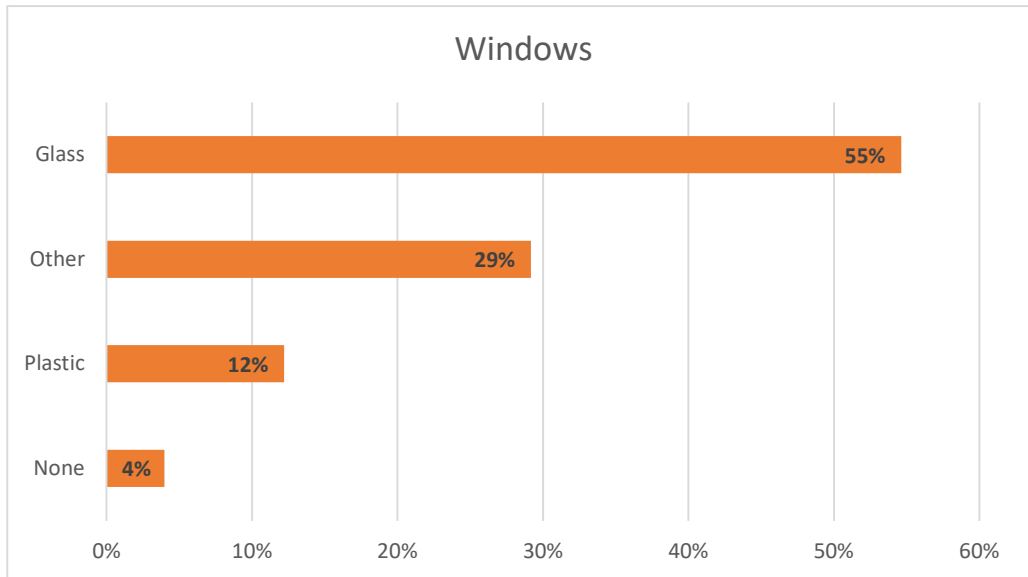
DB1.Flooring



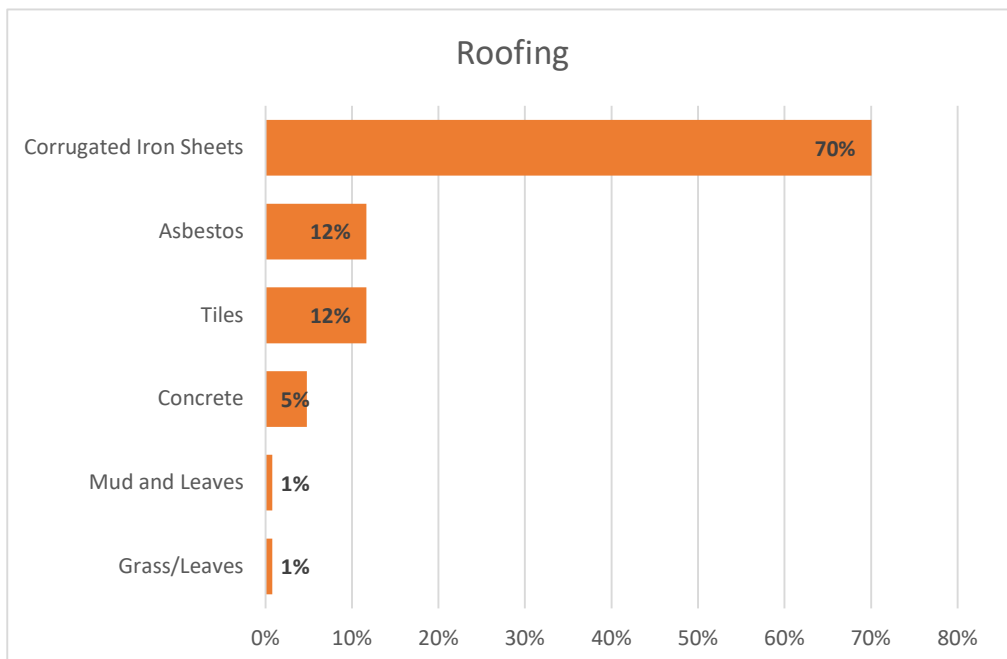
DB2.Walls



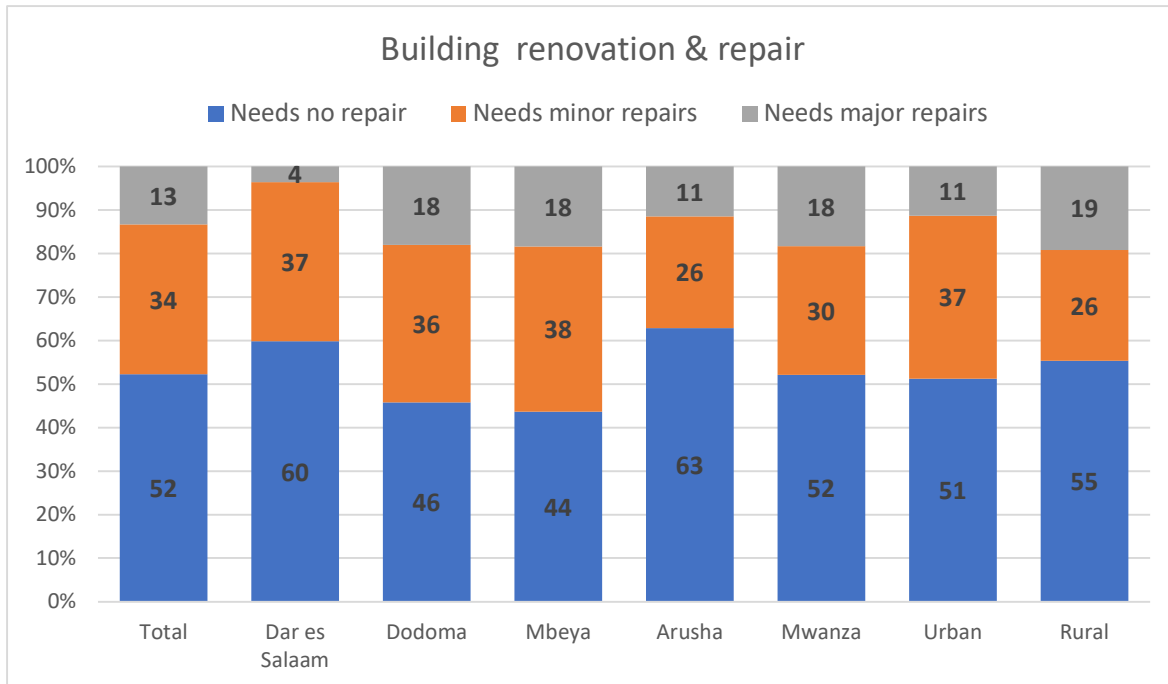
DB3.Windows



DB4.Roofing

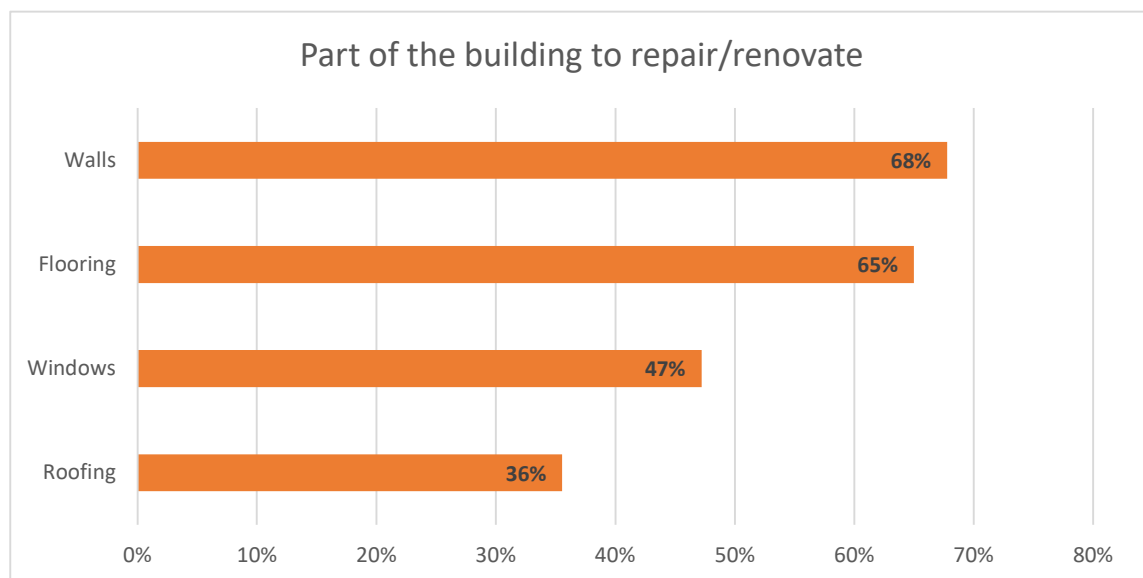


DR5.Does the building need renovation/repair?



DR6.Which part(s) of the building need renovation/repair?

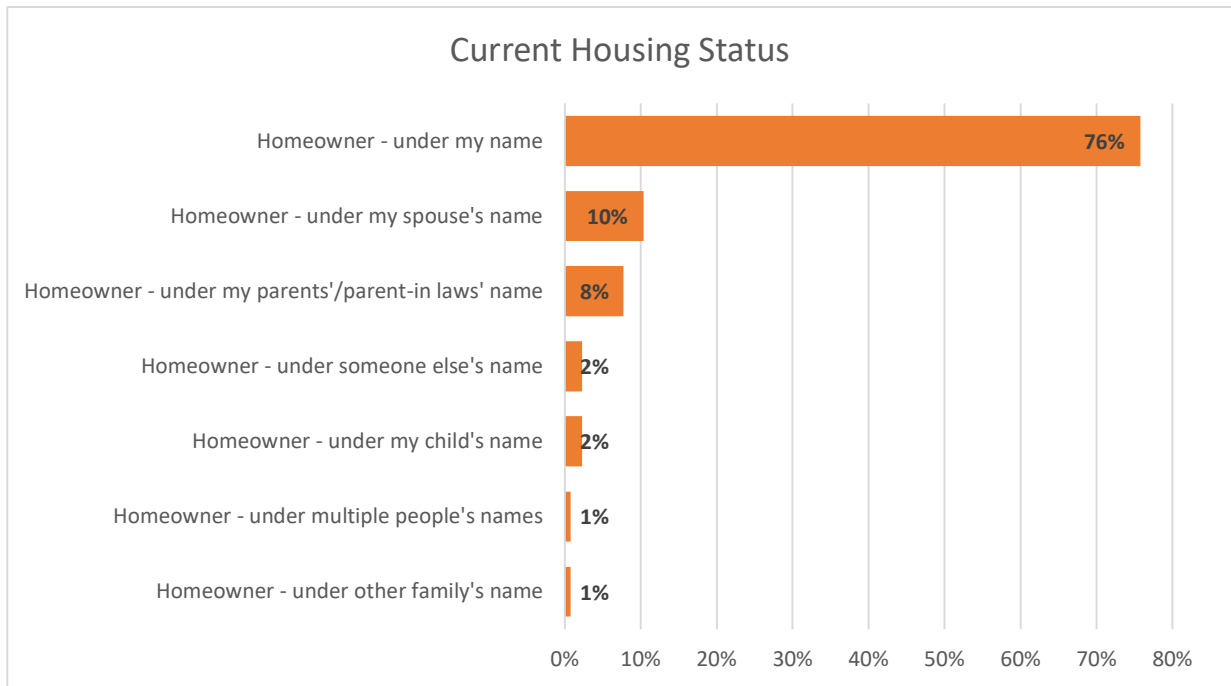
Base: Needs minor/major repairs (n= 180)



RECENT HOME IMPROVEMENTS/UPGRADES

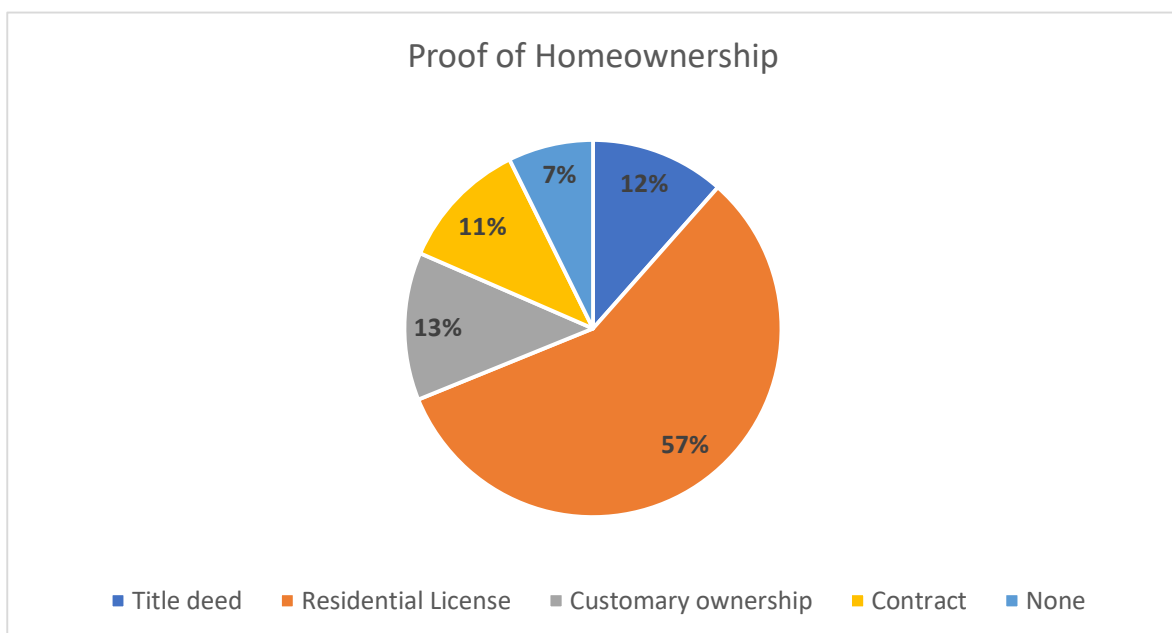
RHI1. What best describes your current housing status?

Base: Homeowner - under my name. Homeowner - under multiple people's names (n=260)



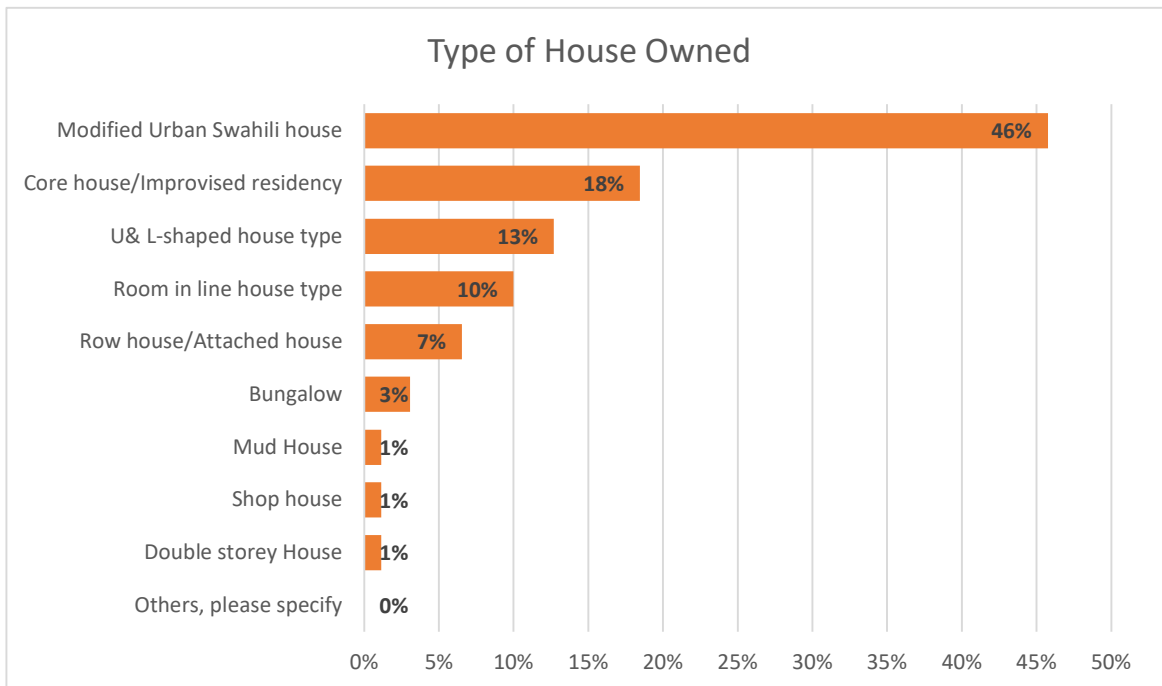
RHI2. What proof of homeownership do you have?

Base: Homeowner - under my name. Homeowner - under multiple people's names (n=260)



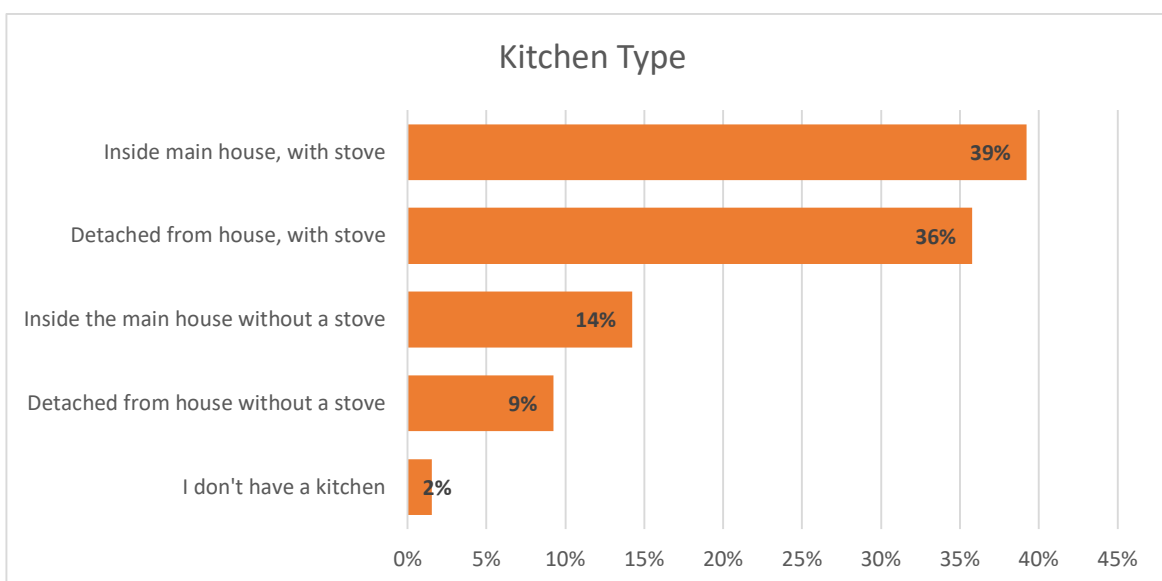
RHI4. What type of house do you currently own?

Base: Homeowner - under my name. Homeowner - under multiple people's names (n=260)



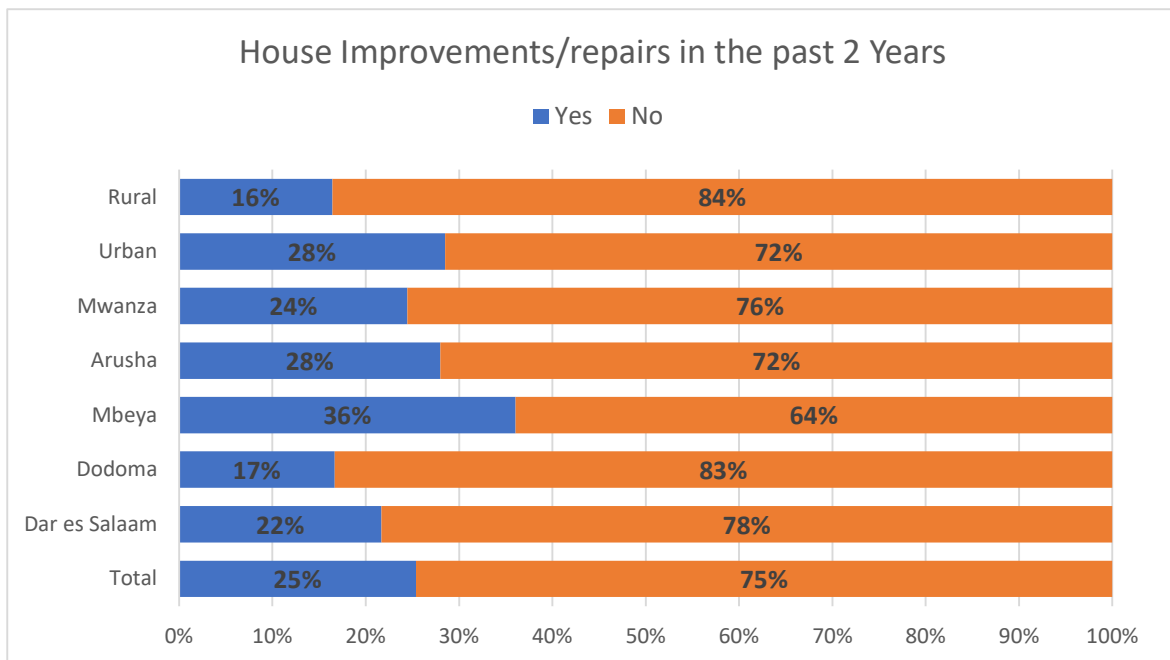
RHI5. What type of kitchen do you have in your home

Base: Homeowner - under my name. Homeowner - under multiple people's names (n=260)



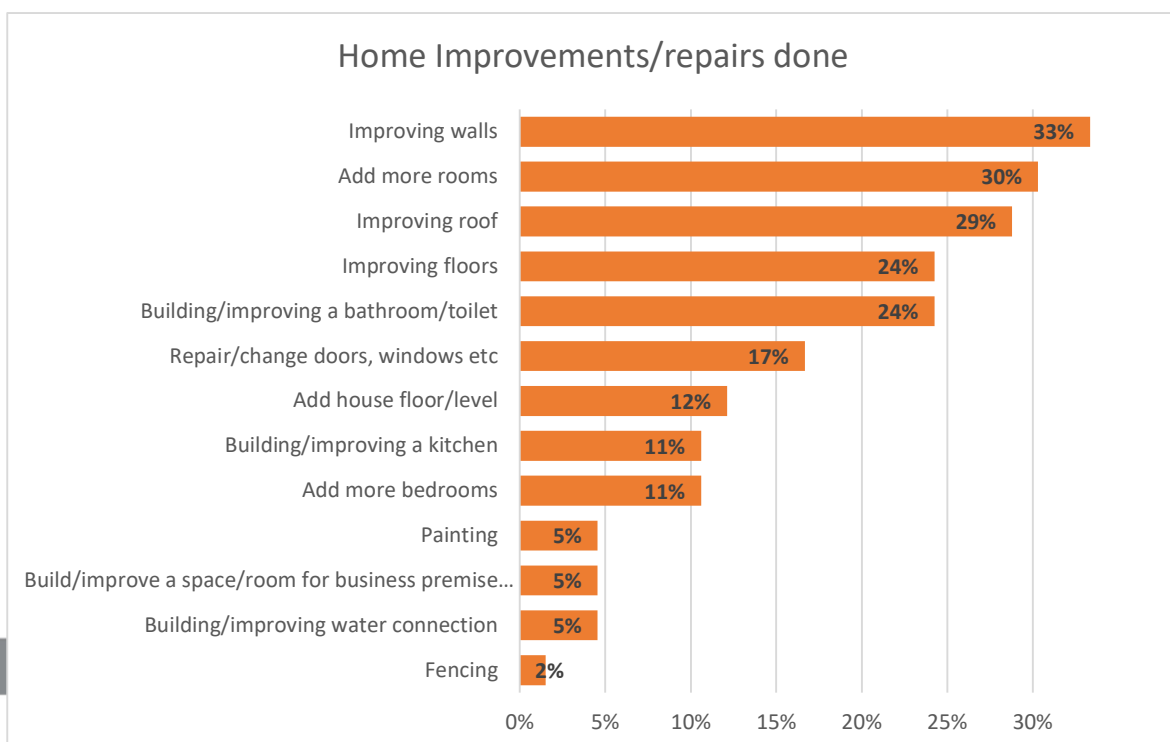
RHI6. During the past two years, have you made any improvements / repairs to your home?

Base: Homeowner - under my name. Homeowner - under multiple people's names (n=260)



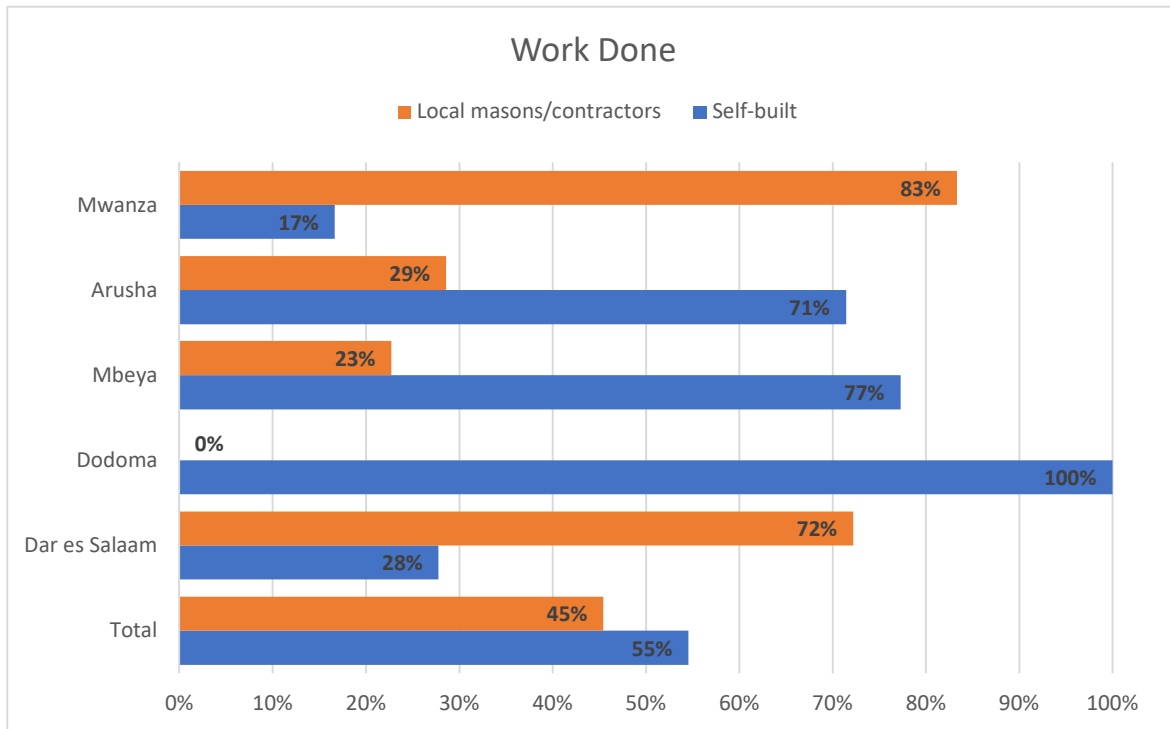
RHI7. What kind of home improvements/repairs have you done in the last two years?

Base: Yes (n=66)



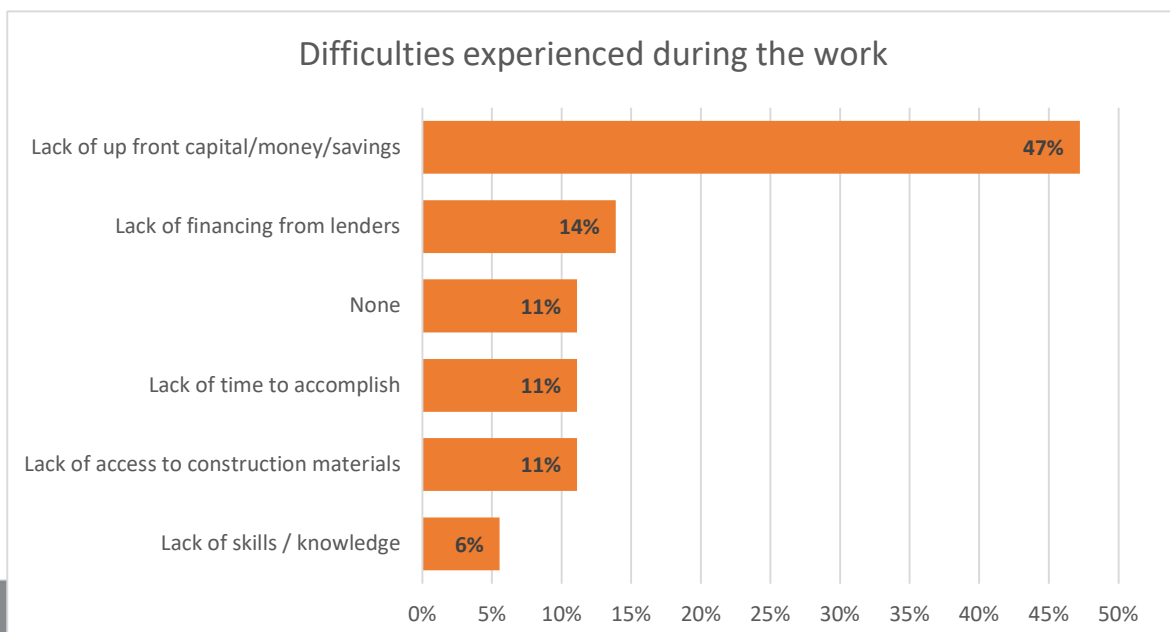
RHI8. Who did most of the work?

Base: Yes (n=66)



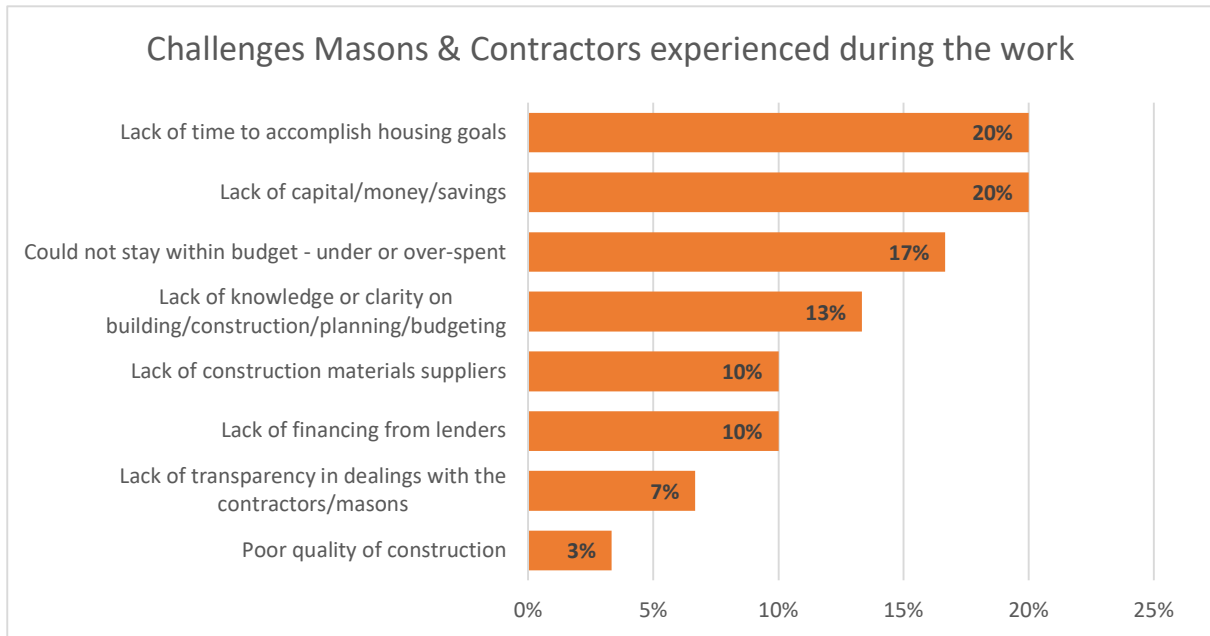
RHI9. What difficulties did you experience during the work?

Base: Self-built (n=36)



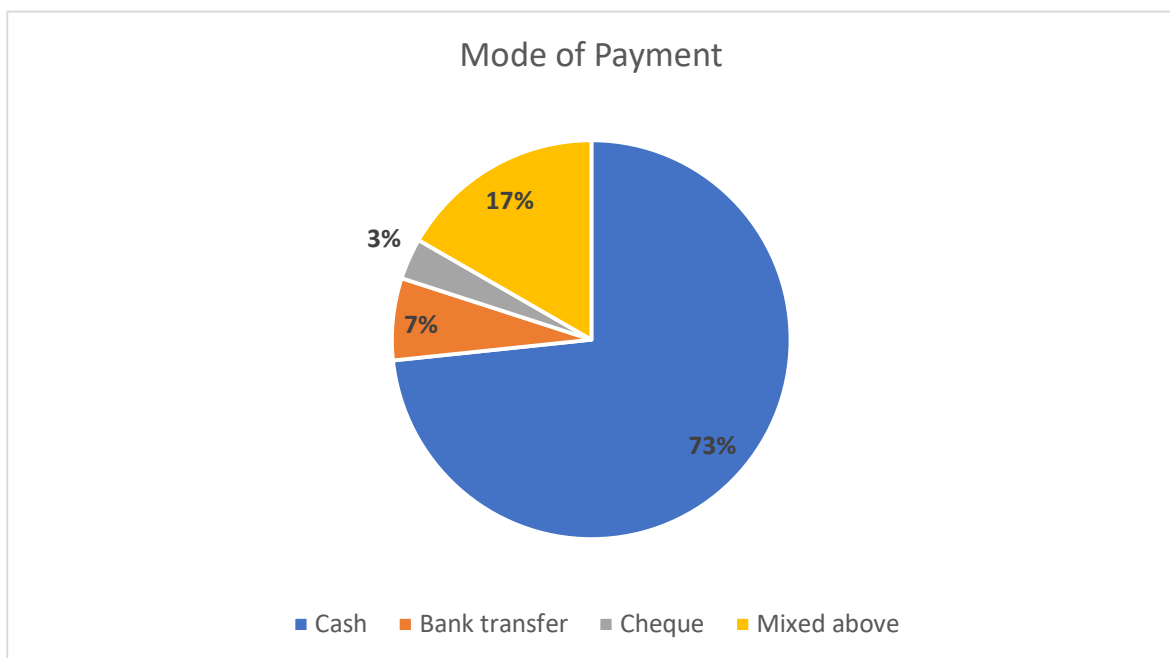
RHI10. What challenges did the masons and contractors experience during the work?

Base: Local masons/contractors (n= 30)



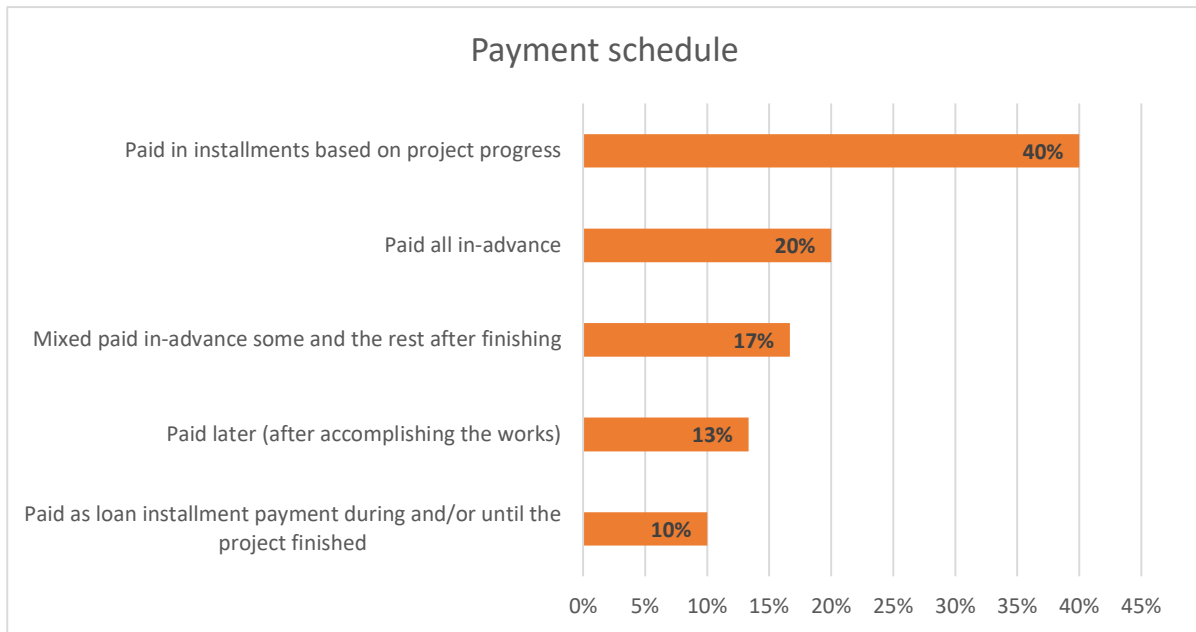
RHI11. How did you pay them?

Base: Local masons/contractors (n= 30)



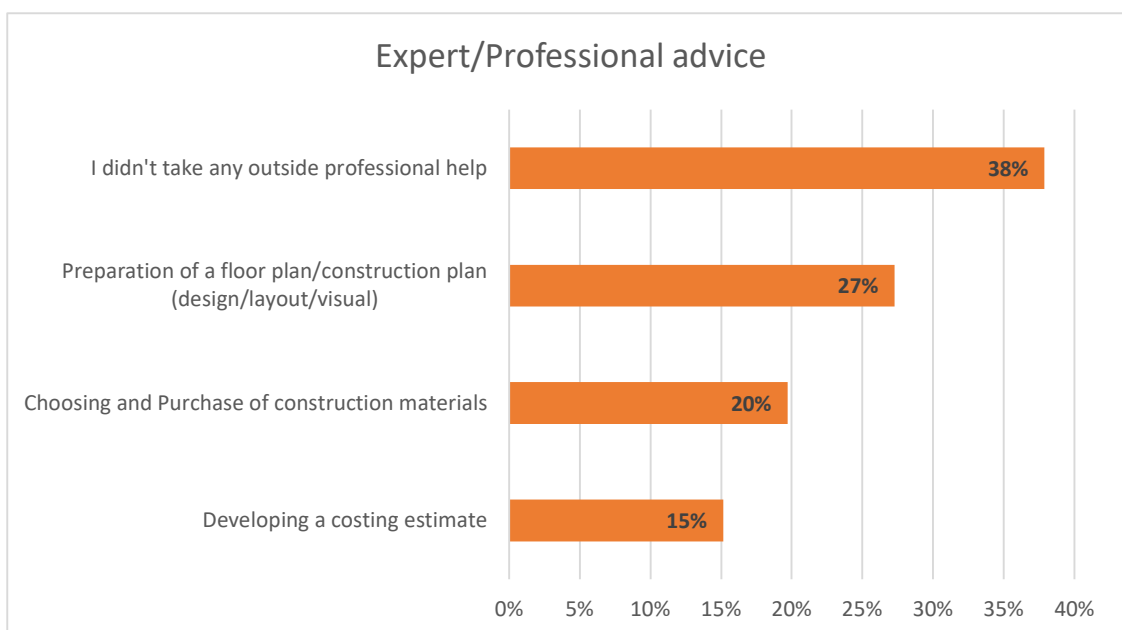
RHI12.How did the payment schedule work?

Base: Local masons/contractors (n= 30)



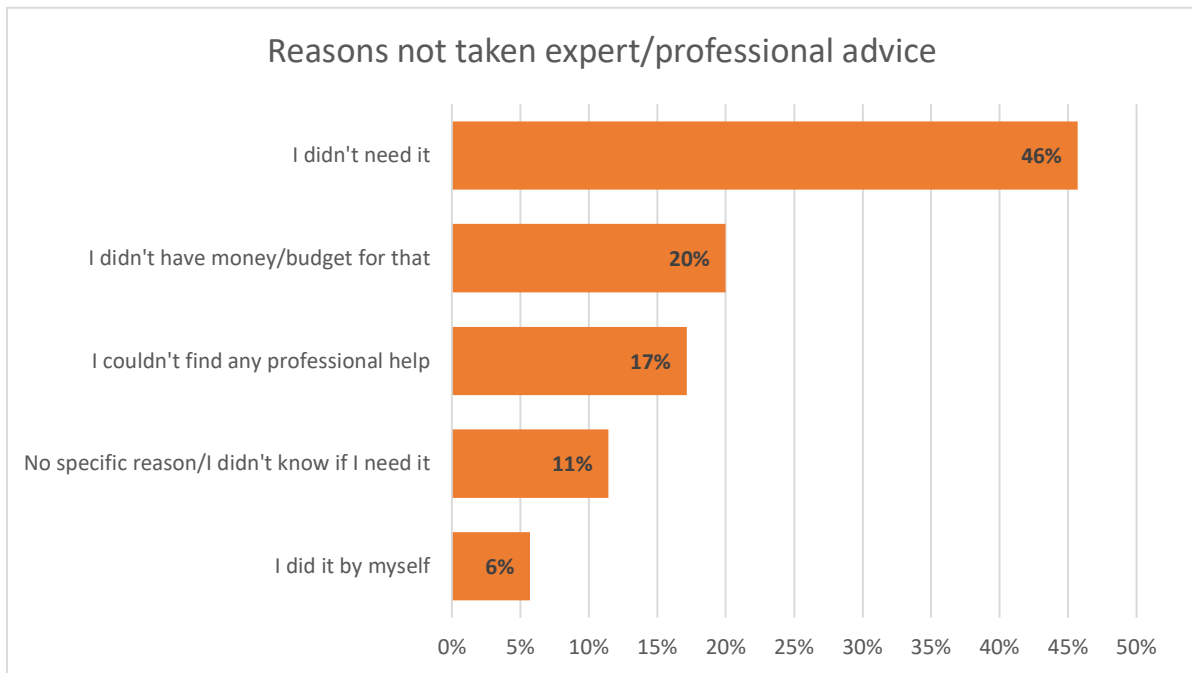
RHI13.Did you get any expert / professional advice before or during the work?

Base: Yes(n=66)



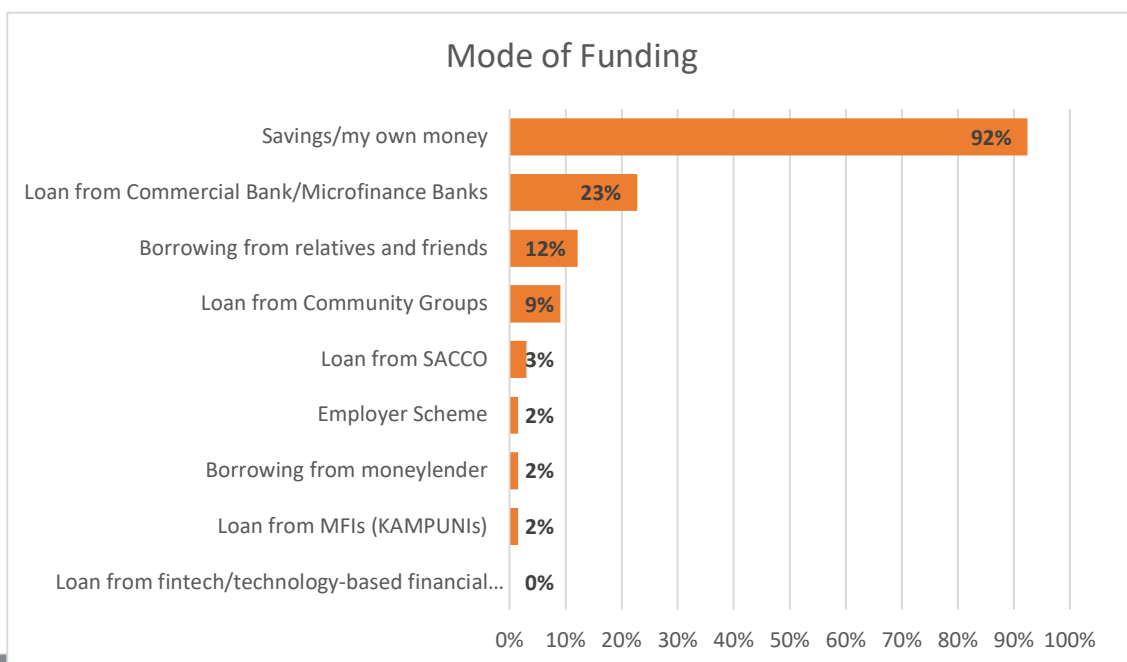
RHI14. Why didn't you take any expert/ professional advice?

Base: Developing a costing estimate OR I didn't take any outside professional help (n=35)



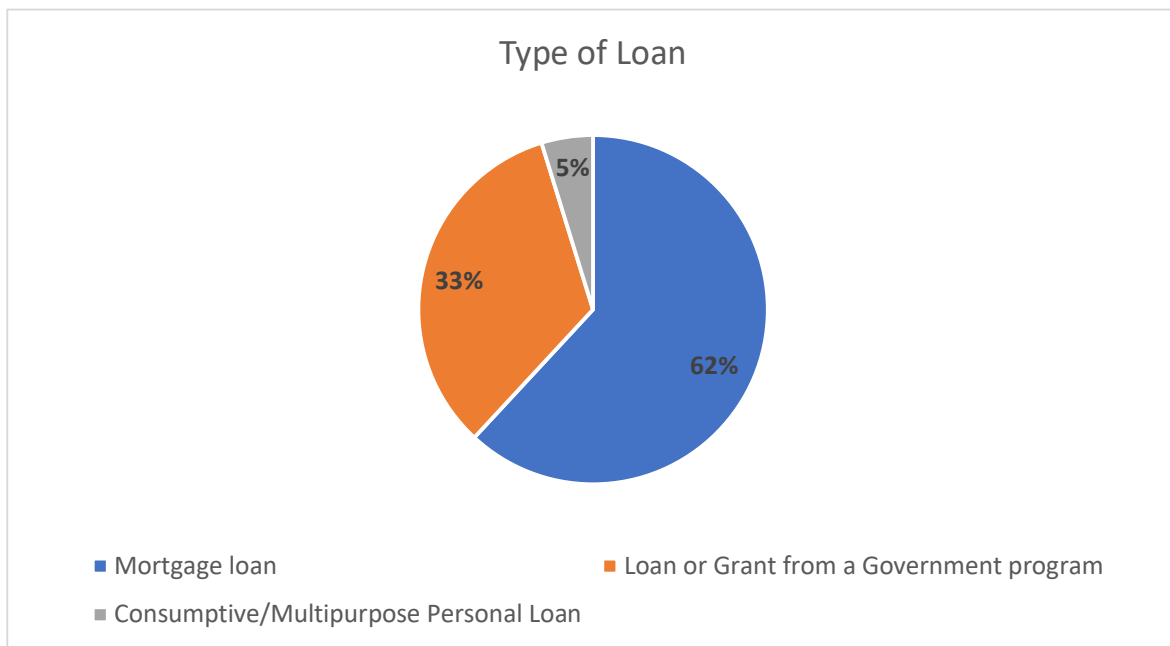
RHI16. How did you fund the work?

Base: Yes (n=66)



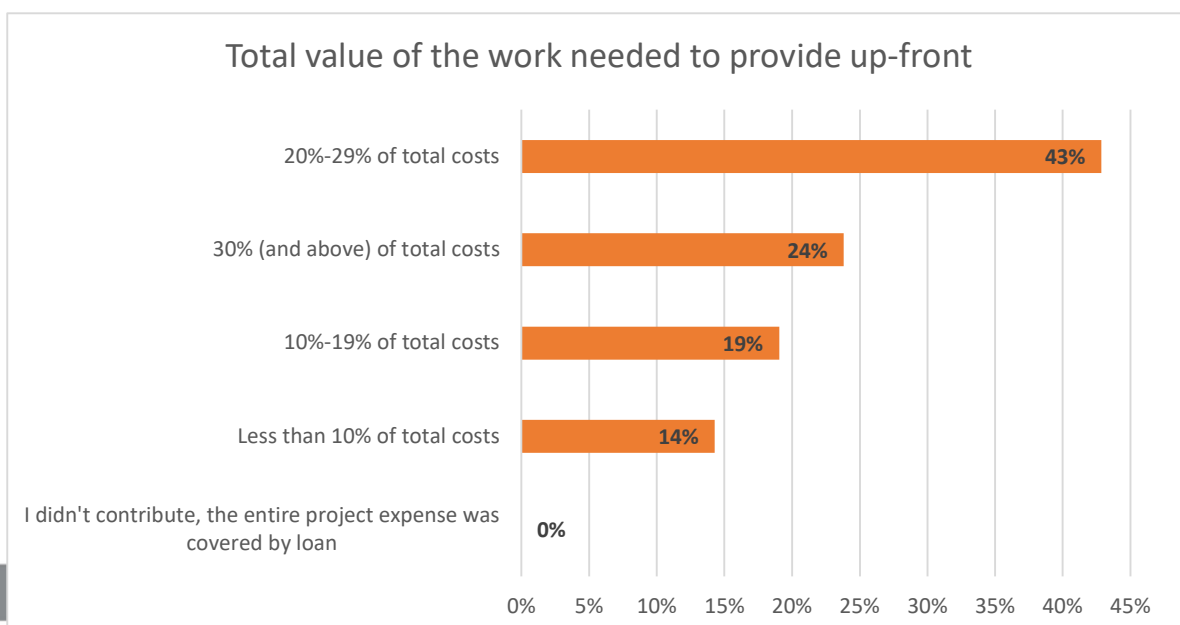
RHI17. What type of loan did you take out?

Base: Loan from Commercial Bank/Microfinance Banks..Loan from fintech/technology-based financial services(n=21)



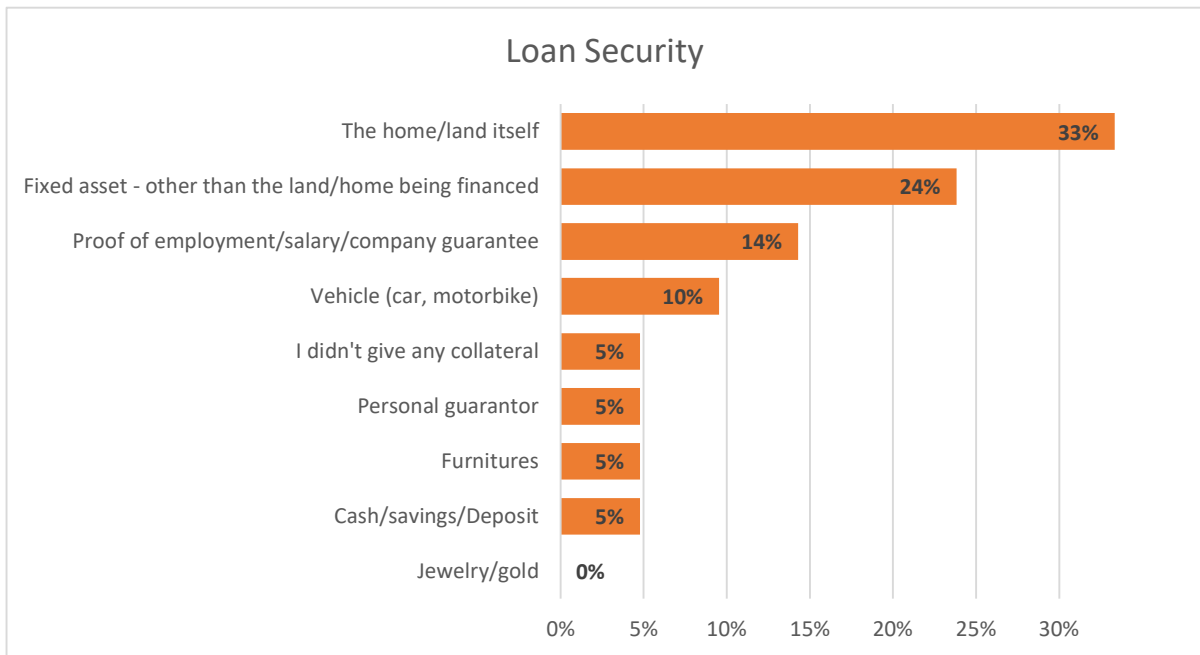
RHI18. To access the loan, how much of the total value of the work did you need to provide up-front?

Base: Loan from Commercial Bank/Microfinance Banks..Loan from fintech/technology-based financial services(n=21)



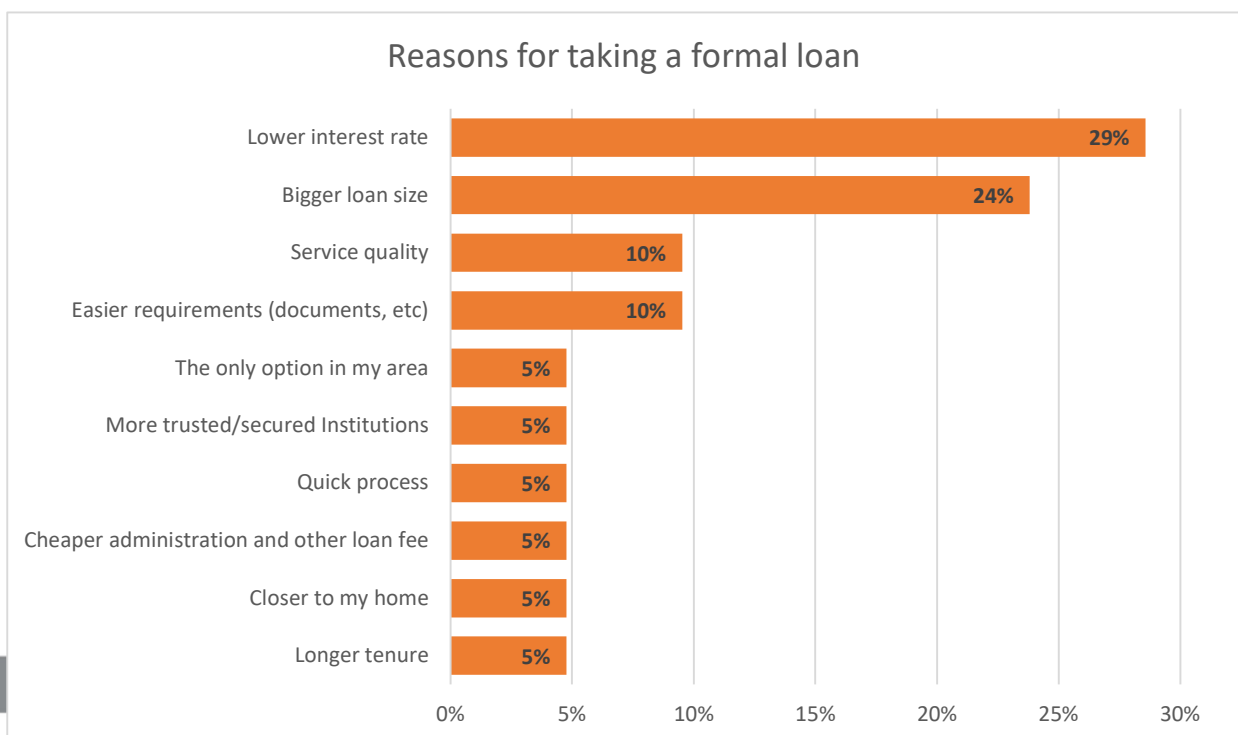
RHI19. Were you required to put up anything as security for the loan? What was it? (collateral)

Base: Loan from Commercial Bank/Microfinance Banks..Loan from fintech/technology-based financial services(n=21)



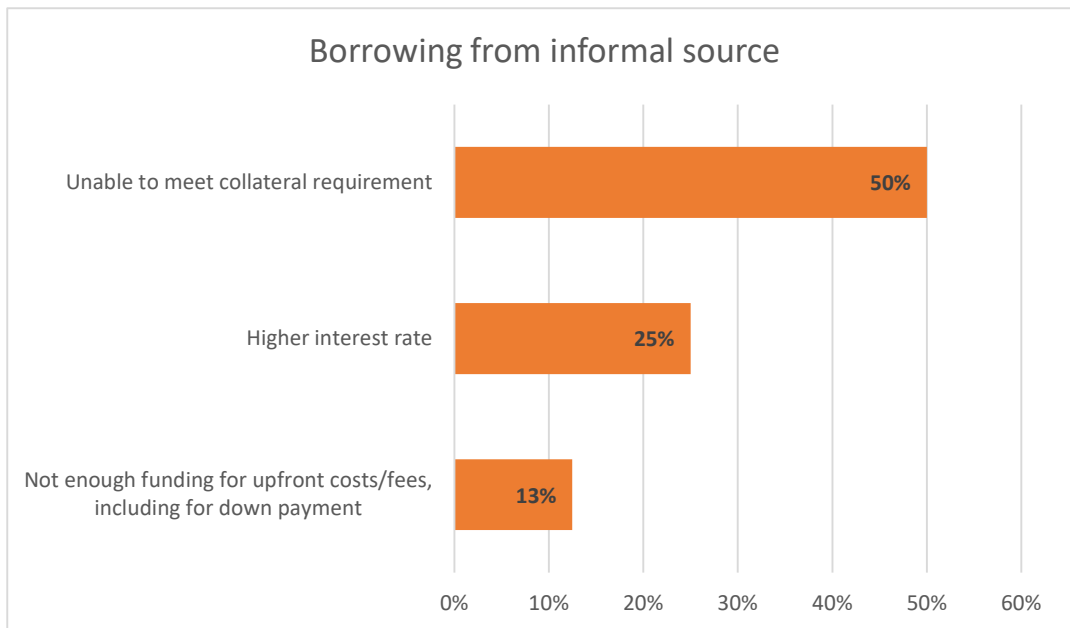
RHI20. Why did you choose to take out a formal loan?

Base: Loan from Commercial Bank/Microfinance Banks..Loan from fintech/technology-based financial services(n=21)



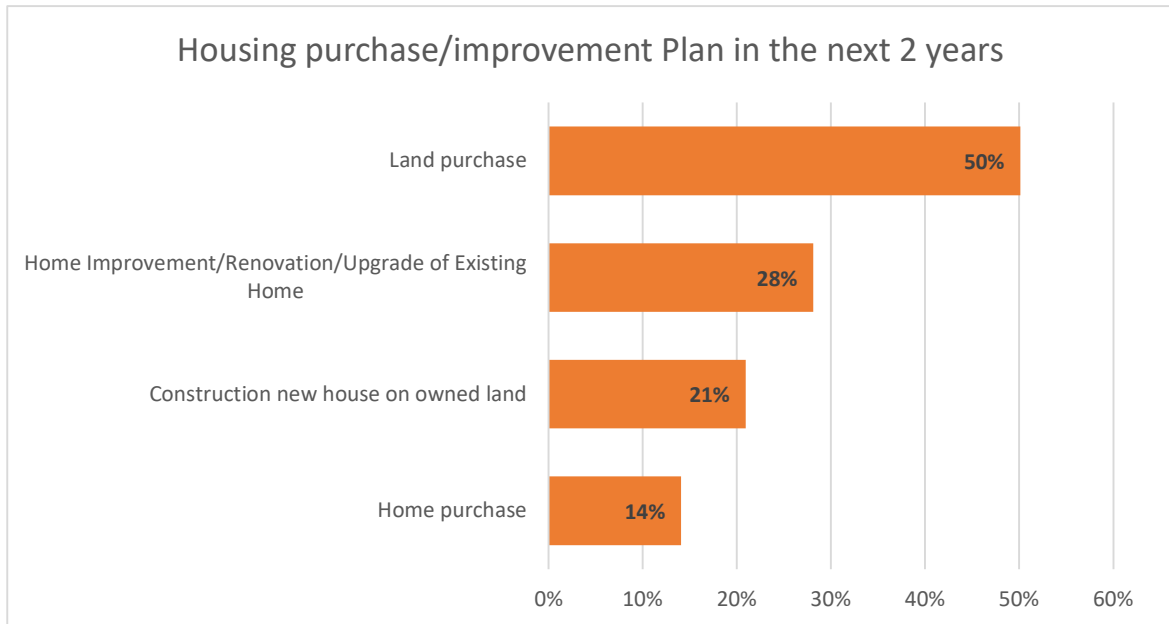
RHI21. Why did you choose to borrow from a more “informal” source?

Base: Borrowing from moneylender..Borrowing from relatives and friends(n=8)



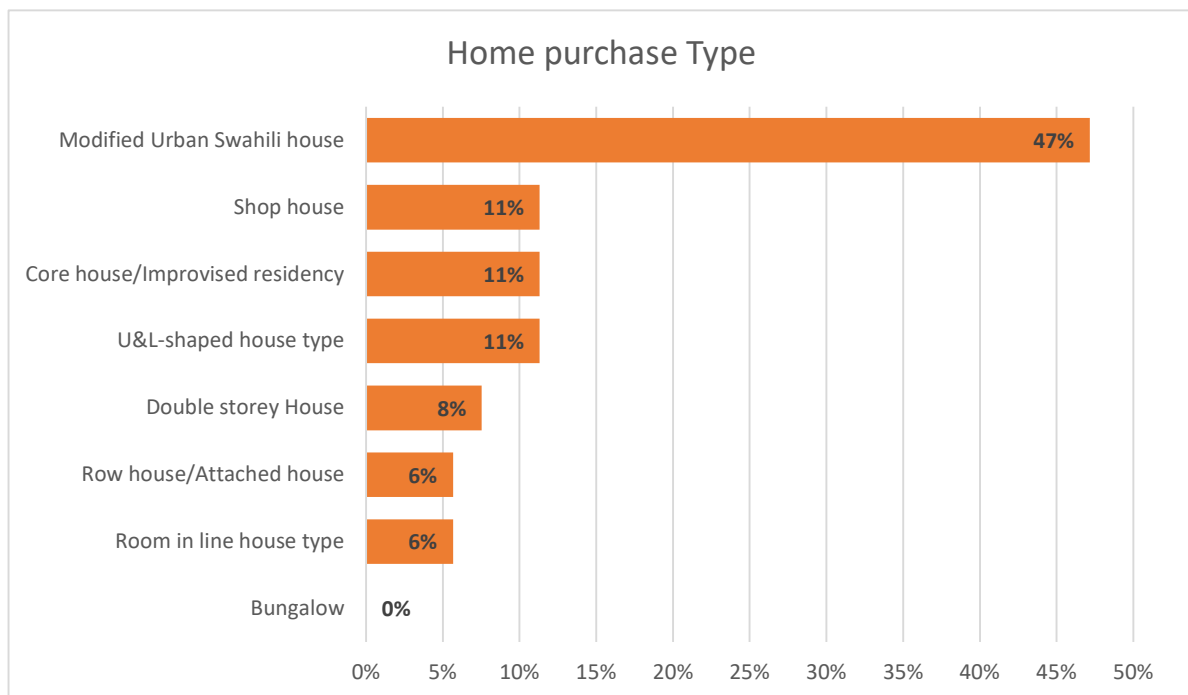
E: DEMAND FOR NEW HOUSING / IMPROVEMENTS

E1. What is the housing purchase/improvement you are planning on doing in the next 2 years?



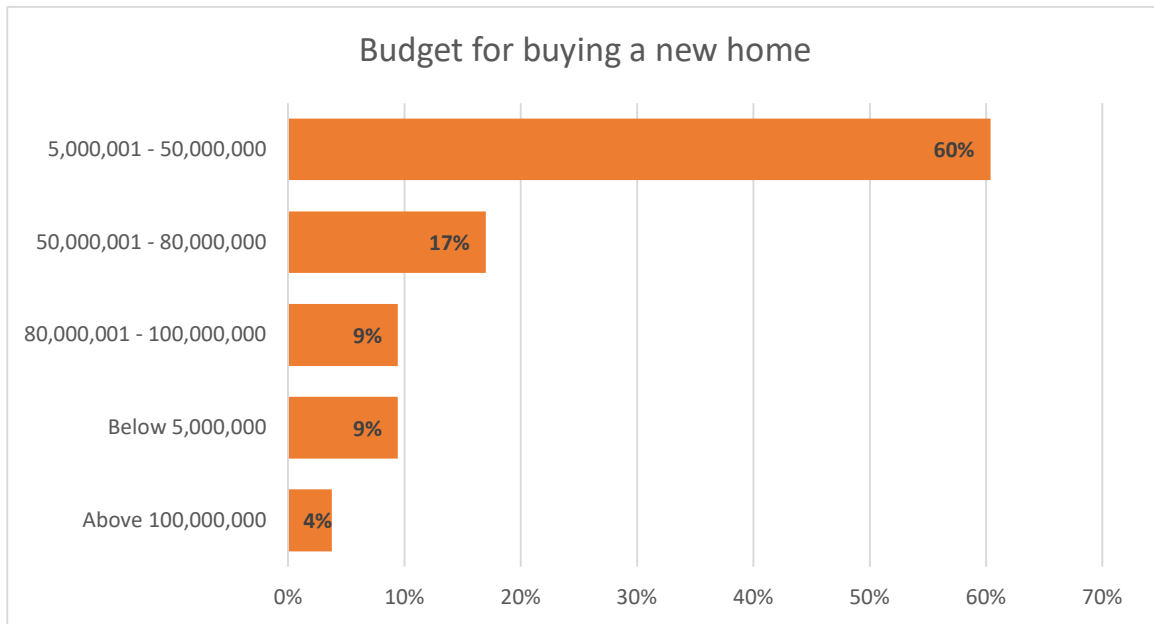
EA2. What kind of home do you want to purchase?

Base: Home purchase (n=53)



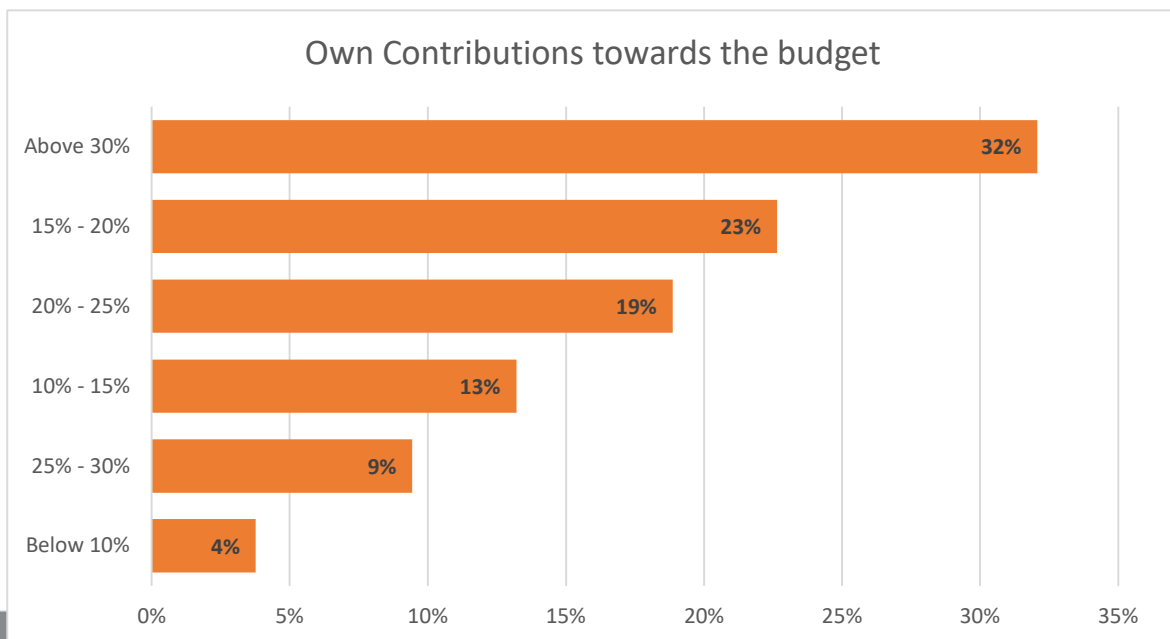
EA3.What is your budget for buying a new home (TZS)?

Base: Home purchase(n=53)



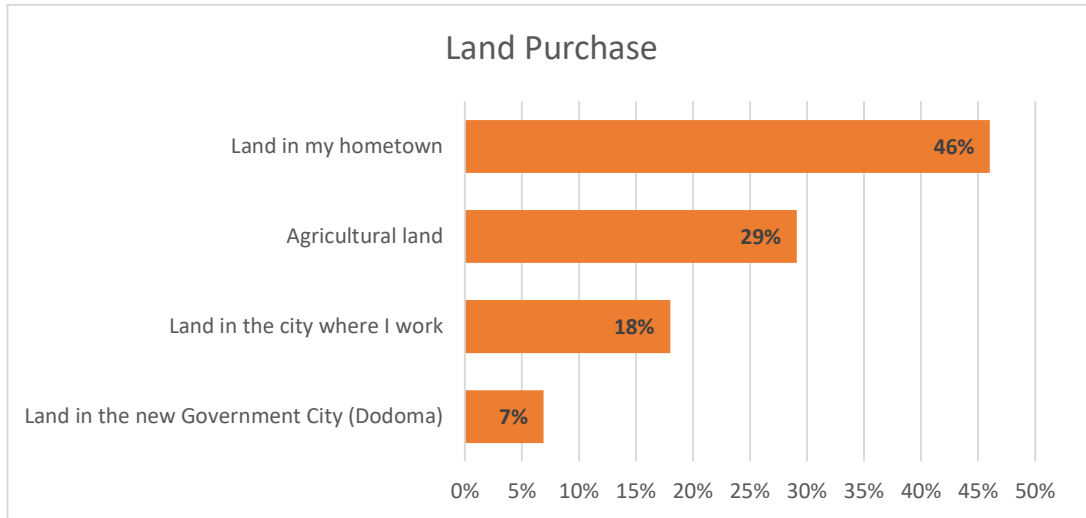
EA4.How much can you contribute towards this budget on your own?

Base: Home purchase(n=53)



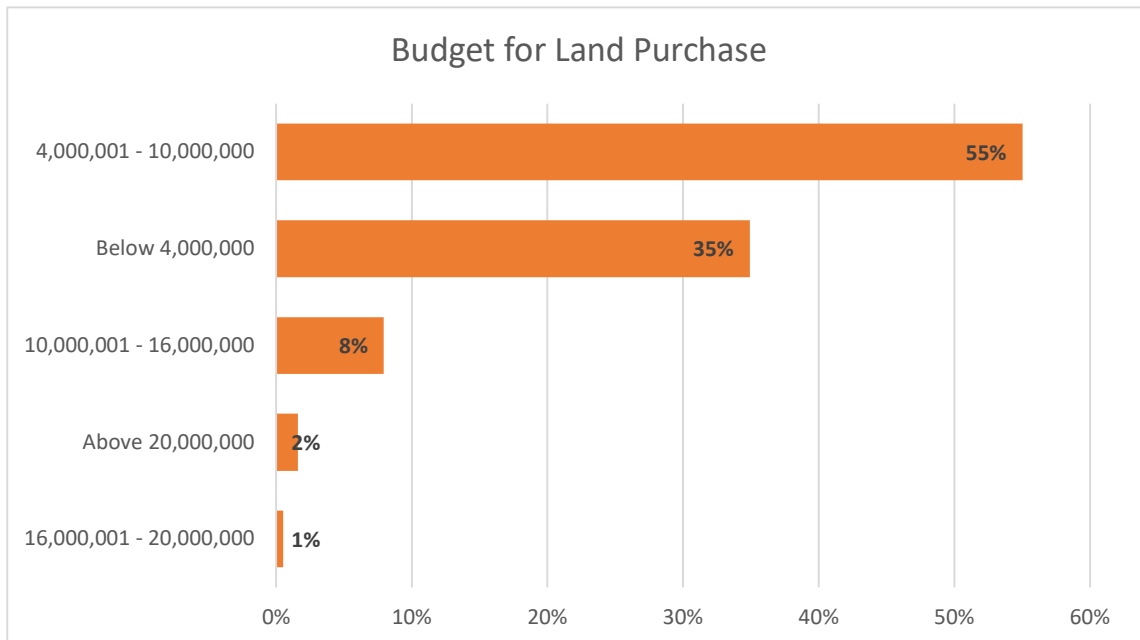
EB5. What kind of land would you want to purchase?

Base: Land purchase (n=189)



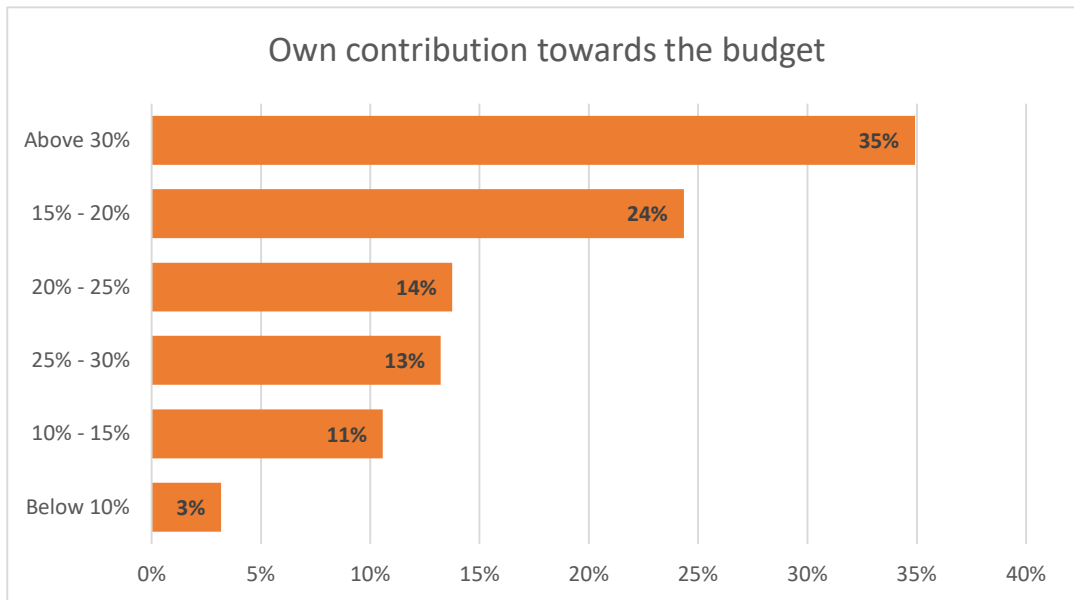
EB6. What would your budget be for purchasing this land?

Base: Land purchase (n=189)



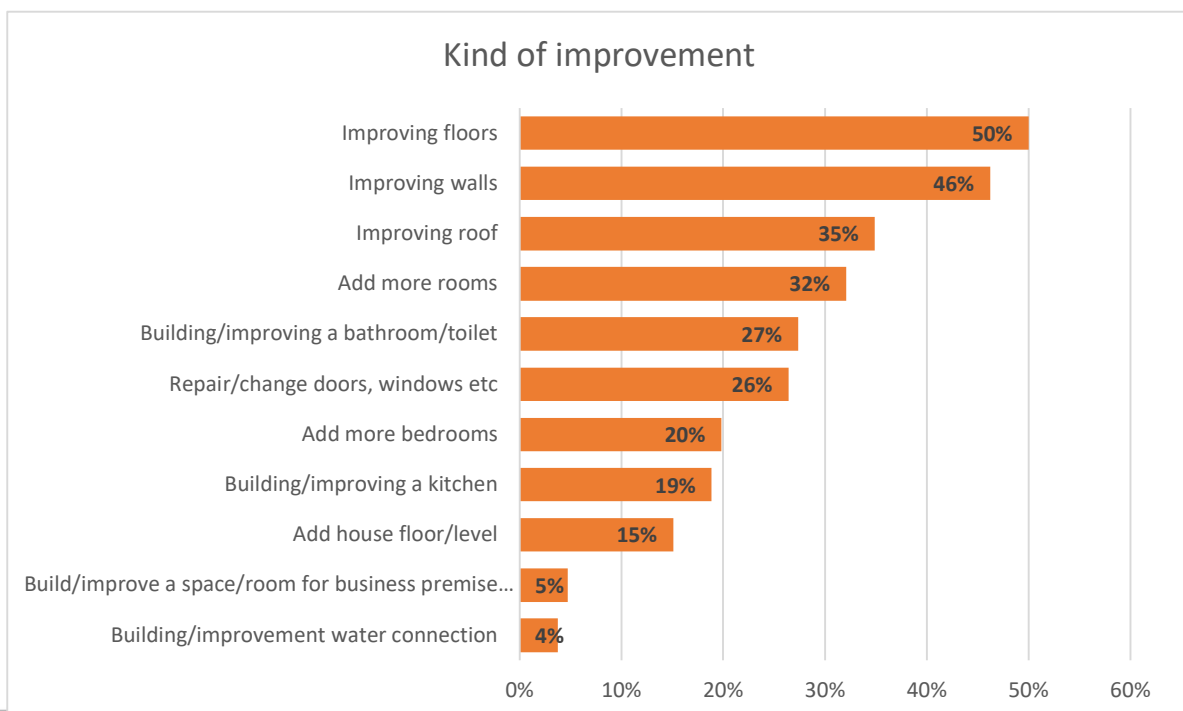
EB7.How much can you contribute towards this budget on your own?

Base: Land purchase(n=189)



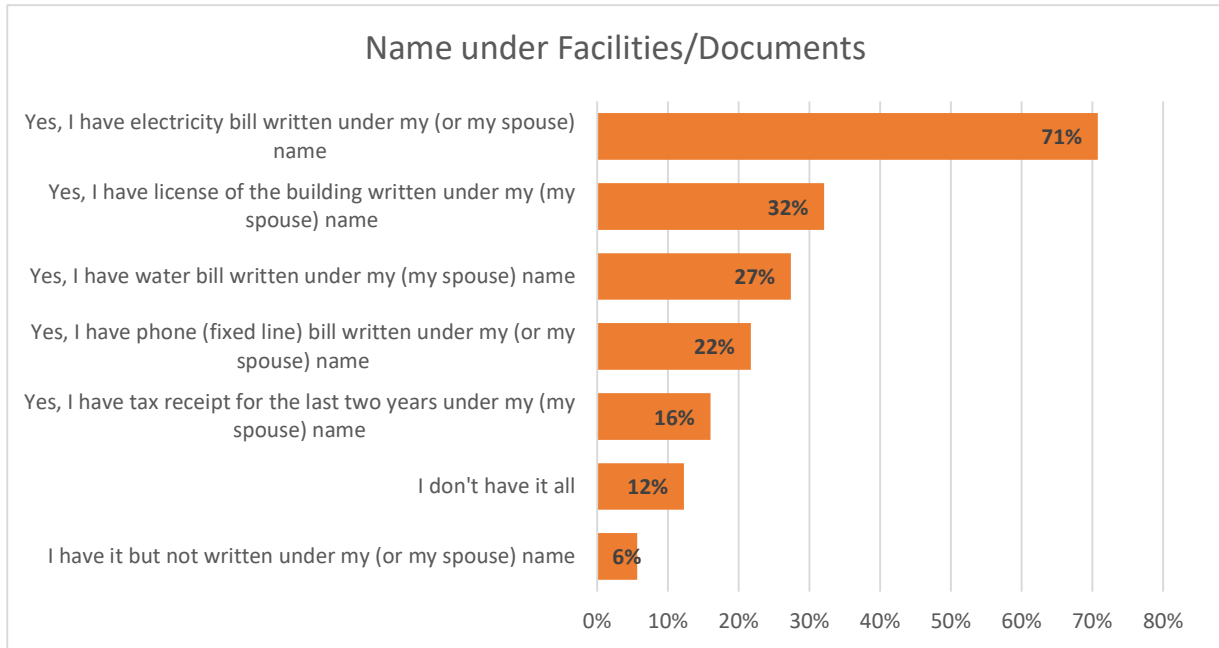
EC8.What kind of improvement do you want to do?

Base: Home Improvement/Renovation/Upgrade of Existing Home(n=106)



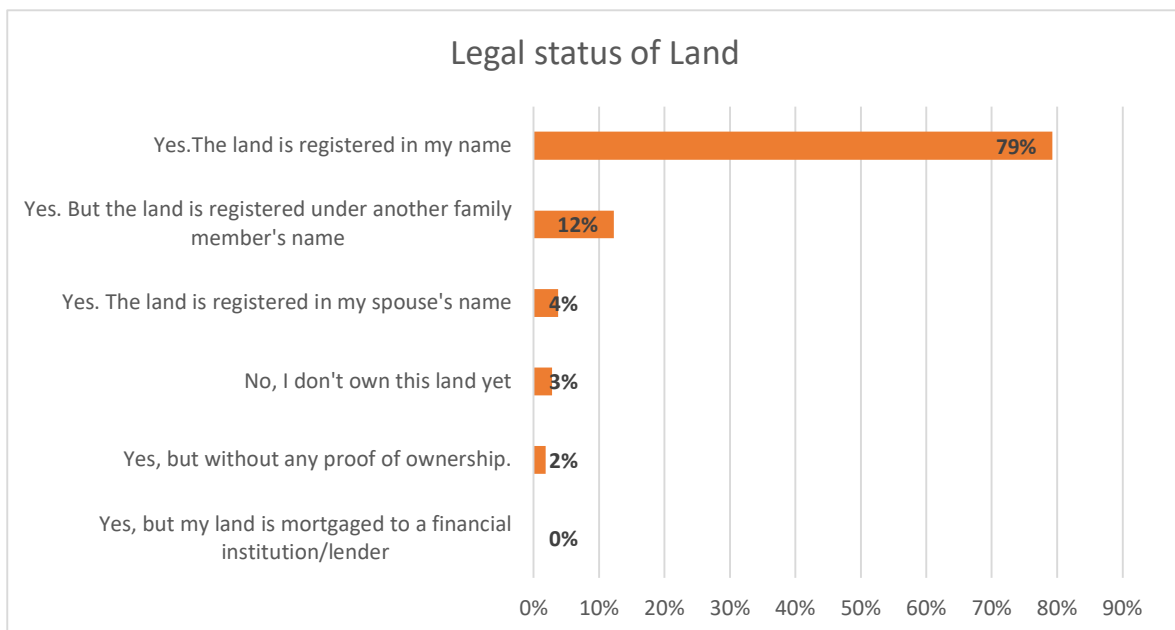
EC9. Do you have these facilities/documents under your (or your spouse) name?

Base: Home Improvement/Renovation/Upgrade of Existing Home (n=106)



EC10. What is the legal status of the land you are living on currently?

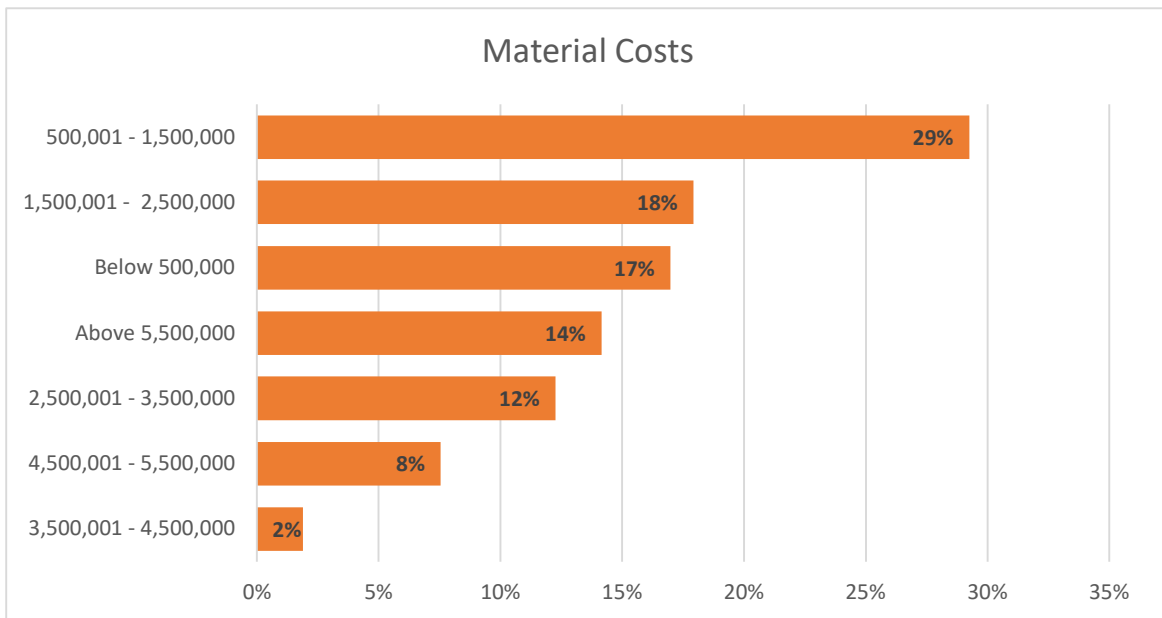
Base: Home Improvement/Renovation/Upgrade of Existing Home (n=106)



EC11M.What is the overall cost that you expect for house construction/improvement in TZS

Material costs: TZS.

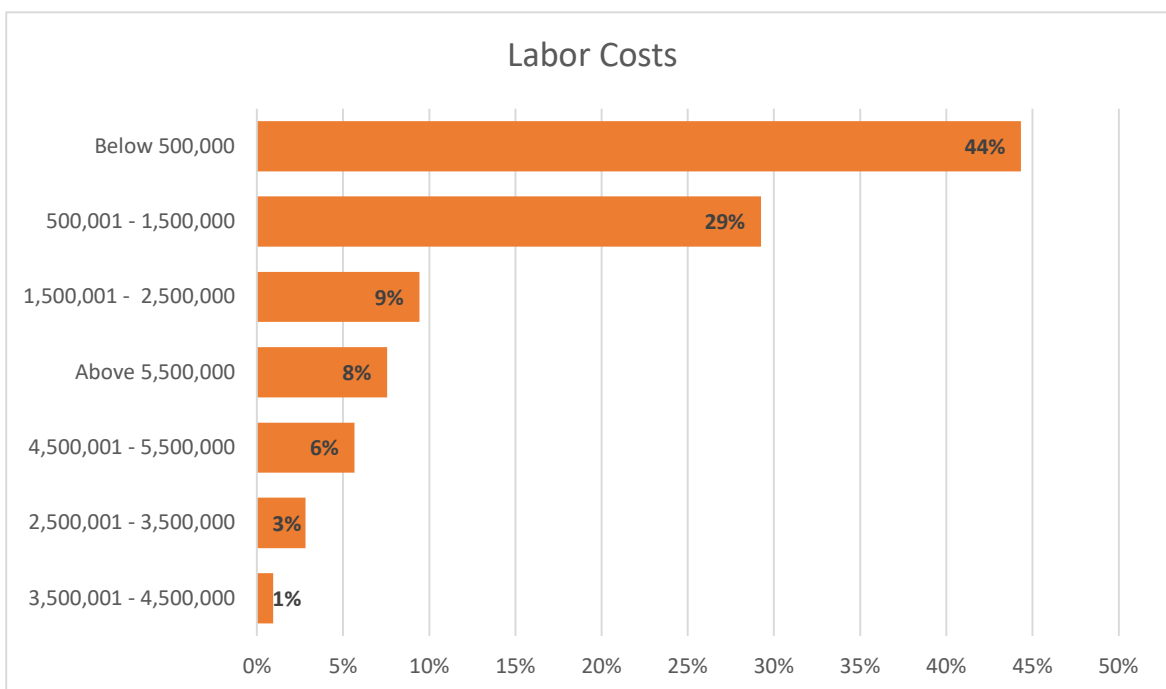
Base: Home Improvement/Renovation/Upgrade of Existing Home(n=106)



EC11L.What is the overall cost that you expect for house construction/improvement in TZS

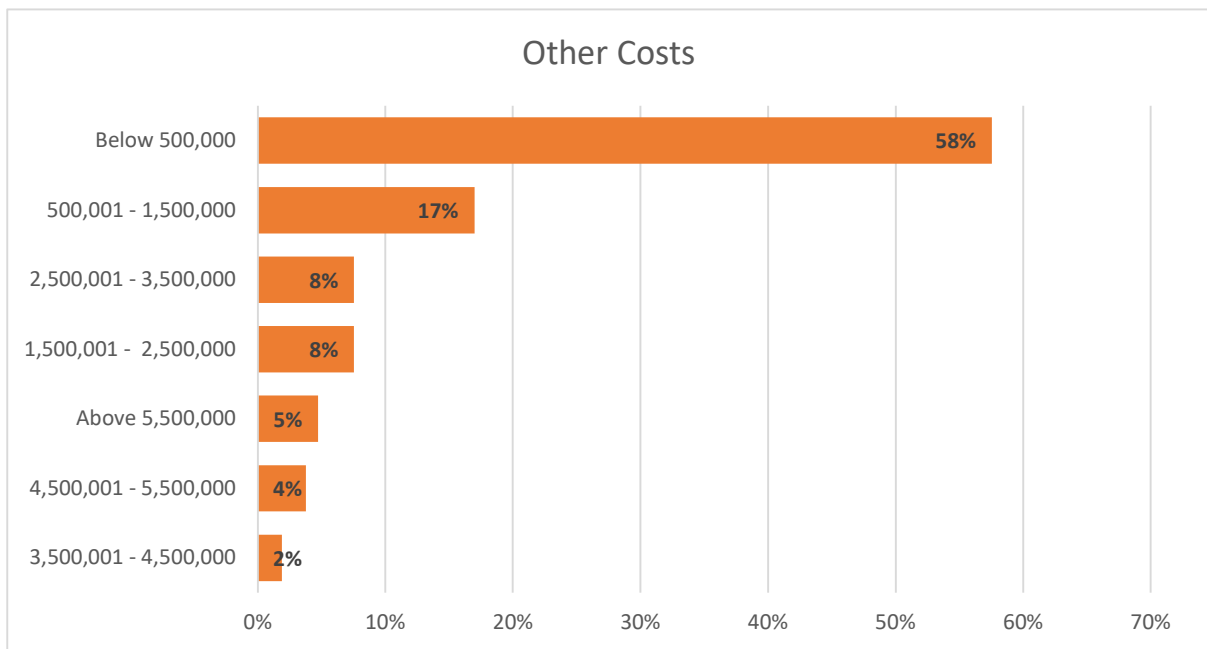
Labor costs: TZS.

Base: Home Improvement/Renovation/Upgrade of Existing Home(n=106)



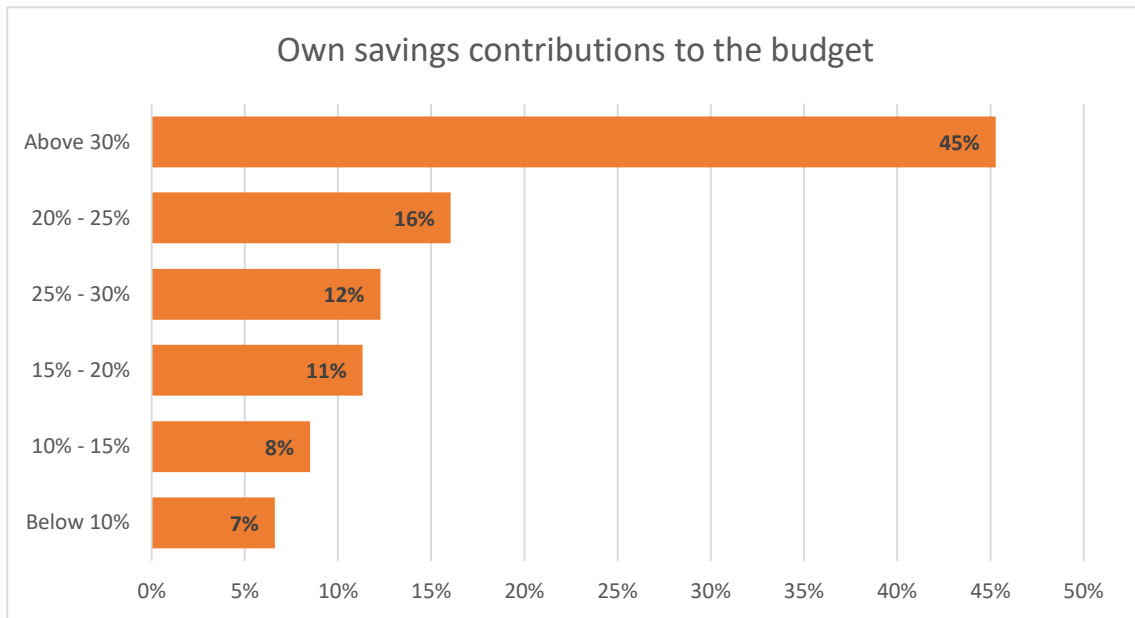
EC110.What is the overall cost that you expect for house construction/improvement in TZS
 _Other costs (such as for any new licenses, taxes etc): TZS.

Base: Home Improvement/Renovation/Upgrade of Existing Home(n=106)



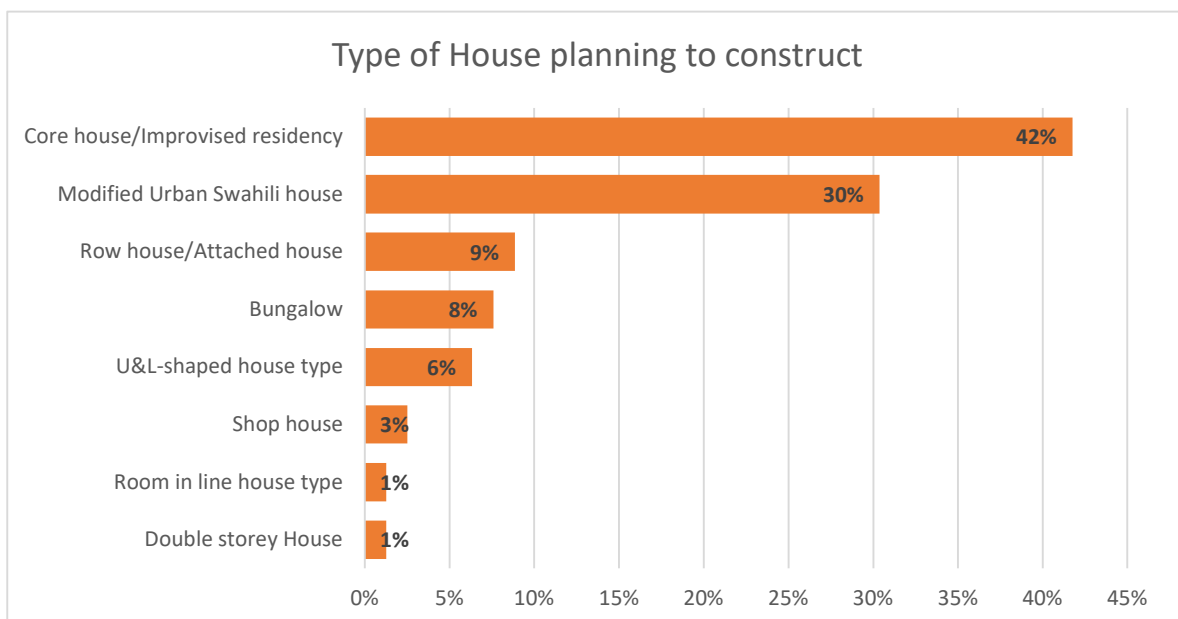
EC12. Of this budget - how much can you contribute on your own with your savings?

Base: Home Improvement/Renovation/Upgrade of Existing Home(n=106)



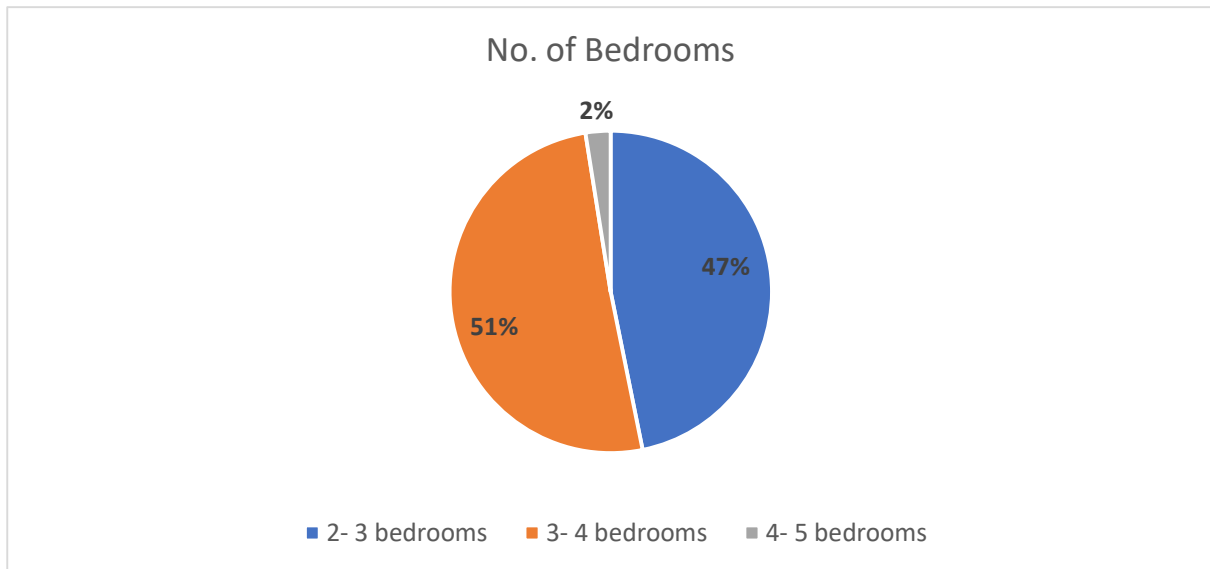
ED13. What type of house are you planning to construct?

Base: Construction new house on owned land(n=79)



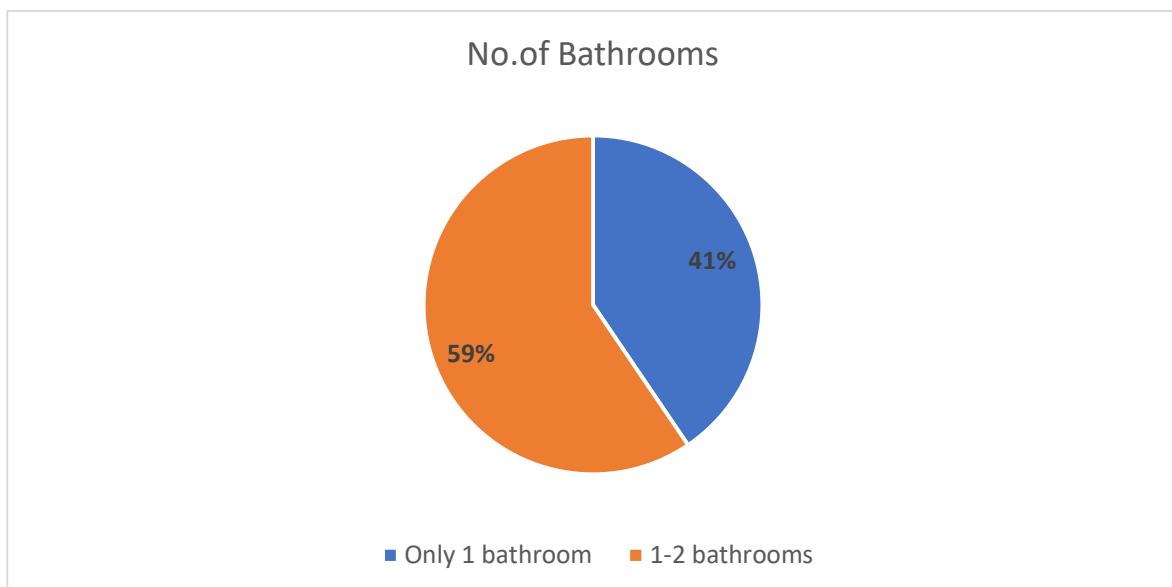
ED14.How many bedrooms are you planning on having?

Base: Construction new house on owned land(n=79)



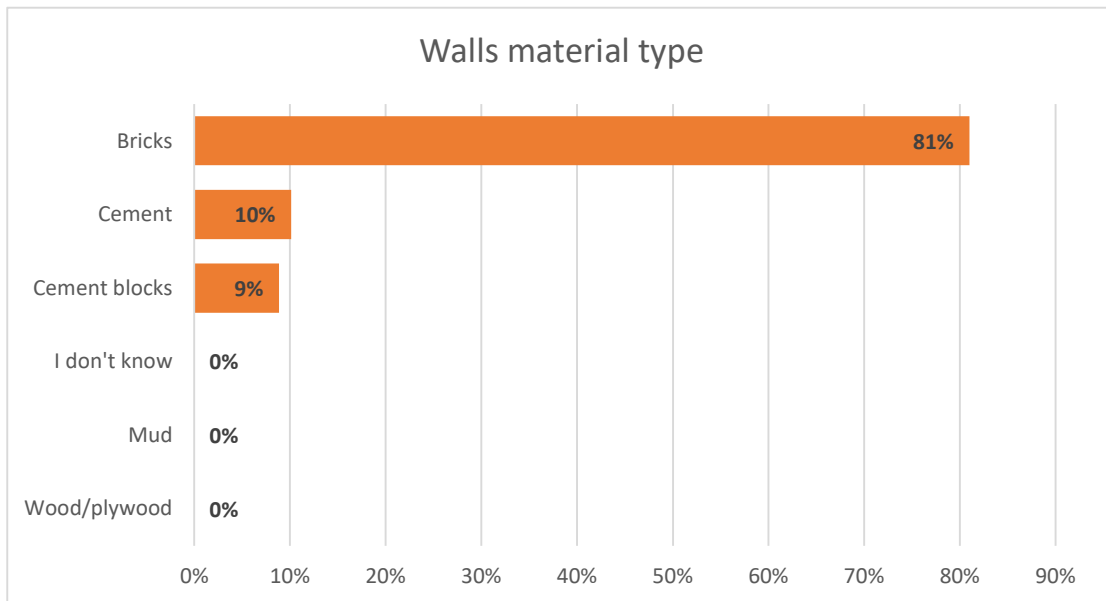
ED15.How many bathrooms are you planning?

Base: Construction new house on owned land(n=79)



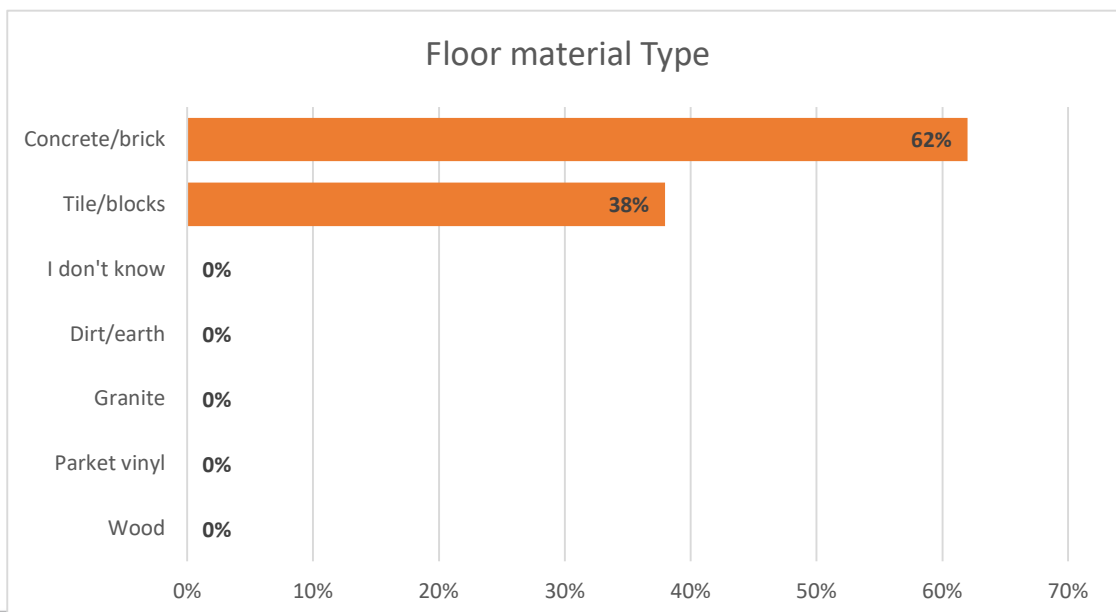
ED16. What type/material of walls do you want?

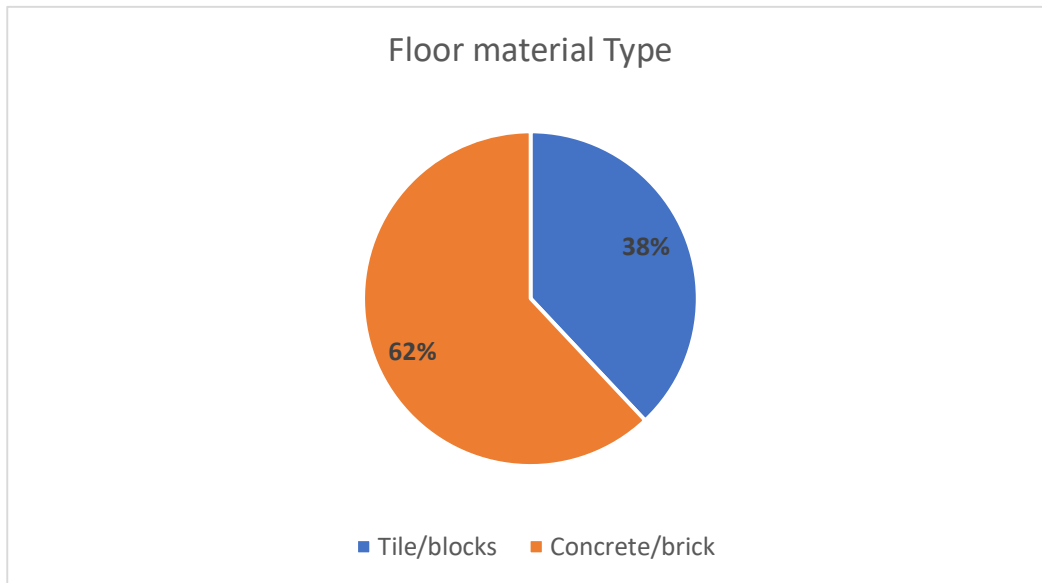
Base: Construction new house on owned land(n=79)



ED17. What type/material of floors do you want?

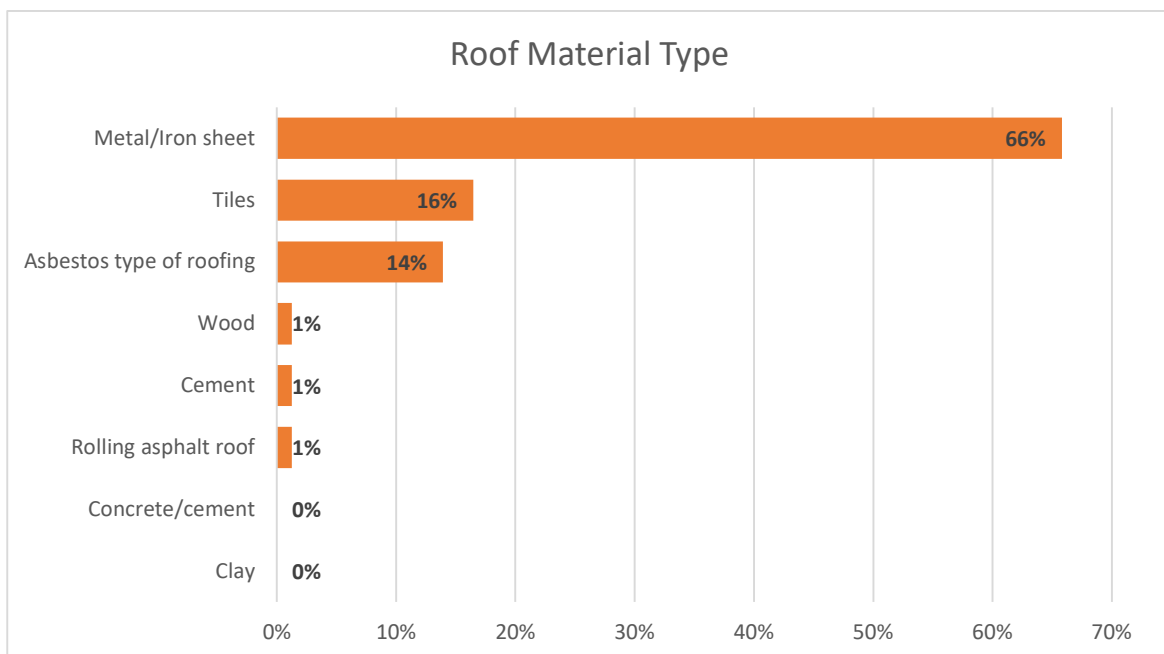
Base: Construction new house on owned land(n=79)





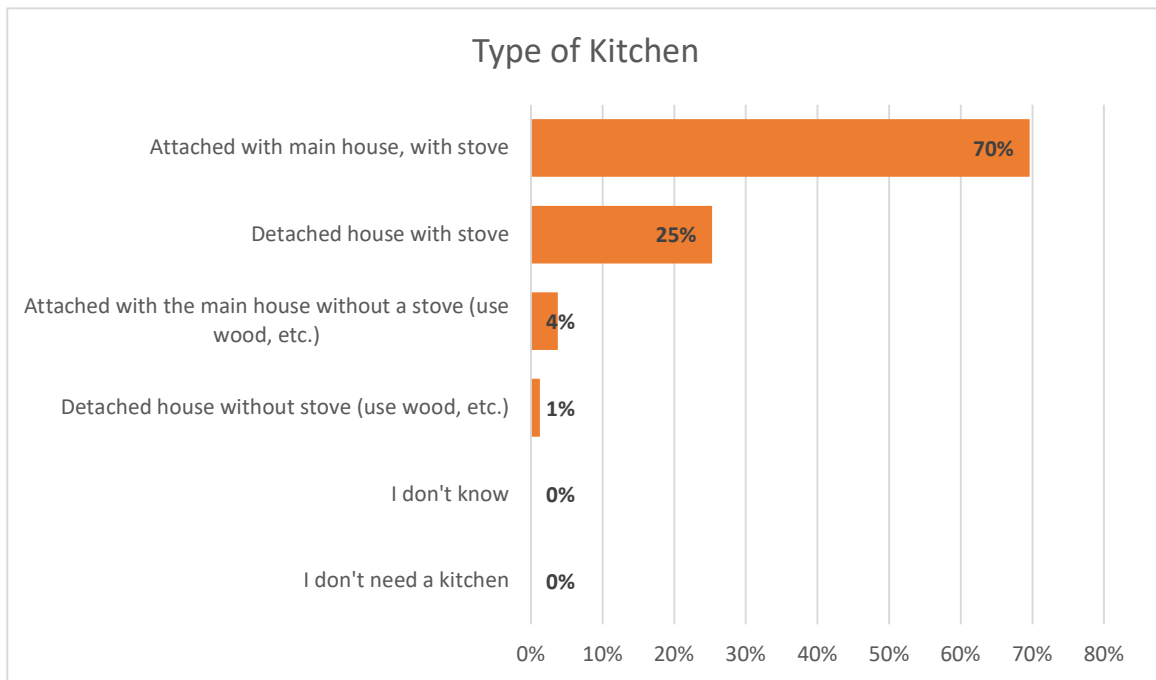
ED18. What type/material of roof do you want?

Base: Construction new house on owned land (n=79)



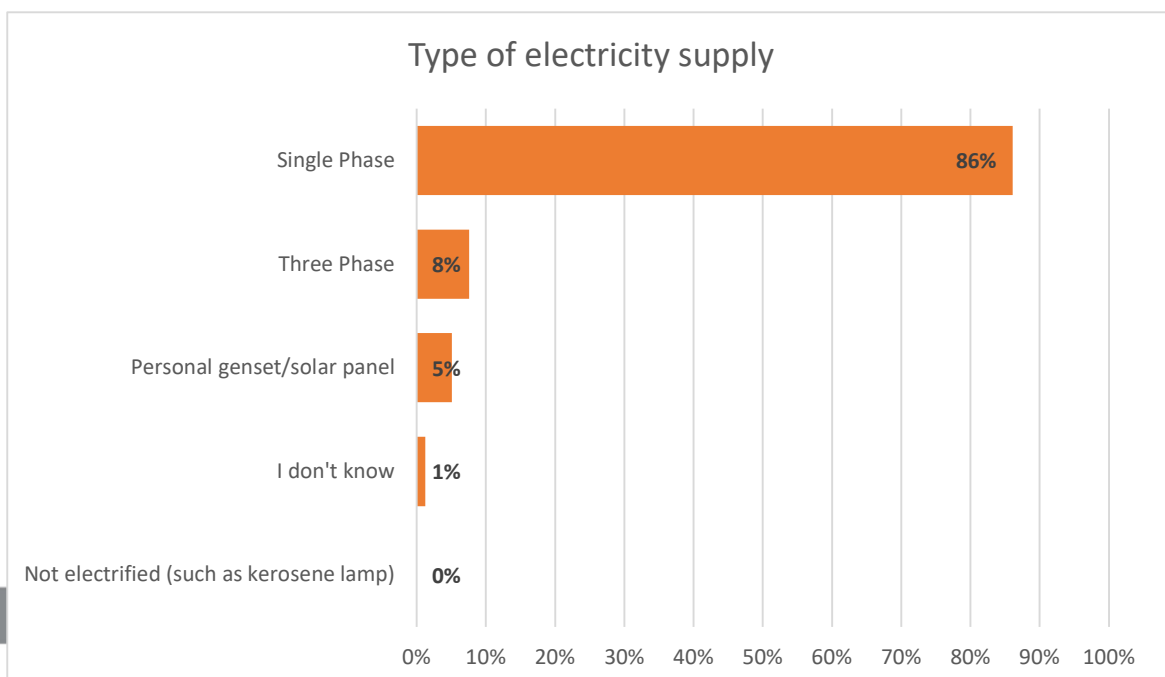
ED19. What type of kitchen do you want?

Base: Construction new house on owned land (n=79)



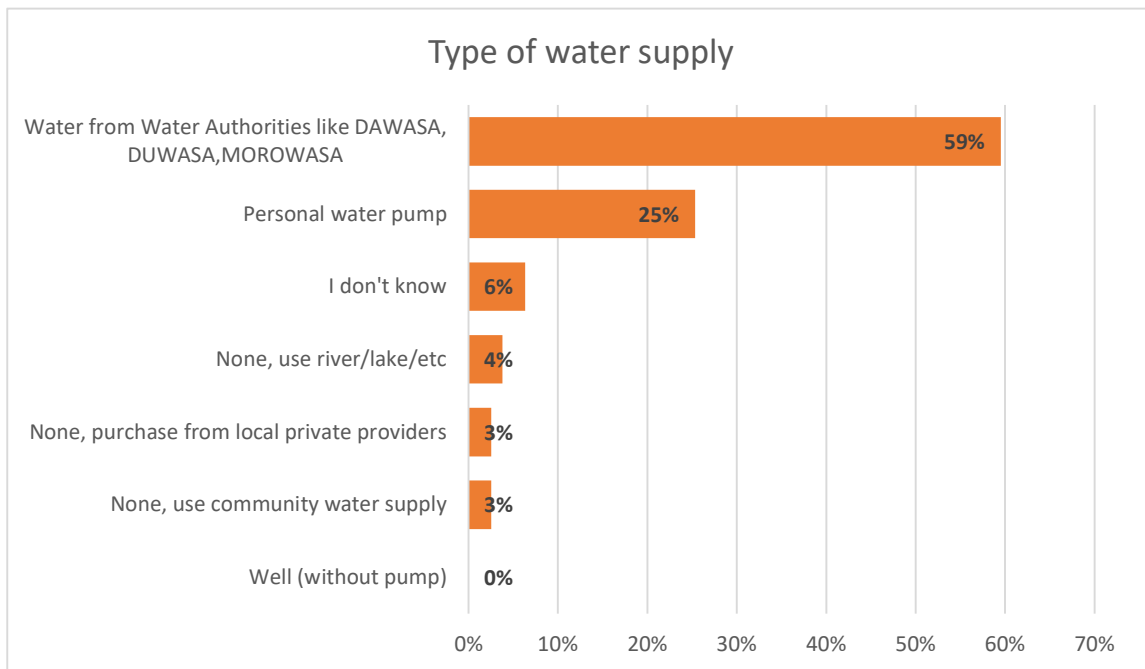
ED20. What type of electricity supply are you planning to install?

Base: Construction new house on owned land (n=79)



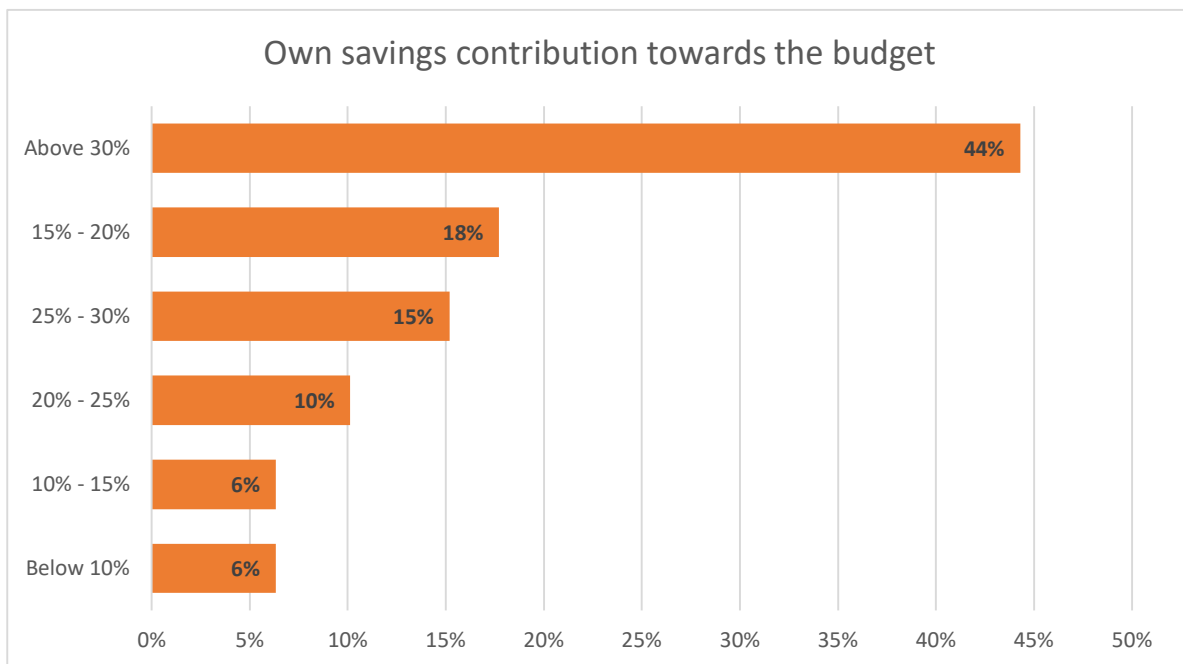
ED21. What type of water supply are you planning to install?

Base: Construction new house on owned land (n=79)



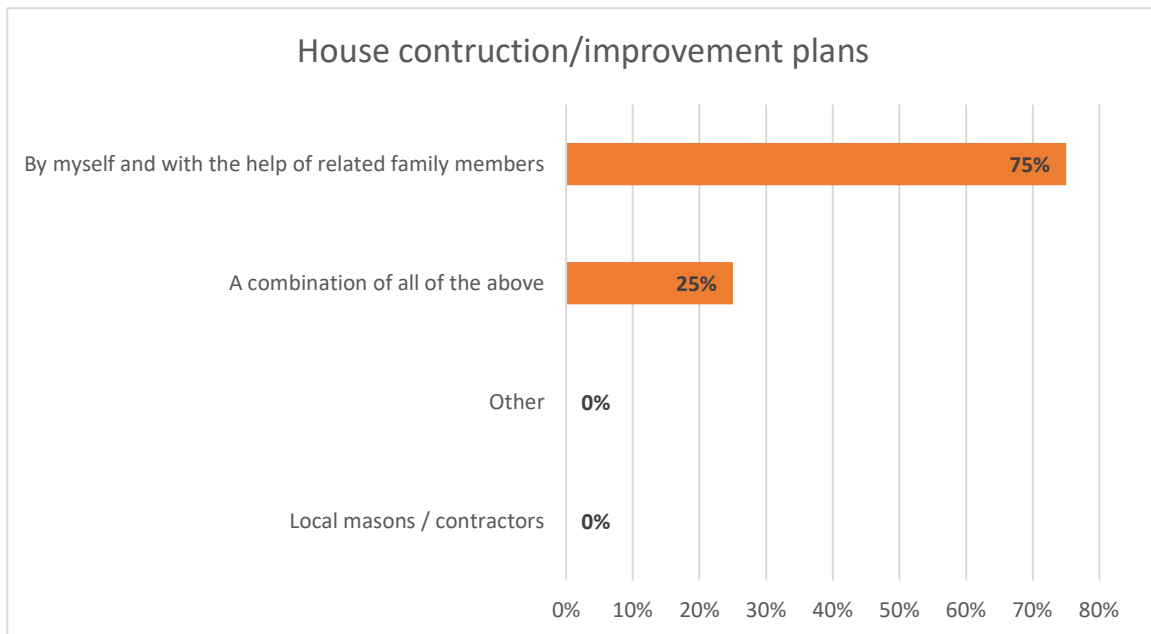
ED23. Of this budget - how much can you contribute on your own with your savings?

Base: Construction new house on owned land (n=79)



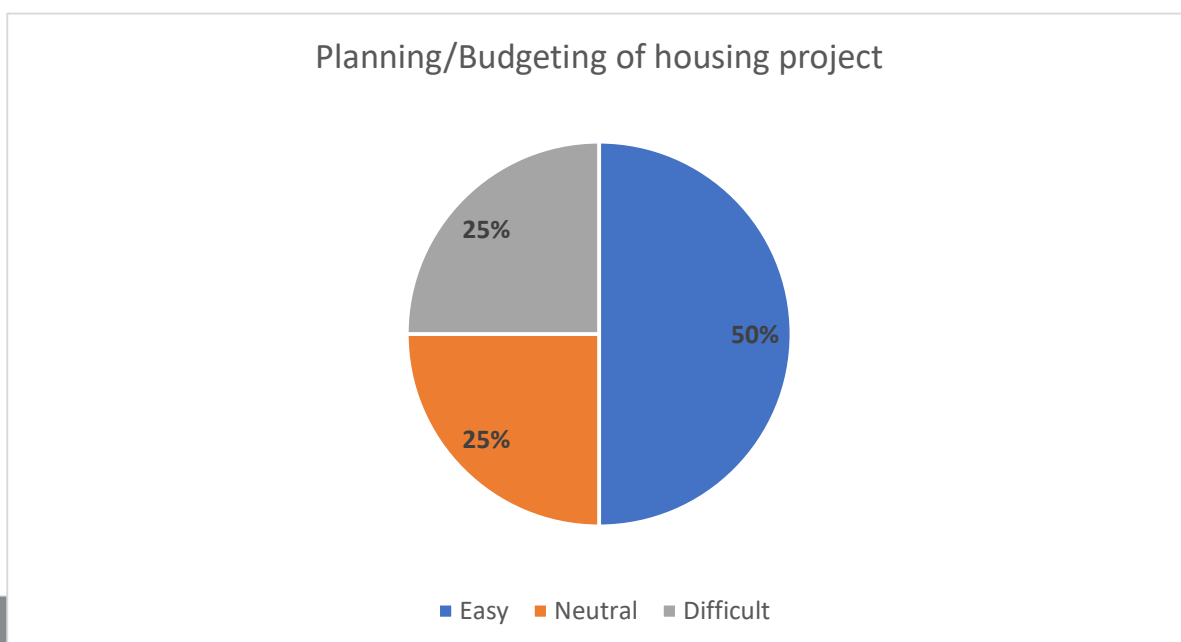
ECD24.How are you planning to do your house construction or improvement?

Base: Construction new house on owned land AND Home Improvement/Renovation/Upgrade of Existing Home(n=4)



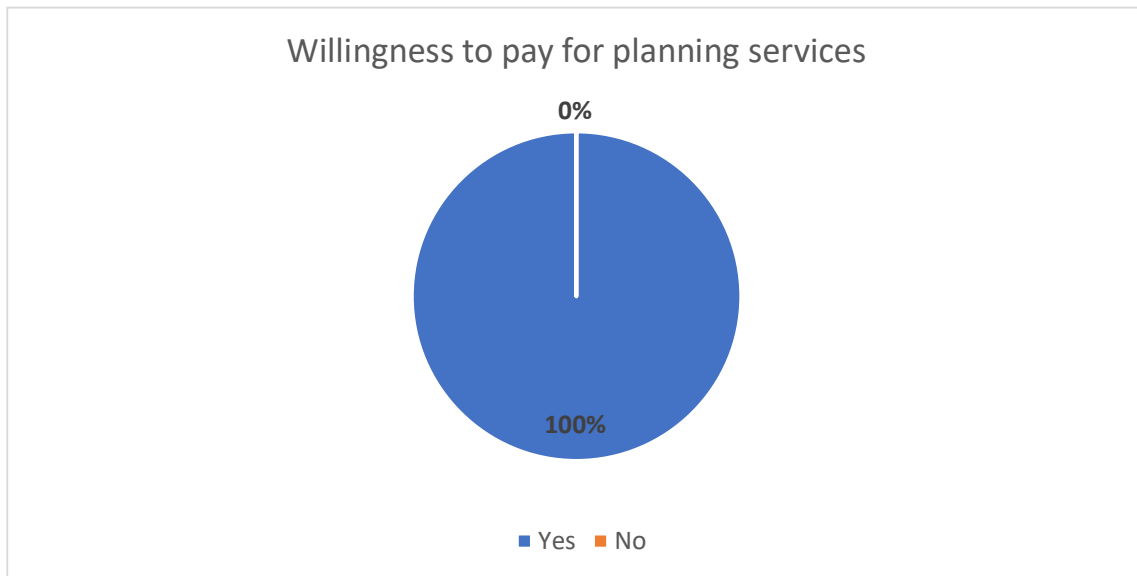
ECD25.How difficult is it for you to build a plan or budget for your project?

Base: Construction new house on owned land AND Home Improvement/Renovation/Upgrade of Existing Home(n=4)



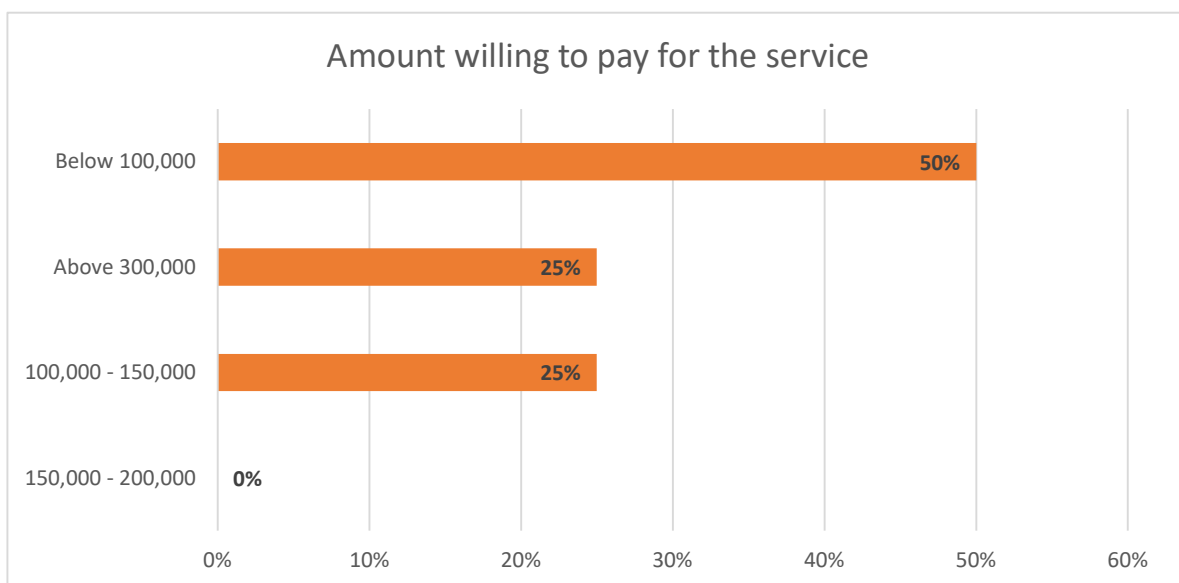
ECD26. Would you be willing to pay for a service which helps you plan and budget for your housing project?

Base: Construction new house on owned land AND Home Improvement/Renovation/Upgrade of Existing Home(n=4)



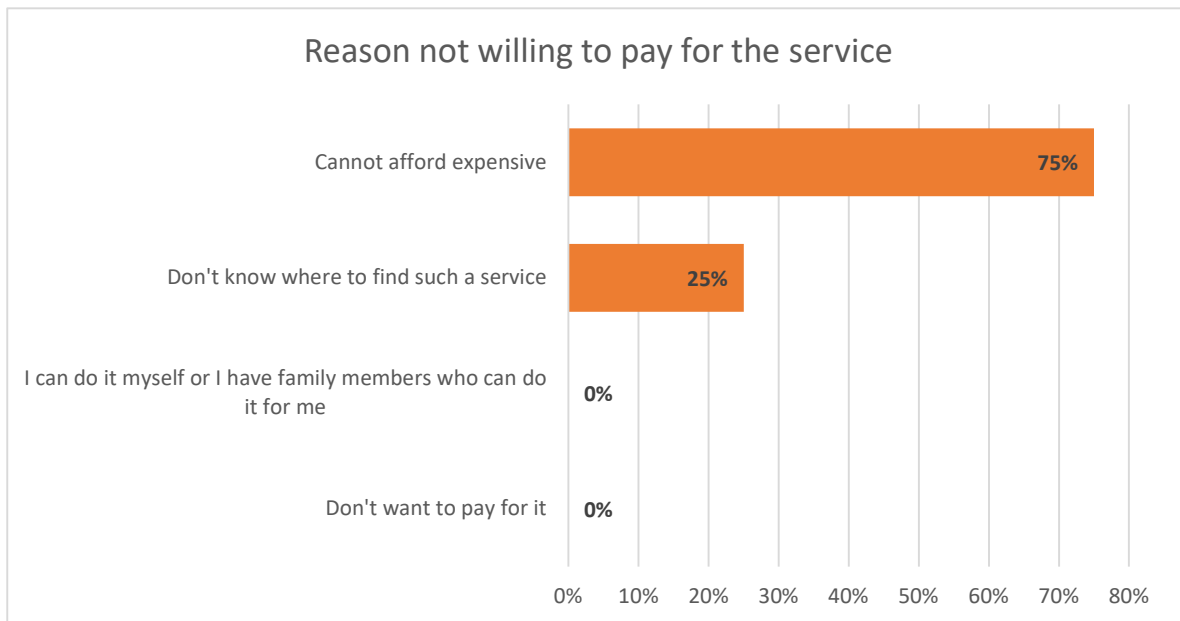
ECD27. How much would you be willing to pay for such a service?

Base: Construction new house on owned land AND Home Improvement/Renovation/Upgrade of Existing Home(n=4)



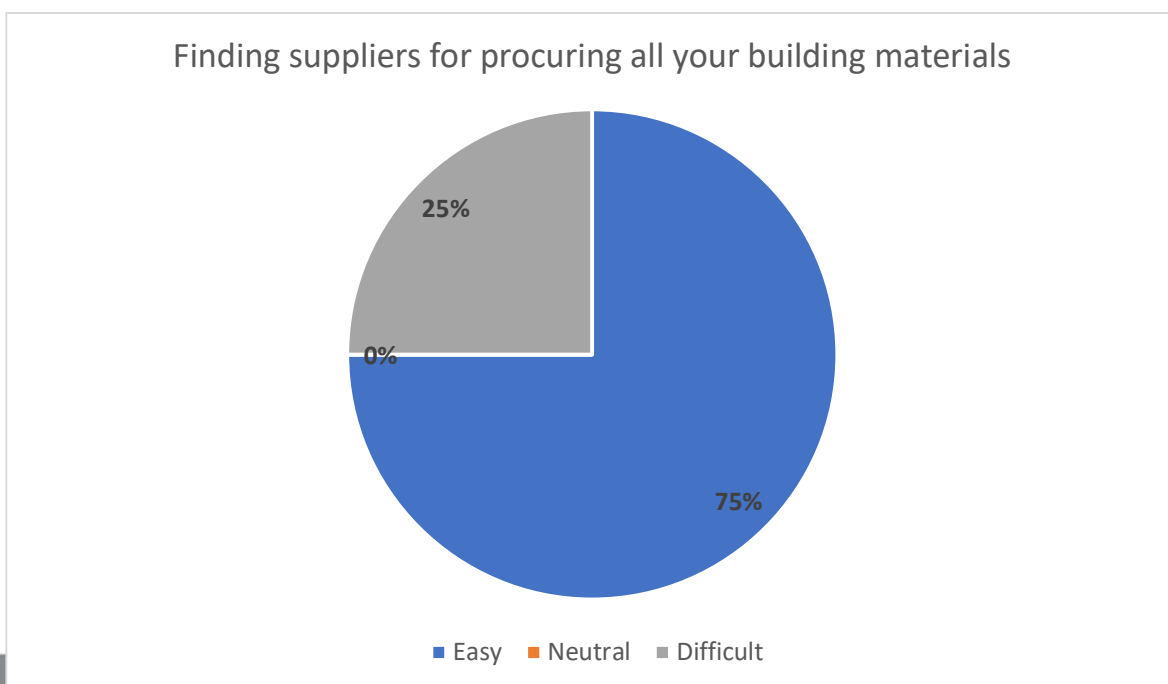
ECD28. Why would you not be willing to pay for this type of service?

Base: Construction new house on owned land AND Home Improvement/Renovation/Upgrade of Existing Home (n=4)



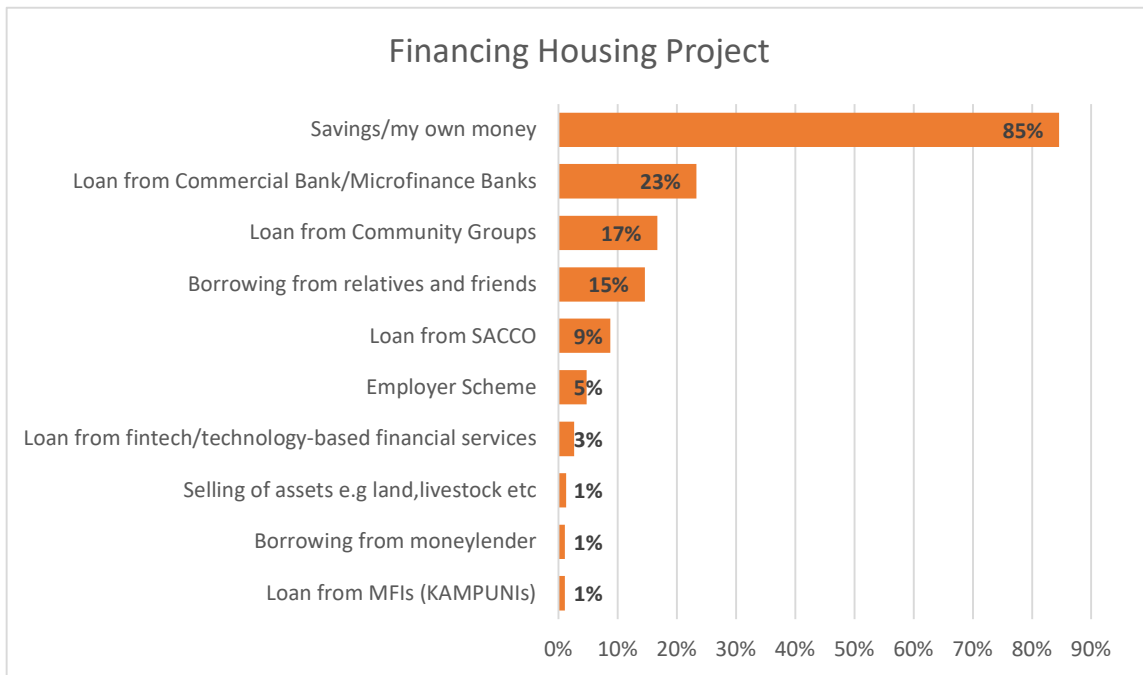
ECD29. How easy is it to find suppliers for procuring all your building materials?

Base: Construction new house on owned land AND Home Improvement/Renovation/Upgrade of Existing Home (n=4)



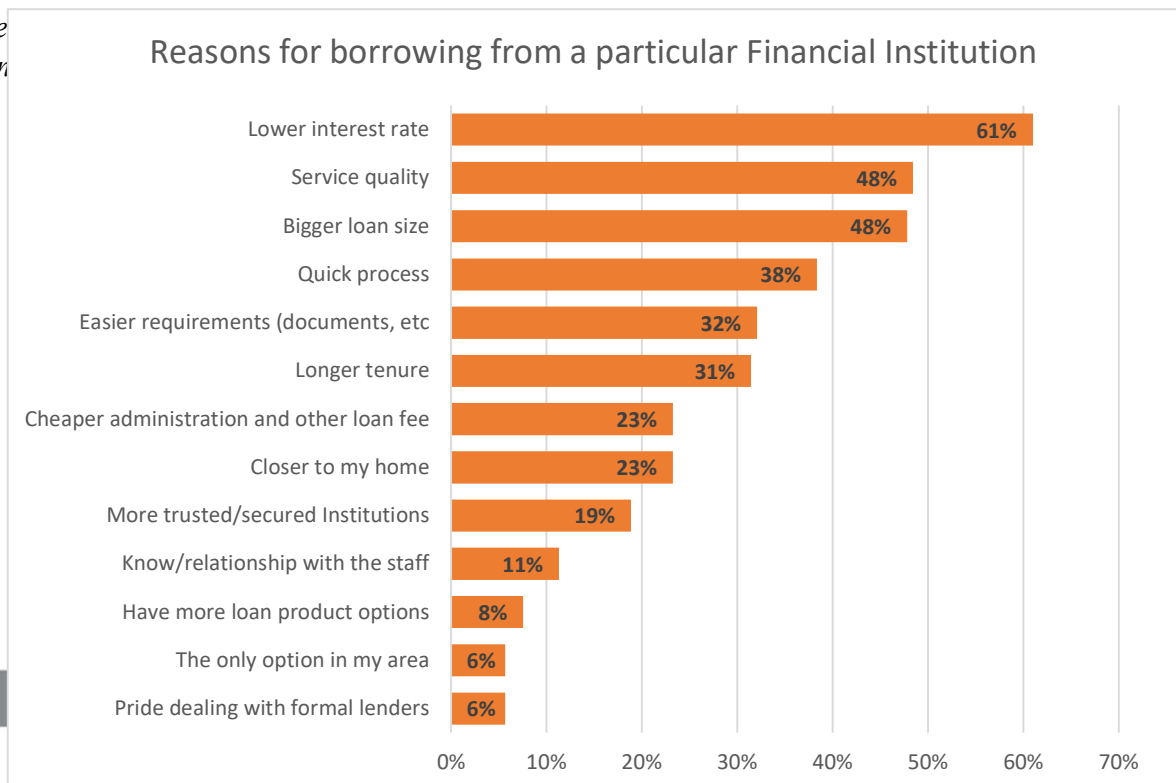
F: DEMAND FOR HMF

F1. Apart from your own contributions, how do you plan to finance your housing project?

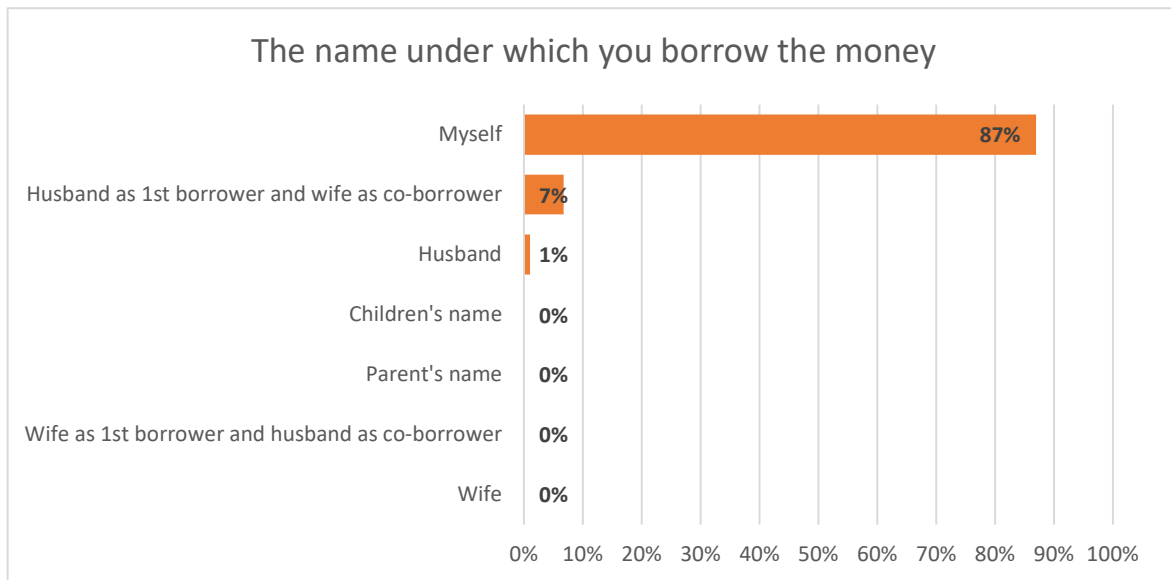


F2. Why do you choose to borrow from them?

*Base
finan*

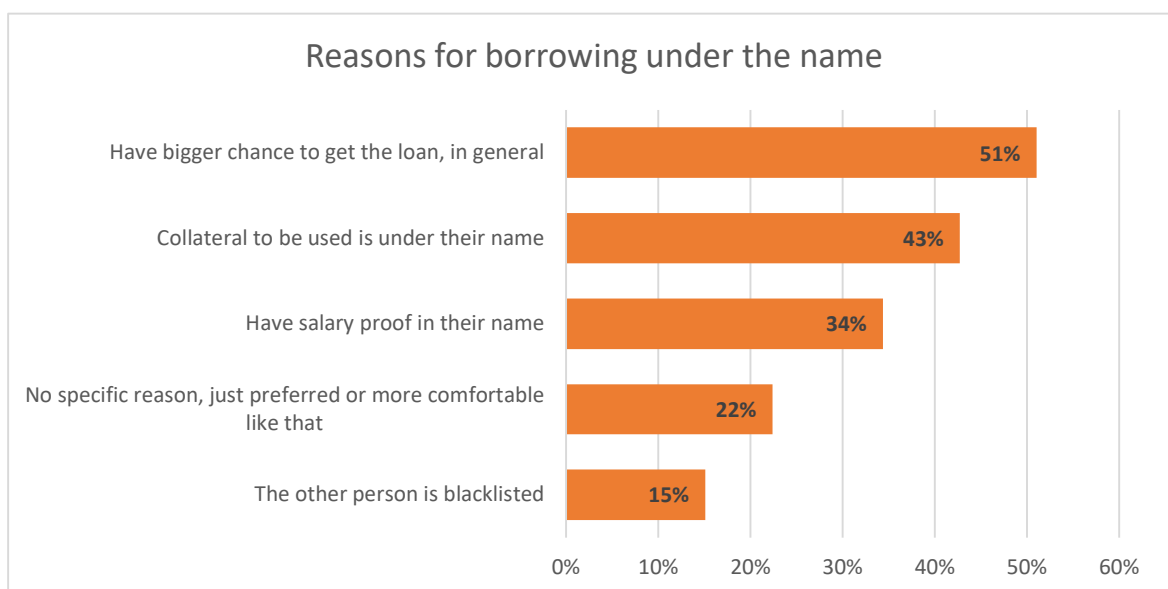


F3. In whose name will you be borrowing the money?



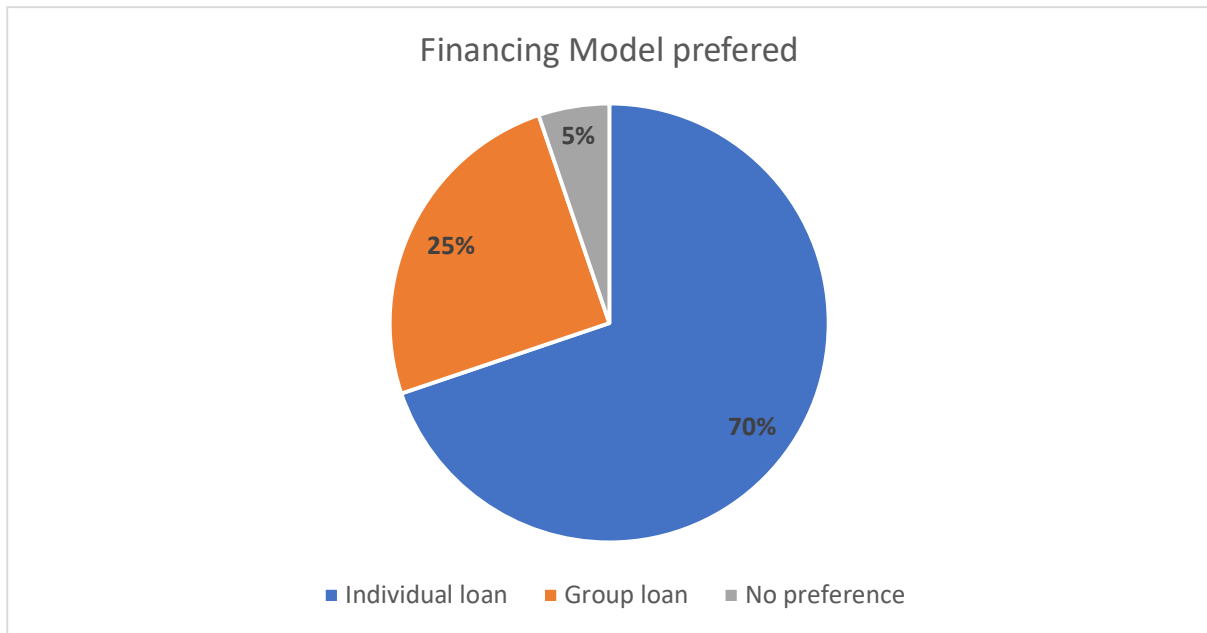
F4. Why under that name

Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=192)



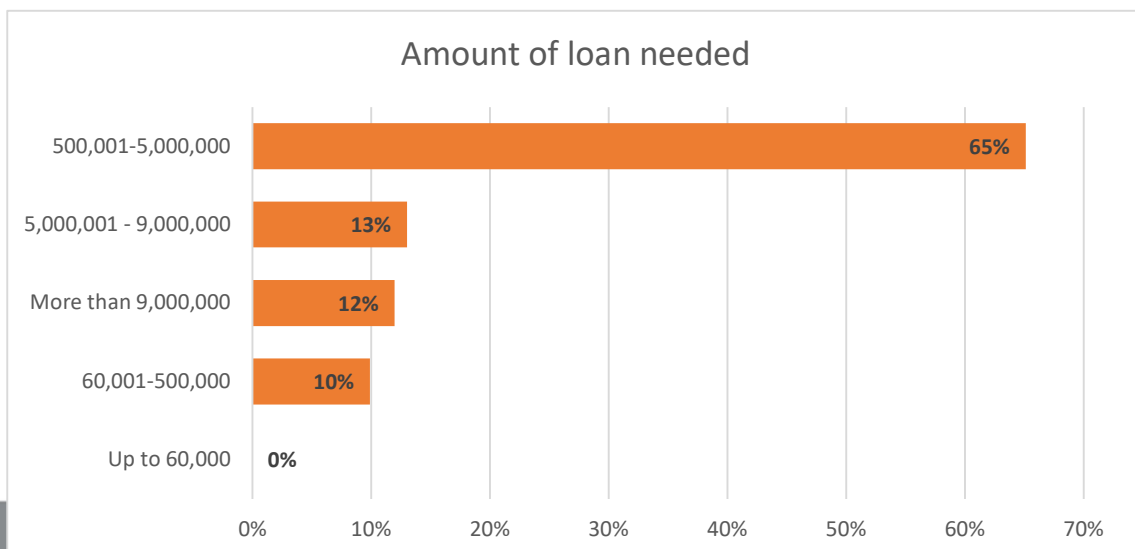
F5. What financing model do you prefer?

Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=192)



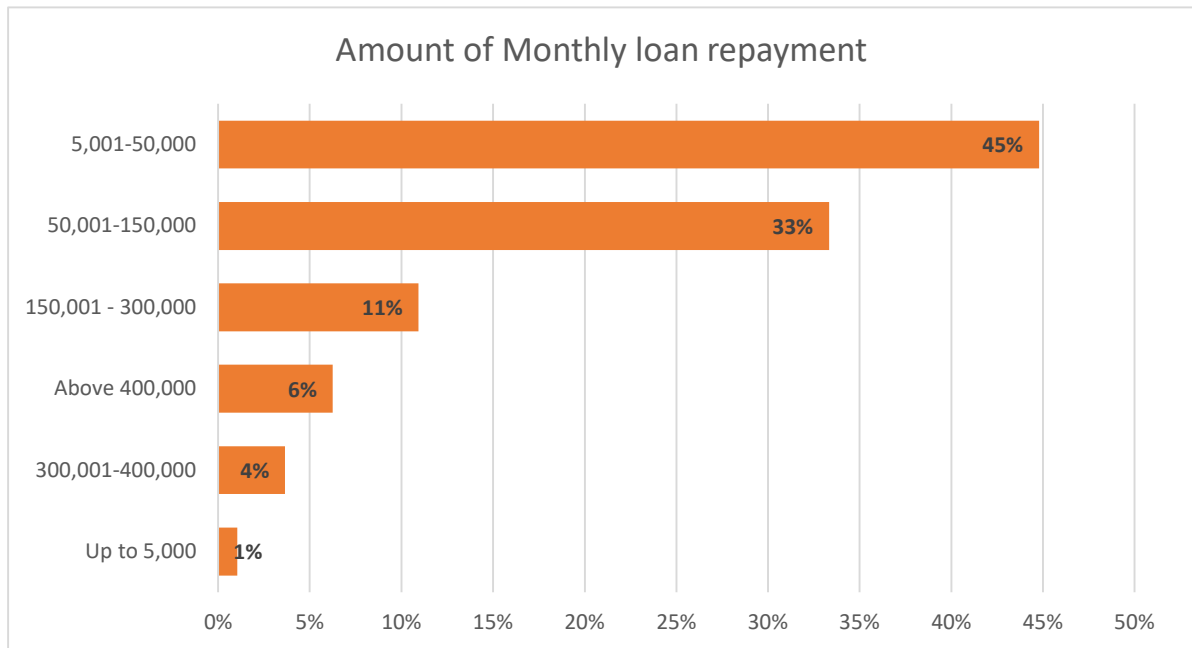
F6. Given your housing project budget and your own savings, how much money would you need as a loan in TZS?

Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=192)



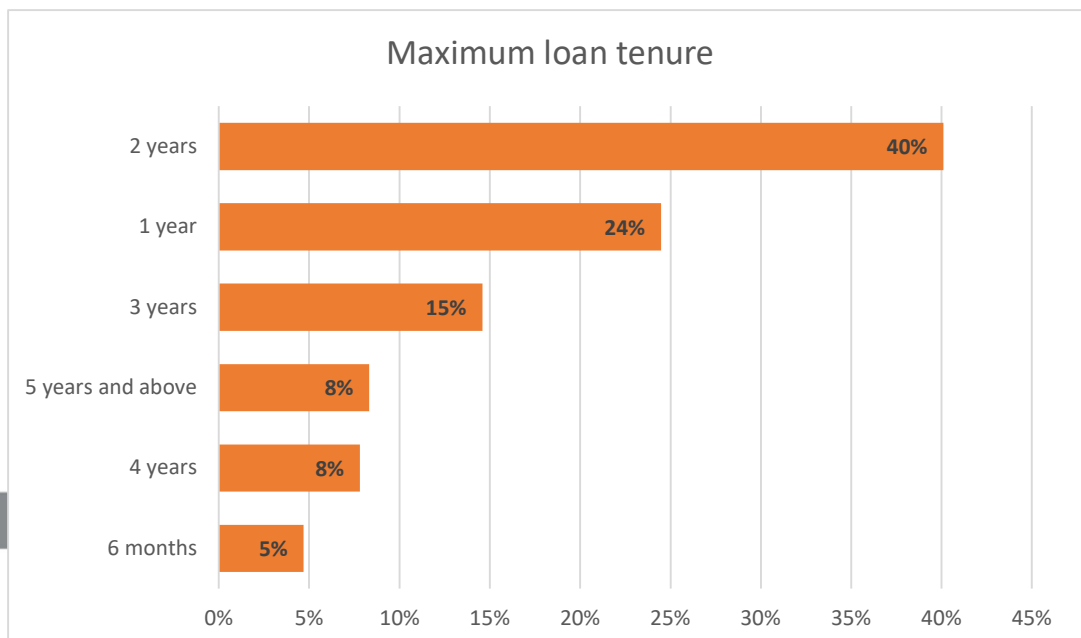
F7. How much money can you afford to pay monthly towards repaying the loan in TZS?

Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=192)



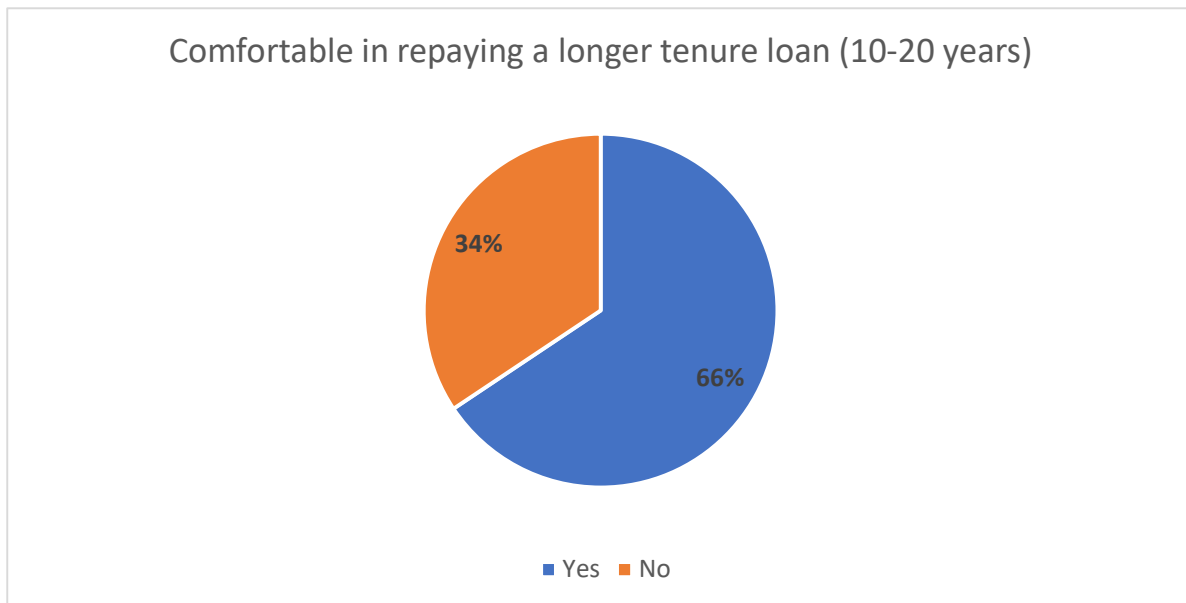
F8. What is the maximum loan tenure you are comfortable with (in years)?

Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=192)



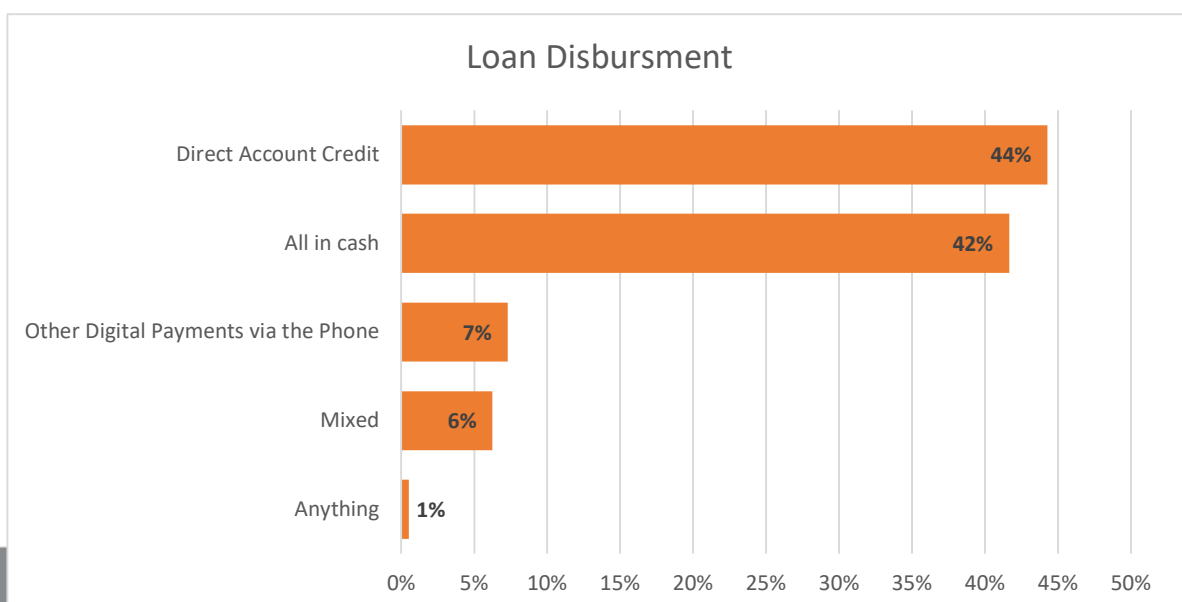
F9. Would you be comfortable repaying a longer tenure loan (10-20 years)?

Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=192)



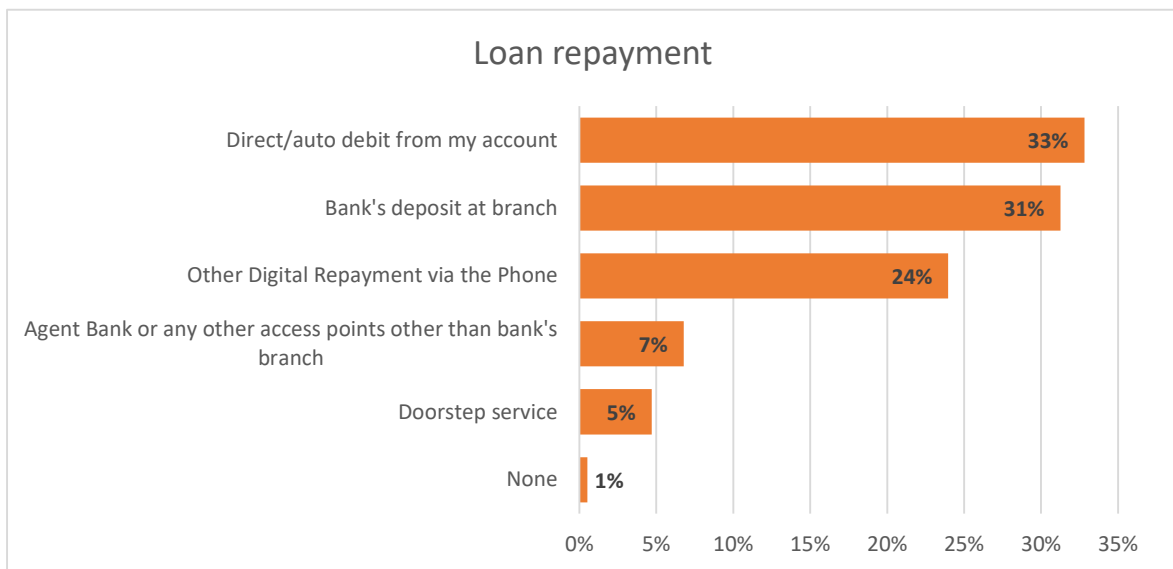
F10.How do you prefer to receive the loan? (disbursement)

Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=192)



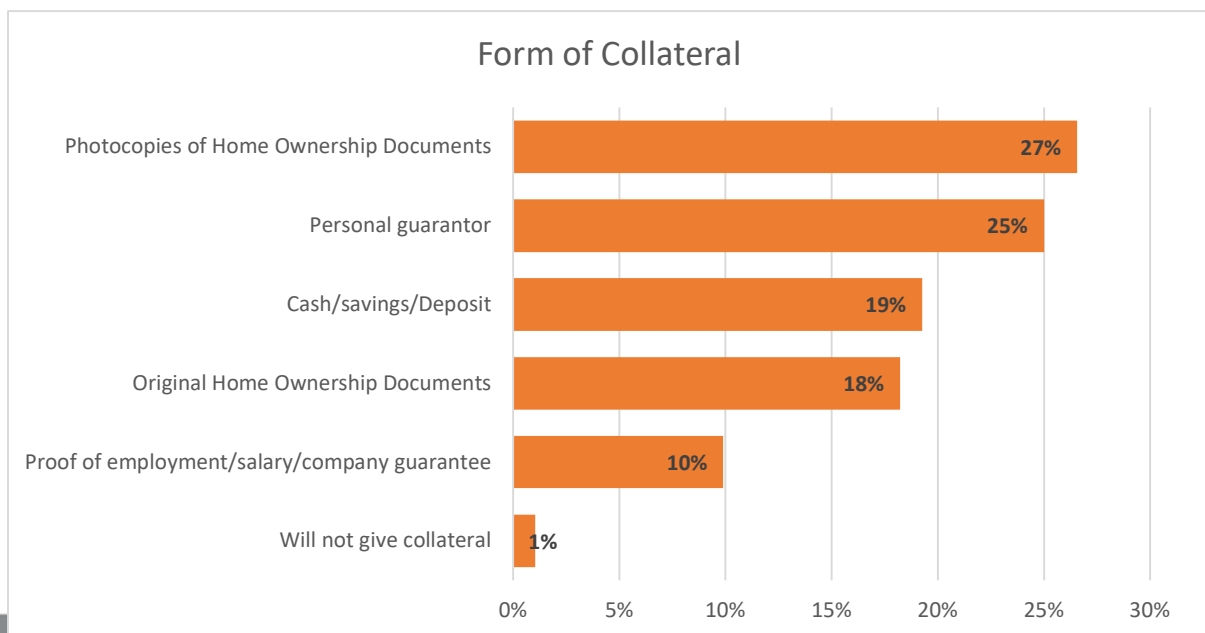
F11.How do you prefer to repay the loan?

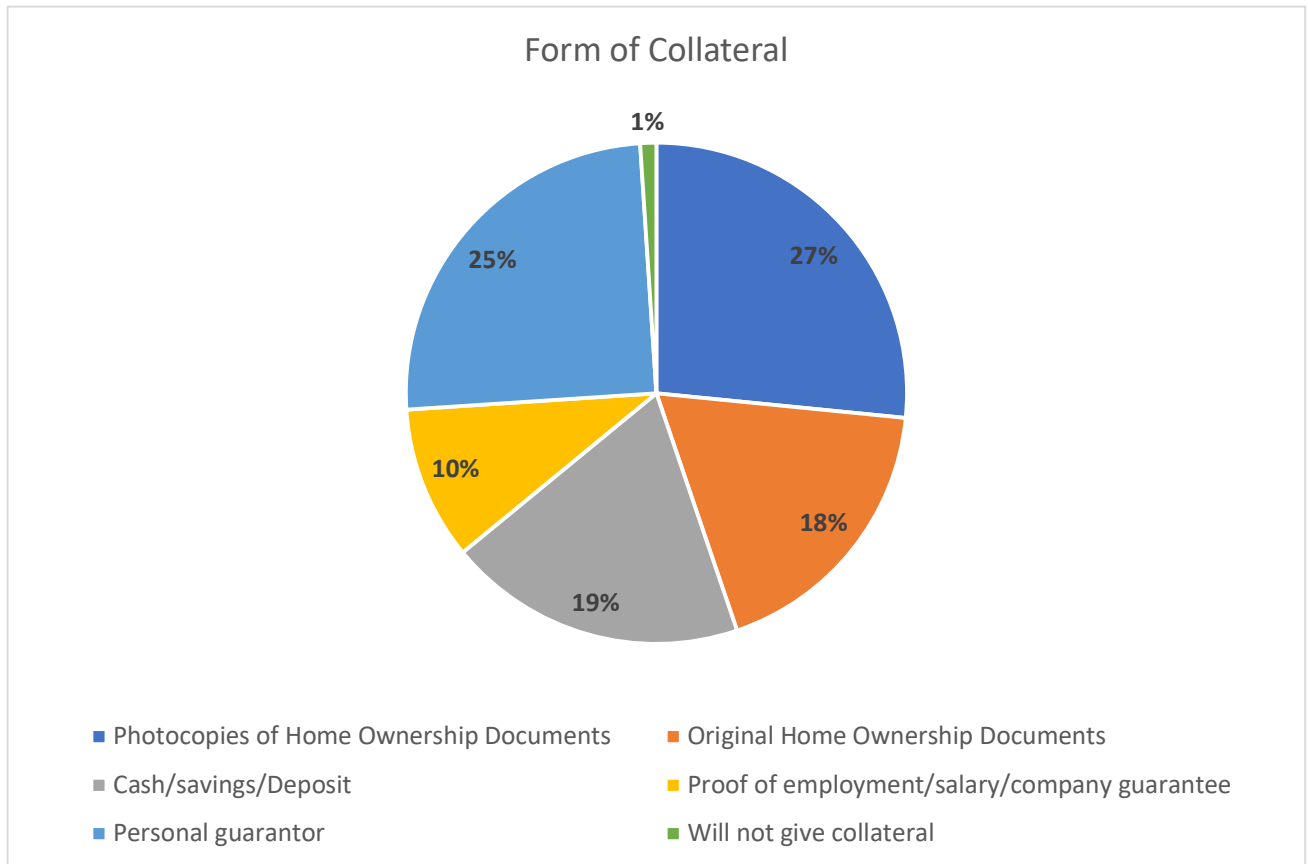
Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=192)



F12.If you are offered an unsecured loan in the range of 300,000 to 5,000,000 TZS (\$150 to \$2000) for a housing loan, what alternate form of collateral would you be willing to offer?

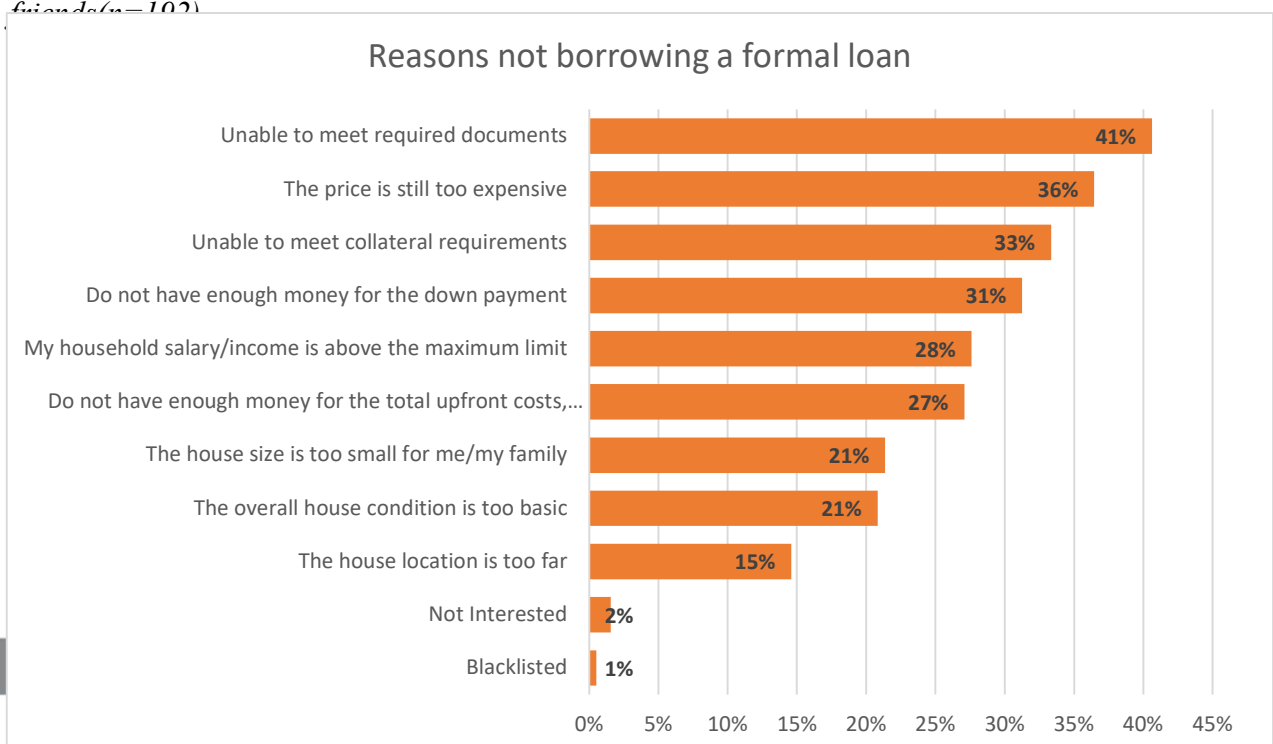
Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=192)





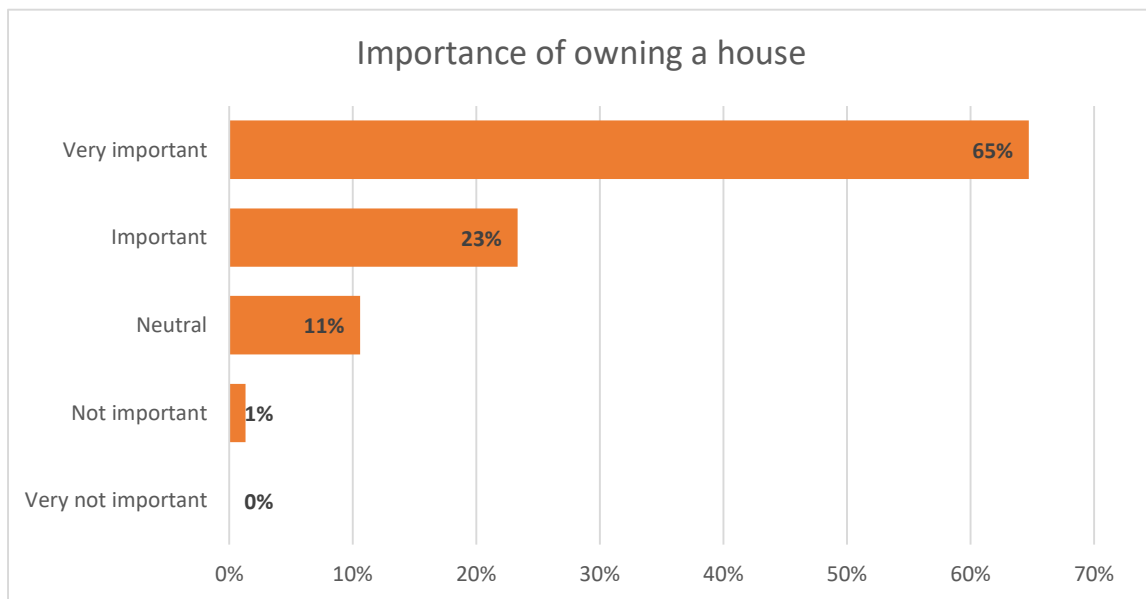
F13.If you are uninterested in borrowing a formal loan, or are not confident that you would be approved for one, can you tell us why?

Base: Loan from Commercial Bank/Microfinance Banks..Borrowing from relatives and friends(n=102)

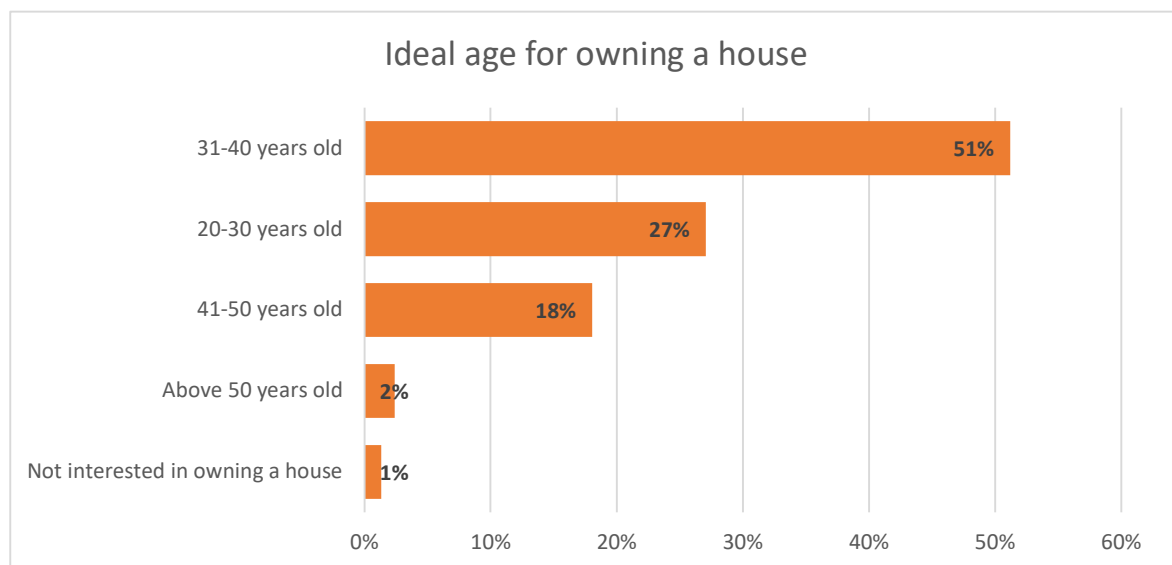


PERCEPTIONS AND PRIORITIES FOR HOUSING

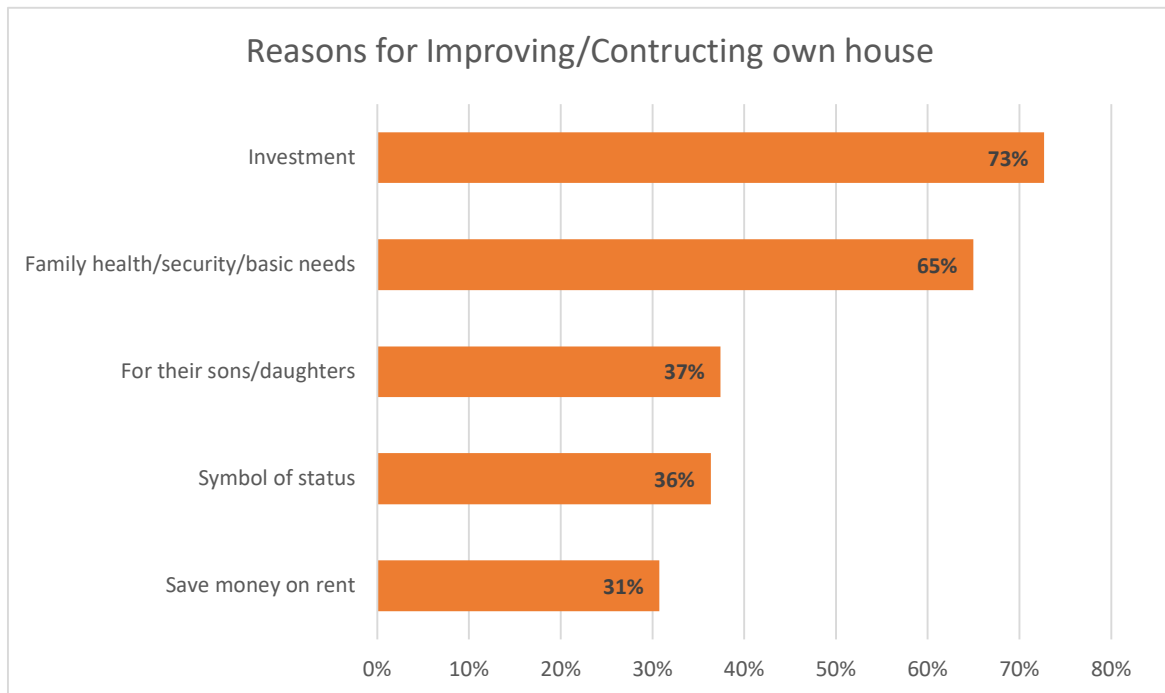
G1. How do you rate the following sentence “How important it is for you to own a house or improve your house within next two years”



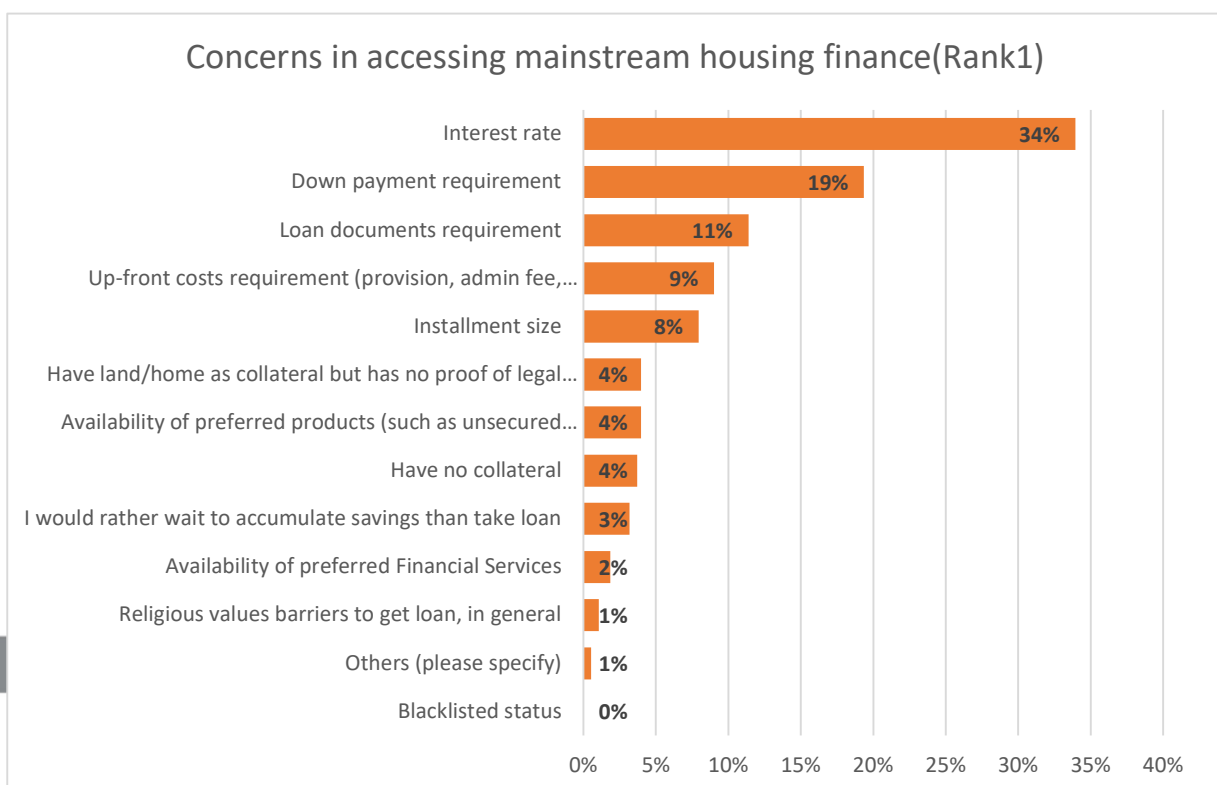
G2. According to you, by what age ideally you should own a house?



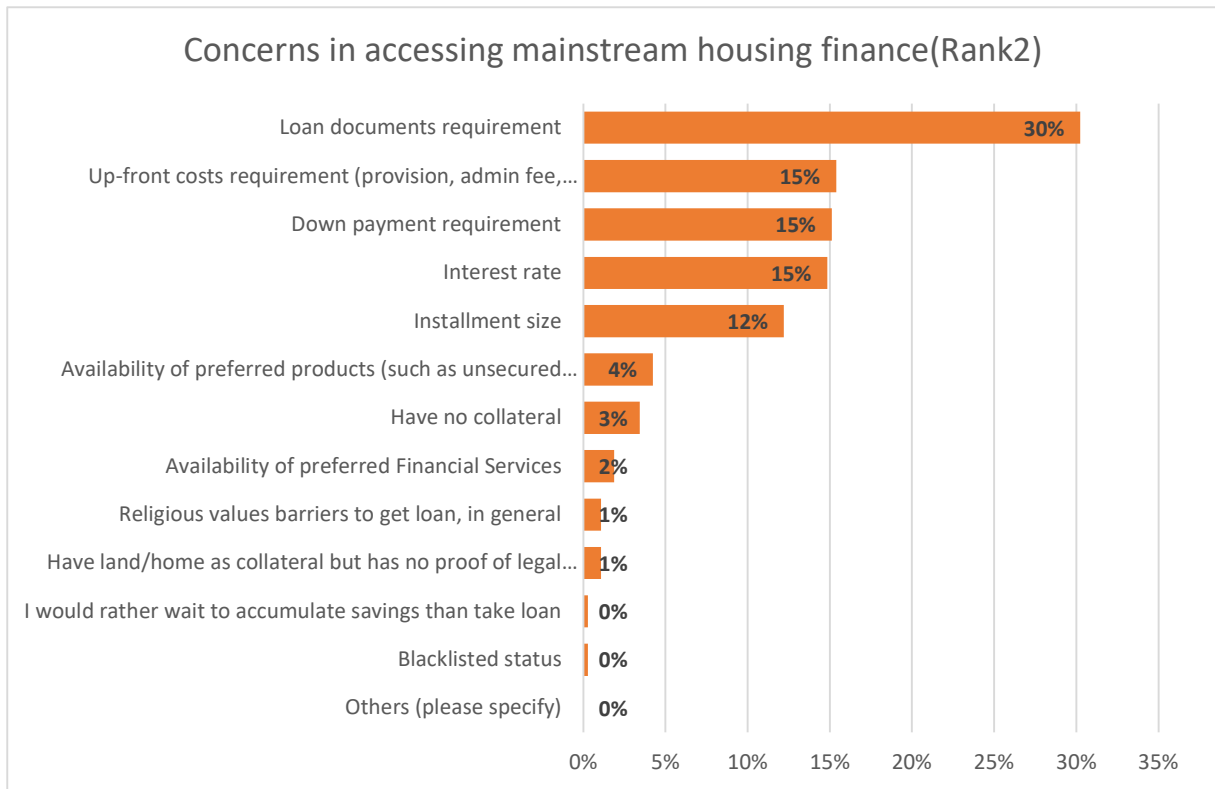
G3. Why do you think you should improve or construct your own house?



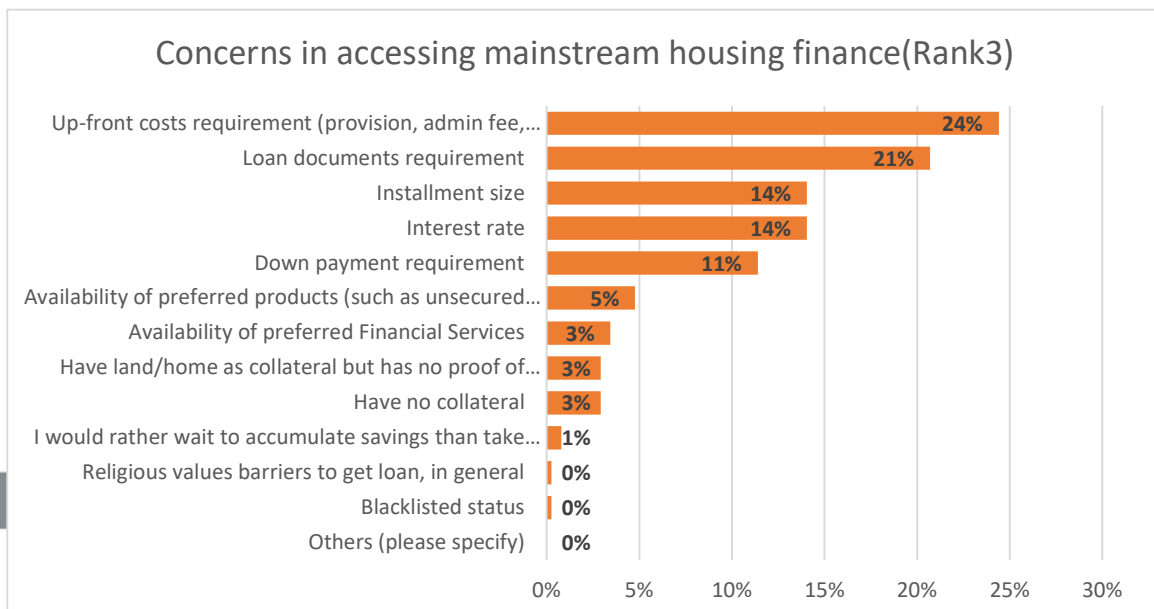
G4_1. What are your major concerns (maximum five) in accessing mainstream housing finance?
_Rank1



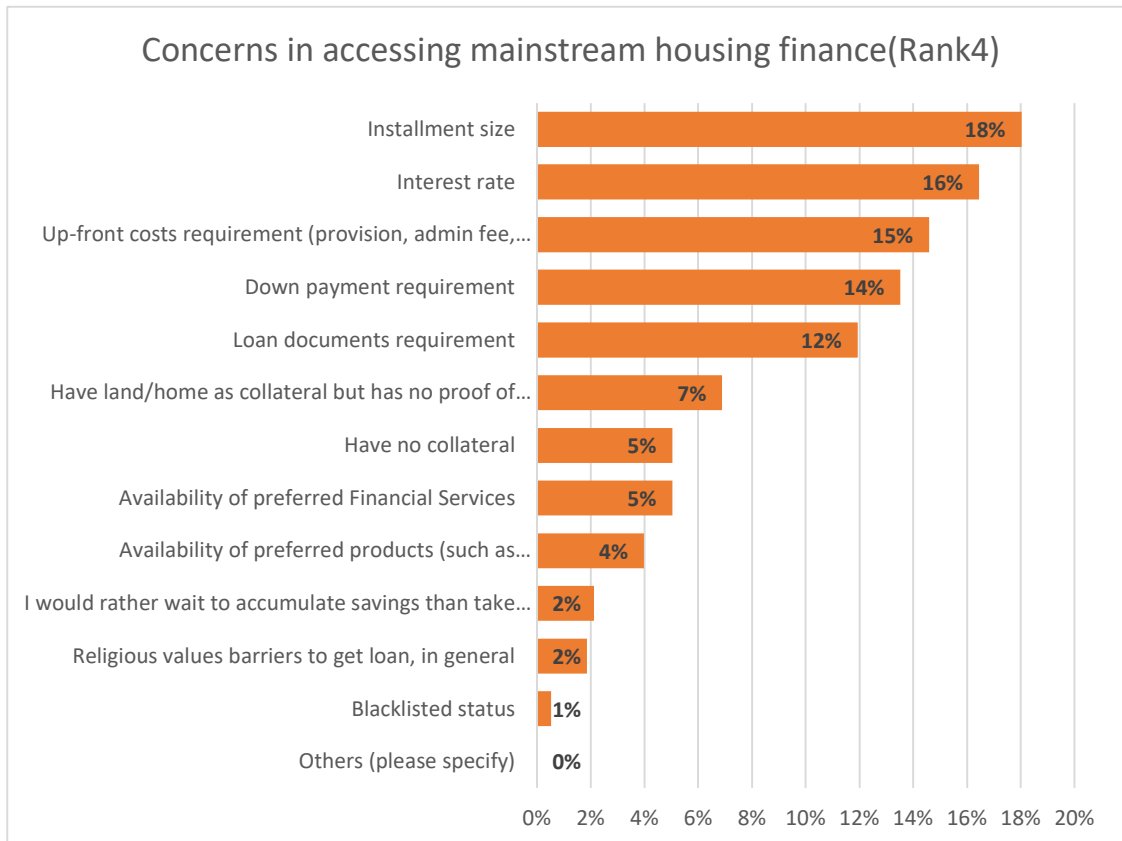
G4_2. What are your major concerns (maximum five) in accessing mainstream housing finance?
_Rank2



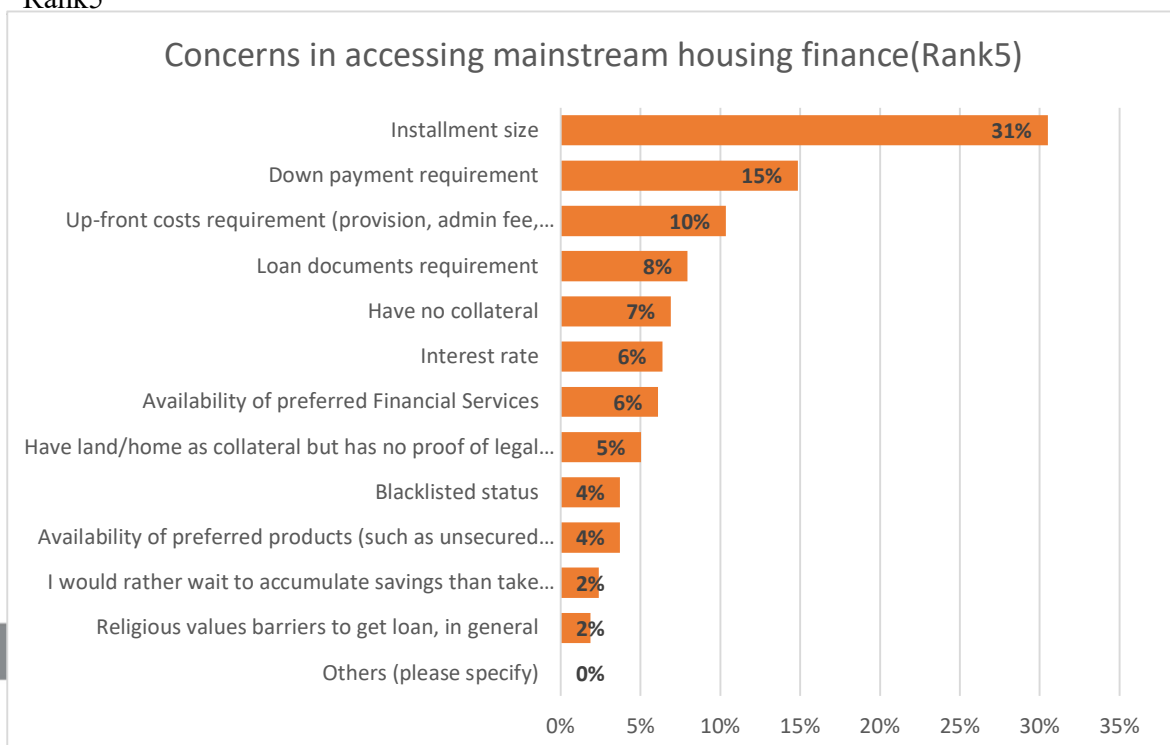
G4_3. What are your major concerns (maximum five) in accessing mainstream housing finance?
_Rank3



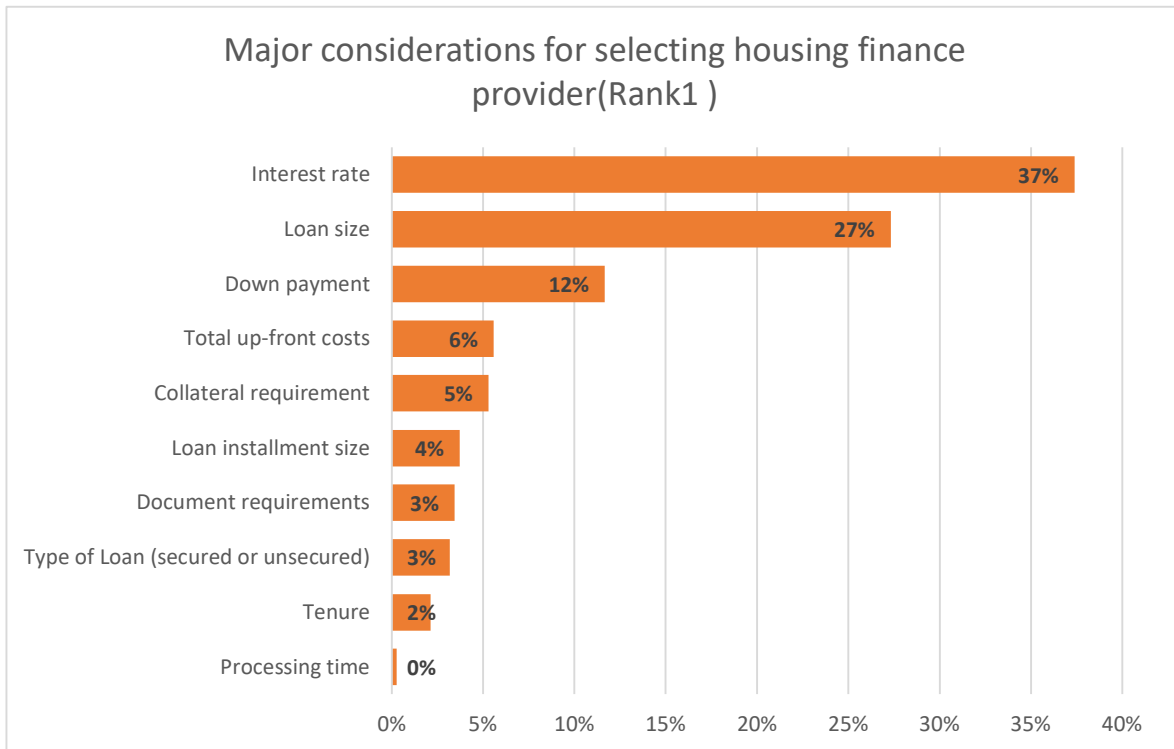
G4_4. What are your major concerns (maximum five) in accessing mainstream housing finance?
_Rank4



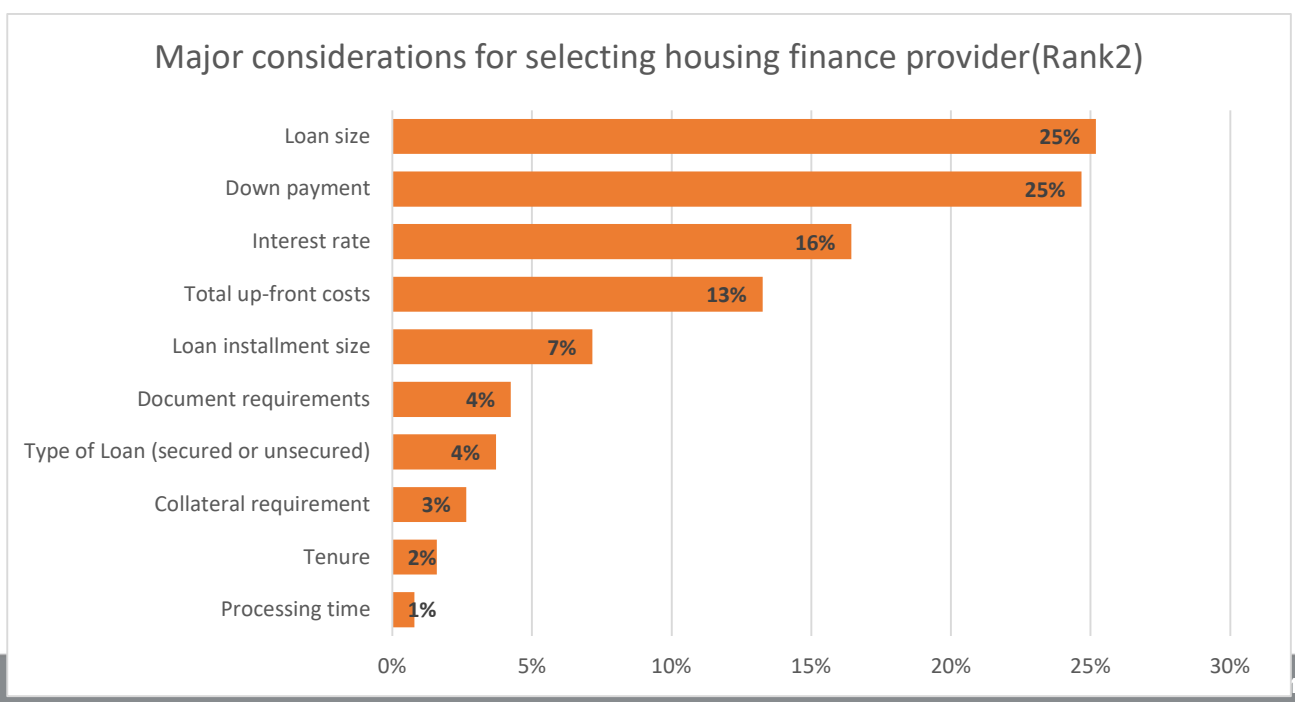
G4_5. What are your major concerns (maximum five) in accessing mainstream housing finance?
Rank5



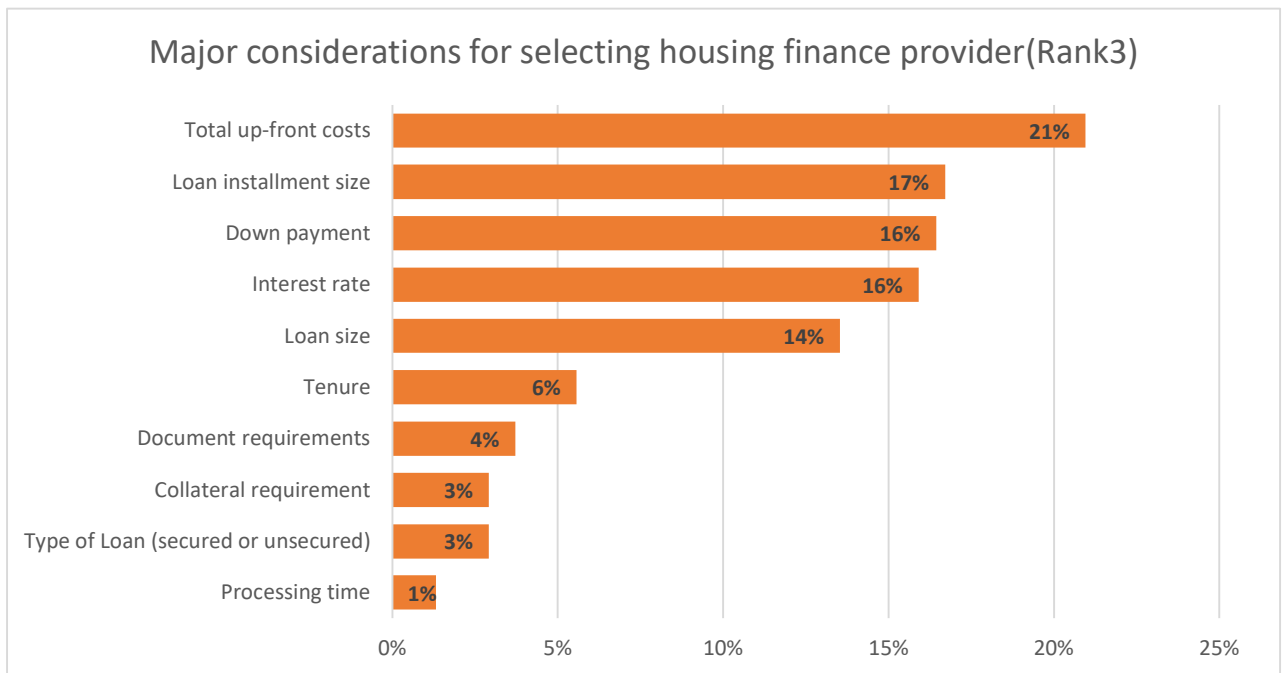
G5_1. What are your major considerations for selecting a particular housing finance provider?
 _Rank1



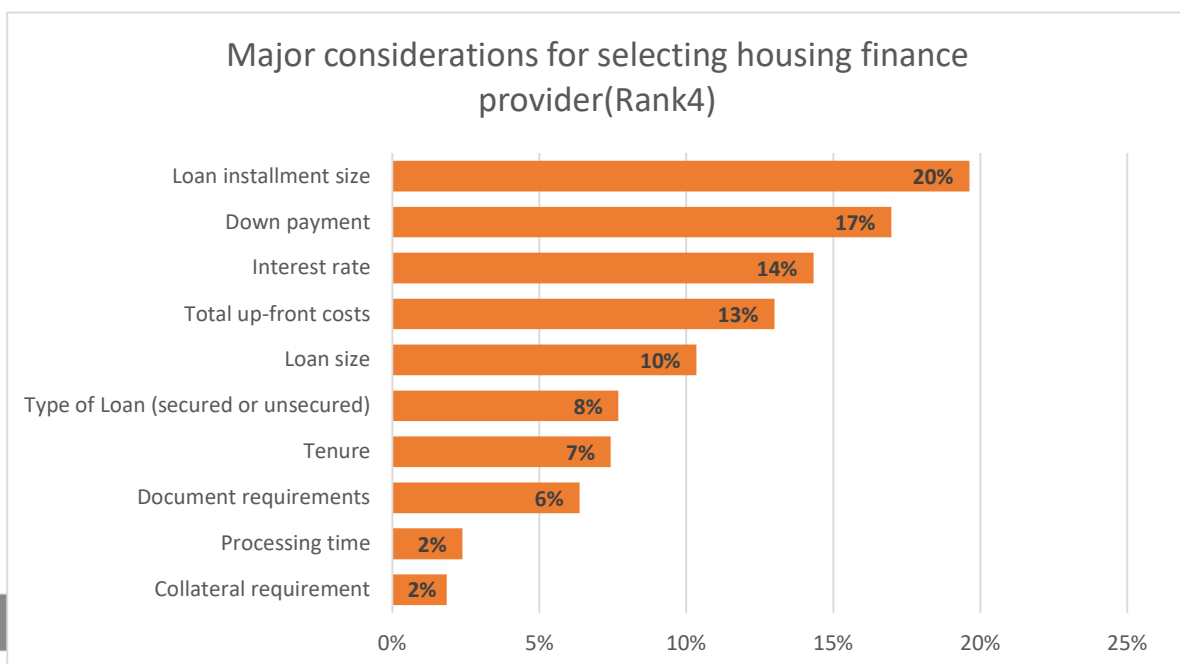
G5_2. What are your major considerations for selecting a particular housing finance provider?
 _Rank2



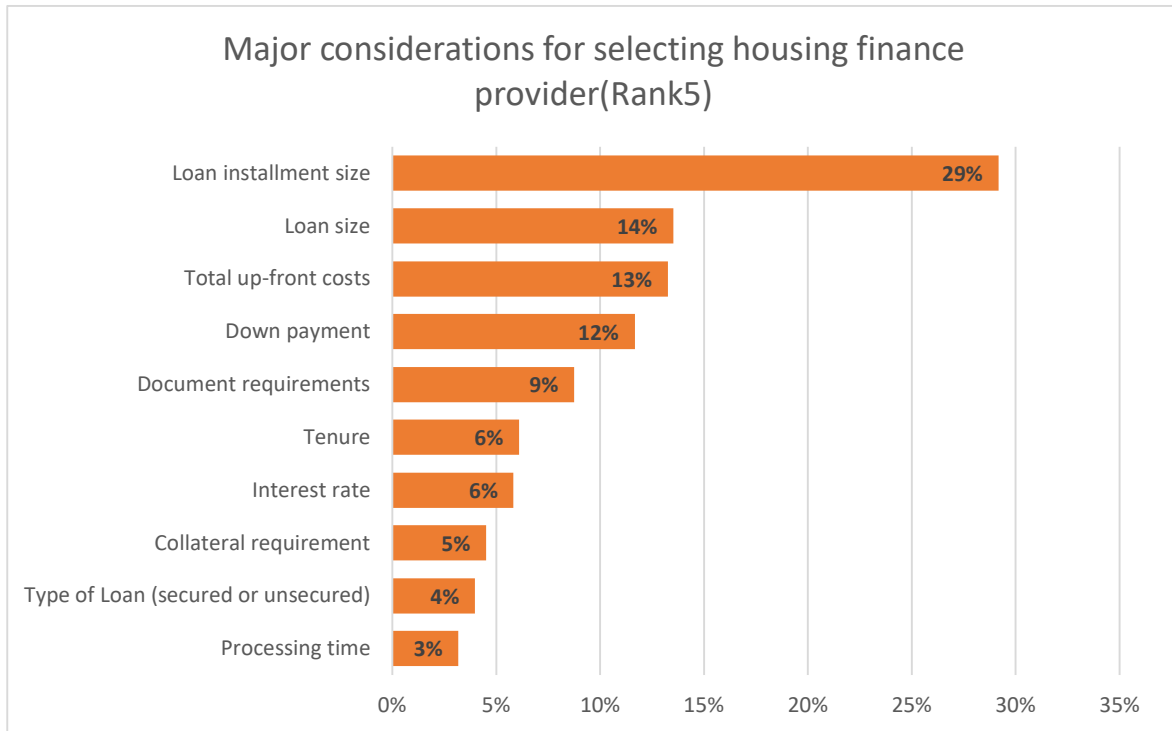
G5_3. What are your major considerations for selecting a particular housing finance provider?
 _Rank3



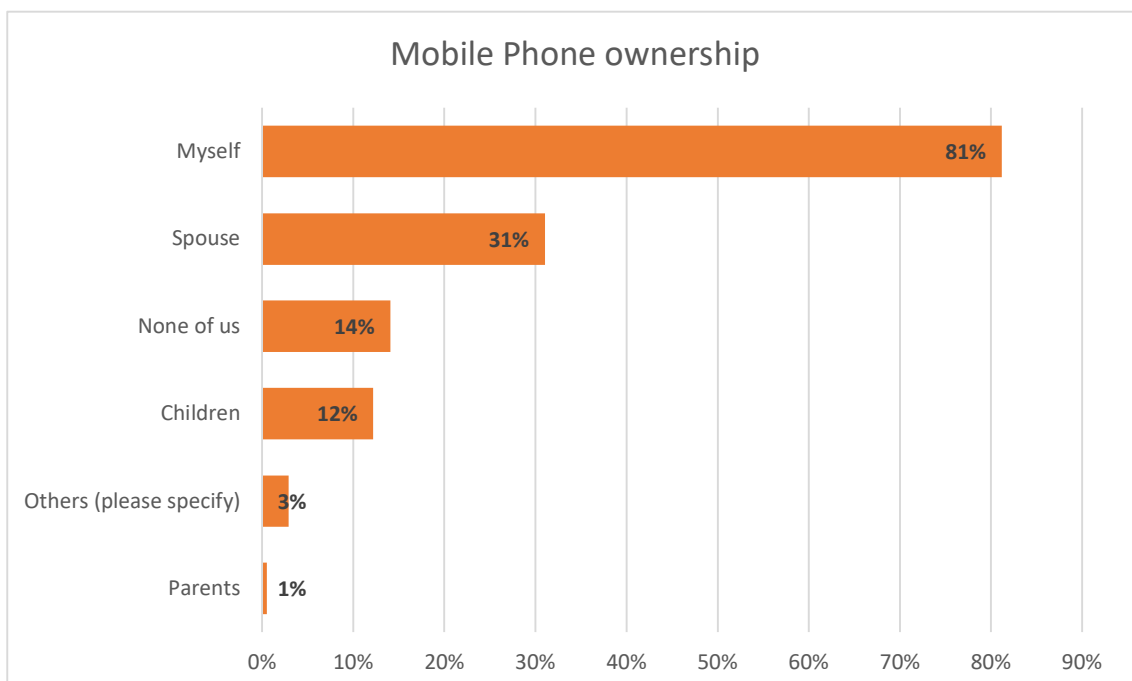
G5_4. What are your major considerations for selecting a particular housing finance provider?
 _Rank4



G5_5. What are your major considerations for selecting a particular housing finance provider?
 _Rank5

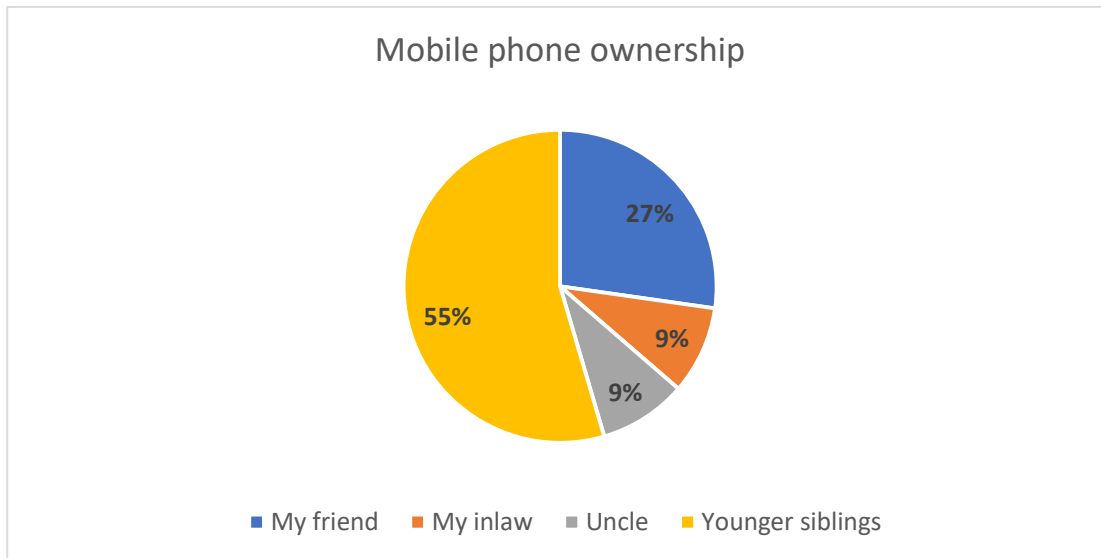


G6. Who owns a mobile phone in your household?



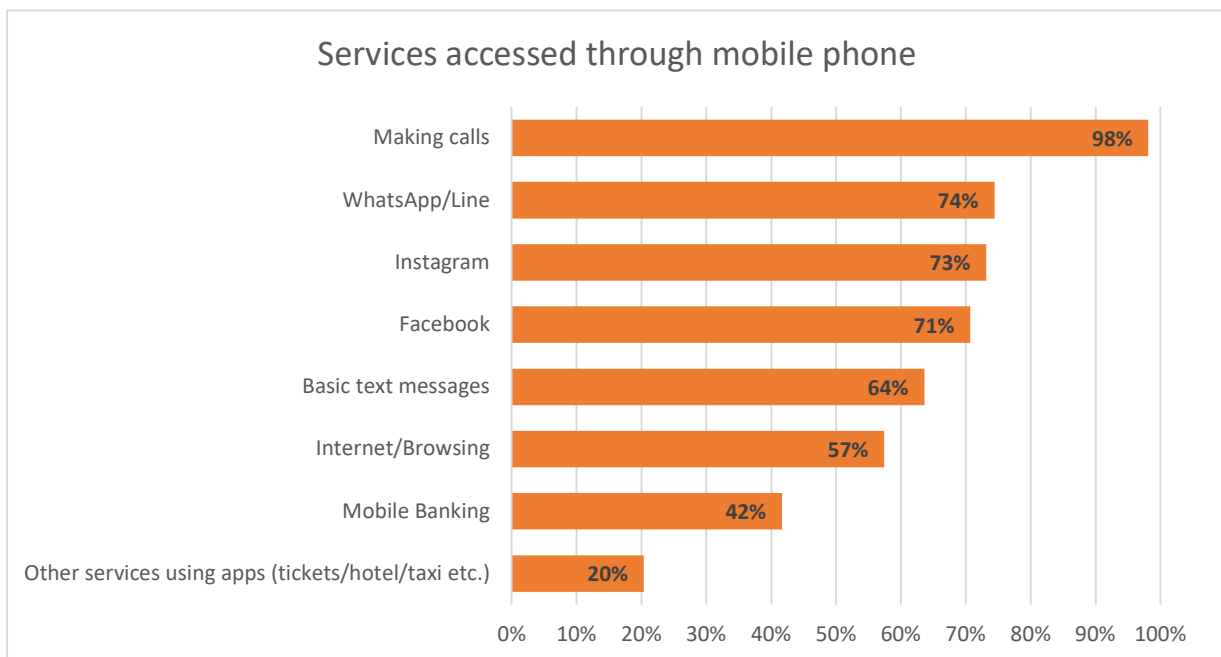
G6_ Other. Who owns a mobile phone in your household? _Other specify

Base: Other specify (n=11)



G7. What services do you access through your mobile phone?

Base: Those with mobile phones (n=324)



Appendix VI – Focus Group Discussion Guide

Housing Microfinance Market Research Study Tanzania 2023 – FGD Guide

This document outlines how we plan to run the FGD sessions. Please note the following:

- ❖ This guide provides an outline for the sessions, not a rigid script.
- ❖ Questions may not be asked verbatim.
- ❖ In addition to the questions listed below, the facilitators will ask questions during the sessions to assess the participants' reactions.
- ❖ The procedure may vary from group to group according to their interests and experience.
- ❖ Timings within the document are approximate.

Research objectives recap

Goal:

To understand housing behavior, lending preferences, challenges and opportunities for households to invest in their own homes

Session overview

We'll have 120 minutes for each session, in all 4 FGD sessions.

Timings are approximate

Orientation: (5 minutes):

We introduce ourselves to the participants and run through points as required by ethics guidelines.

Section 1: Background questions (5 minutes):

Here, we ask background questions to set the context for the rest of the session.

Section 2 Awareness Questions (8 minutes)

The goal of this section is to check the participants' existing level of awareness regarding HMF and provide them with a basic level of understanding of what HMF is.

Section 3: Understanding Housing Aspirations (18 minutes)

The goal of this section is to understand the housing-relating ambitions of the participants.

Section 4: Housing construction / building behavior (18 minutes)

The goal of this section is to understand the participants' past approach to building and modifying their home, and what their preferred approach would be to these activities in the future.

Section 5: Understanding borrowing and savings behaviour (18 minutes)

The goal of this section is to understand the participants' interactions with financial institutions (formal or informal), whether or not there have been challenges involved, and to get a sense of their preferred terms and conditions for these interactions.

Section 6: Understanding demand and propensity to borrow for housing (18 minutes)

The goal of this section is to understand how likely participants are to borrow specifically for housing purposes.

Section 7: Preferred terms for a HMF Loan (15 minutes)

The goal of this section is to understand what terms and conditions the participants would be comfortable with, if taking out a HMF Loan.

Section 8: Preference for CTA (10 minutes)

The goal of this section is to establish whether the participants would be interested in HMF products with a Construction Technical Assistance (CTA) component.

Wrap up: (5 minutes)

120 mins.

Orientation

Facilitator verbally runs through standard briefing information:

- **Thank you for coming and talking with us today.**

My name is [**NAME OF MODERATOR**]; I work for a research company, and my job is to talk to people like you, in order to gain a deeper understanding of your views about housing loan products. Understanding your views allows various companies to understand what is important for you, so they can make sure that they are serving your needs.

So, for these discussions, it's essential that you "be yourself". Please share your honest opinions.

We are collecting this information as part of our research and this is just one of several group conversations that we are conducting among different groups of people.

- **Please know that you are not being tested.** Today we will be asking you about a few things. Remember that there are no "right" or "wrong" answers today. We simply want to hear and understand your thoughts and feelings.
- **We are recording this session.** This recording will help us listen to what you have to say and not worry about taking detailed notes during the interview. We will transcribe the recording, but the transcriptions will only be used for our research analysis.
- We are a research team working on this project and **there are some team members on this session.** They are able to see and hear us, and if they have any questions for us they'll let us know.
- Everything will be kept **confidential.** In our report, we won't include any information that could identify you. Likewise, we encourage you to keep our discussion, and anything we share with you during the course of the discussion, confidential.
- **Any questions before we start?**

Section 1:

Background Questions

Let's get started, could you begin by sharing a little bit about yourself:

- If you are happy to share, what is your name?
- How old are you? → What is the nature of your job?
- Where do you currently live? (i.e. what village/city/town)
- Do you own your home, or do you rent, or...?

Section 2:

Awareness Questions

- Have you heard of a Microfinance Loan?
- Do you know/have you heard of a housing microfinance loan?
- What comes to your mind when you hear the term housing microfinance loan?

Note to Moderator: After asking these questions, clearly define what HMF is and make the participants understand the general meaning of this terminology. We also need to sensitize the participants on why we are doing this research and make them comfortable.

Make them understand that they are the specific target audience for this research and we want to understand their needs and requirements clearly so that we can make appropriate recommendations to FIs and partners we are working with.

The goal of this study is to enable easy access to financing mechanisms for helping lower-middle income households in Tanzania to build/improve their homes. To do this, we want to understand: your housing preferences, your financial preferences and what you would expect from a lender if you were to borrow a housing loan.

Firstly, let me define what a Housing Microfinance loan is. A Housing Microfinance (we will call it HMF from now on) loan is a small loan, usually ranging between TZS 300,000 and TZS 5,000,000 which is given to lower-middle income households like yourself. It is not unlike a normal Microfinance loan, just that in this case the purpose is specifically for housing like: home improvement, improving your walls, your flooring, your roofing, adding a toilet structure, adding a room etc., and cannot be used for anything else. It is important to understand that for such a loan:

- 1) You do not need to pledge your house as mortgage

- 2) You do not need any other collateral, although you may need to provide a guarantor

Do you have any questions at this stage? (Clarify doubts) If not, we can begin!

Section 3:

I. Introduction - Understanding Housing Aspirations

1. Is owning your home important to you? Why (not)? What does owning a house mean to you?
2. If you could change anything about your current home, what would it be?
3. If you do not own a home currently, would you like to own your own home in the future? Why (not)?
4. By what age would you like to/expect to own your own home?
5. What would your dream house look like to you?
 - a. How big would it be?
 - b. How many bedrooms/bathrooms would it have?
 - c. What would the floor be like?
 - d. What materials would you prefer for the walls/roof etc?
 - e. What type of facilities would it have? (e.g. running water, sanitation, hygiene [WASH])
6. If you had your dream house today, how would your life improve? For you and your family?

Section 4:

II. Housing construction / building behavior

Now I'd like to discuss your approach to building or improving your home.

PAST BEHAVIOUR:

1. Did you build or improve your own home in the recent past? Probe the following:
 - a. What type of building materials did you use for each part (specifically roofing, flooring, walls, doors, and windows)?
 - b. Did you seek help from anyone? Who (e.g. family members, friends, professionals)?

- c. Was it challenging working with these individuals? Was there any important information or skills you were missing?
 - d. What (other) problems did you encounter in the construction process (e.g. lack of technical knowledge, lack of capital, lack of building materials, design defects)?
 - e. Was it difficult finding funding for house construction? Why (not)? Where did you get it from?
2. Do you have an official title for your land? / Is your land officially registered?
- Probe for Yes:**
- a. Do you encounter any obstacles (e.g. bureaucratic) with land use?
 - b. Do you ever struggle for you to demonstrate your ownership of the land? (e.g. availability of title deeds)
- Probe for No:**
- c. Is the land registration process simple/complicated? Is it cheap/expensive?
 - d. Would you consider borrowing money in order to get an official land title?
3. Have you ever expanded or refurbished your home? If yes:
- a. How many times?
 - b. Which parts of your home?
 - c. What type of building materials did you use for each part (specifically roofing, flooring, walls, doors, and windows)?
 - d. Was it easy/difficult? What were the main challenges? (e.g. lack of technical knowledge, lack of capital, lack of building materials, land usage limitations)?
 - e. Did you get help? Who from?
 - f. Would you like to expand/refurbish (again) in the future?

FUTURE BEHAVIOUR:

4. If you were to build your own home or make improvements to your existing home in the next two years:
- a. Would you do it yourself?
 - b. Would you get help from anyone to finance it? Who? Why?
 - c. Would you get help from anyone to construct it? Who? Why?
 - d. What type of building materials would you prefer to use? (Probe for which materials would be used for roofing, flooring, walls, doors, windows...)
 - e. How would you acquire the building materials? (Probe if they are easy/difficult to acquire, common/rare, cheap/expensive...)
 - f. What do you think the main challenges of construction would be? (e.g. lack of technical knowledge, lack of capital, lack of building materials, design defects, land titling issues)

Section 5:

III. Understanding borrowing and savings behaviour

1. What are your main sources of income?
 - a. Do you receive a regular salary, or does your income vary each month?
 - b. Do you receive government assistance?
2. Do you manage to save money regularly? How often?
3. Do you find it difficult to save money regularly? Probe why
4. How/where do you tend to save your money? (i.e. informally or with a financial institution?)
5. What do you use your savings for? (Areas to probe: and ask audience to rate order of priority - children's education / housing / business / other)
6. For the most recent loan that you have borrowed - irrespective of the purpose - we would like to understand what terms you were comfortable with?

Areas to Probe if they haven't borrowed in the recent past

- a. Why?
- b. Would you be open to borrowing in the future?
- c. How much money would you be comfortable borrowing at a time?
- d. What sort of terms and conditions (timeframe, interest rate) would you consider acceptable?

Areas to probe if they have borrowed in the recent past

- e. How frequently do you tend to borrow money?
 - f. What sort of terms and conditions (timeframe, interest rate) did they have?
 - g. Did any particular usage conditions apply? (e.g. for housing purposes only)
 - h. Do you tend to adhere to these usage conditions?
 - i. What proportion of your income do you tend to spend on loan repayments?
 - j. Do you ever find it difficult to repay loans? Why (not)?
7. Who do you prefer to borrow from? (e.g. banks/SACCOs/family/friends etc.)
 - a. What factors would influence your choice of lender? (e.g. reputation, products, familiarity)

Section 6:

IV. Understanding demand and propensity to borrow from formal financial institutions for the purpose of housing

Do they want to borrow from FIs for housing or not:

1. Is it your preference to borrow money from any financial institution for construction/improving/upgrading your current home?
2. If not - can you tell us why not? And how would you finance the project instead?

If they have borrowed in the past - experience:

3. Tell me about positive experiences you've had with the process of obtaining this type of housing loan. What terms and conditions were attached?
4. Tell me about disappointments you've had with the process of obtaining this kind of loan. What terms and conditions were attached?

Intention to borrow in the future:

5. Why would you seek a housing-specific loan, over a general use one?
6. Who would you go to for a housing loan? (e.g. bank/SACCO/MFI)
 - a. What factors would influence your choice?
7. When you decide to seek a loan for housing purposes, what do you look for? **Take some time think about this. Once the participants are done thinking, ask them to share their thoughts/answers.**
8. If you had to pick only one factor that was most important to you, what would it be? You can pick something that you mentioned or something that was said by others. Why was that factor the most important?

Section 7:

V. Preferred terms for a HMF Loan

Ask with the specific purpose of understanding what terms of a HMF loan would be preferable to them:

1. What kinds of terms and conditions are needed to ensure low-income households can access affordable housing finance options to meet their housing needs?
[facilitator should prompt here, to make the respondent go into more detail – duration of repayment plan, eligibility requirements, documentation required etc.]
2. What would you use an HMF loan for?

3. Who would your ideal HMF lender be? (i.e. type of FI)
4. What factors would influence your decision to take out a HMF loan?
5. What factors would deter you from taking out an HMF loan?
6. What percentage of your monthly income would you be comfortable spending on repaying an HMF loan?
7. Would you prefer a HMF loan over a general purpose one? Why (not)?
8. Would you be willing to take out a mortgage? (i.e. providing land/home as collateral) Why (not)?

Section 8:

VI. Preference for CTA

The moderator should begin this discussion with a brief explanation of what CTA is:

Some HMF loans come with “Construction Technical Assistance”, or “CTA”.

This means that, in addition to receiving the loan money, the borrower receives professional advice from an architect or an engineer. The advice can cover creation of a housing budget, creation of a building plan, choice of building materials, and construction techniques. CTA can involve meeting the architect or engineer in person, and/or receiving “how-to” guides, in the form of a booklet, DVD, digital file, or lessons through a smartphone app.

1. Is this something would you be interested in? Why (not)?
2. Would you pay extra for this service? If yes, how much? If no, why not?
3. What type of information would you prefer CTA to cover? What information would be most useful/valuable for you?
4. What would be your preferred format for CTA materials?
 - a. Booklet - Paper Copy
 - b. Booklet - Digital Copy
 - c. Video - DVD
 - d. Video - YouTube
 - e. Audio - CD
 - f. Audio - Digital file
 - g. Online - Website
 - h. Online - Smartphone App
 - i. Other (please specify)

5. If an HMF loan came with CTA, would this make you more likely or less likely to take out the loan?

Wrap up questions:

- Thank you for all these insights, please excuse me for a moment – I'd like to see if my colleagues have any questions for us (HFHI, TMRC, Altair teams can ask questions here)
- That brings our session to a close. Thank you very much for your time today. We really appreciate your input.