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Unlocking housing finance for women in Ghana and Senegal: insights from the *Her Home II* report

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1. Mortgage markets, housing and women

High urbanisation rates are increasing the pressure on Africa's cities to make room for more households, provide additional services and supply adequate, affordable accommodation. This influx poses city planning challenges, as the private and public sectors are unable to deliver new housing at a pace and cost that will meet demand. The majority of dwellings in urban areas have unimproved sanitation, are overcrowded, or in visible need of investment and improvement. Mortgage markets are nascent and small, reaching a small share of the population who mostly have higher incomes. Unsecured housing finance – whether formally structured as housing microfinance or more simply defined through the use of personal loans – is haphazard and poorly connected to most housing delivery systems. As a result, most households build their homes incrementally, using small scale, informal builders. These constraints are not particular to gender.

However, the challenges are particularly acute for women. Female-led households typically earn less income and are largely engaged in the informal sector, thus lacking the steady income and documentation that enable access to formal housing finance products. The policies, procedures, and criteria of banks and other financial institutions for extending credit are typically gender-neutral. At the same time, the underlying assumptions and processes often do not recognise the needs and constraints of women as a specific customer group and thus are not serving them adequately or not serving them at all. The system does not cater to women, who may lack formal sources of income, clear, uncontested documentation of ownership, or are constrained by social norms or legal frameworks which limit their ownership and inheritance rights.

2. The *Her Home* reports

Nevertheless, providing housing finance for women would generate a market opportunity to extend and deepen the housing and housing finance markets more generally in Africa. Female borrowers are a specific sub-market, with particular needs and financial habits. If those characteristics, constraints and needs are properly understood, then products can be appropriately tailored. In 2020, the International Finance Corporation (IFC) published *Her Home: Housing Finance for Women*, a study to identify the market constraints as well as the cultural, institutional, and policy barriers to women's access to housing finance in Colombia, India, and Kenya. The research showed evidence of significant untapped market potential for financial institutions to deliver housing finance products and services for women in those countries. Building on these findings, IFC partnered with the Center for Affordable Housing in Africa (CAHF) to conduct the research for Her Home II, focusing on Ghana and Senegal.

According to the findings, given limited financial access in Ghana and Senegal, especially in terms of mortgage lending, housing does not yet perform well as a financial asset – it is rare that a borrower uses their house as collateral to access a loan. Furthermore, women often lack sole or uncontested claim to ownership, or do not have formal documentation of ownership, and do not benefit from a legal framework and social norms which will uphold their ownership rights. As a result, women are unable to assert ownership in the event of a spouse's death. From a housing finance perspective, this means that women do not acquire equity through inheritance that can be leveraged financially, either by selling the home and using the income of the sale towards the downpayment on another dwelling, or by taking out a mortgage with the house as security.

Moreover, because women work mostly in the informal sector, earn less money, and lack the income documentation that is usually required to access housing finance through a traditional financial institution, they are more likely to rely on MFIs for financing.

Additionally, the existing interventions around financial inclusion emphasize access to finance for women as entrepreneurs, not for women as consumers – even though women entrepreneurs often run their businesses from home. Therefore, there is a disconnect: women's financial inclusion doesn't extend to housing access, and housing finance products are not specifically targeting women.

FIGURE 1 Perspectives in broadening the availability of housing finance for women

Tapping into the potential market of housing finance for women will require a clear, evidence-based, segmented understanding of the target market; products designed to be responsive to women's needs and priorities; and a supportive enabling environment. Financial services providers can maximize their reach by tailoring products for women as:

- **consumers** through the purchase or construction of their home;
- **suppliers**, participating in the housing value chain as micro-builders or developers, operating as landlords, often providing rental accommodation on their own properties, or on an additional property over which they have some rights;
- **home-based entrepreneurs**, running all or part of their small or medium sized enterprise from their home, or using the home as a place of storage.

The different ways in which women acquire, approach, utilise and value their homes offer clues to product design, underwriting and servicing tailored to their needs, and enable lenders to manage their risk and successfully reach this target market.

In both Ghana and Senegal, women play a significant role in the Micro, Small and Medium Enterprise (MSME) sector, operating as entrepreneurs or delivering rental accommodation, for example. Tying these income-earning activities to a housing investment objective, explicitly for women, could vastly expand the market for lenders and provide needed access to finance for women.

3. Recommendations

Access to housing finance is constrained in both Ghana and Senegal, irrespective of gender. However, both countries recognize the value of promoting financial inclusion for women. Some recommendations of the *Her Home II report* are as follows:

- **Savings linked products** can overcome women's thin credit profiles, while also tapping into their propensity to save and build their housing investments incrementally.
- **Family group lending products** could leverage women's capacity to draw in multiple family members as contributors to a loan – for example, children who have travelled overseas, co-habitants, spouses, etc. Multi-income earning families are common.
- **Title insurance** could explicitly address the gap in women's access to formal collateral, by creating a mechanism that understands, accommodates, underwrites, and protects her customary or familial rights.
- **Legal services** and advice to support women in understanding and securing their rights.
- **Housing microfinance** coupled with construction technical assistance could support women in their effort to drive the development of their homes (additions, improvements, renovations), negotiating with builders for quality and affordability, realizing the best output.
- A **bookkeeping / accounting service** directed explicitly at women builders or women landlords would support their growth in this market, while improving their risk profile to lenders.
- An **"access" bond facility** that allows women to pay ahead of schedule and then draw this down when they need it would shift the mortgage loan facility from a liability to a savings vehicle – this might overcome women's reticence to take out mortgage finance for their housing. The 'access' facility would support women's need to manage day-to-day financial requirements.
- A **phased payout mortgage** would allow women to enter into the loan agreement for the full amount, providing certainty to the lender, while economizing the amount of capital outstanding, during an incremental building process. While not uniquely relevant to women, it might address their reticence to incur interest costs on money not being used.
- **Alternative credit scoring** using behavioural and transaction data (mobile; internet data usage; top up history; and GPS location) generated from telecommunication companies (Telcos). Mobile money innovations (providing access to microloans and microinsurance) targeted at women require dedicated collaboration between Fintech firms, Telcos and banks. Alternative data on personality and behaviour may more explicitly target women borrowers and address some barriers in mobile phone and account ownership.

4. The enabling environment

The legal framework governing transfer and ownership of assets more specifically related to inheritance and marriage laws directly impact tenure security for women and have the capacity to support or undermine women's economic empowerment in relation to asset ownership.

Furthermore, the overlapping, competing and conflicting values of customary and statutory legal systems have a significant bearing on women's property rights both in Ghana and Senegal.

Another important factor to consider is the lack of sex-disaggregated data on financial behaviors which challenge both the suppliers of finance and women as borrowers. For financial institutions, the collection of sex-disaggregated data and its analysis enables them to a) understand women's patterns in accessing and using financial products, and b) on this basis, develop housing finance products and services tailored to their preferences and needs. The IFC is supporting this effort in its own investments with financial institutions globally in those projects that have a gender component through gender monitoring indicators that the client banks are required to report as part of the project's implementation.

Besides in the public sector, policymakers face serious challenges to formulate evidence-based policies and monitor their progress. And so, sex-disaggregated data is also a critical tool to provide an understanding of the current situation of financial inclusion, set targets and measure its progress.

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