



Access to housing finance in Mozambique

April 2016

Agenda

Mozambique – a FinScope overview

Housing conditions in Mozambique

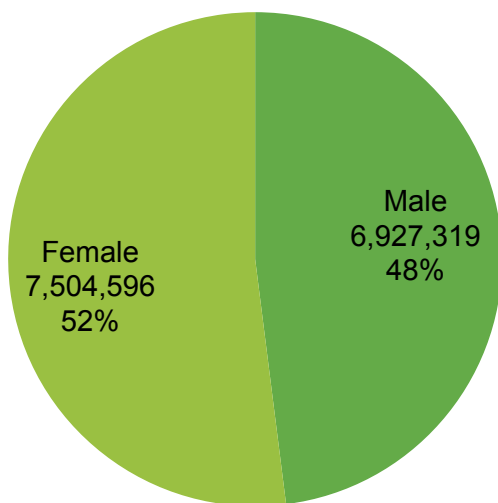
Access to mortgages

Unsecured housing finance

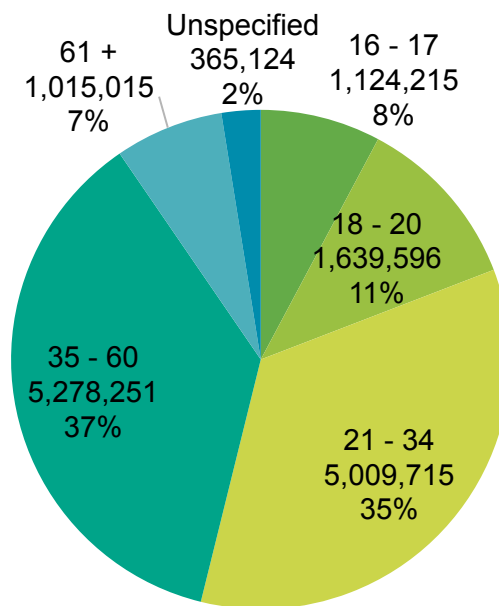
Rent to buy

According to FinScope 2014 there are 14.43 million adults aged 16 or more in the country; 54% are under the age of 35, typically regarded as the youth segment

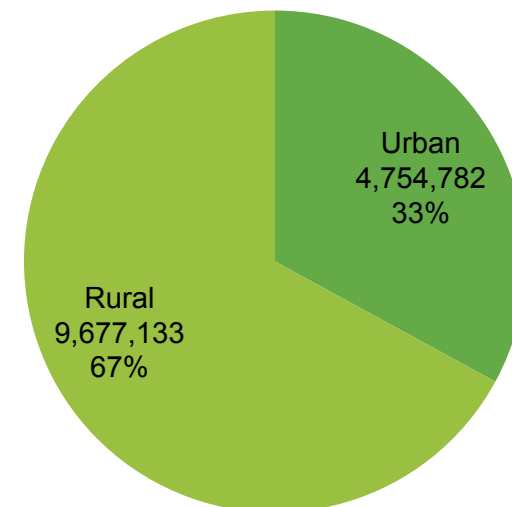
GENDER
(Adults 16+)



AGE
(Adults 16+)



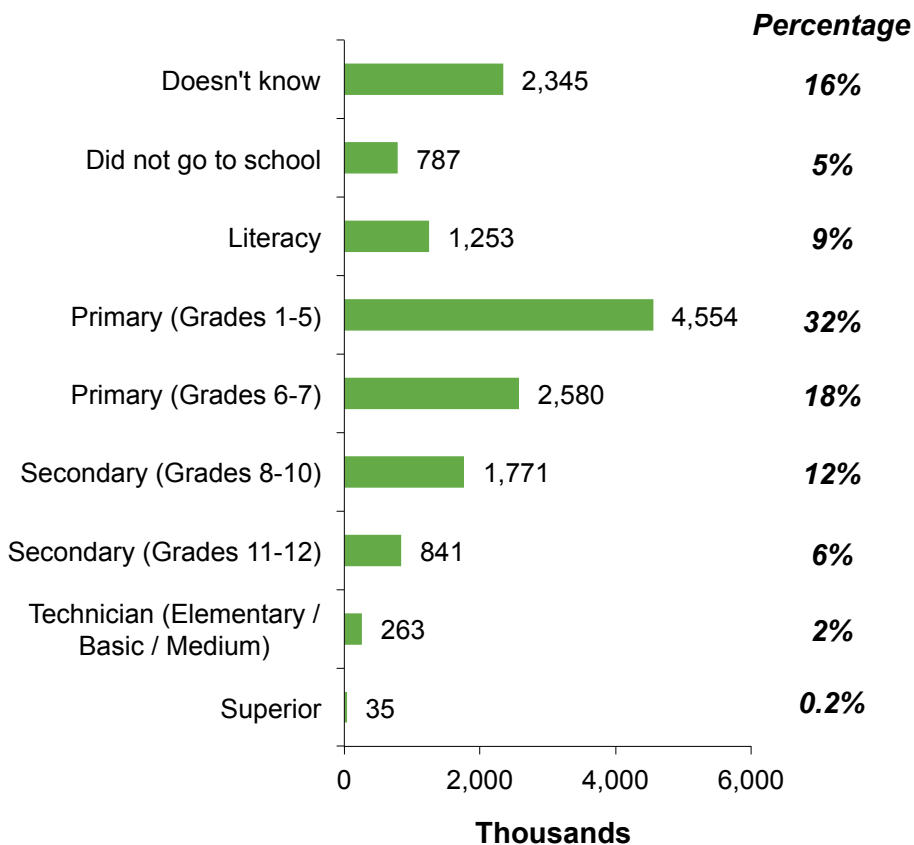
RURAL / URBAN
(Adults 16+)



Overall, the education level in Mozambique is low with about 64% of adults having a primary school education or less; 16% did not know their level of education. Young people are generally better educated but the majority have not completed secondary education

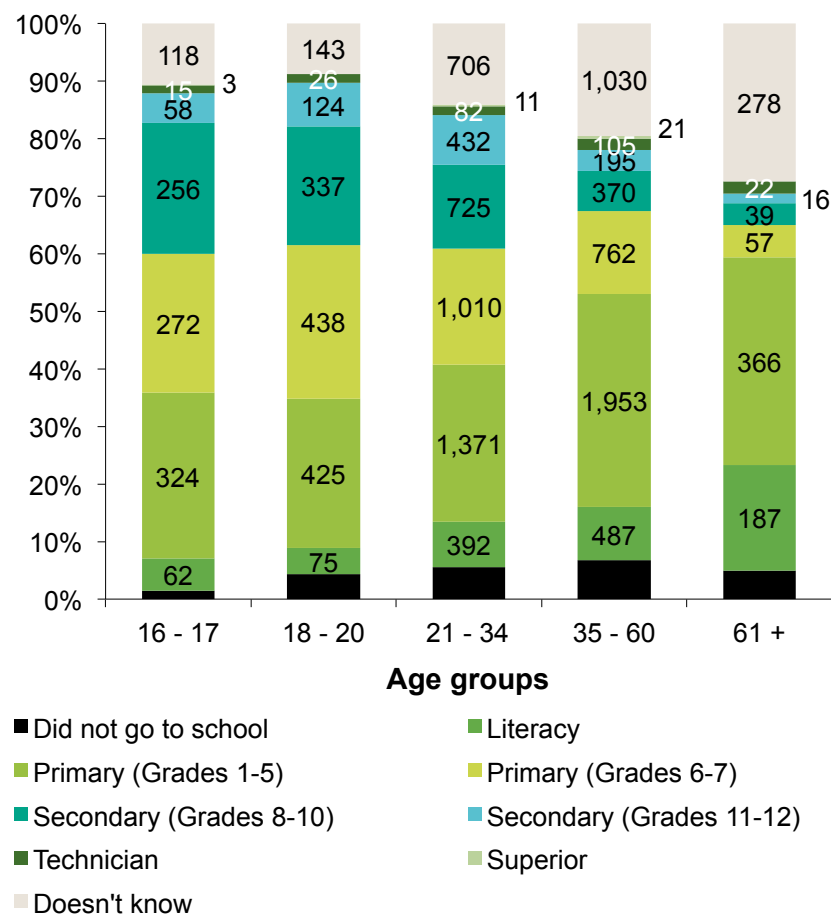
HIGHEST LEVEL OF EDUCATION

(Adults 16+)



HIGHEST LEVEL OF EDUCATION*

(Age distribution of adults 16+)



Source: FinScope Mozambique 2014

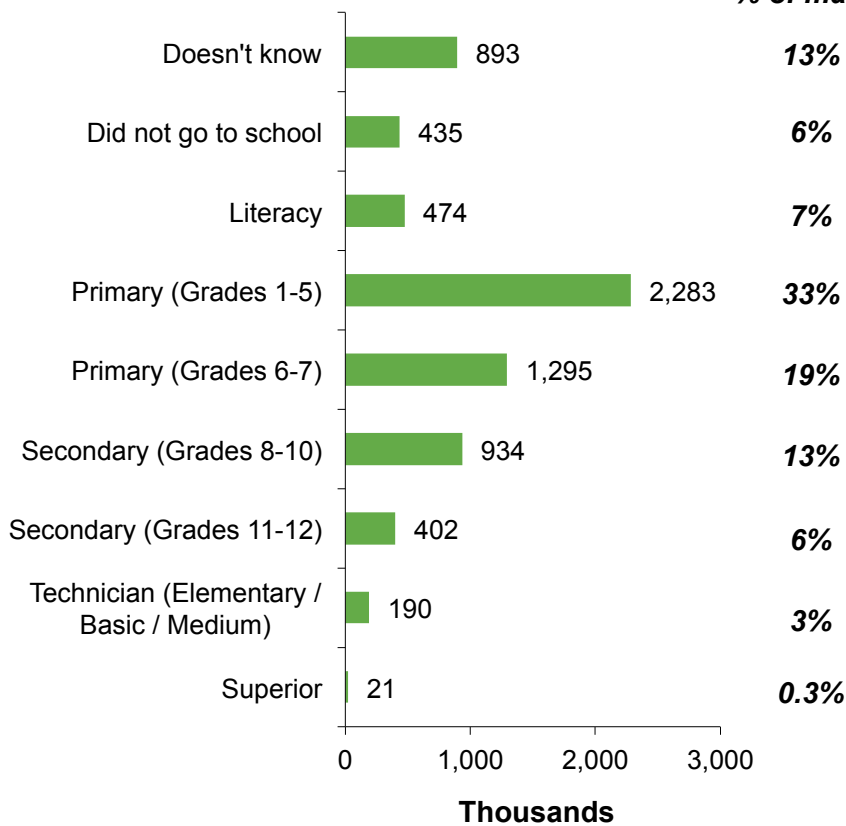
* Those who did not specify their age are not shown on the chart

Women are slightly more likely than men to have a literacy certificate and less likely to have qualifications post secondary school

HIGHEST LEVEL OF EDUCATION

(Males 16+, 6,927,319)

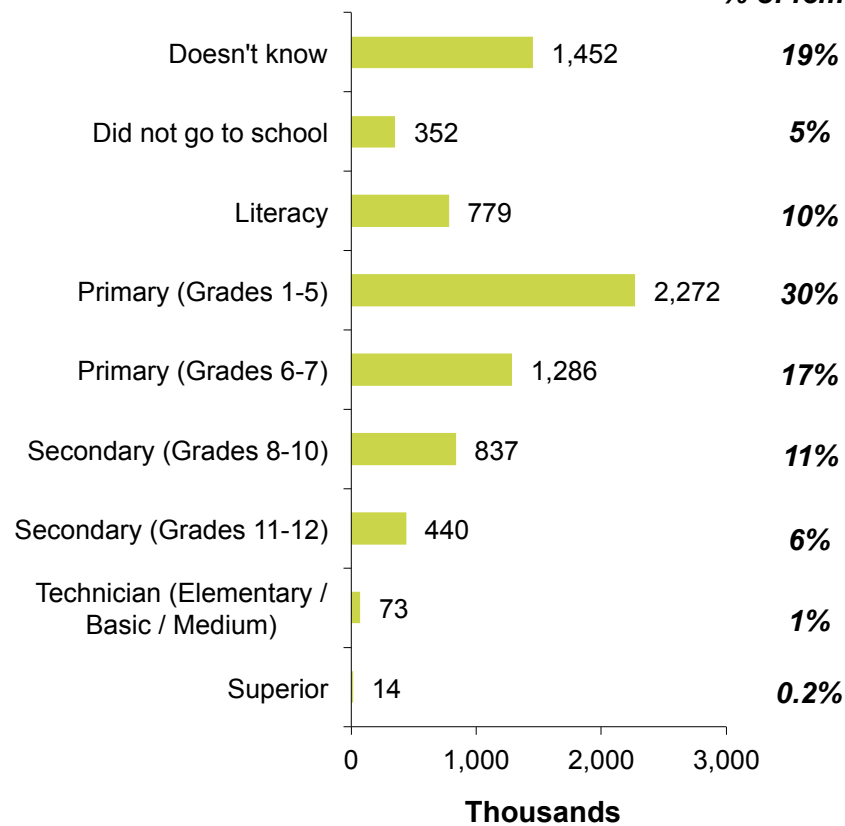
% of males



HIGHEST LEVEL OF EDUCATION

(Females 16+, 7,504,596)

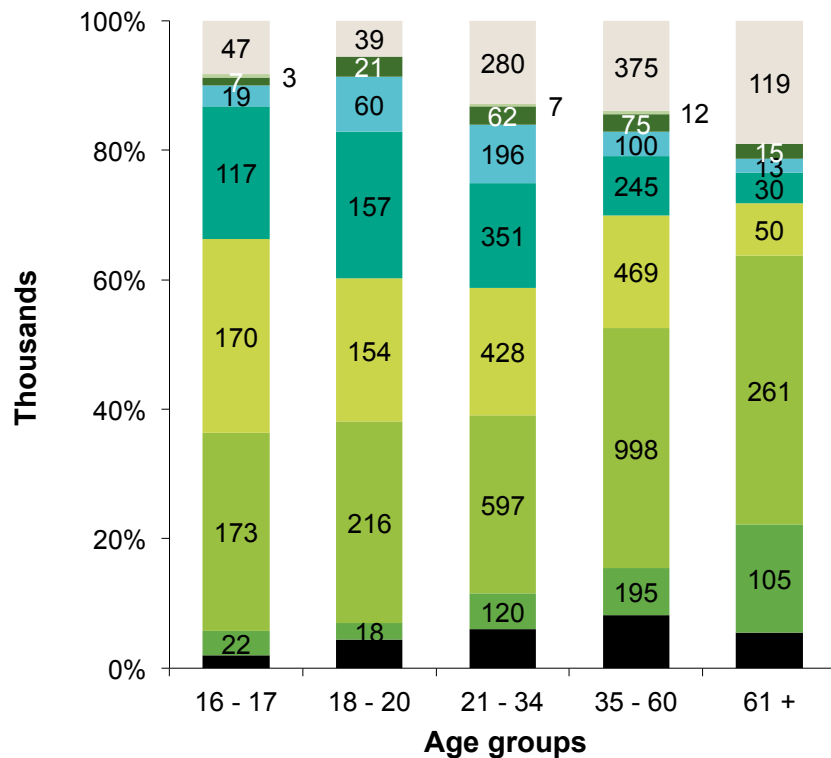
% of females



The gender gap in education is more noticeable in older segments

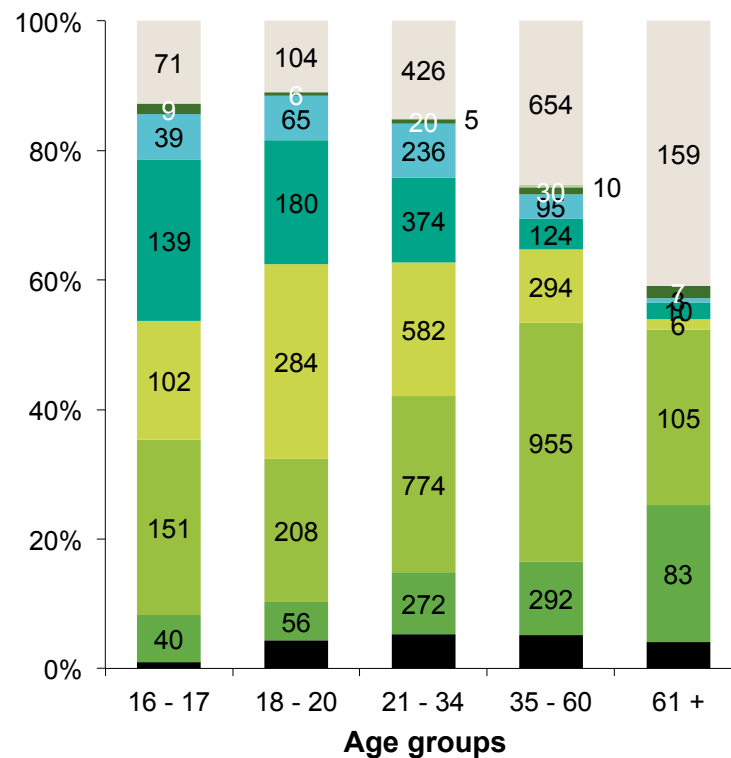
HIGHEST LEVEL OF EDUCATION*

(Age distribution of males 16+)



HIGHEST LEVEL OF EDUCATION*

(Age distribution of females 16+)



- Did not go to school
- Primary (Grades 6-7)
- Technician

- Literacy
- Secondary (Grades 8-10)
- Superior

- Primary (Grades 1-5)
- Secondary (Grades 11-12)
- Doesn't know

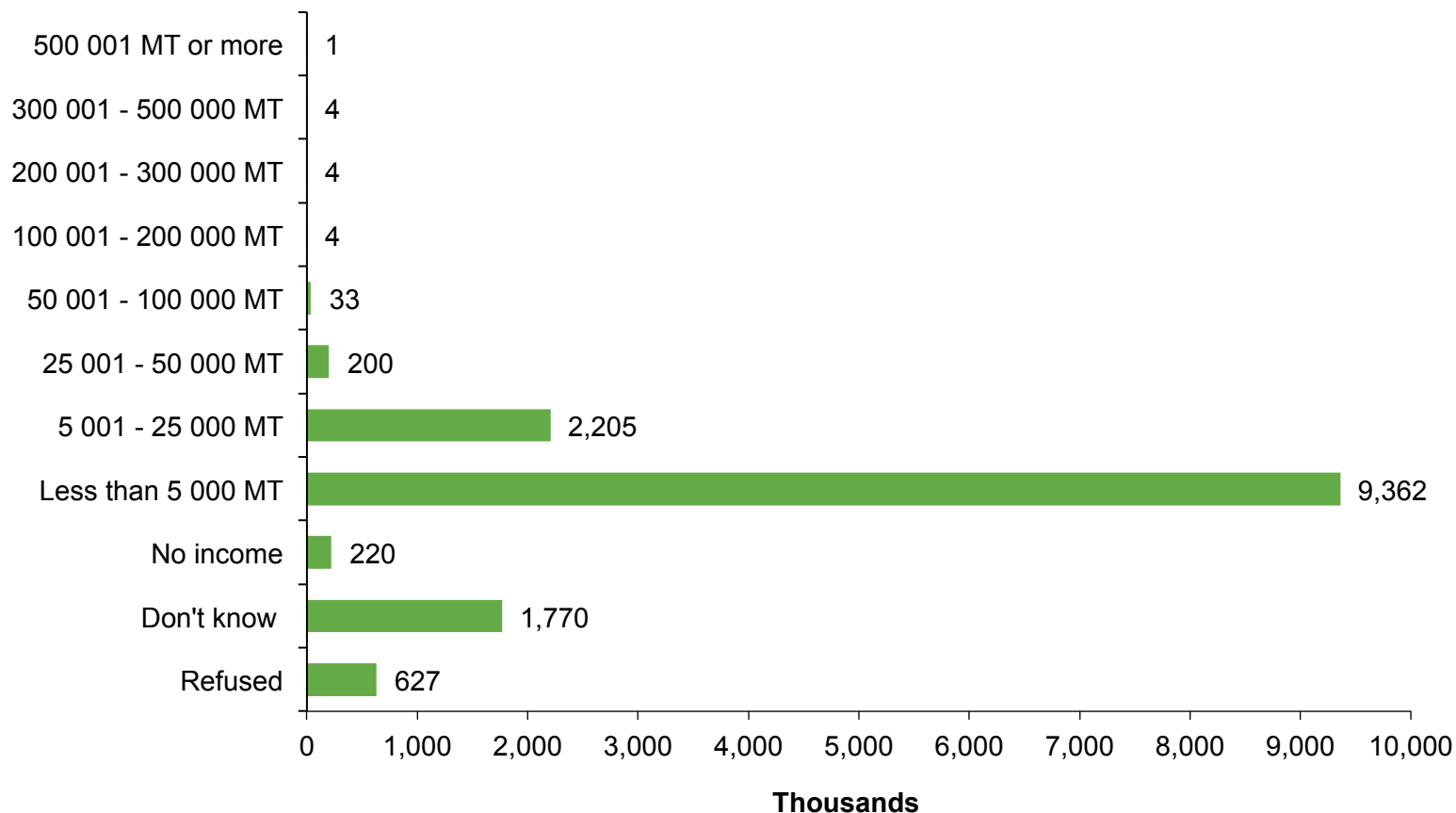
Source: FinScope Mozambique 2014

* Those who did not specify their age are not shown on the chart

Two thirds of adults earn less than 5 000 MT a month (roughly \$100 USD). Seventeen per cent of respondents could not or would not provide income data. There is no question on household income in the survey

PERSONAL MONTHLY INCOME

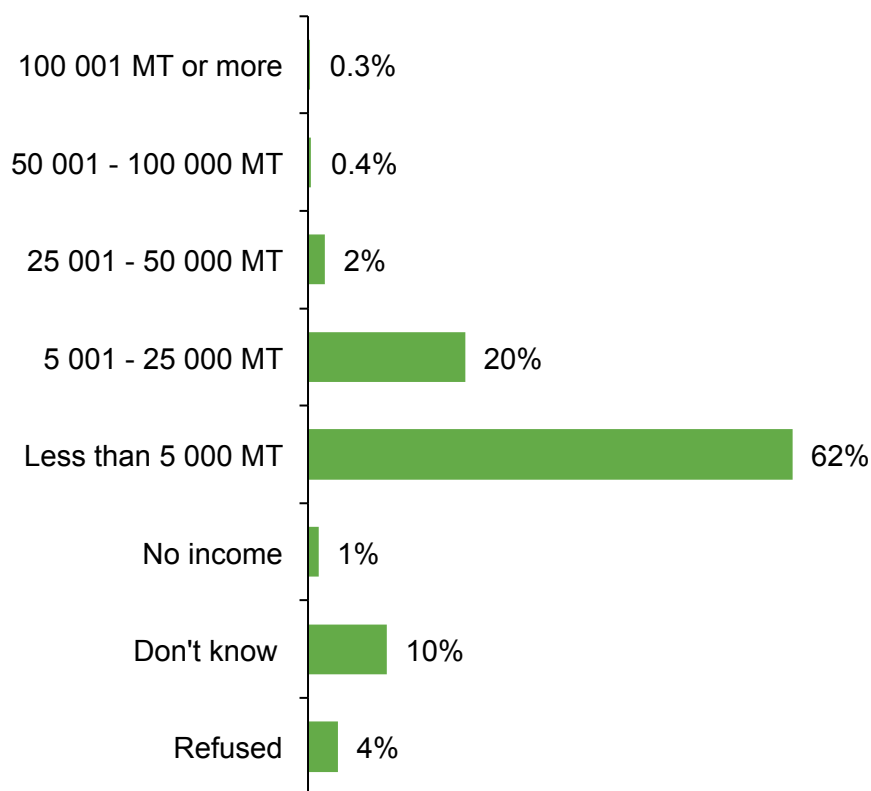
(Adults 16+, 14,431,915)



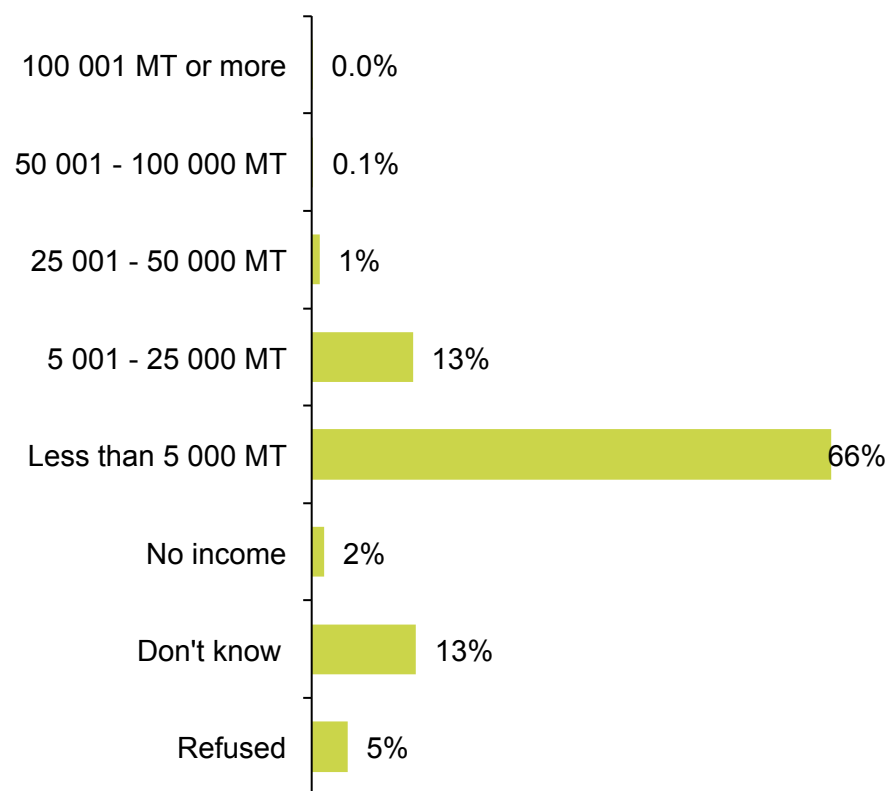
Adults in rural areas have, on average, lower incomes than those living in urban areas

PERSONAL MONTHLY INCOME (Adults 16+)

URBAN



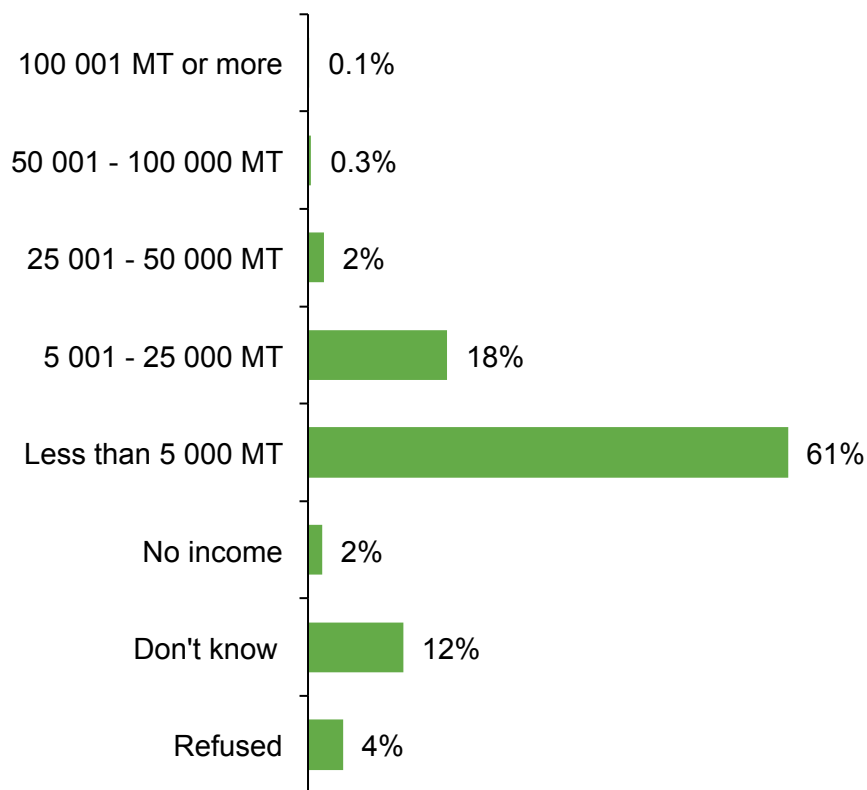
RURAL



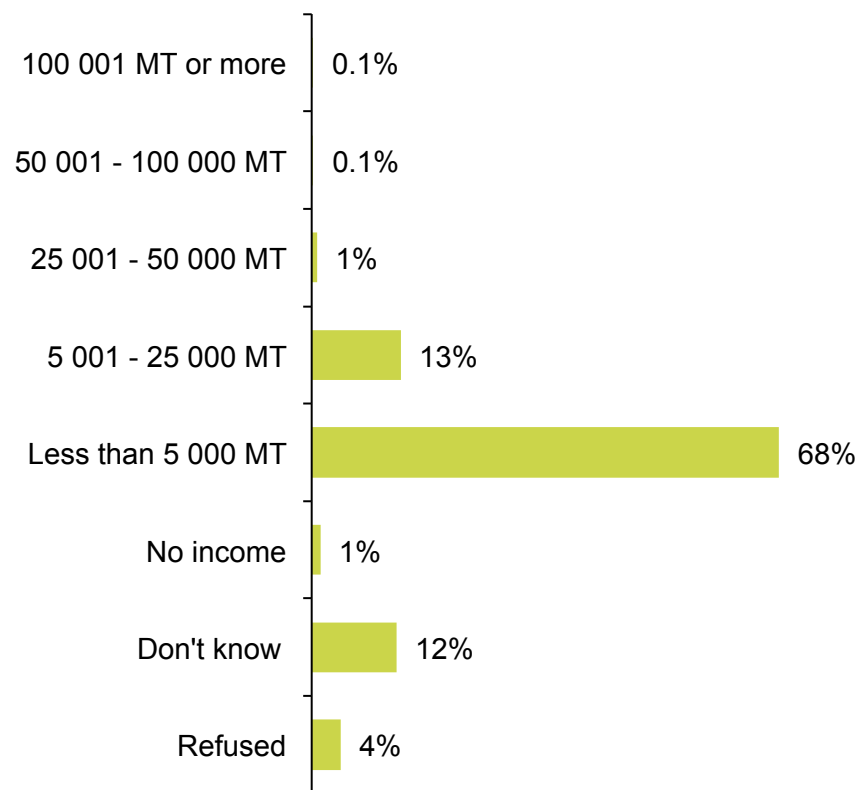
Women have, on average, lower incomes than men

PERSONAL MONTHLY INCOME (Adults 16+)

MALE

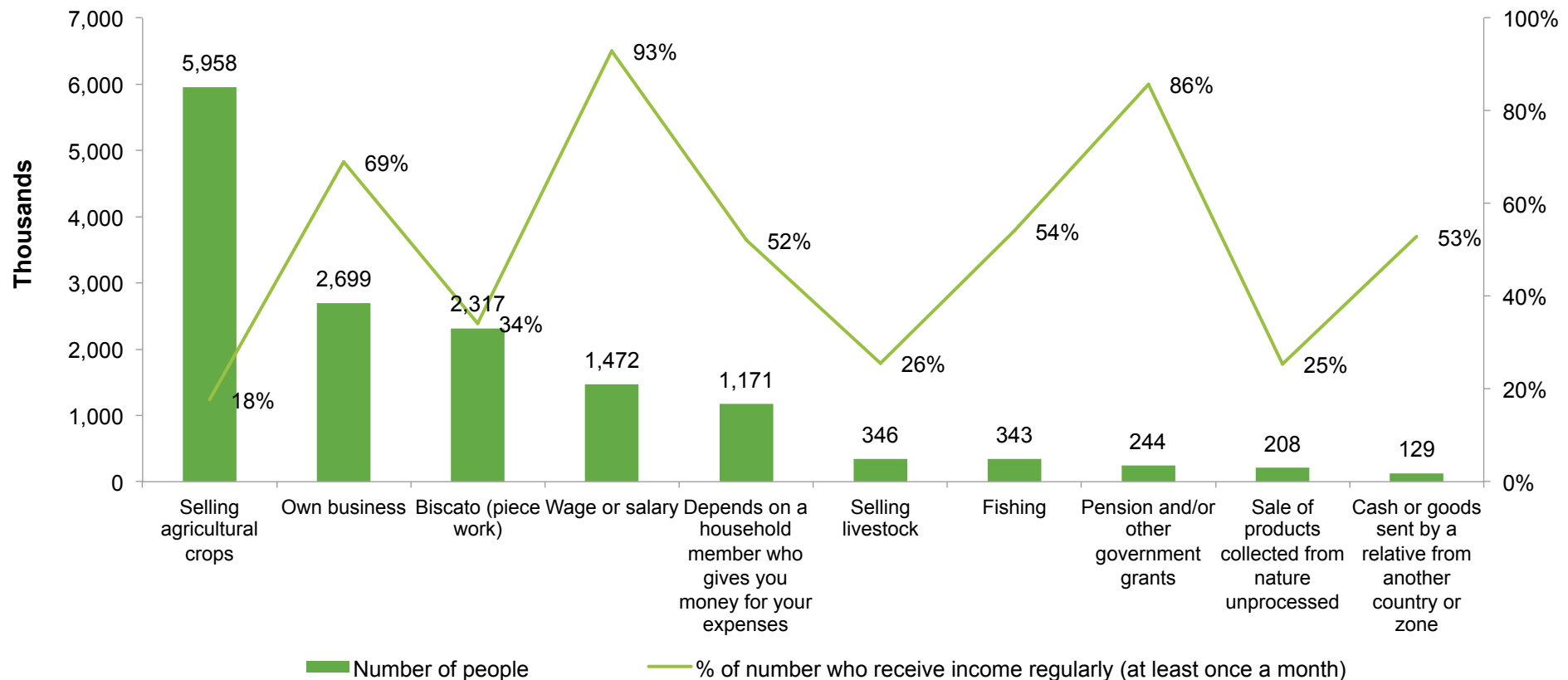


FEMALE



The most common income source is from the sale of agricultural products yet it is a regular source of income for only 18% of earners. Wages or salaries are the most regular type of income source

REGULARITY OF INCOME BY INCOME SOURCE (Adults 16+)



Source: FinScope Mozambique 2014

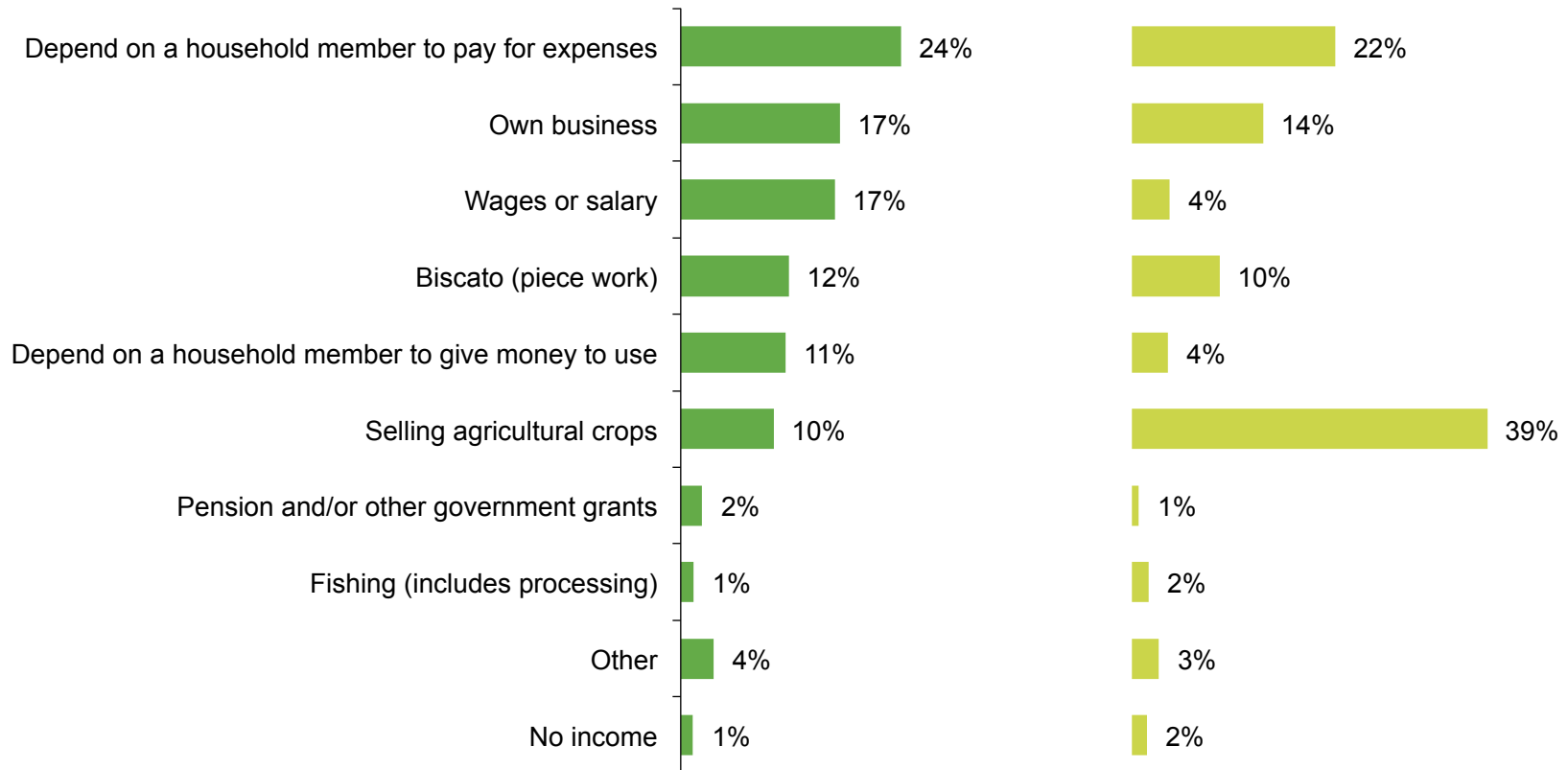
Note: Regular Income is defined as income received daily, weekly, or monthly (applies only to those actually receiving that type of income). The following income sources are not shown on the chart: Other (255,000), Rentals (88,000), Aid agency or NGO (17,000), Provides financial services to its community, for-profit (6,000)

Wages or salaries and income from own businesses are more common main sources of income for urban adults, while income from the sale of agricultural crops is most prevalent in rural areas

MAIN SOURCE OF INCOME (Adults 16+)

URBAN

RURAL

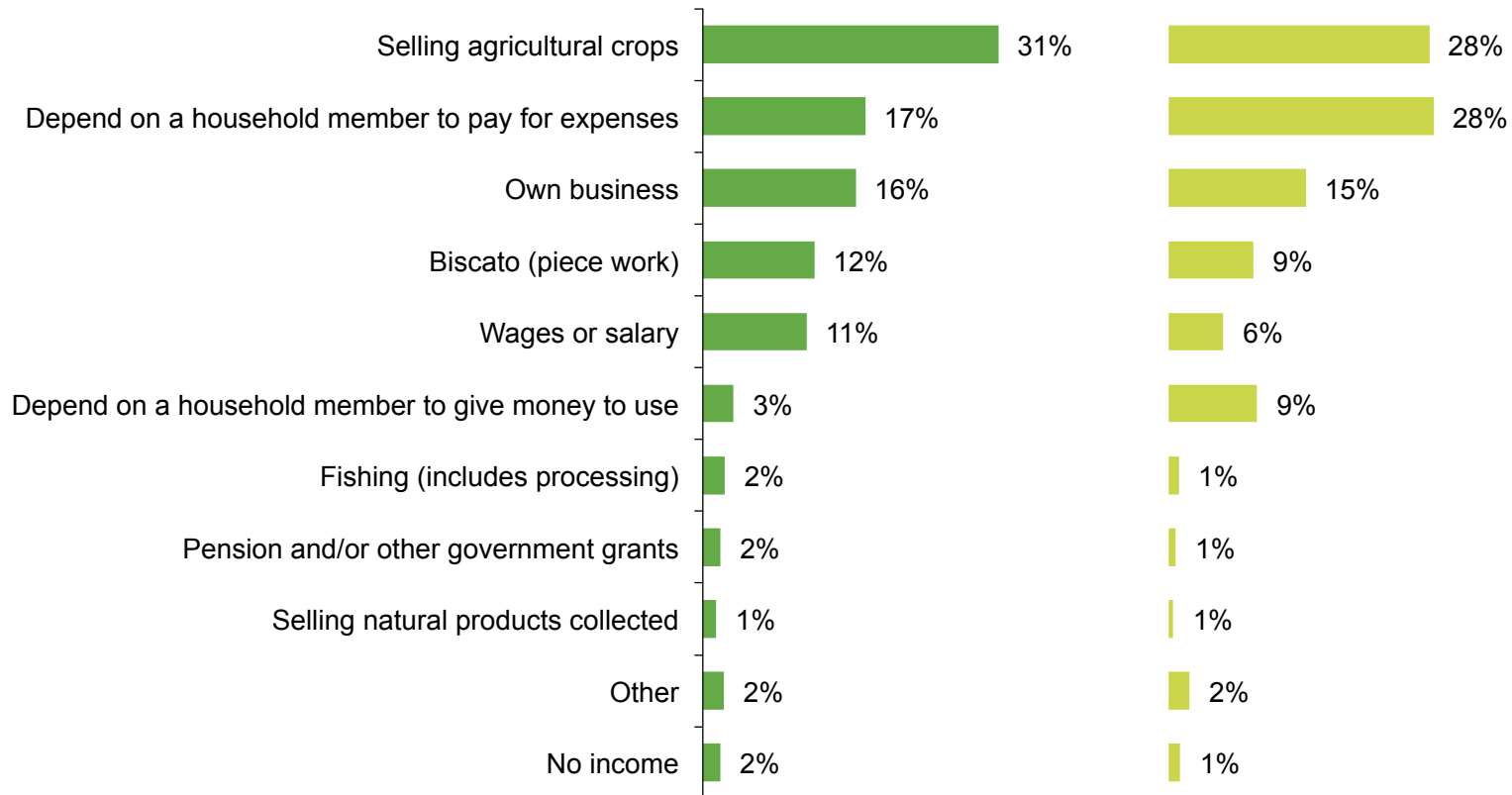


A higher proportion of women than men depend on a household member to pay for their expenses directly or to give them money to pay for their own expenses

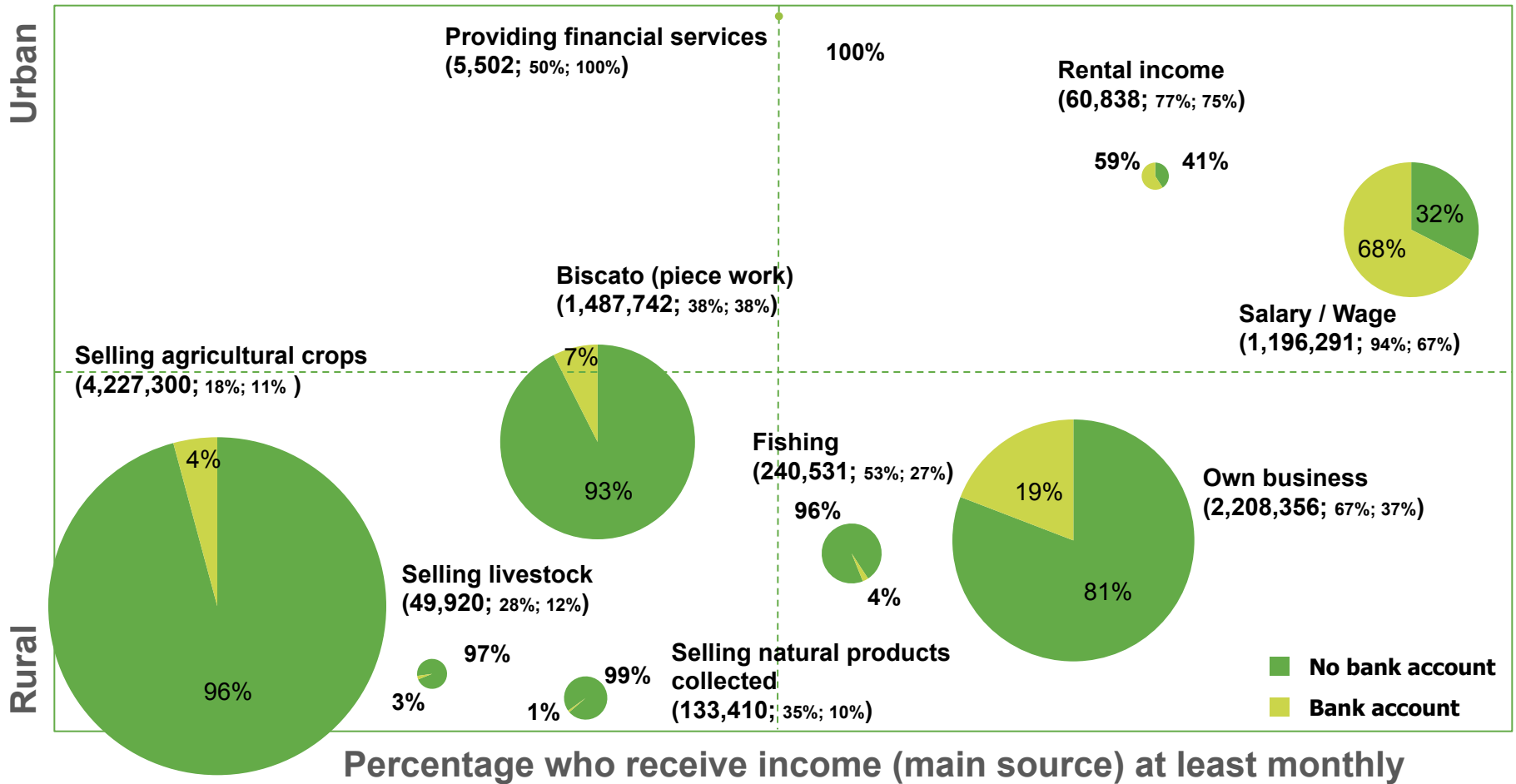
MAIN SOURCE OF INCOME (Adults 16+)

MALE

FEMALE



Aside from income source and regularity, location also has a critical impact on access



Source: FinScope Mozambique 2014

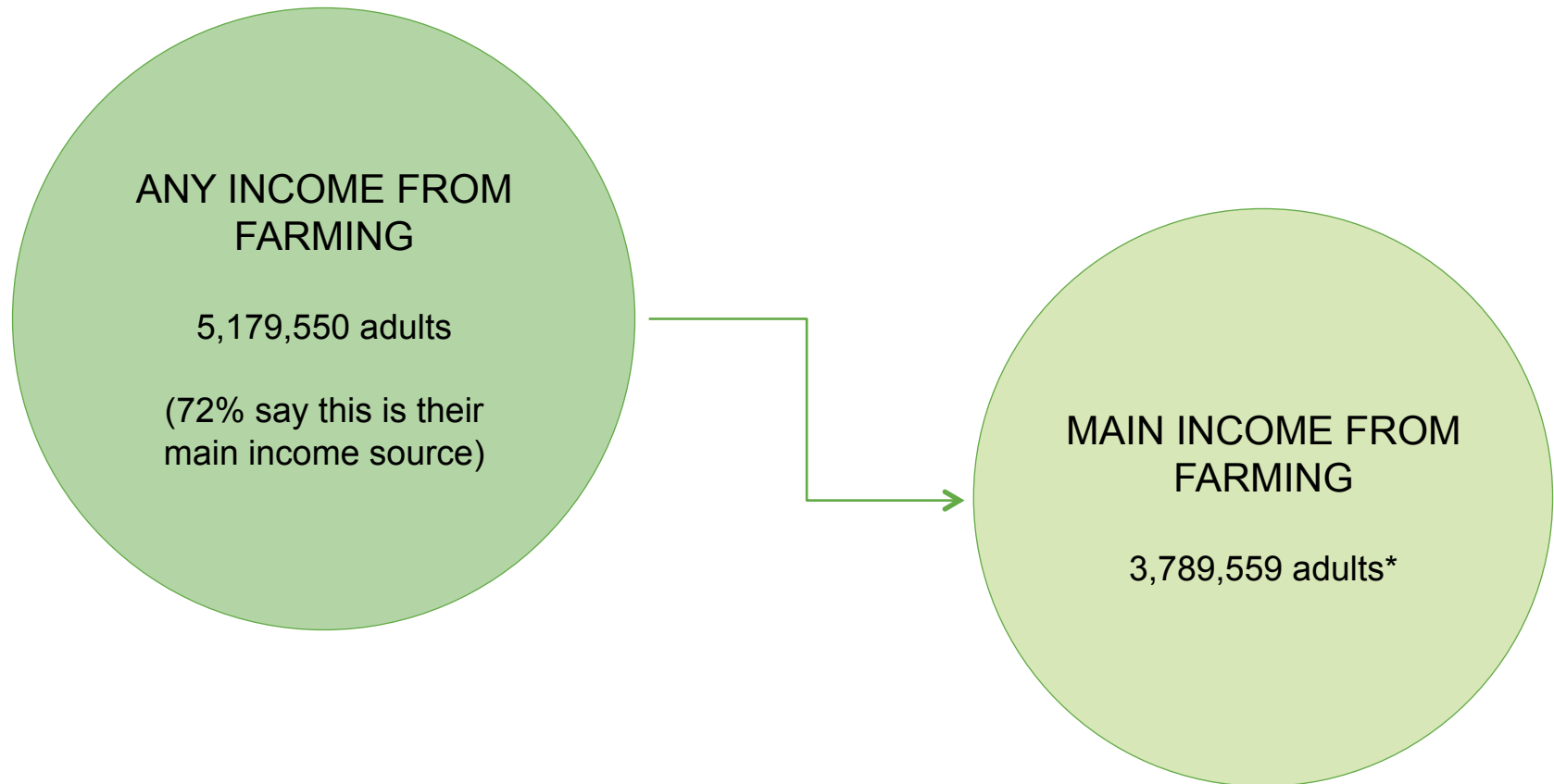
*Size of charts scaled to size of segments.

**Adults who do receive this source of main income were included in the base

First percentage is receive income at least monthly and second percentage is proportion that are urban

5.2 million adults living in rural areas say they receive an income from farming (that is, income from selling agricultural crops or income from selling livestock); 72% of them say farming is their main source of income

SOURCE OF INCOME FROM FARMING
(Adults 16+, Rural areas)



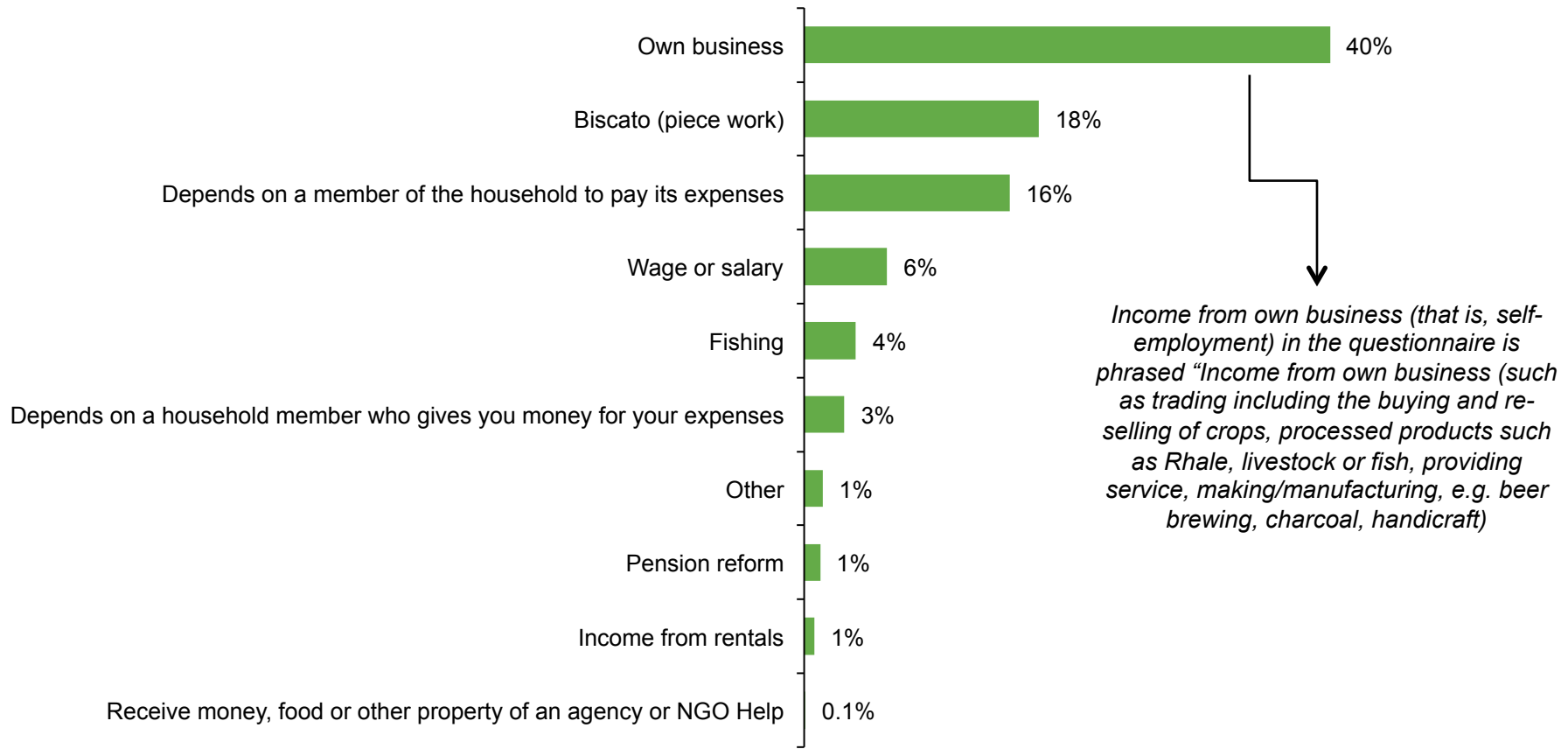
Source: FinScope Mozambique 2014

* 17 respondents (2% of adults whose main source of income is from farming) don't mention farming as an income source

For those individuals living in rural areas that receive an income from farming, but it is not their main source of income, 40% say they receive income from own businesses and 18% from piece work

ANY OTHER SOURCES OF INCOME FOR FARMERS

(Rural areas, Earn income from farming* but it is not their main source of income, 1,467,120 adults 16+)

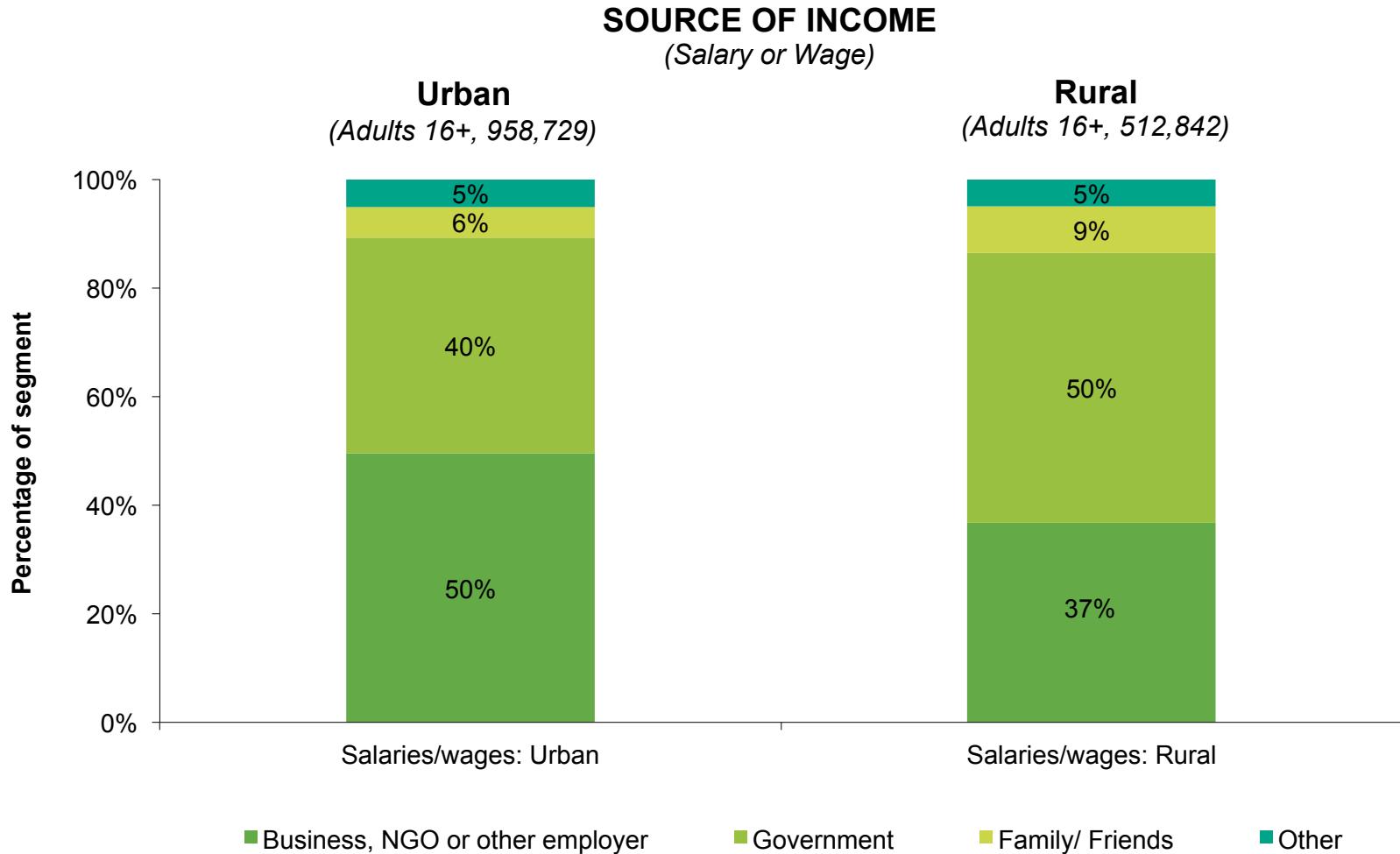


Source: FinScope Mozambique 2014

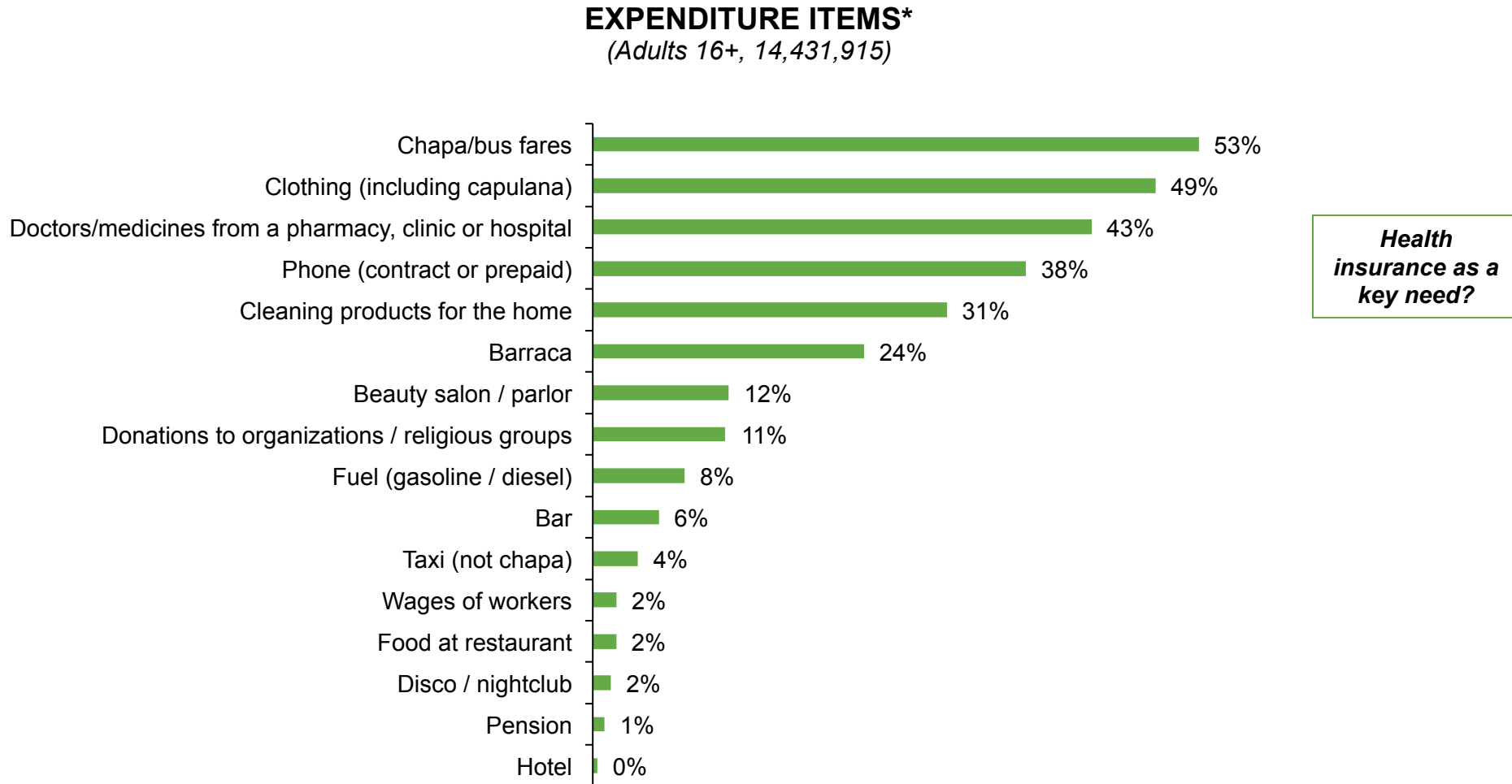
* Selling agricultural crops or livestock

Note: Income from agricultural crops / livestock is not shown on the chart

For those adults who earn salaries/wages, government is the dominant employer in rural areas while private companies are the dominant employer in urban areas



After transport, clothing and medical expenses are the most frequently reported expenditure categories

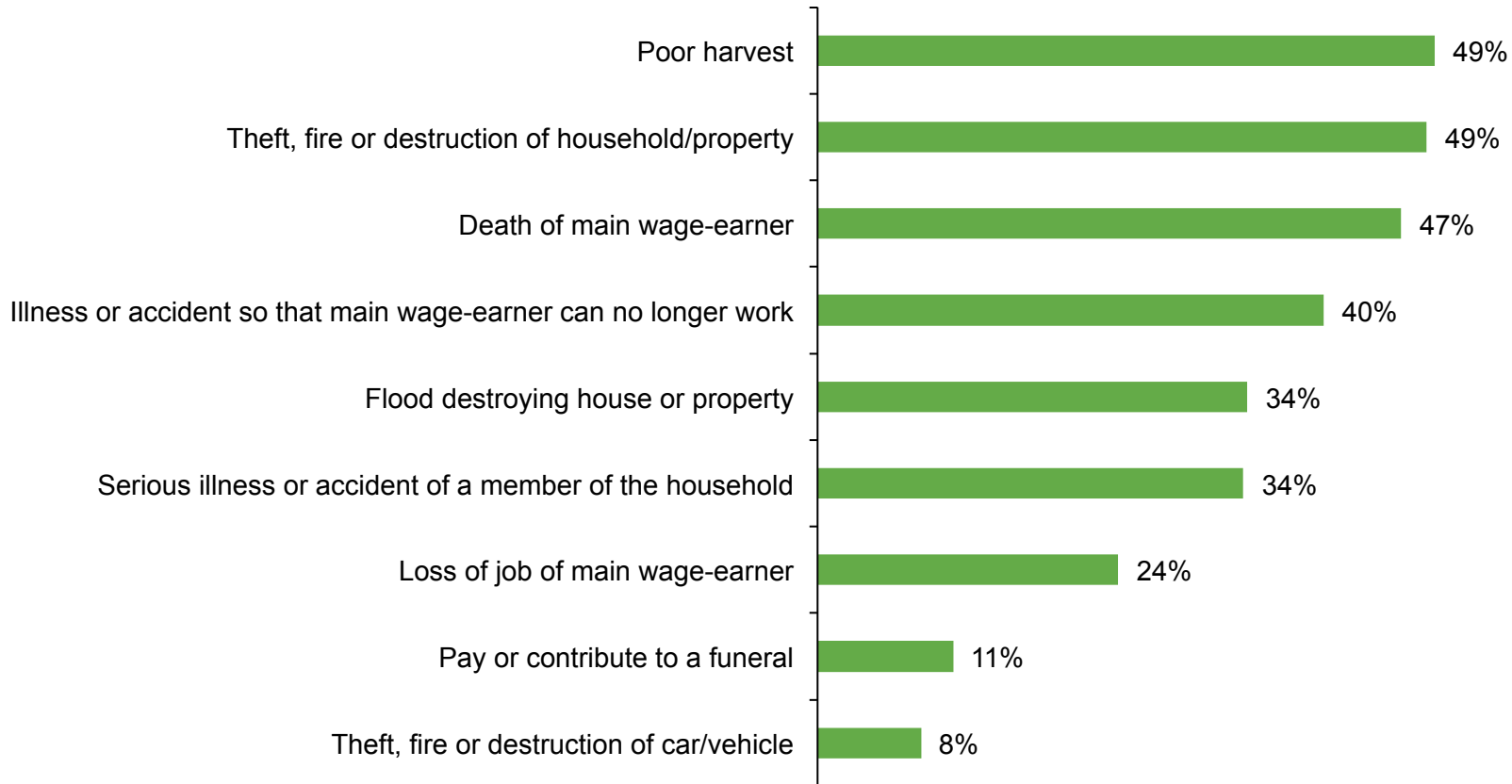


Source: FinScope Mozambique 2014

Question: "In order to help us understand what type of life you lead, we have selected some different ways in which people spend money. During the past month did you spend money on any of the following?" Questionnaire listed specific expenses, with education, rent, etc. not being included

Poor harvest as well as theft, fire or destruction of household or property are the most frequently cited risks to finances

PERCEIVED RISKS (Adults 16+)

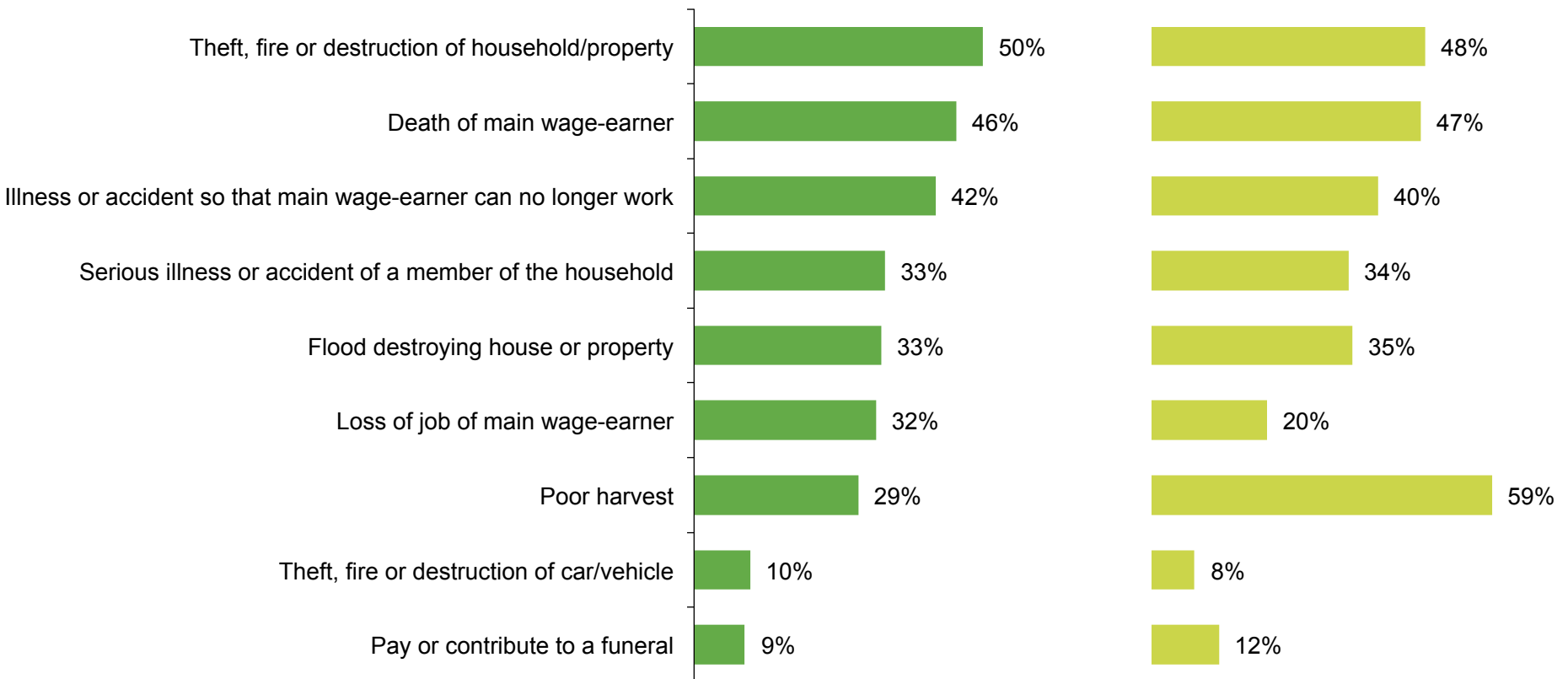


While theft, fire or destruction of household or property as well as the death of the main wage-earner are frequently cited risks for both urban and rural adults, for adults living in rural areas poor harvest is top of mind

PERCEIVED RISKS (Adults 16+)

URBAN

RURAL

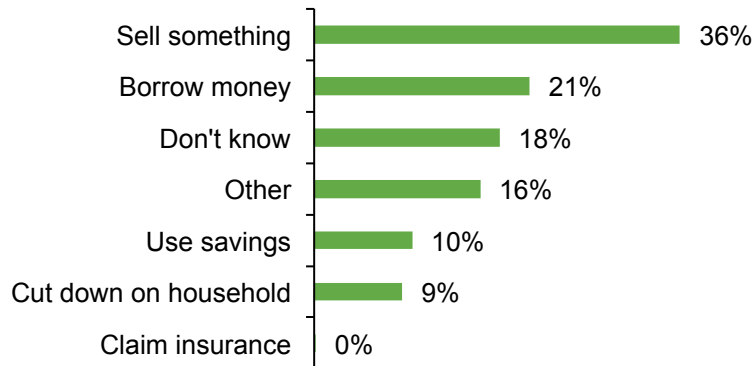


Anticipated use of precautionary savings is relatively limited, with credit and liquidation of assets far more common in the event of an expenditure shock. Insurance is barely mentioned, even for the small proportion who cite damage to vehicles as a risk

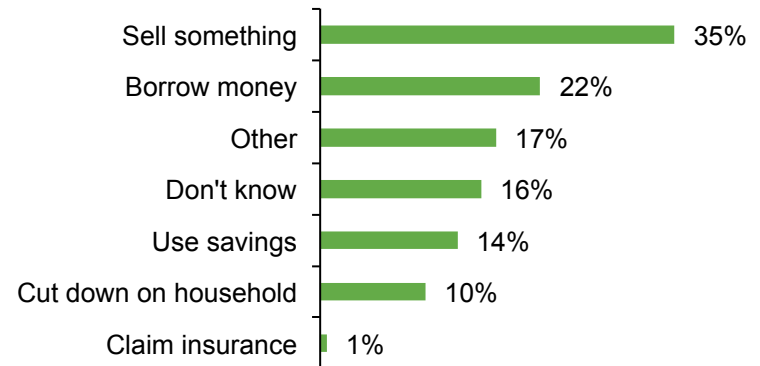
COPING MECHANISMS

(What adults would do if they were faced with the following circumstances)*

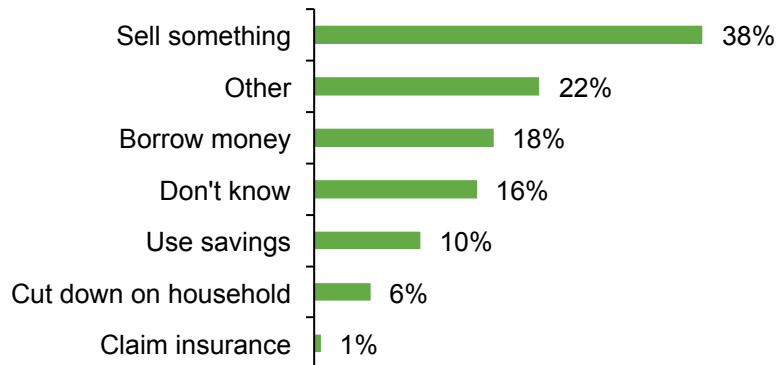
POOR HARVEST



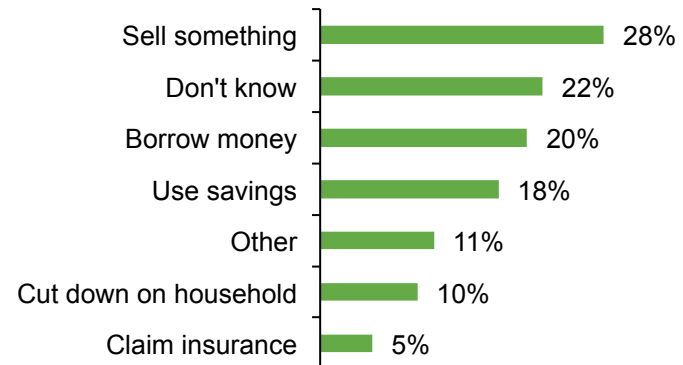
THEFT, FIRE OR DESTRUCTION OF HOUSEHOLD/PROPERTY



FLOOD DESTROYING HOUSE/PROPERTY



THEFT, FIRE OR DESTRUCTION OF CAR/VEHICLE

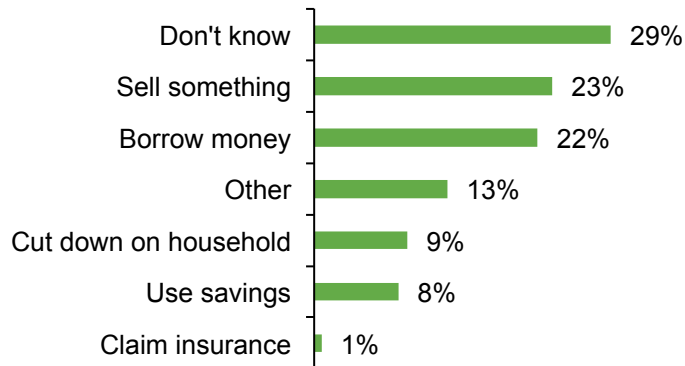


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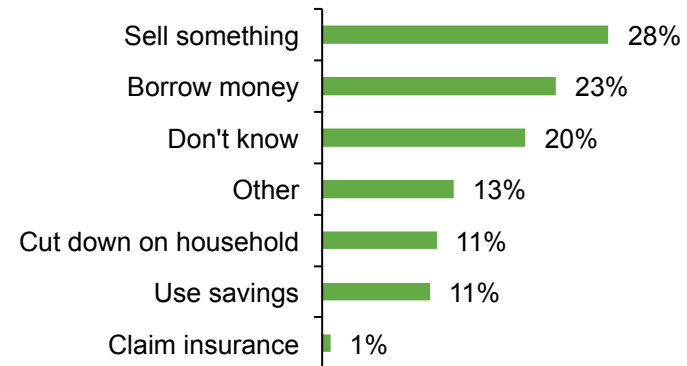
COPING MECHANISMS

(What adults would do if they were faced with the following circumstances)*

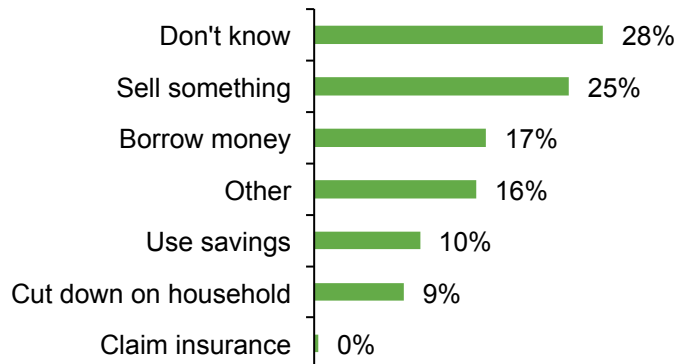
DEATH OF MAIN WAGE-EARNER



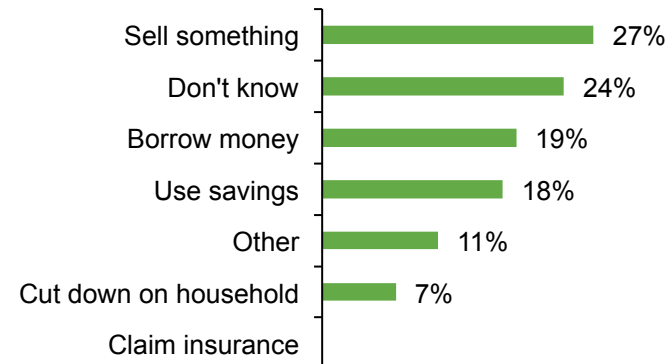
ILLNESS OF ACCIDENT OF MAIN WAGE-EARNER



LOSS OF JOB OF MAIN WAGE-EARNER



PAY OR CONTRIBUTE TO A FUNERAL



Awareness of financial terms is very low overall, with the exception of a “bank”, where more than half the adult population understand the term

AWARENESS / KNOWLEDGE OF FINANCIAL TERMS (Adults 16+)

	Heard of this and know what this means	Heard of this but does not know what it means	Never heard of this
ATM	26%	15%	59%
Bank	55%	30%	15%
Bank branch	30%	19%	50%
Bank charges / Service fees	7%	10%	82%
Bank loan	27%	21%	51%
Collateral	19%	14%	66%
Debit card	17%	13%	68%
Exchange rate	11%	13%	75%
Guarantor	9%	11%	79%
Instalments	8%	12%	80%
Insurance	14%	16%	69%
Interest rate	25%	17%	57%
Internet banking	7%	12%	80%
Micro credit	9%	15%	75%
Mobile bank	9%	16%	75%
POS (point of sale)	9%	11%	79%
Savings account	20%	20%	60%
Electronic money	5%	10%	84%
mKesh / Mpesa / cellphone banking	13%	18%	69%

Source: FinScope Mozambique 2014

Note: 'No response' is not included in the chart

Awareness of financial terms is higher for urban adults than for those living in rural areas

AWARENESS / KNOWLEDGE OF FINANCIAL TERMS (Adults 16+)

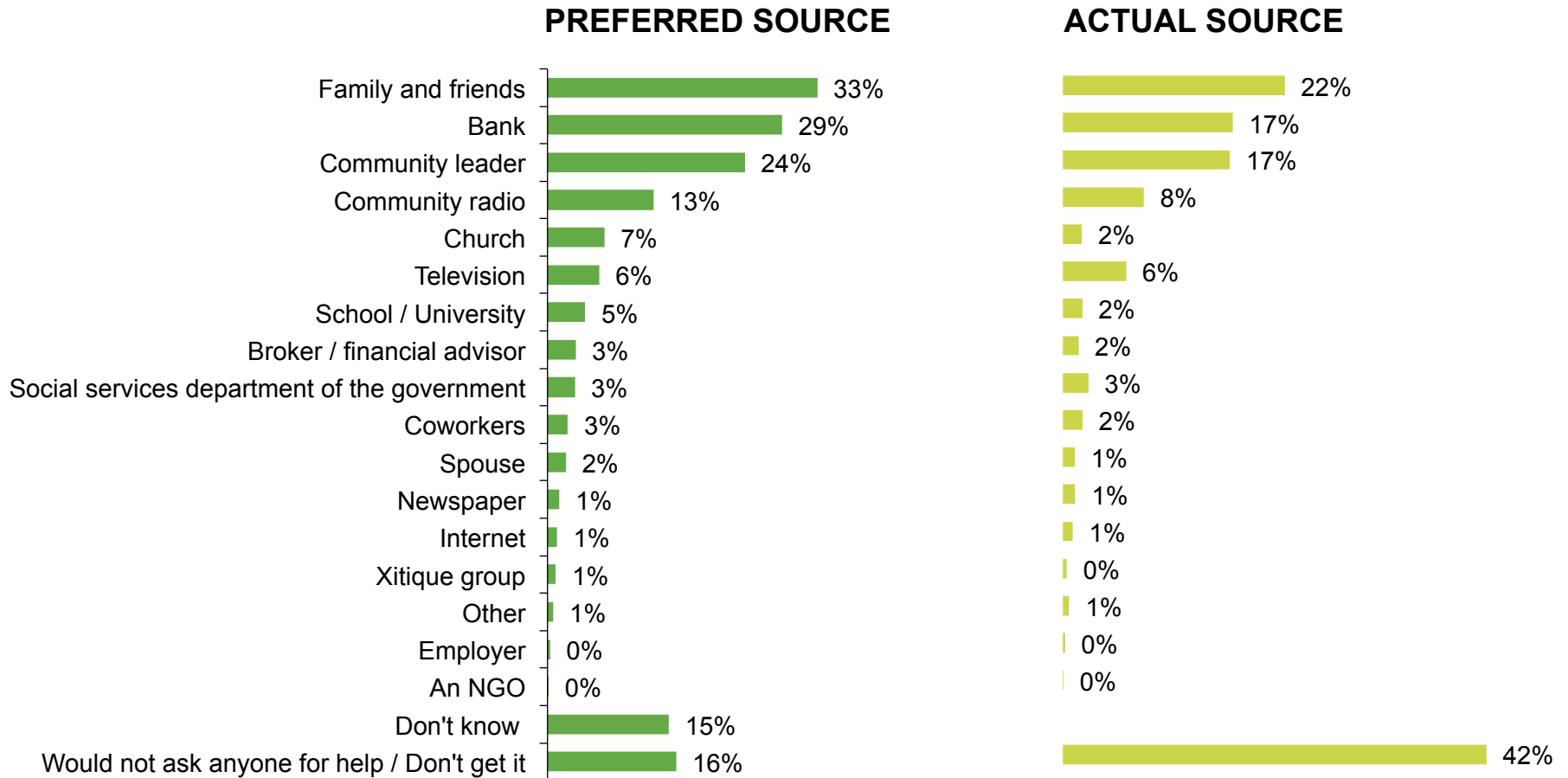
	URBAN			RURAL		
	Heard of this and know what this means	Heard of this but does not know what it means	Never heard of this	Heard of this and know what this means	Heard of this but does not know what it means	Never heard of this
ATM	52%	18%	30%	13%	14%	73%
Bank	79%	16%	5%	43%	37%	20%
Bank branch	57%	19%	24%	17%	19%	64%
Bank charges / Service fees	15%	17%	67%	3%	6%	90%
Bank loan	49%	25%	25%	16%	19%	64%
Collateral	37%	19%	43%	11%	11%	78%
Debit card	35%	19%	45%	9%	11%	80%
Exchange rate	23%	24%	52%	5%	7%	87%
Guarantor	17%	20%	62%	5%	7%	88%
Instalments	18%	20%	61%	3%	8%	89%
Insurance	31%	26%	43%	6%	11%	82%
Interest rate	42%	23%	34%	17%	14%	69%
Internet banking	18%	22%	59%	2%	7%	90%
Micro credit	21%	23%	55%	3%	11%	85%
Mobile bank	20%	25%	54%	3%	11%	85%
POS (point of sale)	20%	18%	61%	3%	8%	88%
Savings account	40%	27%	33%	11%	16%	73%
Electronic money	13%	19%	68%	1%	6%	92%
mKesh / Mpesa / cellphone banking	32%	30%	38%	3%	12%	84%

Source: FinScope Mozambique 2014

Note: 'No response' is not included in the chart

The most common source of financial information and advice is from family and friends. However, a large proportion of adults say they don't get it from anyone

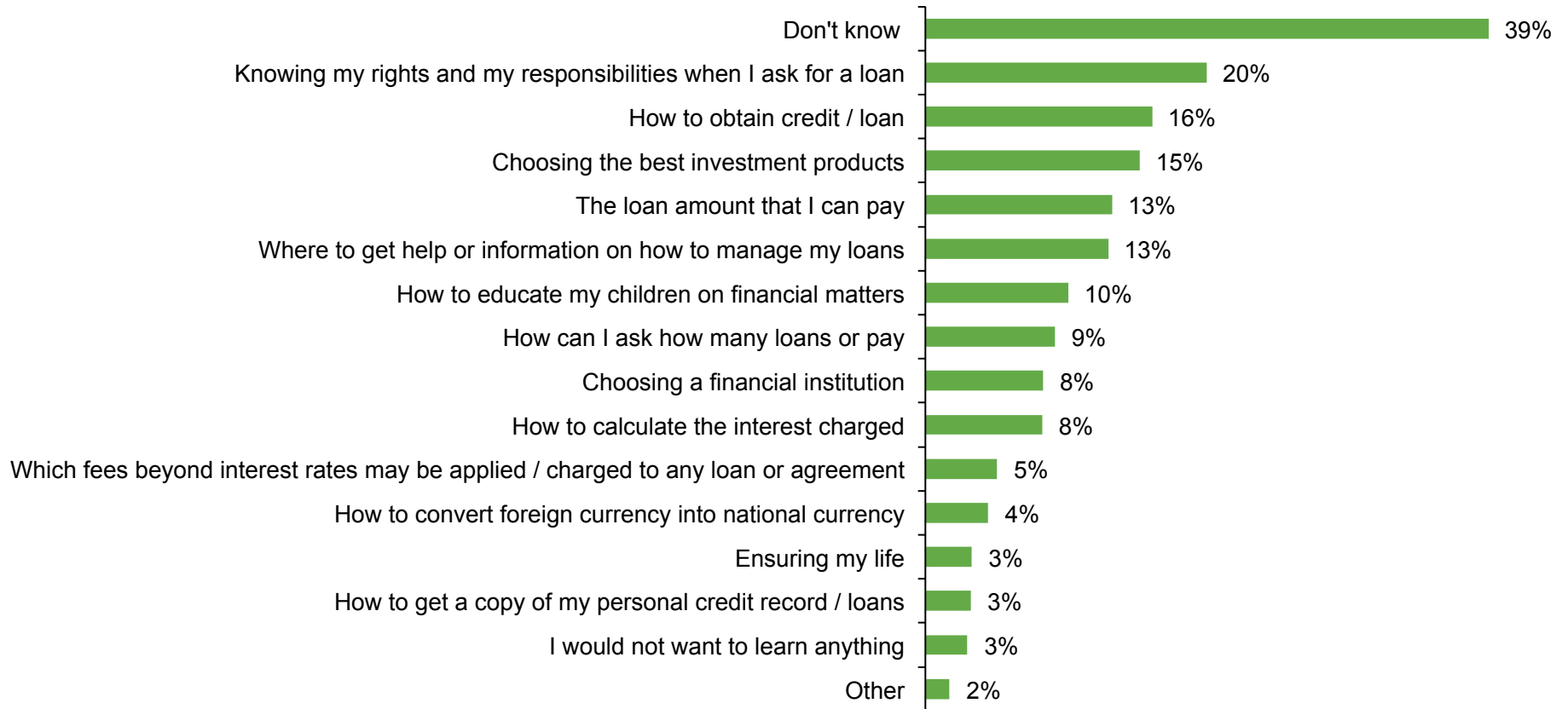
SOURCES OF FINANCIAL INFORMATION, EDUCATION OR ADVICE (Adults 16+)



The majority of adults do not know what type of financial training they would want access to

FINANCIAL TRAINING DESIRED

(Adults 16+)

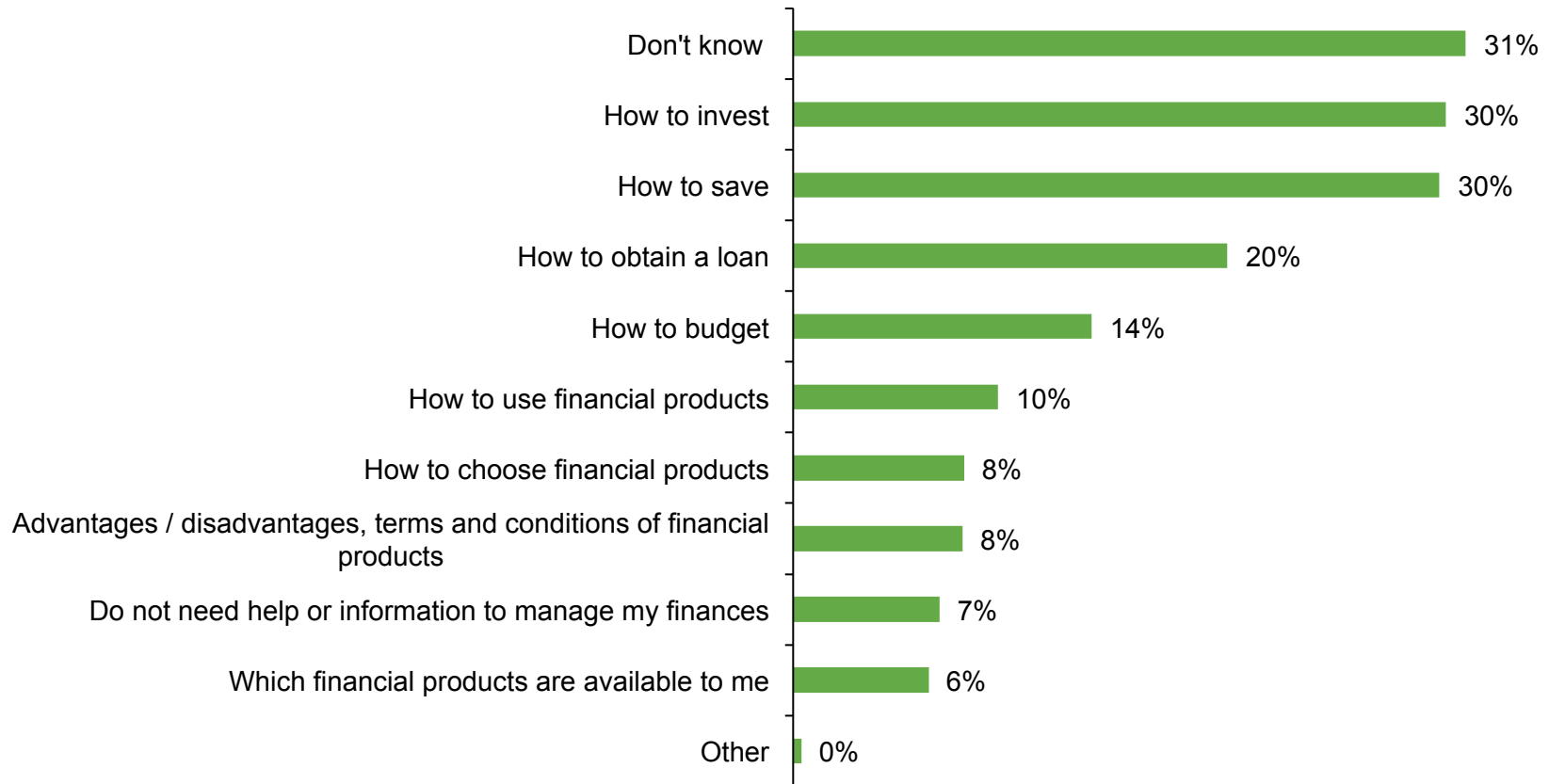


Source: FinScope Mozambique 2014

Note: The question is phrased as "If you had the opportunity to have training, what would you like to learn to get or improve your relationship with suppliers / providers of financial services?" (Spontaneous multiple response)

Thirty per cent of adults would like information on how to invest and 30% would also like information on how to save

INFORMATION REQUIRED FOR MANAGING MONEY (Adults 16+)

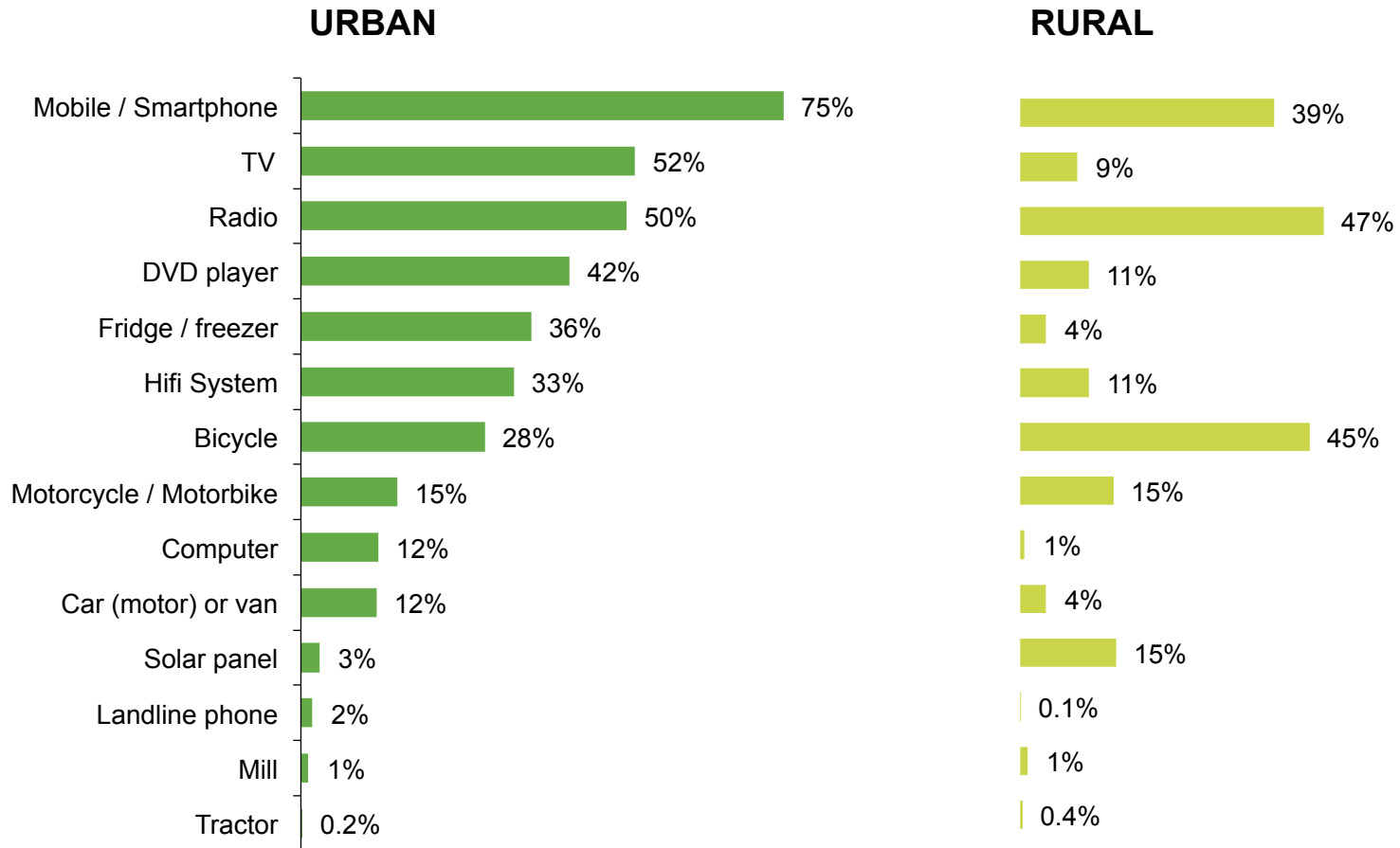


Source: FinScope Mozambique 2014

Note: The question is phrased as "What type of information regarding aspects of managing money do you require?" (Spontaneous multiple response)

Aside from bicycles and solar panels, household ownership of assets is higher in urban areas

HOUSEHOLD ASSETS* (Adults 16+)

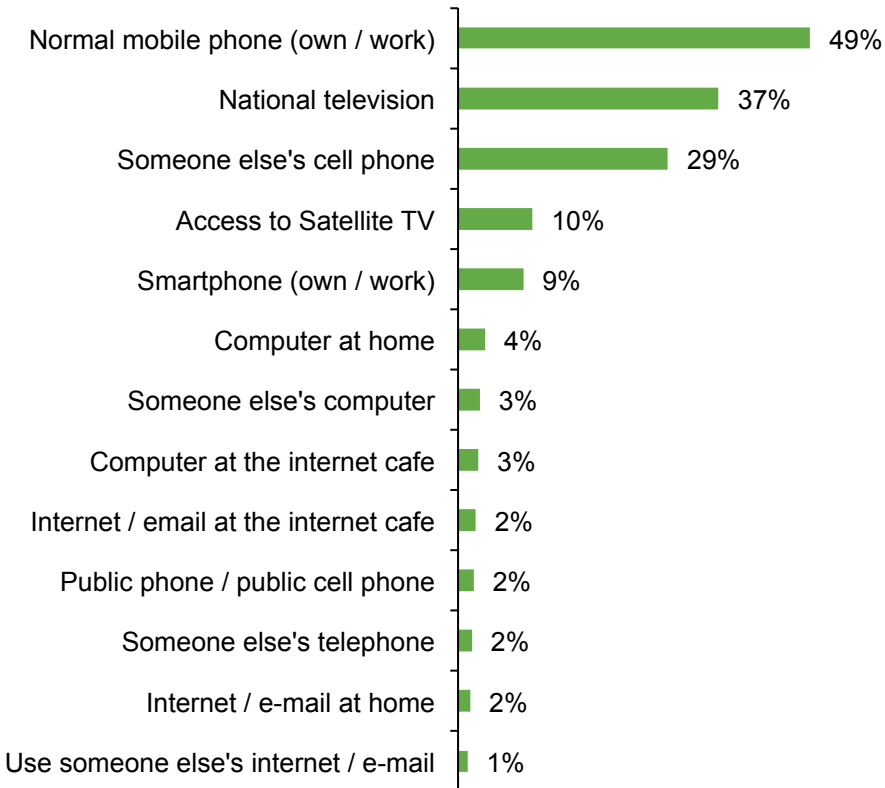


Source: FinScope Mozambique 2014

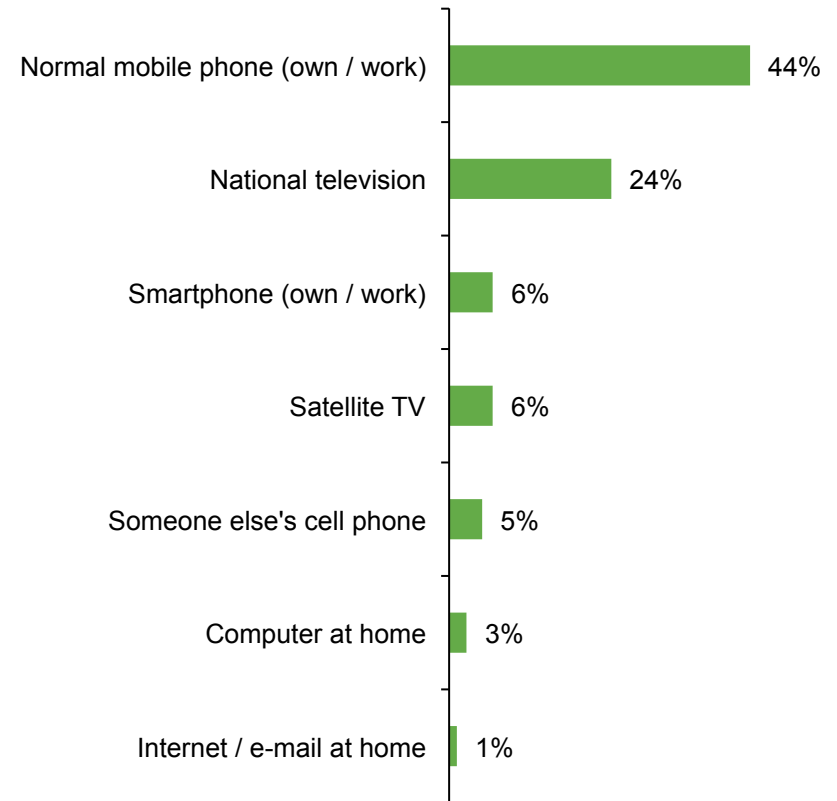
* List provided

While cell phone penetration is higher than other media forms, internet usage appears limited

HAVE ACCESS TO TECHNOLOGY (Adults 16+)



REGULAR USE OF TECHNOLOGY* (Adults 16+)

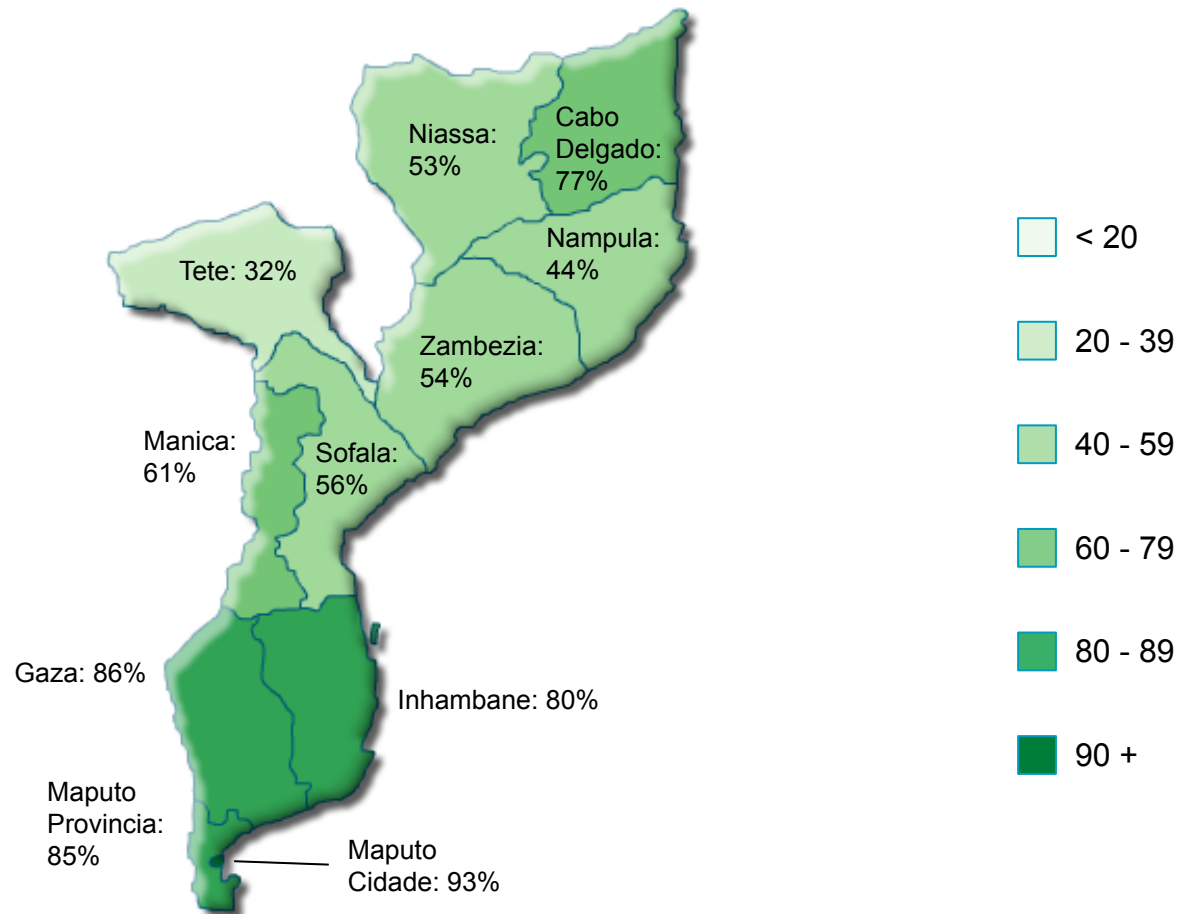


Source: FinScope Mozambique 2014

* Regularly is defined as at least once a week

Cell phone access is particularly limited in Tete and Nampula. Does the infrastructure exist?

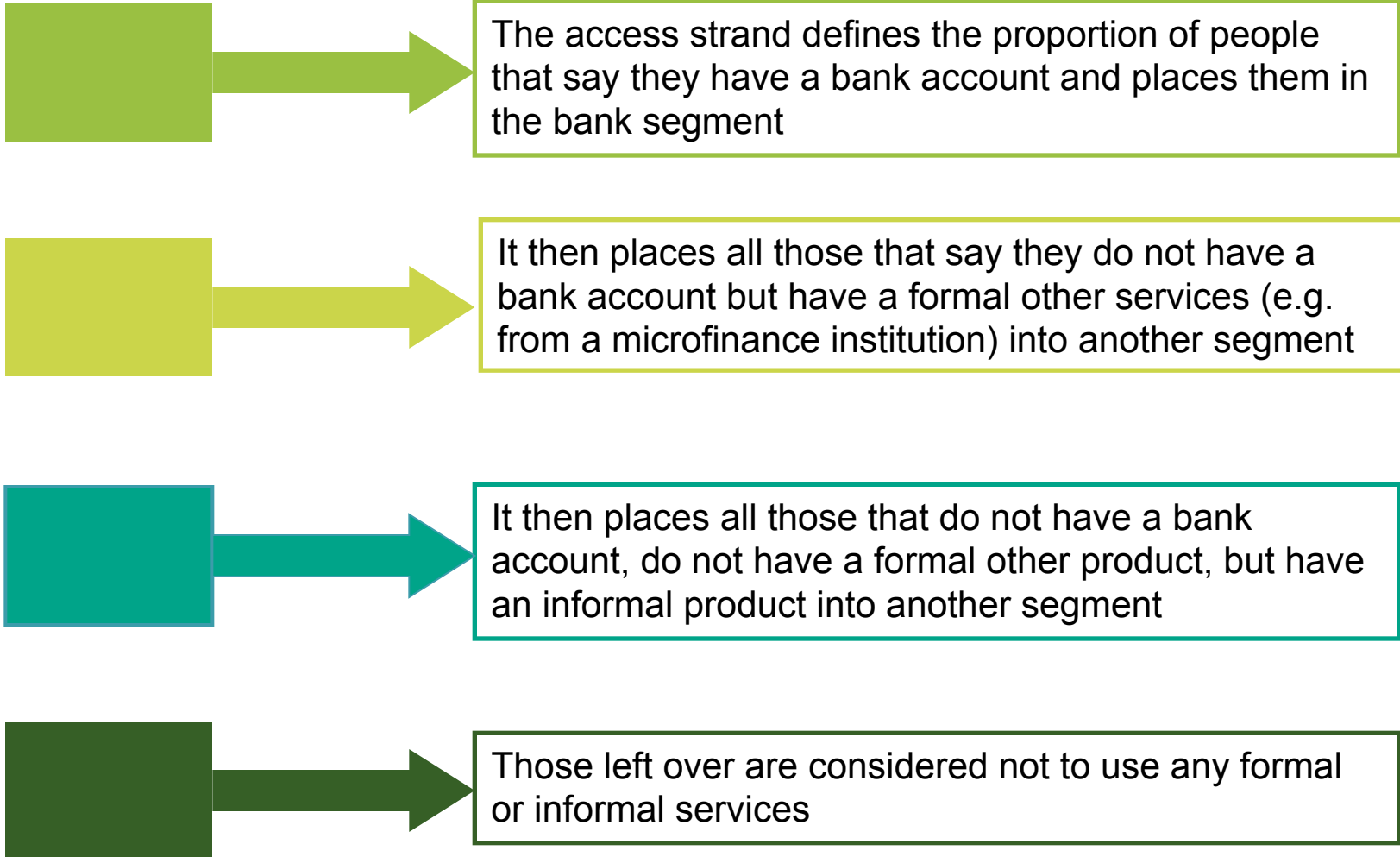
ADULTS WITH ACCESS TO A CELL PHONE* (% of adults, by province)



Source: FinScope Mozambique 2014

* Access to a cell phone includes: Normal mobile phone own or from work / Smartphone own or from work / Someone else's cell phone

Product usage can be summarised in the form of an access strand



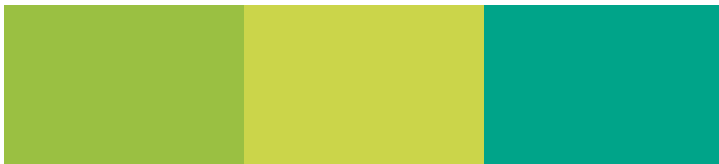
Financial access strand: continued



= **Banked**



= **Formally Included**

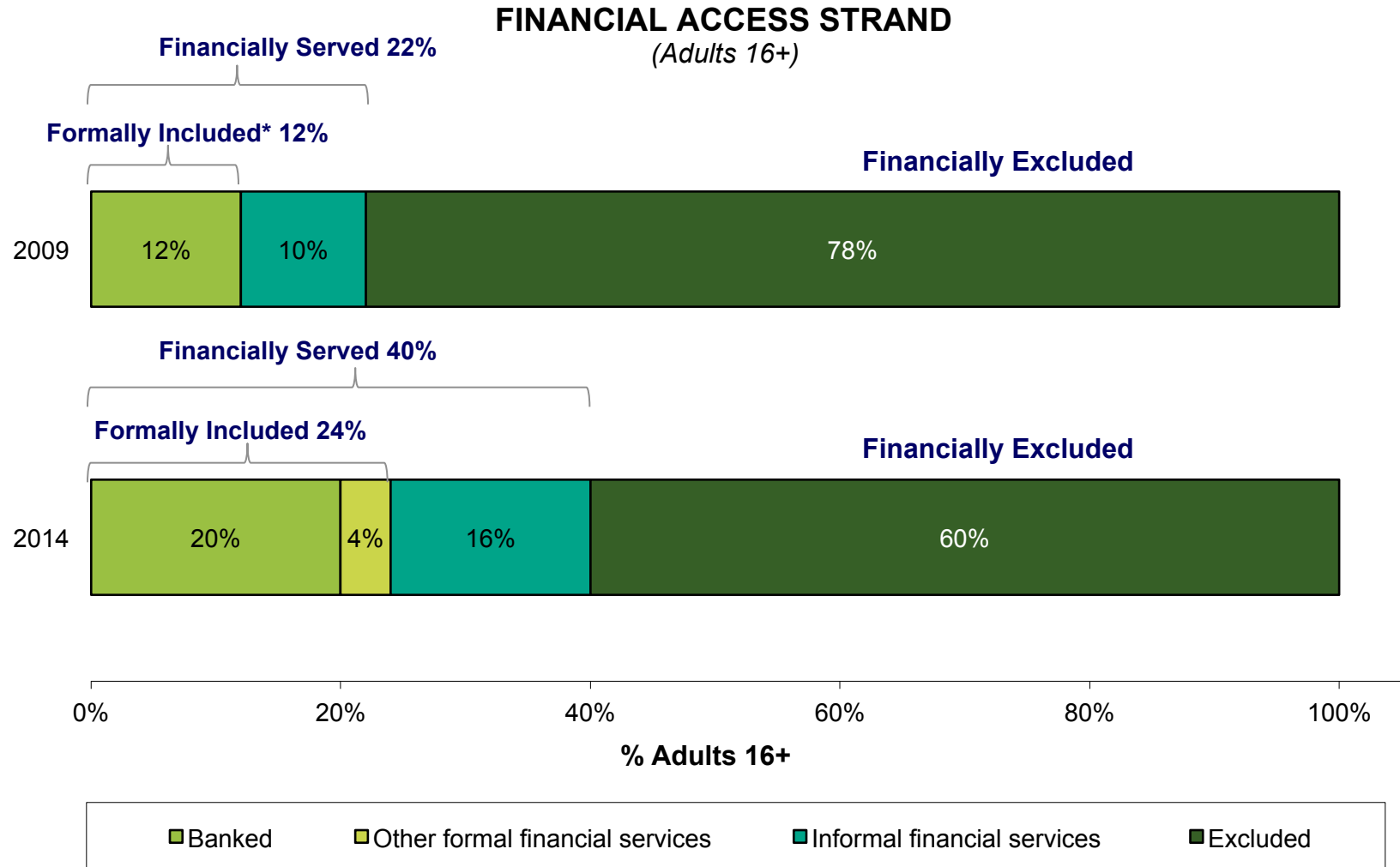


= **Financially Served**



= **Financially Excluded**

The percentage of the population that is financially served has almost doubled between 2009 and 2014. Usage of both formal and informal mechanisms has grown

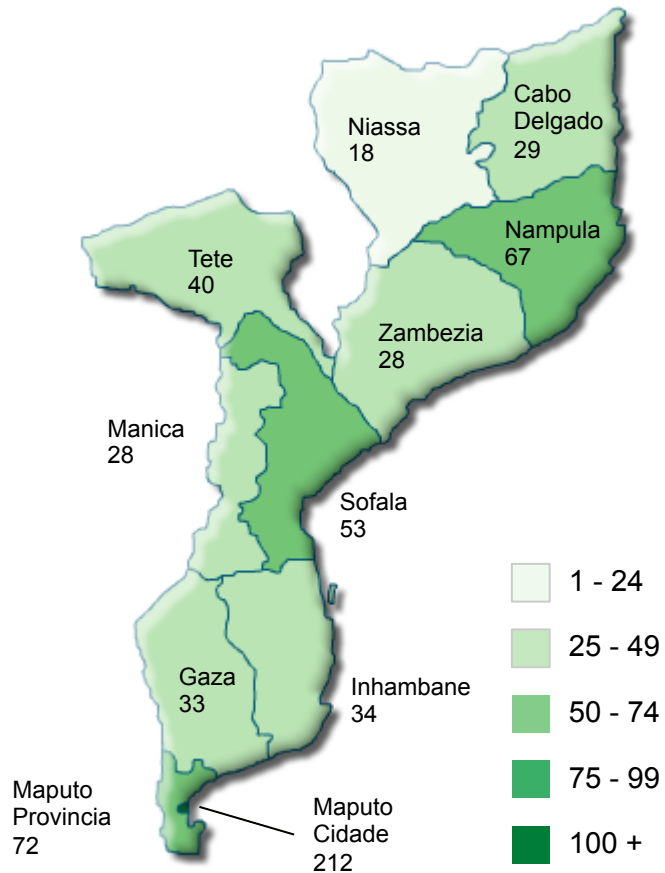


Source: FinScope Mozambique Synthesis Report 2015

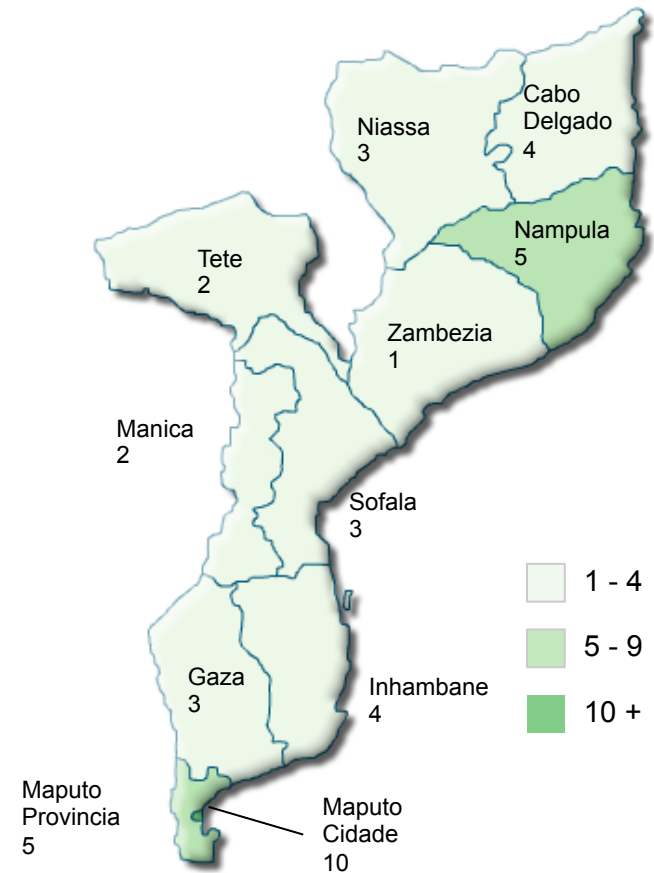
* In 2009 there were no respondents in other formal financial services category

There are 614 commercial bank branches in Mozambique and 42 micro banks across the country

COMMERCIAL BANKS: BRANCHES

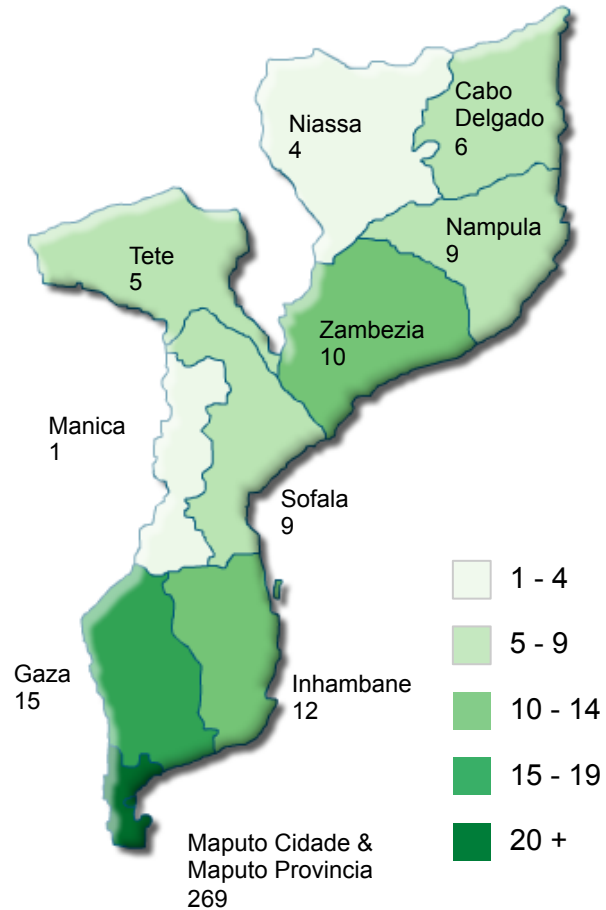


MICRO BANKS: BRANCHES

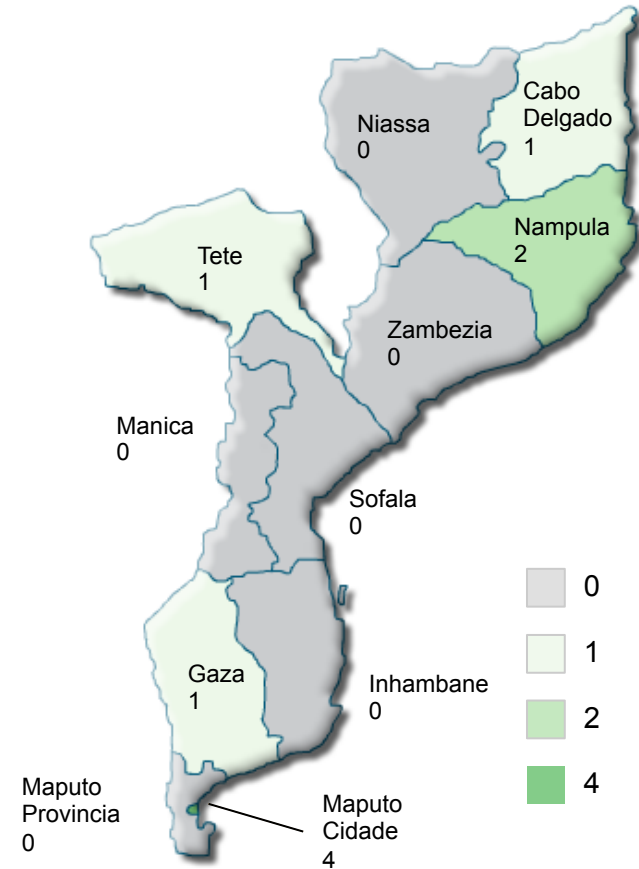


There are 340 micro credit institutions and just 9 credit cooperatives

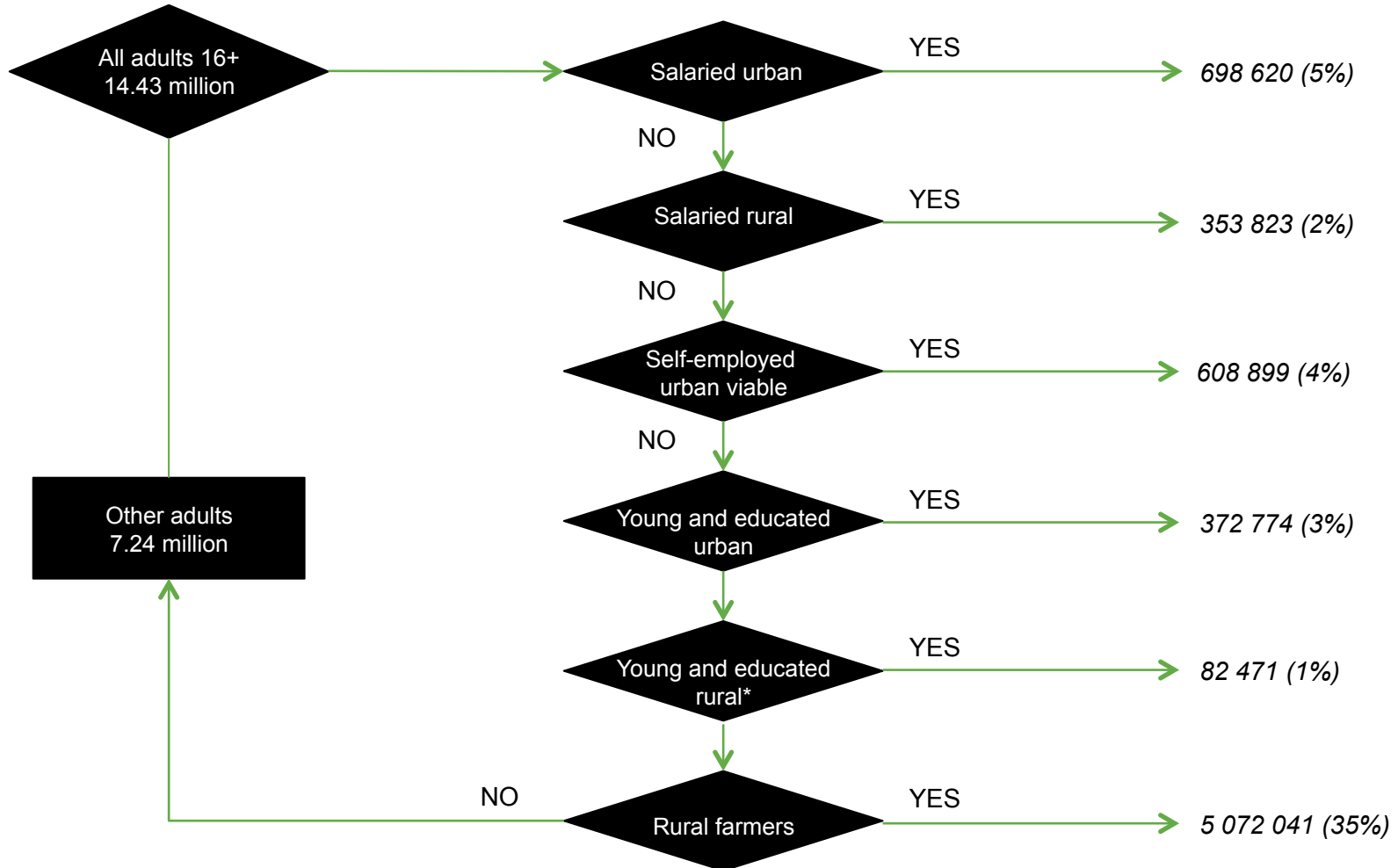
MICRO CREDIT OPERATORS



CREDIT COOPERATIVES



Because the market is diverse we have chosen to focus on a few segments to guide the analysis. Five illustrative market segments were identified based on their ease of each for formal product providers. Note that these segments are mutually exclusive and hierarchical but not collectively exhaustive



Source: FinScope Mozambique 2014

* Sample size for the young and educated rural segment is 25 observations and therefore no further analysis can be done on this segment

Segment overview

ILLUSTRATIVE MARKET SEGMENTS

(Adults 16+)

SALARIED URBAN



- Main source of income is salary or wage from a company or government
- Live in urban areas
- *% of the segment females: 31%*

SALARIED RURAL



- Main source of income is salary or wage from a company or government
- Live in rural areas
- *% of the segment females: 50%*

SELF-EMPLOYED URBAN VIABLE



- Main source of income is from own business
- Receive income at least monthly
- Live in urban areas
- *% of the segment females: 54%*

YOUNG AND EDUCATED URBAN



- Age 18 – 35
- Have at least a secondary school education, and/or qualified as a Technician or Superior
- Live in urban areas
- *% of the segment females: 55%*

YOUNG AND EDUCATED RURAL



- Age 18 – 35
- Have at least a secondary school education, and/or qualified as a Technician or Superior
- Live in rural areas
- *% of the segment females: 38%*

RURAL FARMERS



- Earn any income from farming (selling agricultural crops / livestock)
- Live in rural areas
- *% of the segment females: 50%*

Agenda

Mozambique – a FinScope overview

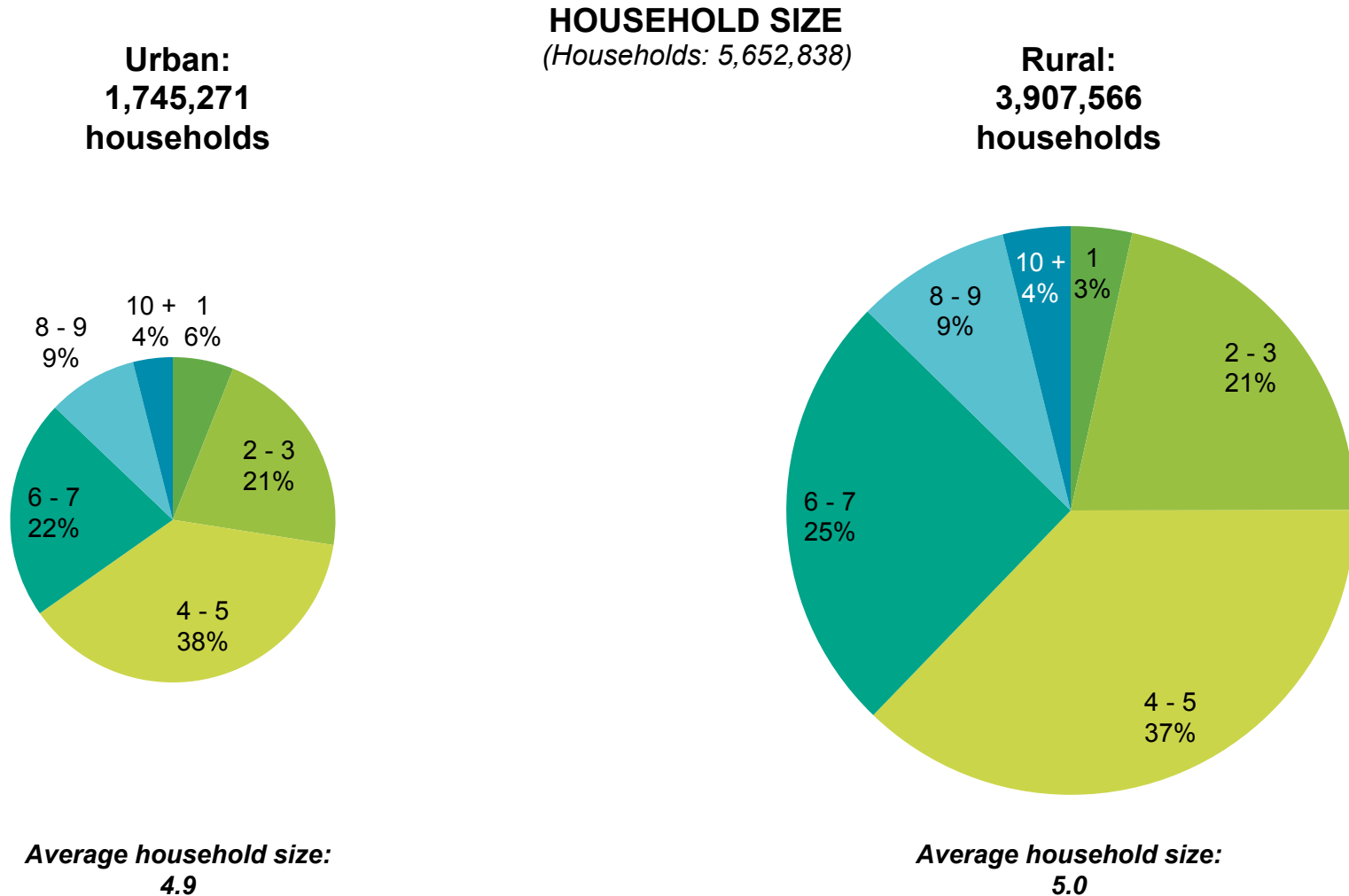
Housing conditions in Mozambique

Access to mortgages

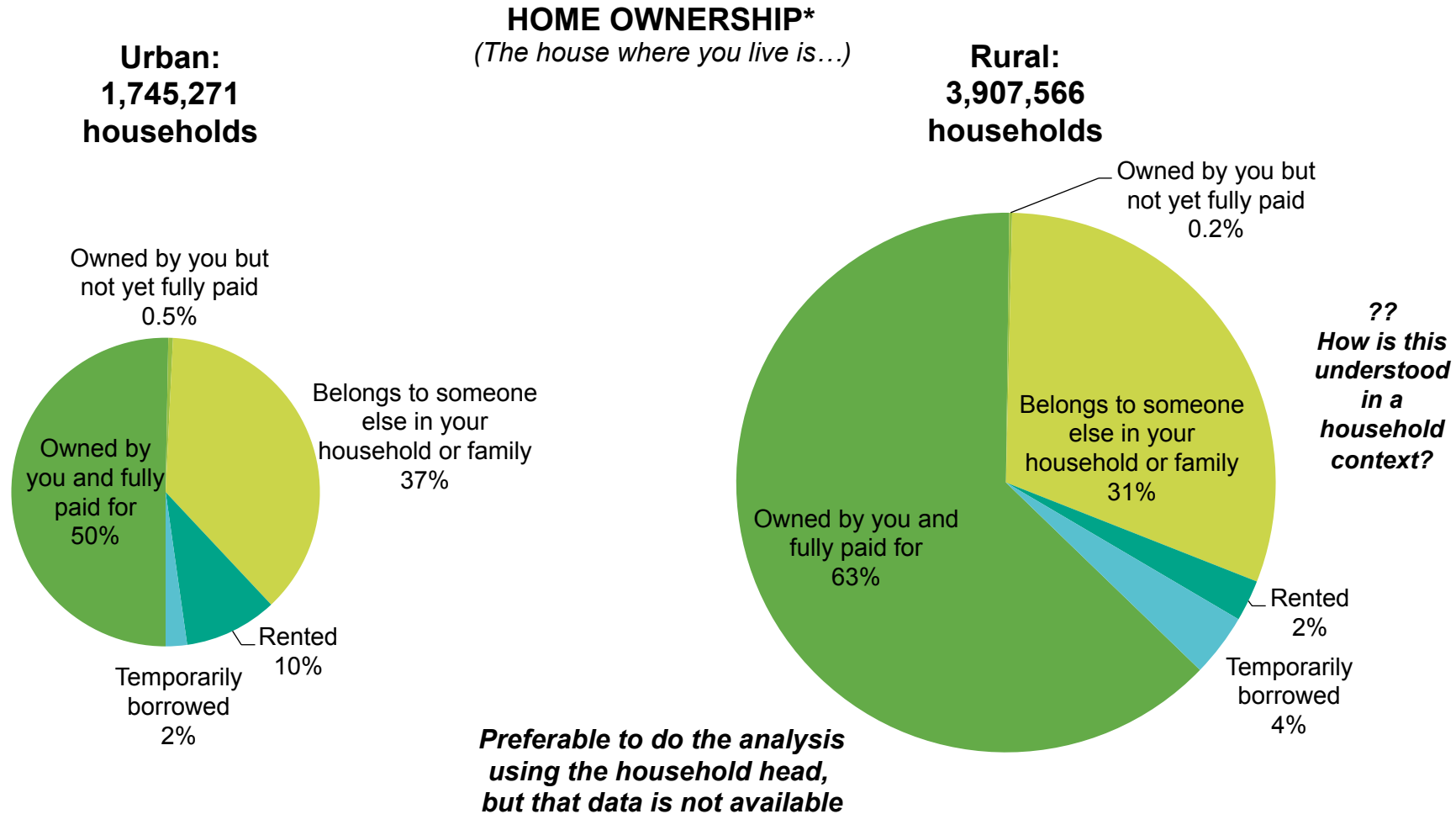
Unsecured housing finance

Rent to buy

Because housing is a household asset, the housing analysis uses household weights. On average there are five people per household. Surprisingly, household sizes in urban and rural areas do not differ much



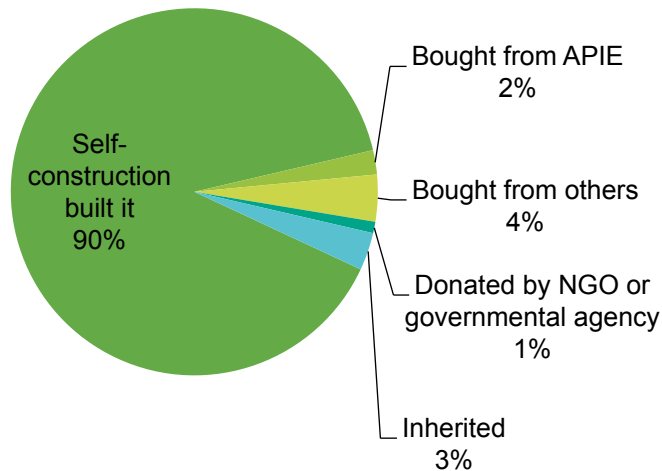
Tenure data is difficult to interpret. Ten per cent of urban households rent their dwellings



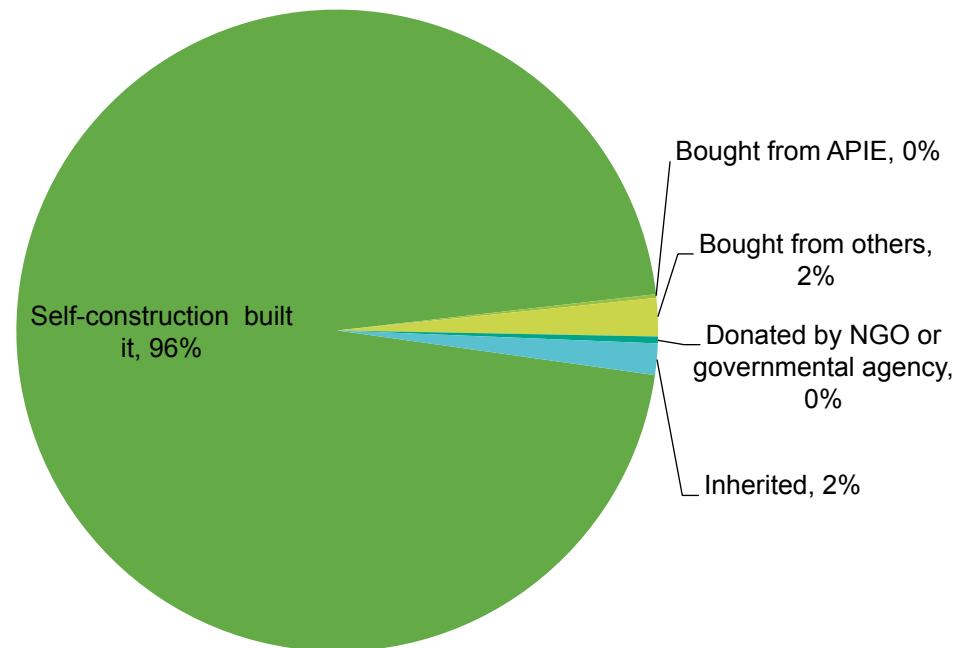
The vast majority of households built their own dwellings. This is true even in urban areas

METHOD OF ACQUIRING THE HOUSE (Own the dwelling)

Urban: Own dwelling
– 883,664



Rural: Own dwelling
– 2,458,364



Source: FinScope Mozambique 2014

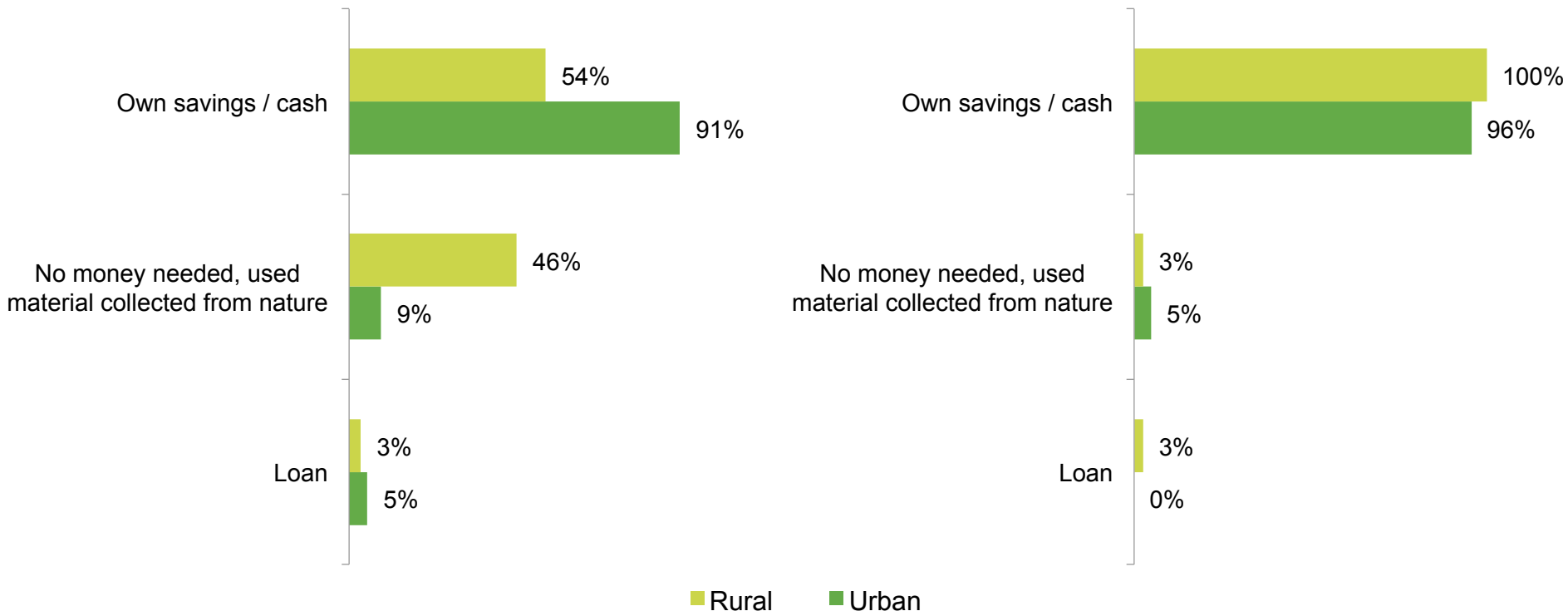
* Note: The question was only asked to those respondents that claimed to own their dwelling

Acquiring property is heavily contingent on saving, limiting access to home ownership in both rural and urban areas

METHOD OF FINANCE FOR THE CONSTRUCTION OR PURCHASE OF HOUSE (Own the dwelling, Self-constructed or purchased)

SELF-CONSTRUCTION

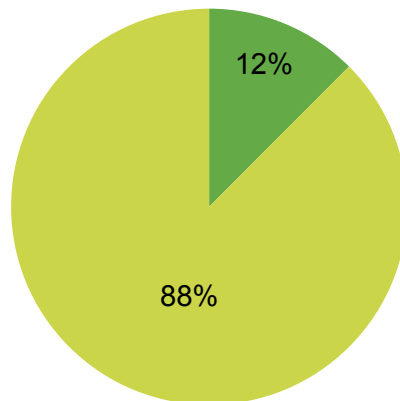
PURCHASED



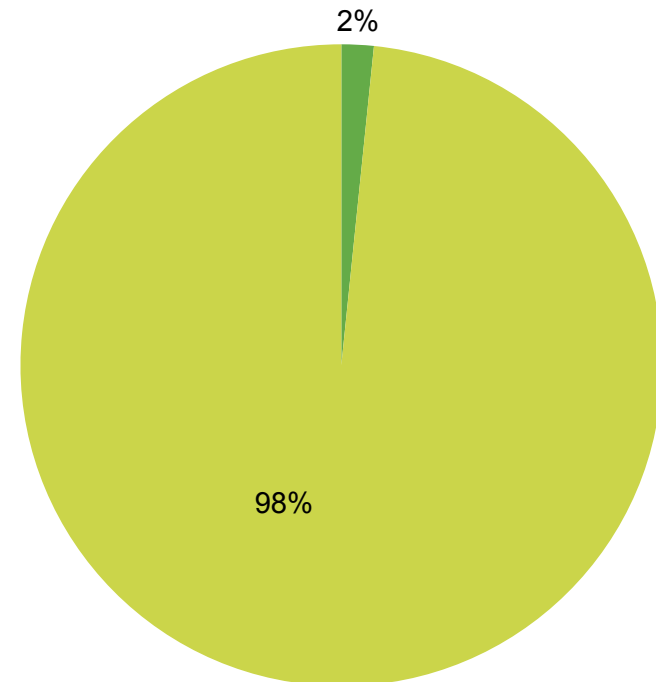
About 12% of households in urban areas who say they own their dwellings have title deeds

POSSESSION OF TITLE DEED*

Urban: Own dwelling
– 883,664



Rural: Own dwelling
– 2,458,364



■ Yes

■ No

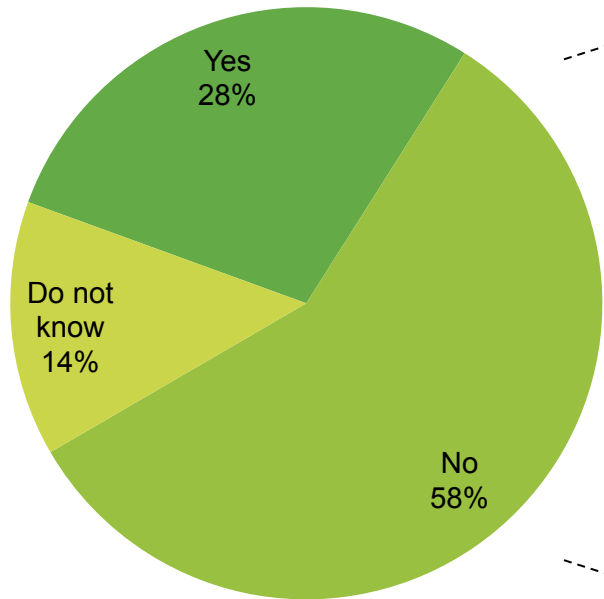
Source: FinScope Mozambique 2014

*Questions asked to respondent: Different people have different documents and papers in their name. Which of the following documents, if any, do you have that are in your name?

Many home owners do not regard their properties as tradable assets, with the risk of losing their house top of mind

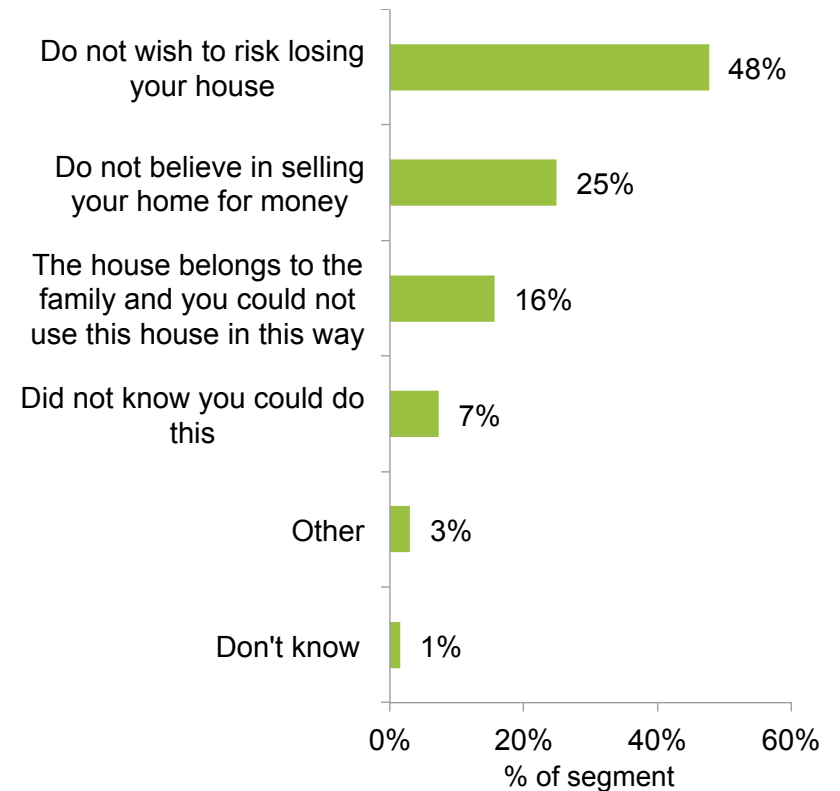
IS YOUR PROPERTY A TRADABLE ASSET?*

(Urban owned: 883,664)



REASON WHY NOT A TRADABLE ASSET**

(Urban owned, Don't view property as tradable asset)



Source: FinScope Mozambique 2014

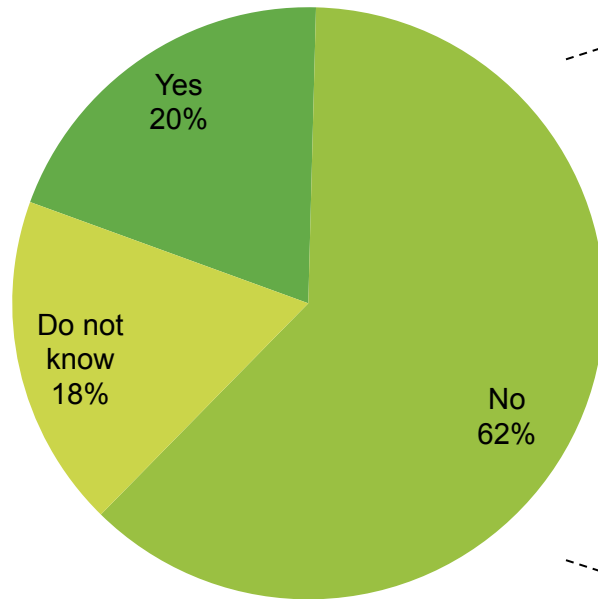
* Filtered on those who own households in urban areas

** Single response question

Many home owners do not regard their properties as tradable assets, with the risk of losing their house top of mind

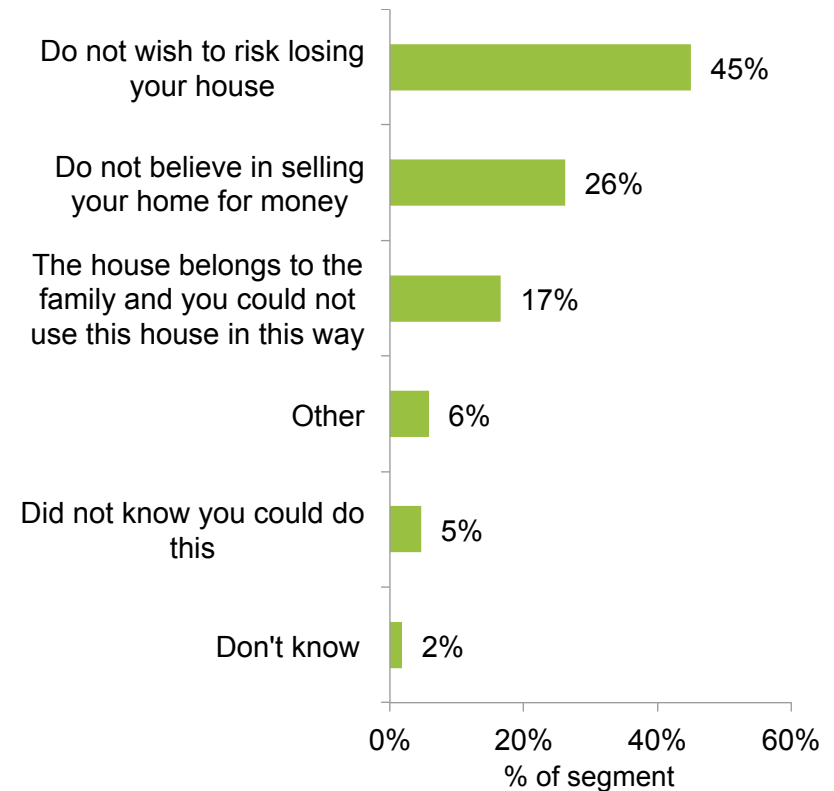
IS YOUR PROPERTY A TRADABLE ASSET?*

(Rural owned: 2,458,364)



REASON WHY NOT A TRADABLE ASSET**

(Rural owned, Don't view property as tradable asset)



Source: FinScope Mozambique 2014

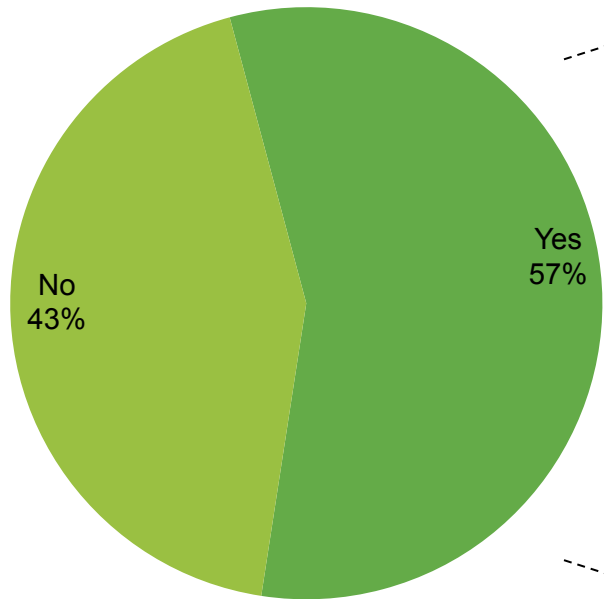
* Filtered on those who own households in rural areas

** Single response question

Fifty seven per cent of urban households that own and built their dwellings claim to have paid for the acquisition of their plot, with the overwhelming majority doing so using their own savings or cash

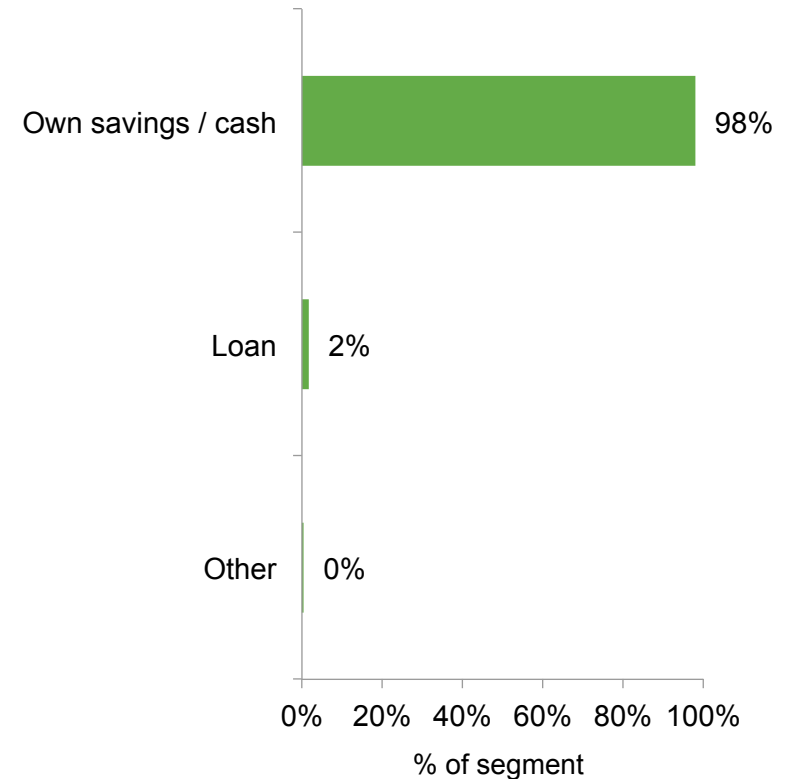
DID YOU PAY MONEY TO ACQUIRE YOUR PLOT?*

(Urban owned, self-construction)



METHOD FINANCED ACQUISITION OF PLOT**

(Urban owned, self-construction, paid money for plot)



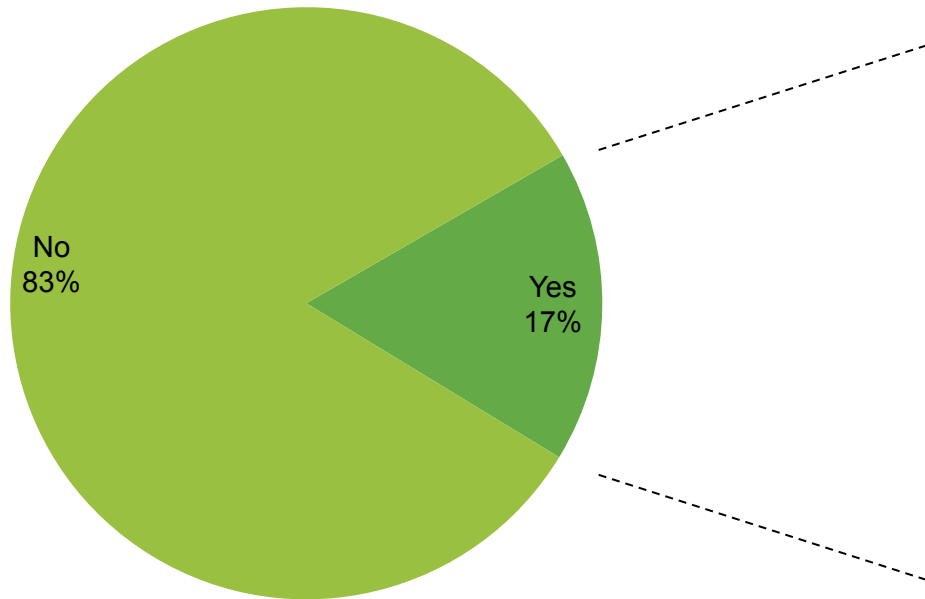
Source: FinScope Mozambique 2014

* Filtered on those who own their house and built it

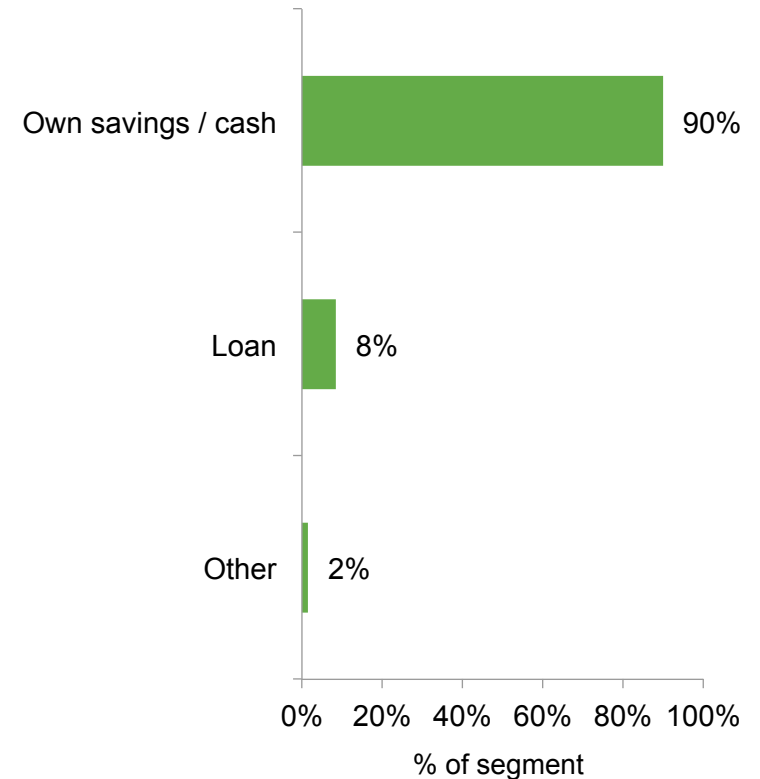
** Single response question

A much lower 17% of rural households that own and built their dwellings claim to have paid for the acquisition of their plot, with the overwhelming majority doing so using their own savings or cash

DID YOU PAY MONEY TO ACQUIRE YOUR PLOT?*
(Rural owned, self-construction)



METHOD FINANCED ACQUISITION OF PLOT**
(Rural owned, self-construction, paid money for plot)



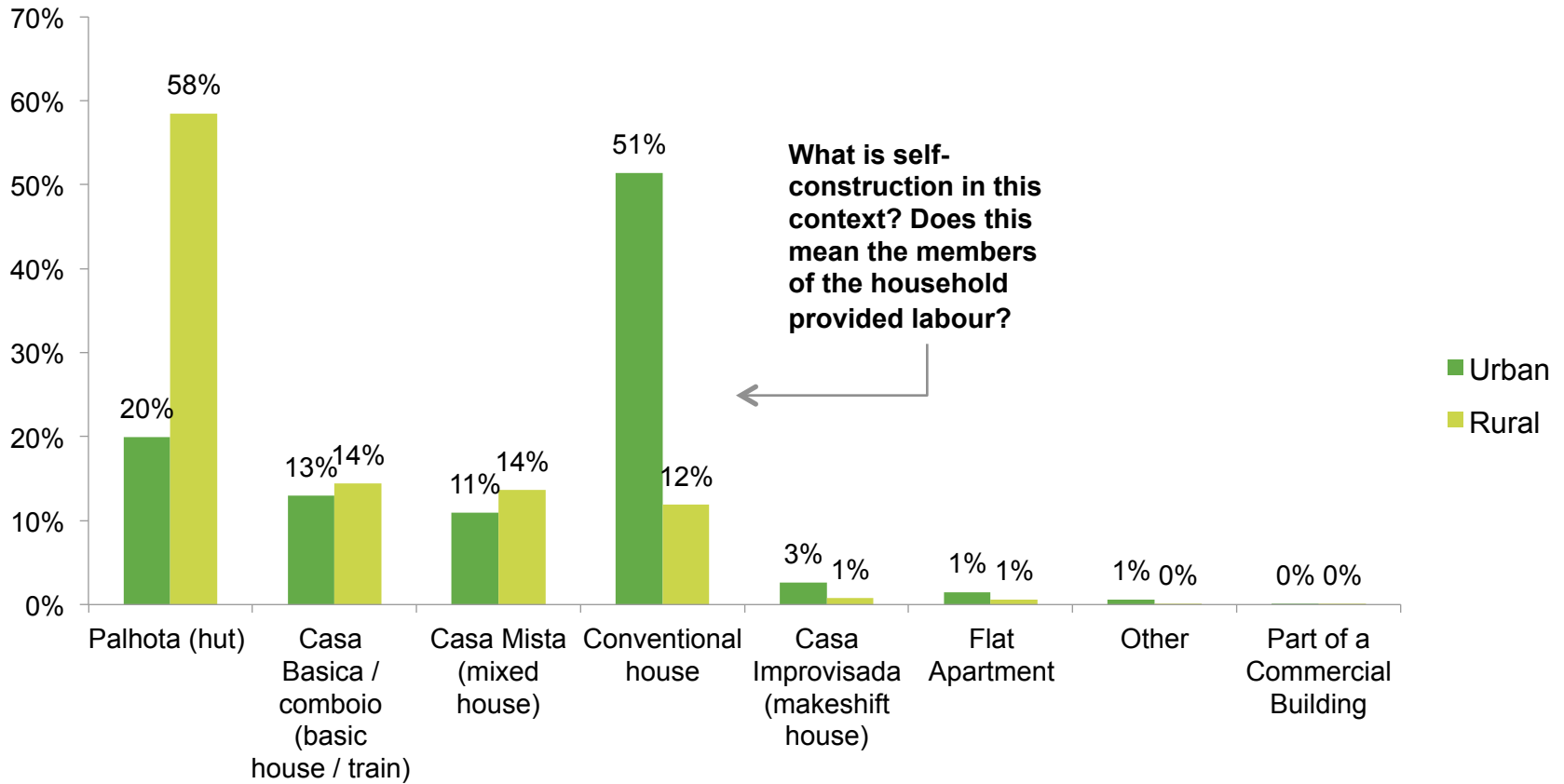
Source: FinScope Mozambique 2014

* Filtered on those who own their house and built it

** Single response question

However, the form of housing differs noticeably in urban areas where more than half of households live in conventional houses

TYPE OF DWELLING*

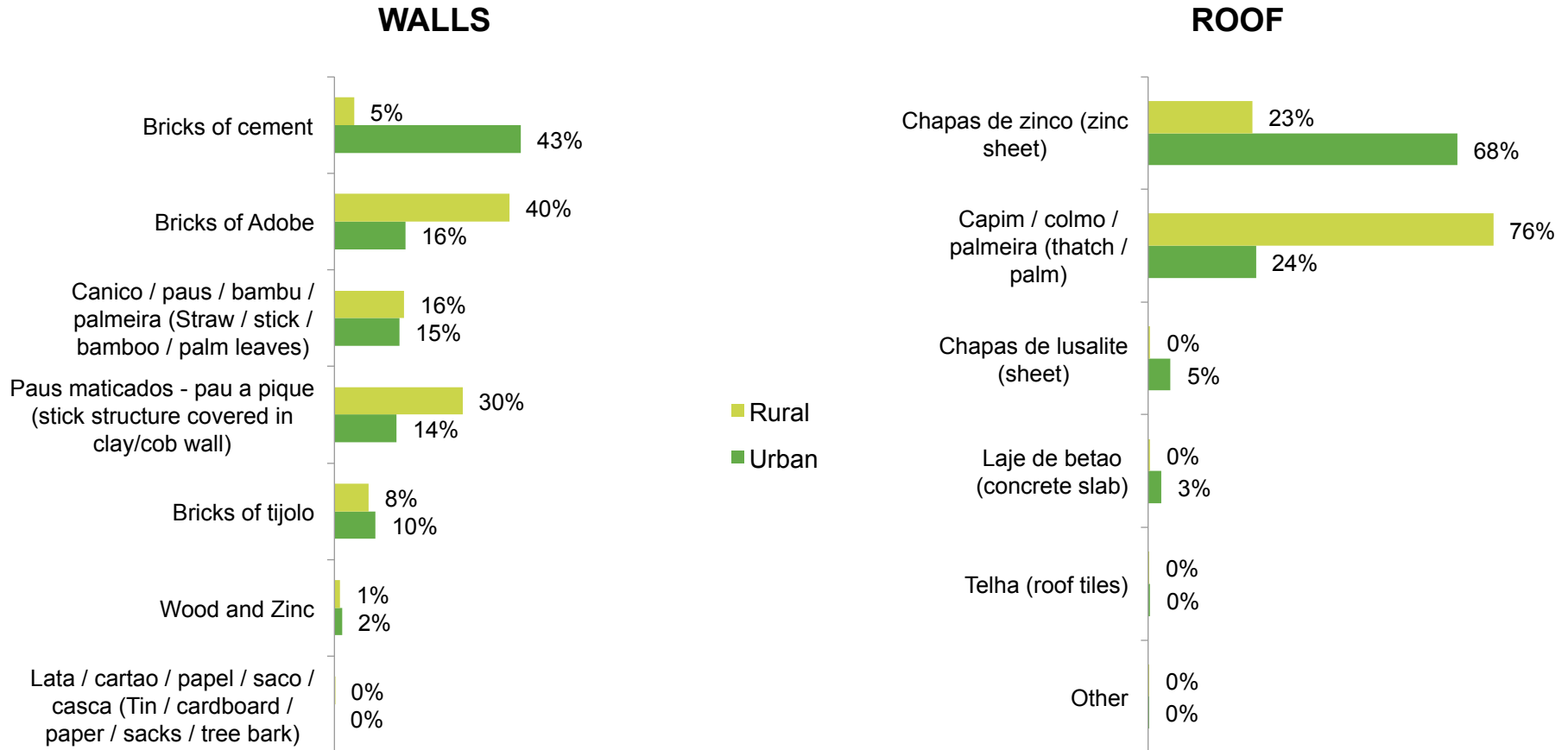


Source: FinScope Mozambique 2014

* Observed by interviewer

Building materials differ noticeably for urban and rural dwellings

PREDOMINANT MATERIAL OF WALLS AND ROOF OF DWELLING*



Source: FinScope Mozambique 2014

* Observed by interviewer

The survey does not categorise housing although it is possible to do so given the data

Informal Housing

Built using informal materials:

- Roof: Thatch/grass/palm or Zinc sheets or Other
- Walls: Mud/straw bricks or Wood and Zinc or Straw/stick/bamboo/palm leaves or Stick structure covered in clay/cob or Tin/cardboard/paper/sacks/Tree bark or Other



5,497,154
Households
(97%)

Formal Housing

Built using durable modern materials:

- Roof: Concrete slab, Roof tiles or Metal sheets AND
- Walls: Bricks of cement, Bricks of cement and sand/ceramic

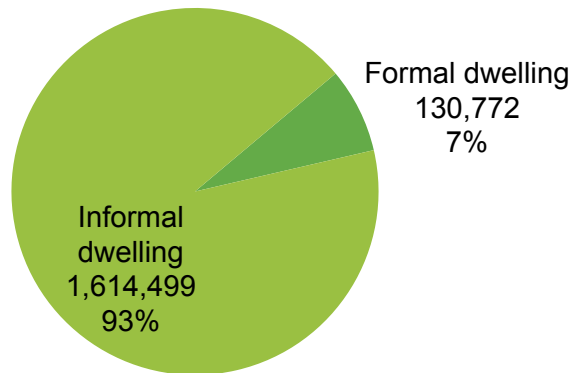


155,684
Households
(3%)

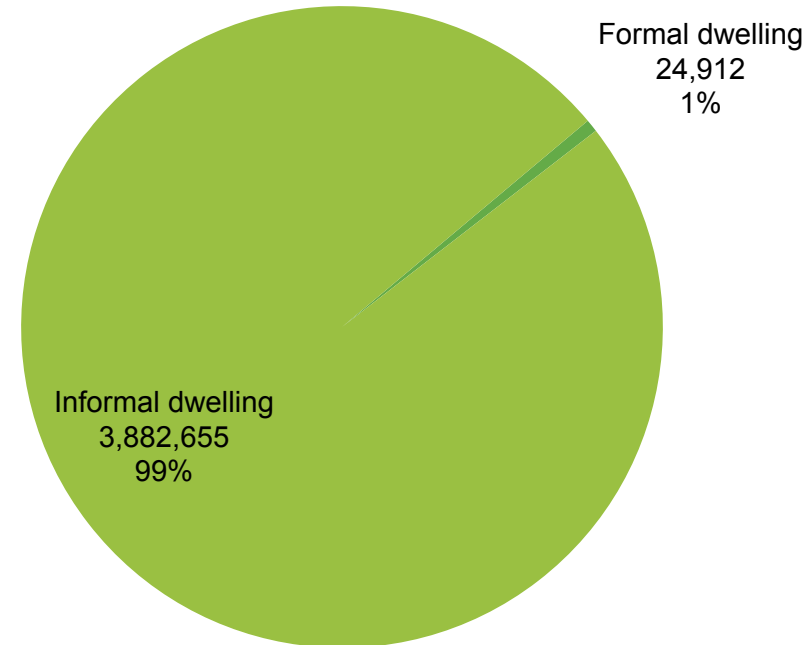
The majority of dwellings that could be characterised as formal are located in urban areas

TYPE OF HOUSING

Urban:
1,745,271
households

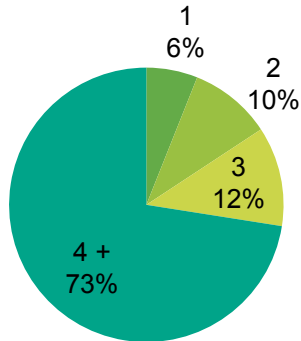


Rural:
3,907,566
households



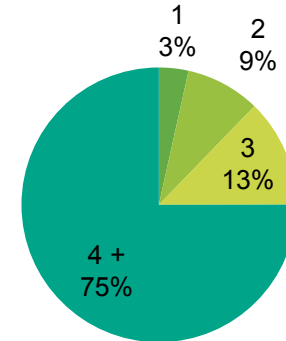
Sixty per cent of rural households have more than two people per sleeping room and can be thought of as over-crowded

Urban
1,745,271
households

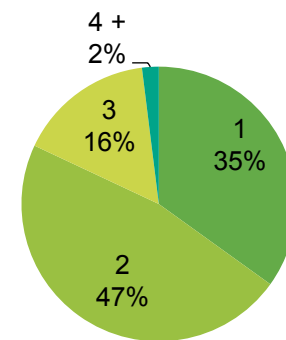
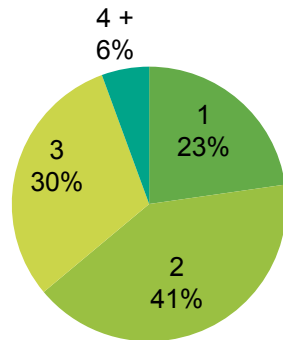


Household size

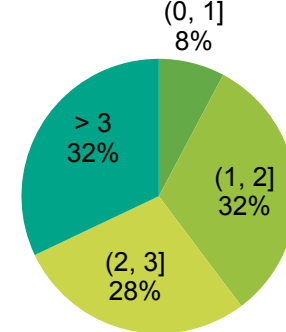
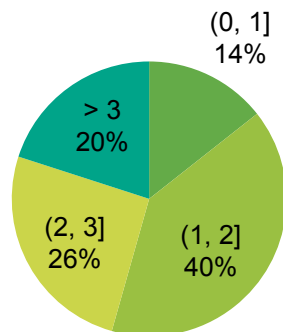
Rural:
3,907,566
households



Number of rooms used for sleeping



Number of people that sleep in the dwelling per sleeping room

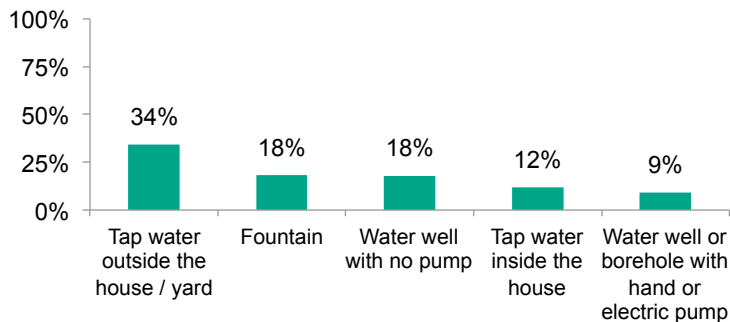
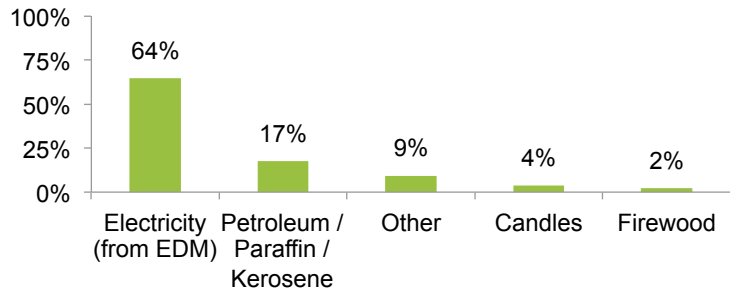
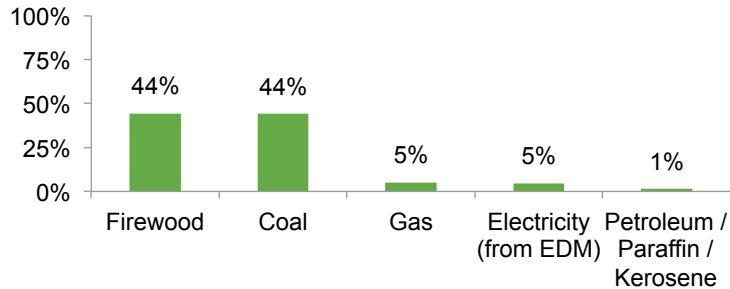


Source: FinScope Mozambique 2014

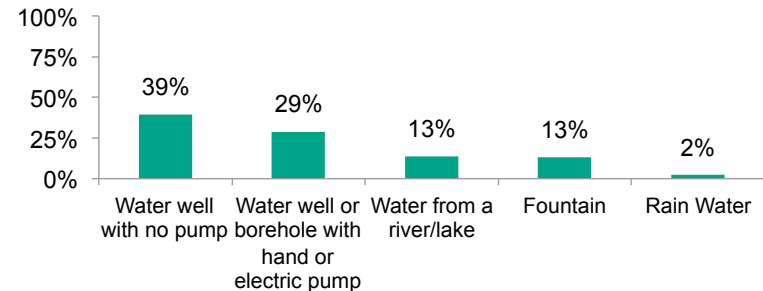
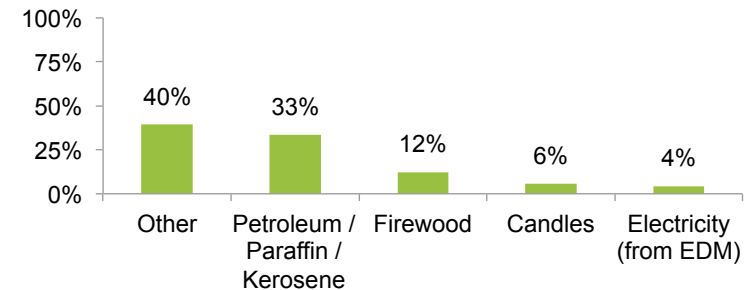
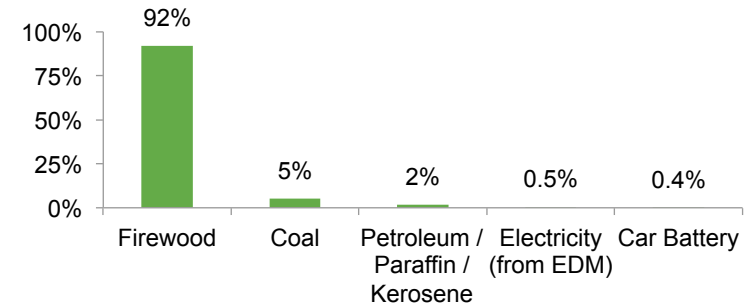
Note: Over-crowding is defined as more than two people per sleeping room

Access to services is low, particularly in rural areas. In urban areas most households use electricity for lighting but very few do so for cooking

Urban: 1,745,271 households



Rural: 3,907,566 households



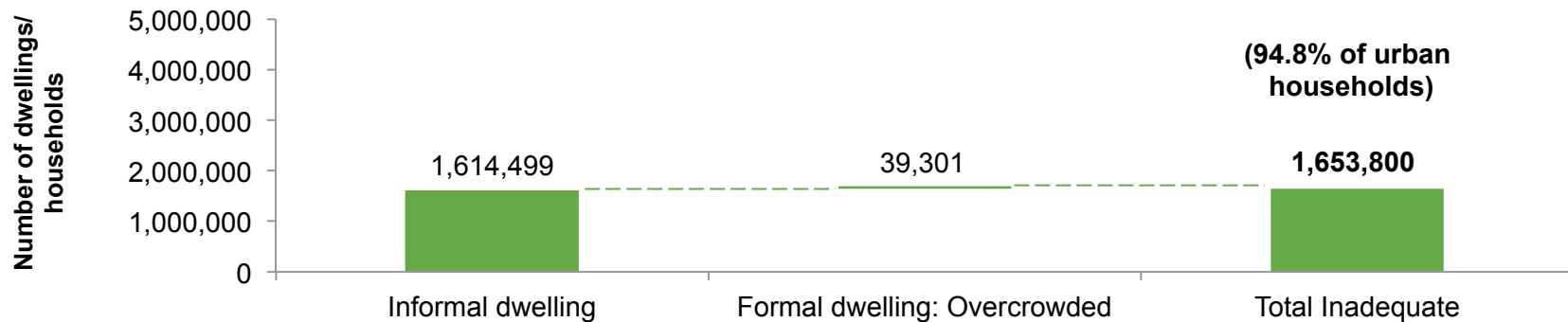
Source: FinScope Mozambique 2014

Note: Smaller categories are not all shown on the charts

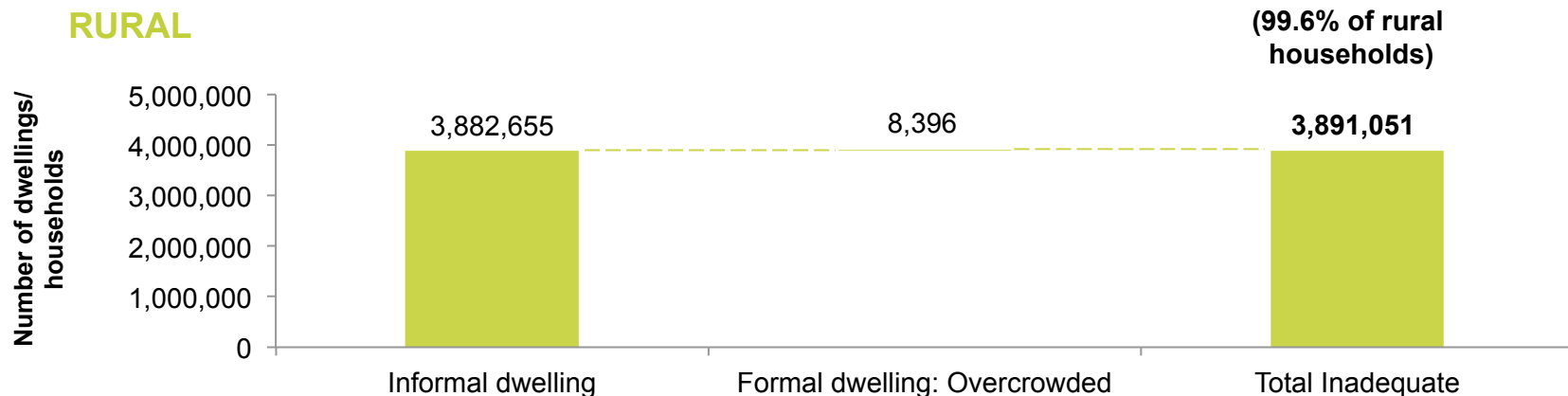
Those who live in informal dwellings, as well as those in formal dwellings who have more than two people per sleeping room are assumed to live in inadequate dwellings. It is not clear that this is an accurate assessment

INADEQUATE DWELLINGS

URBAN



RURAL

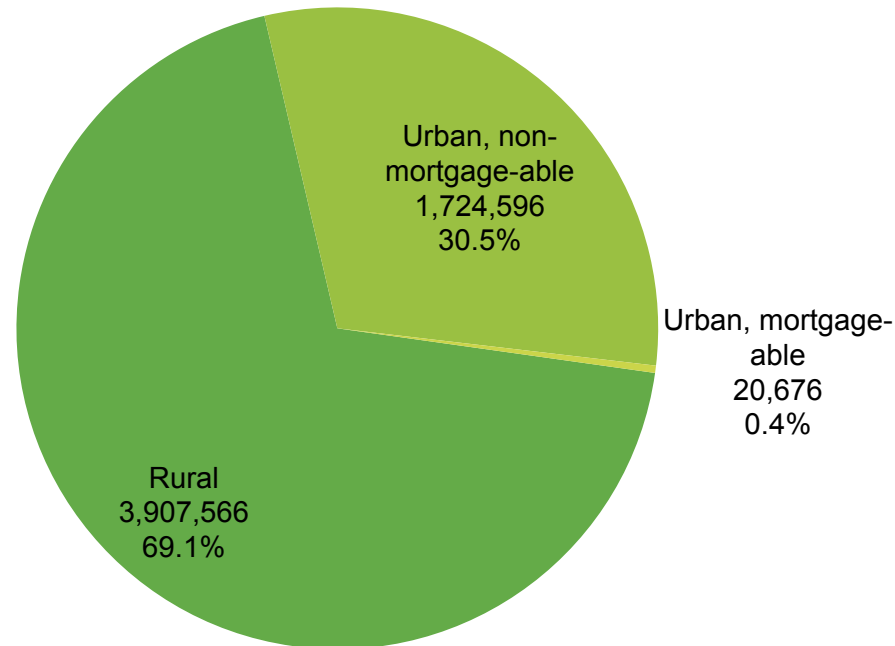


Source: FinScope Mozambique 2014

Note: There is no double counting; categories are mutually exclusive; Overcrowded dwellings are those with more than two people per sleeping room

Less than 1% of households live in a mortgage-able dwelling that they own

WHAT IS A MORTGAGE-ABLE DWELLING?



A mortgage-able dwelling is a formal dwelling in an urban area that is owned with a title deed for the house/building

Agenda

Mozambique – a FinScope overview

Housing conditions in Mozambique

Access to mortgages

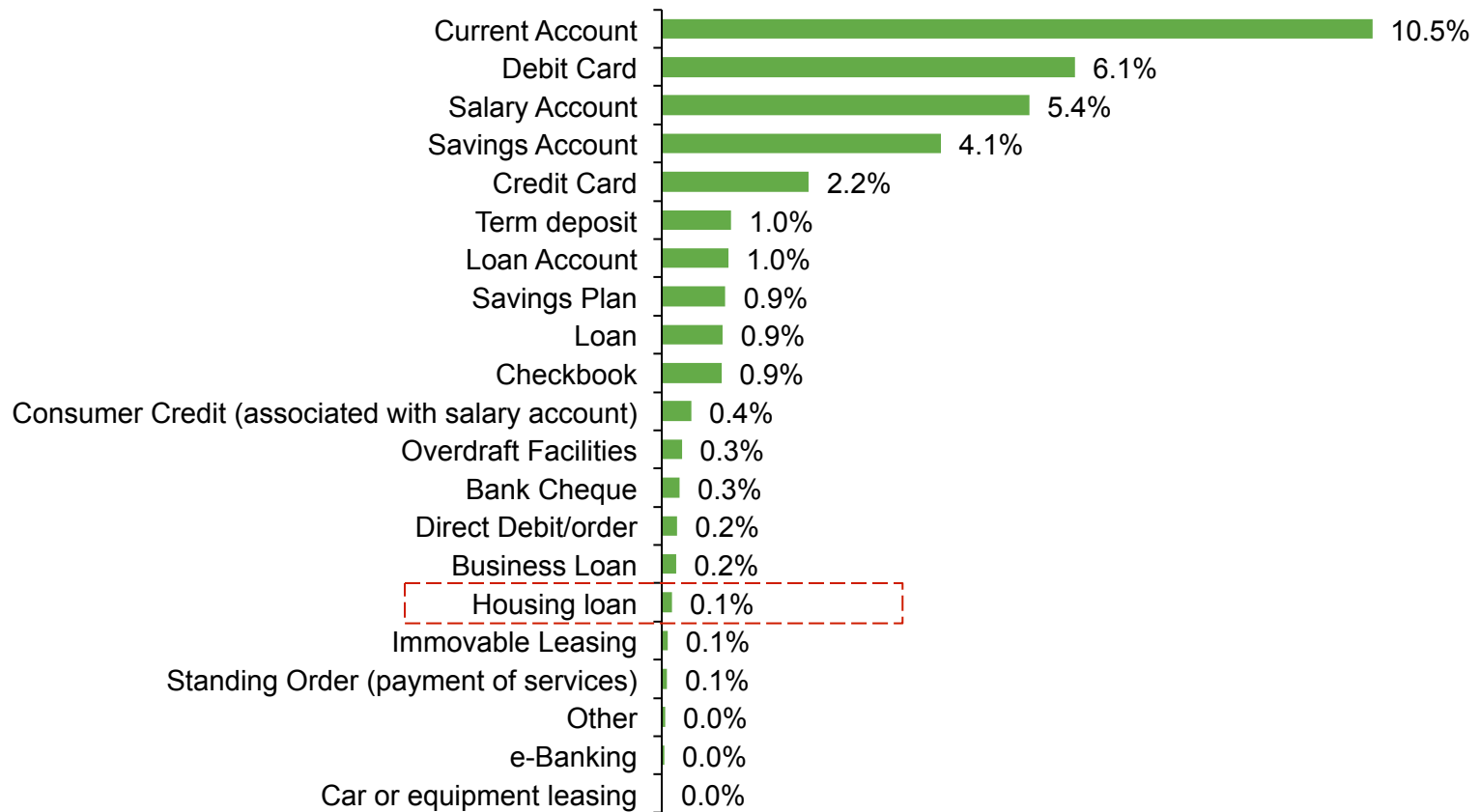
Unsecured housing finance

Rent to buy

Around 21,000 adults (0.1%) claim to currently have a housing loan product at a bank

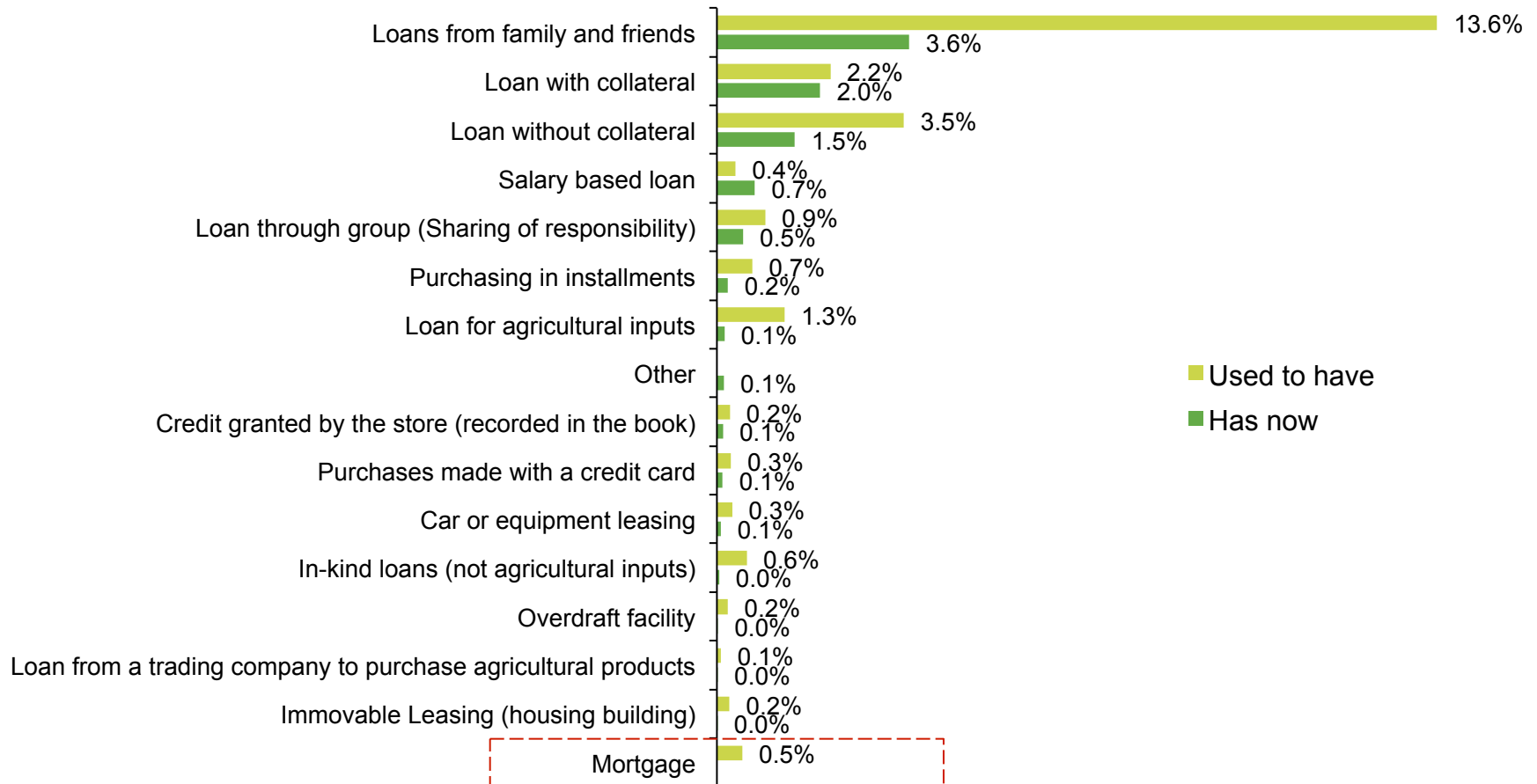
BANKING PRODUCTS AND SERVICES CURRENTLY USED

(Adults 16+, 14 431 915 individuals)



No adults claim to currently have a mortgage, but around 69,000 (0.5%) say they have previously taken out a mortgage

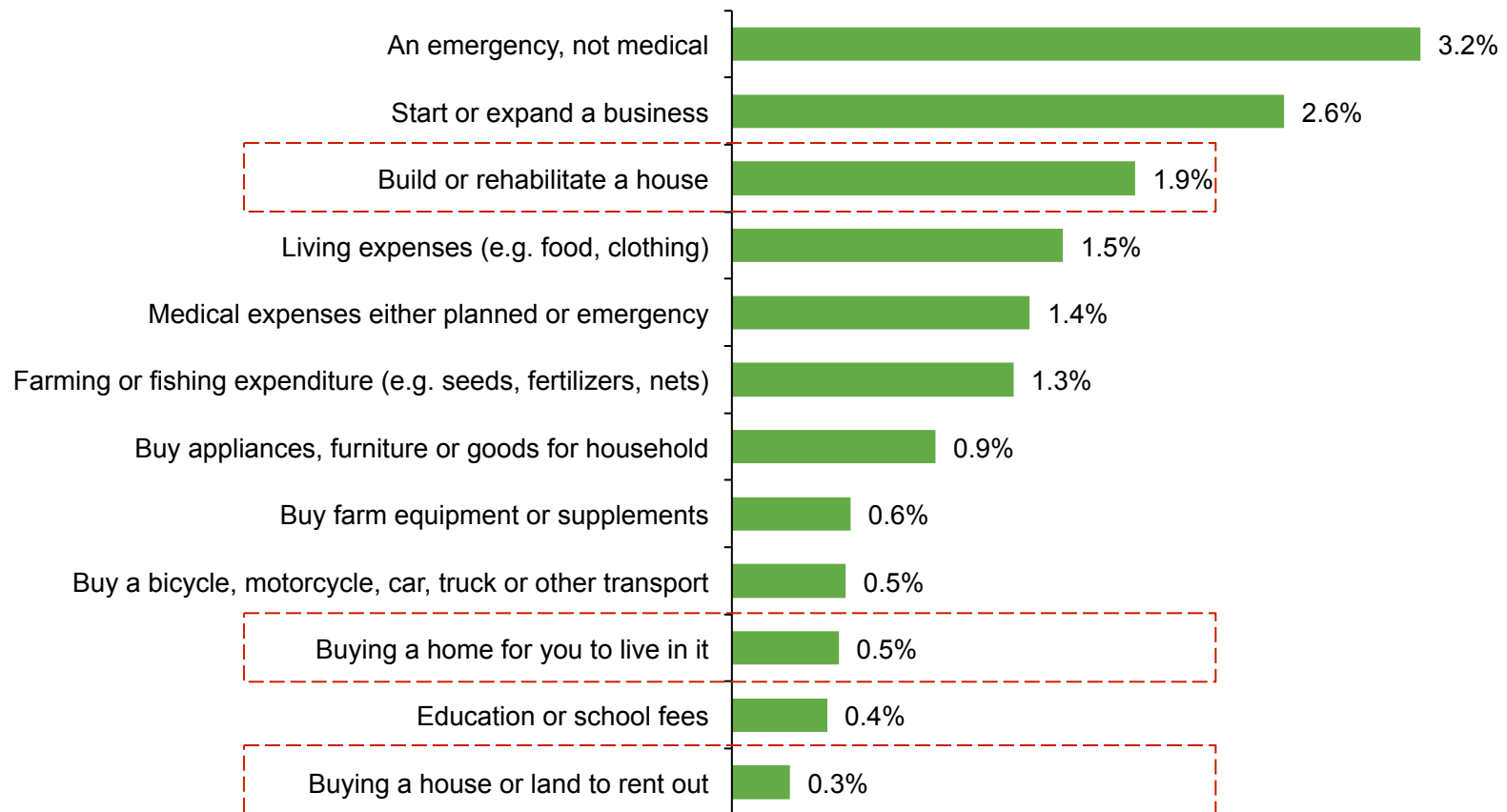
CREDIT AND LOANS (Adults 16+, 14 431 915 individuals)



Usage of credit for housing purposes is limited – but credit usage is limited in general

REASONS FOR BORROWING MONEY OR TAKING OUT CREDIT

(Adults 16+, 14 431 915 individuals)



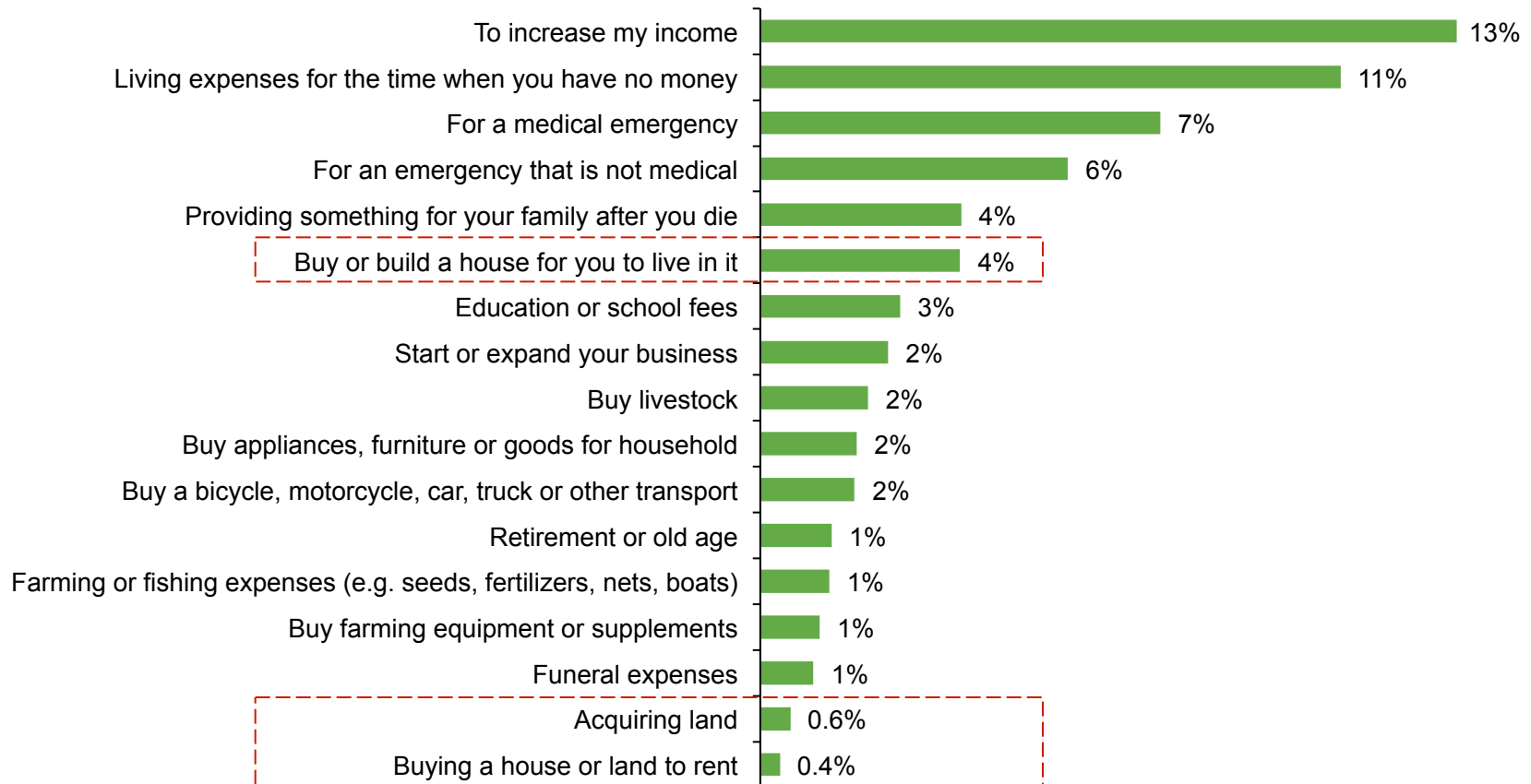
Source: FinScope Mozambique 2014

Note: Responses with less than 0.5% not related to housing are not shown on the chart

Very few adults say they are currently saving for housing purposes

WHAT ARE YOU CURRENTLY SAVING OR INVESTING FOR?

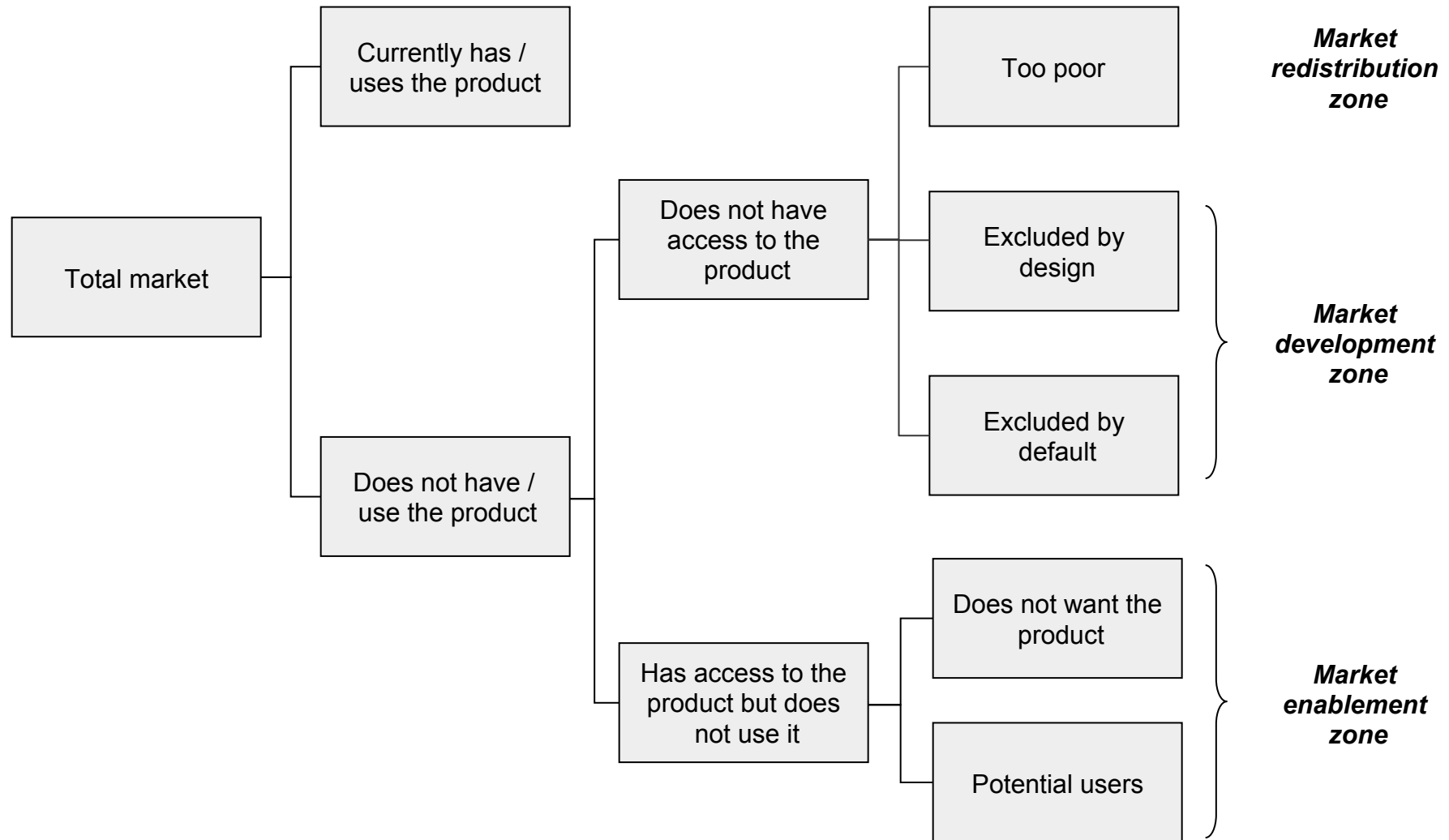
(Adults 16+, 14 431 915 individuals)



Source: FinScope Mozambique 2014

Note: Responses with less than 1% not related to housing are not shown on the chart

The Access Frontier Methodology developed by David Porteous enables an identification and quantification of access barriers. It segments those who do not yet use a product into various market zones



To build an access frontier you need to start with a specific product category, and then gather fairly detailed data on the product specs. A mortgage loan product from a large commercial bank is outlined below

Basic product description

- The minimum loan amount is 300 000 MT
- Instalments must be made on a monthly basis via a direct debit from a bank account
- Loan term is 25 years
- Loan to value ratios are generally set at a minimum of 70%
- Loan is for houses only, not land

Fees and pricing

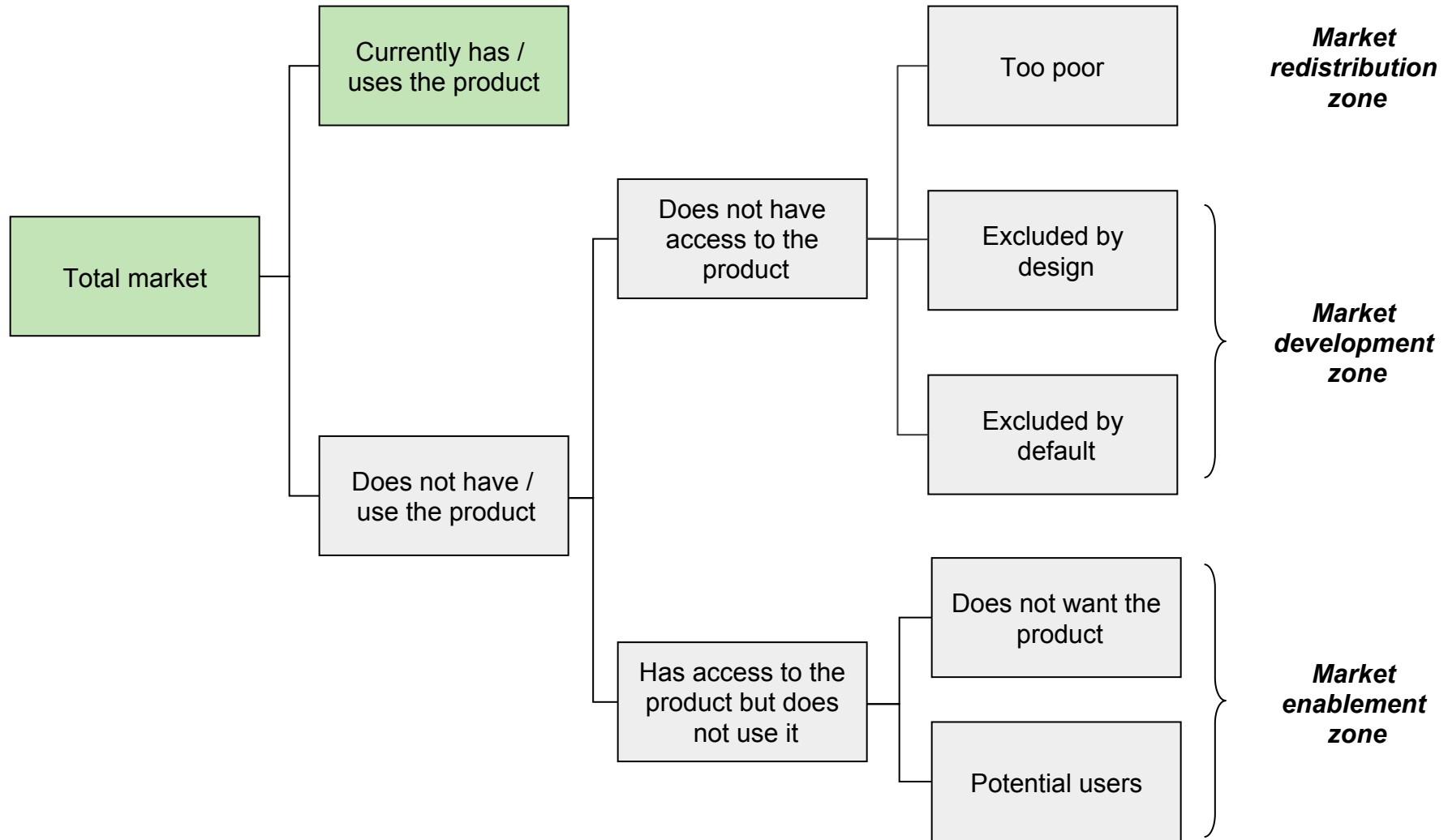
- Affordability is 30% of net income
- Typical interest rate of 19% (prime rate + mark-up depending on the client's credentials)
- Once-off organisation fee 3 500 MT
- Opening fee 1.5%
- Once-off commissions fee
- Once-off evaluation expense

Requirements

- Documents required include income sheet, contract of purchase and sale, property documents, insurance
- Income must be regular, instalments are paid monthly
- Bank account (no history required – can open a new account)
- Men must be minimum age 21 and maximum 60, women must be minimum age 21 and maximum 55
- Forms to be completed are available in Portuguese
- Clients must apply at a bank branch
- Property must be located in areas where there are business units of the bank
- Life insurance and housing insurance must be taken out

Access Frontier Methodology: Steps 1 and 2

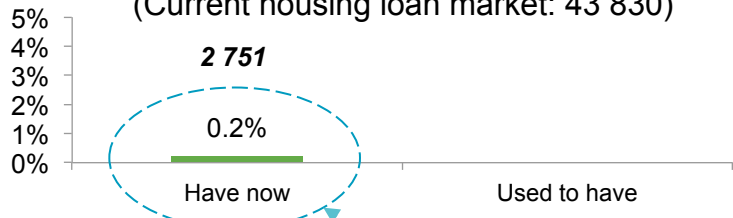
Define the total market and the current market



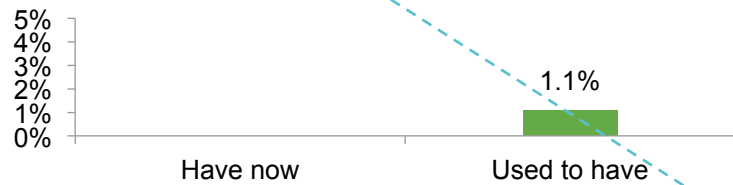
Who is in the current market? For the purposes of this analysis, we will look only at those adults who claim to be the sole decision maker in their household*. No-one currently holds a mortgage credit product, however a small proportion of the market currently has a housing loan from the bank as well as those in the market who claim to be currently borrowing money for housing

URBAN: 1 314 345 decision makers

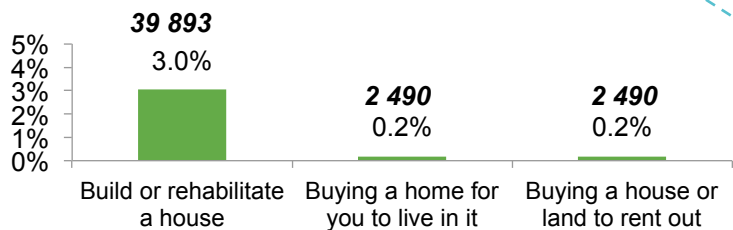
(Current housing loan market: 43 830)



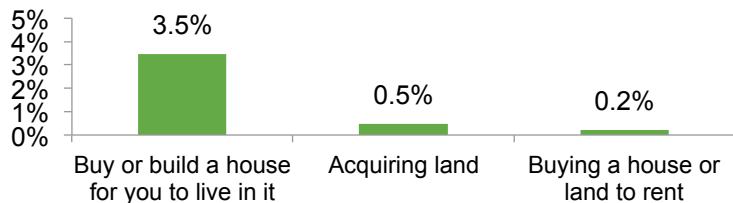
**Housing loan
banking product**



**Mortgage credit
product**



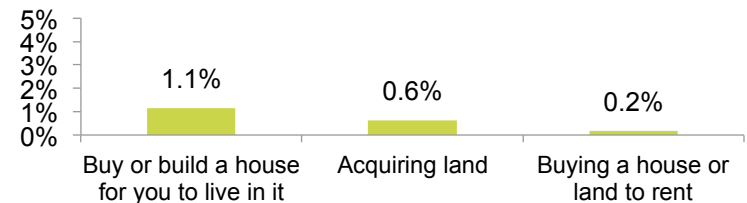
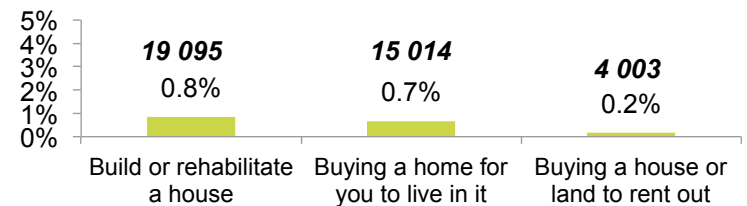
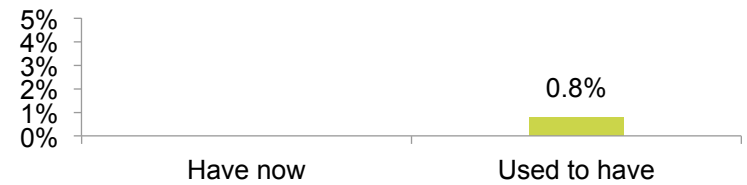
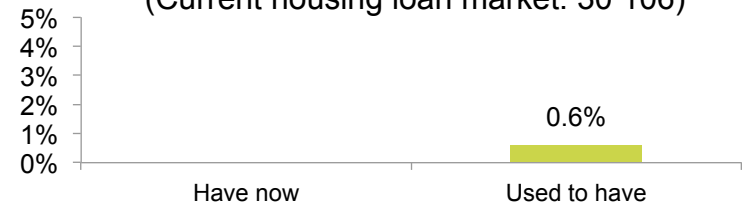
**Reasons for
borrowing money**



**Reasons for
saving**

RURAL: 2 298 536 decision makers

(Current housing loan market: 30 106)

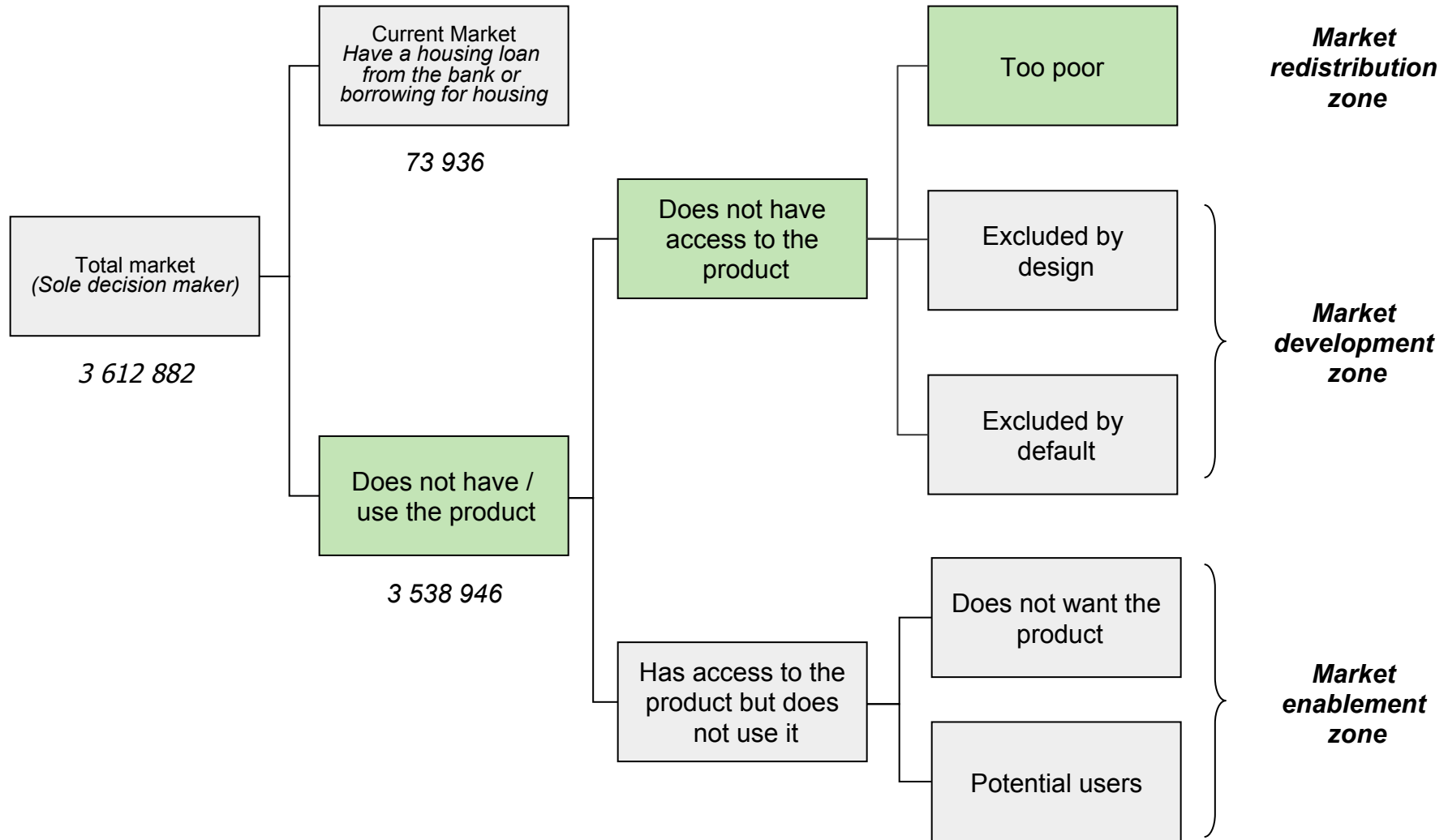


Source: FinScope Mozambique 2014 * No household head filter is available

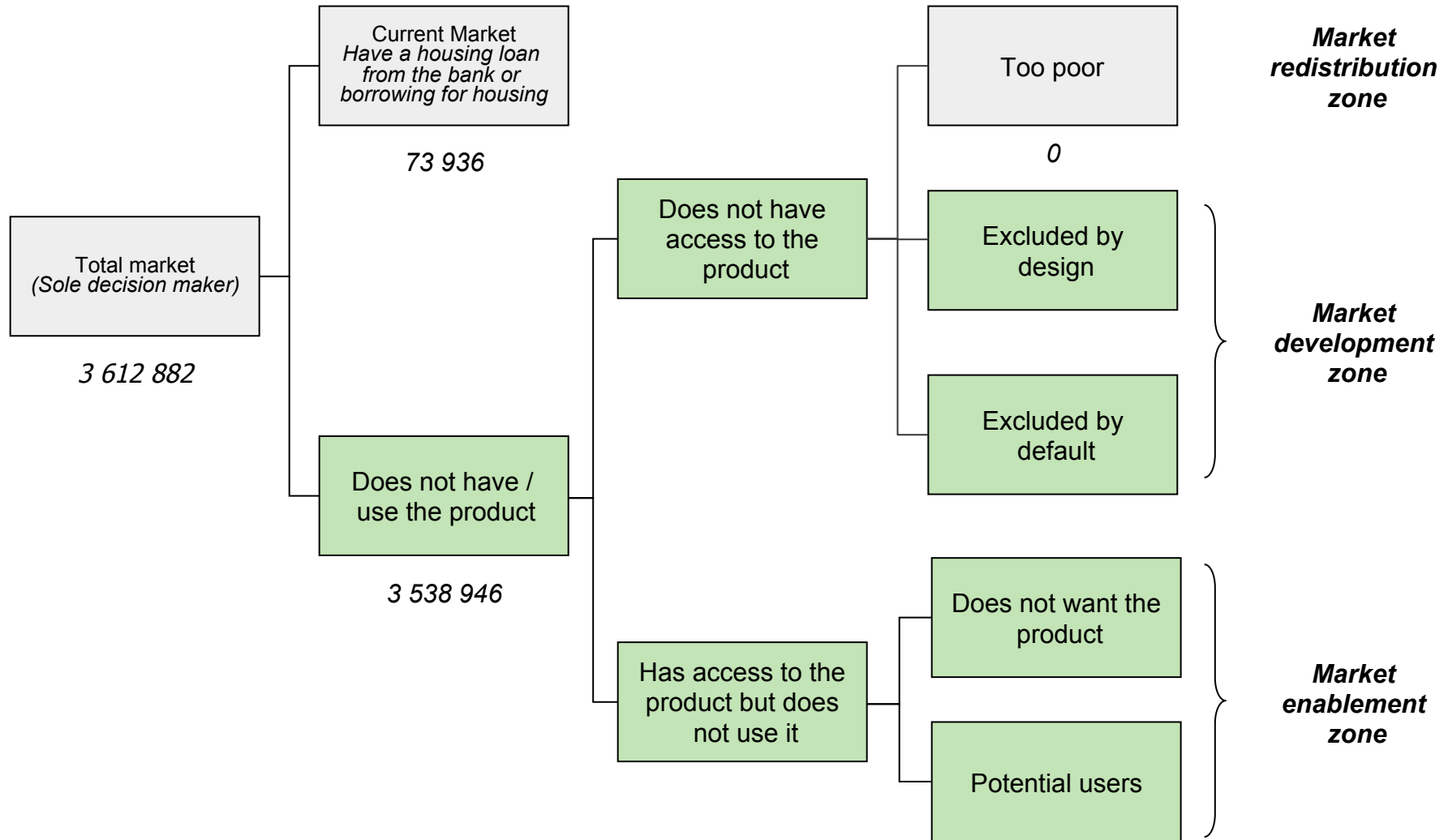
Note: The current housing loan market is defined as those who currently have a housing loan banking product or those that are currently borrowing money for the purposes of housing (build/rehabilitate a house, buy a house to live in, buy a house to rent out)

Access Frontier Methodology: Step 3

Identify those in the market redistribution zone - There are no indicators available in the survey data relating to poverty and deprivation, therefore no redistribution zone has been identified



Access Frontier Methodology: Step 4 Explore the potential market



What would a household need to access a mortgage loan?

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



- Required to cover the shortfall of the loan to value ratio

AWARENESS



- Awareness of financial institutions and financial products and services

Dwelling characteristics

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



- Required to cover the shortfall of the loan to value ratio

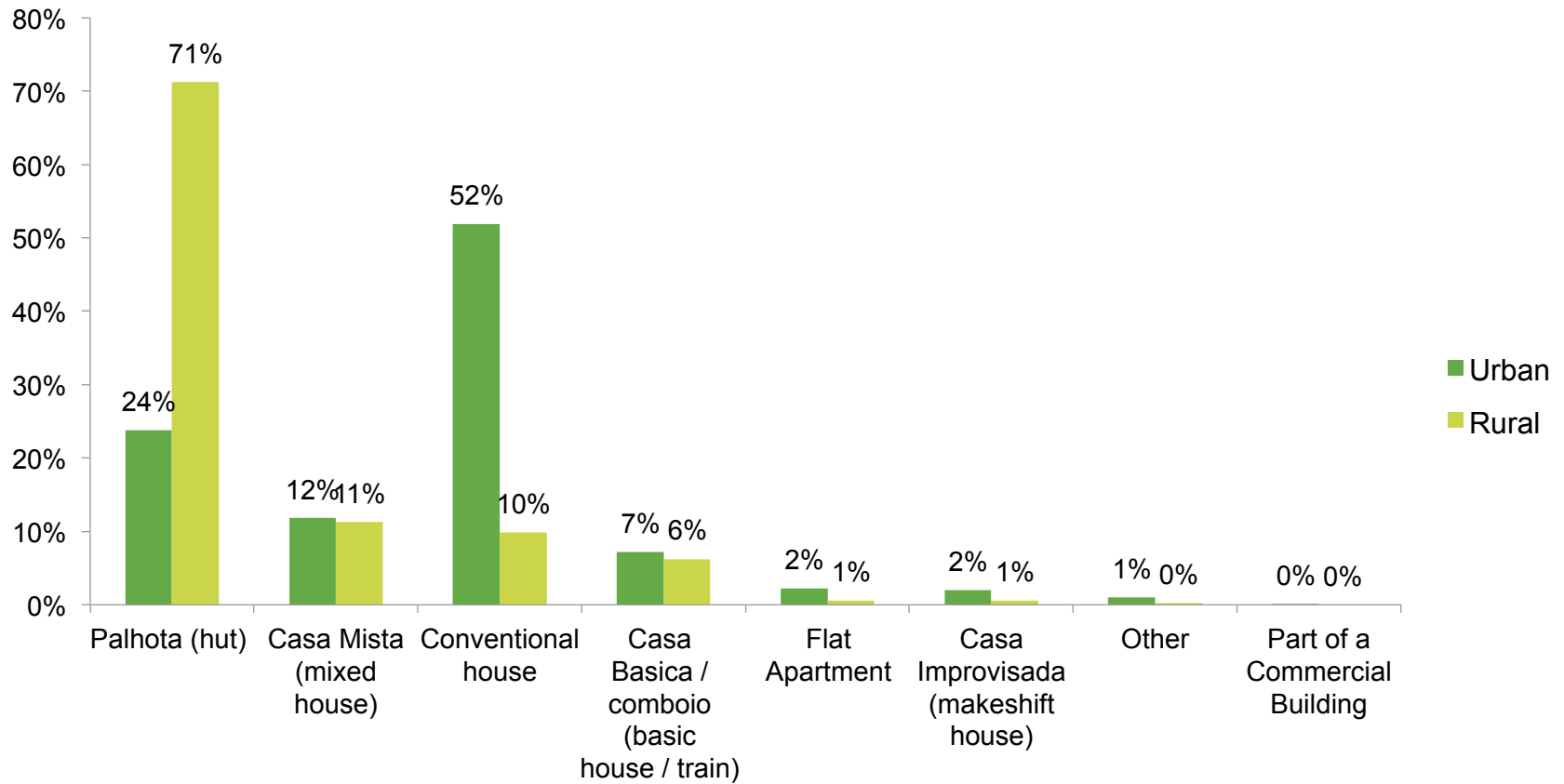
AWARENESS



- Awareness of financial institutions and financial products and services

The form of housing differs noticeably in urban areas and rural areas

TYPE OF DWELLING*
(Sole decision maker, Not in current housing loan market)



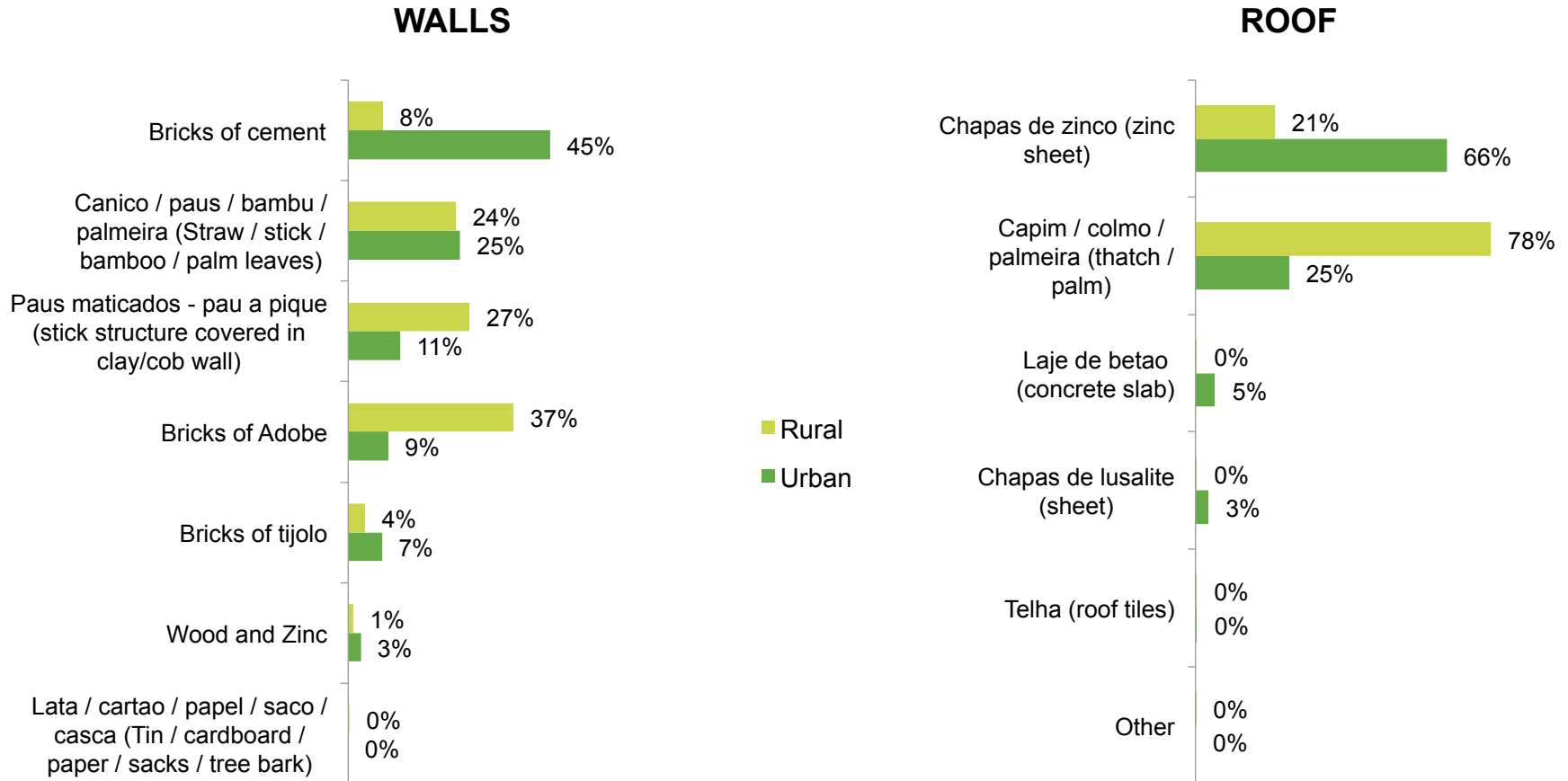
Source: FinScope Mozambique 2014

* Observed by interviewer

Building materials differ noticeably for urban and rural dwellings

PREDOMINANT MATERIAL OF WALLS AND ROOF OF DWELLING*

(Sole decision maker, Not in current housing loan market)



Source: FinScope Mozambique 2014

* Observed by interviewer

The survey does not categorise housing although it is possible to do so given the data

Informal Housing

Built using informal materials:

- Roof: Thatch/grass/palm or Zinc sheets or Other
- Walls: Mud/straw bricks or Wood and Zinc or Straw/stick/bamboo/palm leaves or Stick structure covered in clay/cob or Tin/cardboard/paper/sacks/Tree bark or Other



3,419,210
Sole decision makers
not in current housing
loan market
(97%)

Formal Housing

Built using durable modern materials:

- Roof: Concrete slab, Roof tiles or Metal sheets AND
- Walls: Bricks of cement, Bricks of cement and sand/ceramic



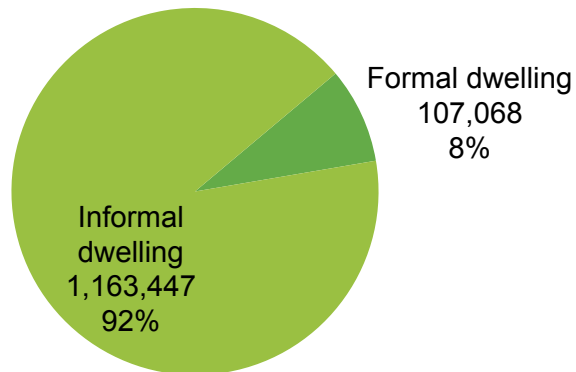
119,735
Sole decision makers
not in current housing
loan market
(3%)

The majority of dwellings that could be characterised as formal are located in urban areas. There are around 107,000 adults in the potential market living in housing units that could be characterised as mortgageable – that is, formal dwellings located in urban areas

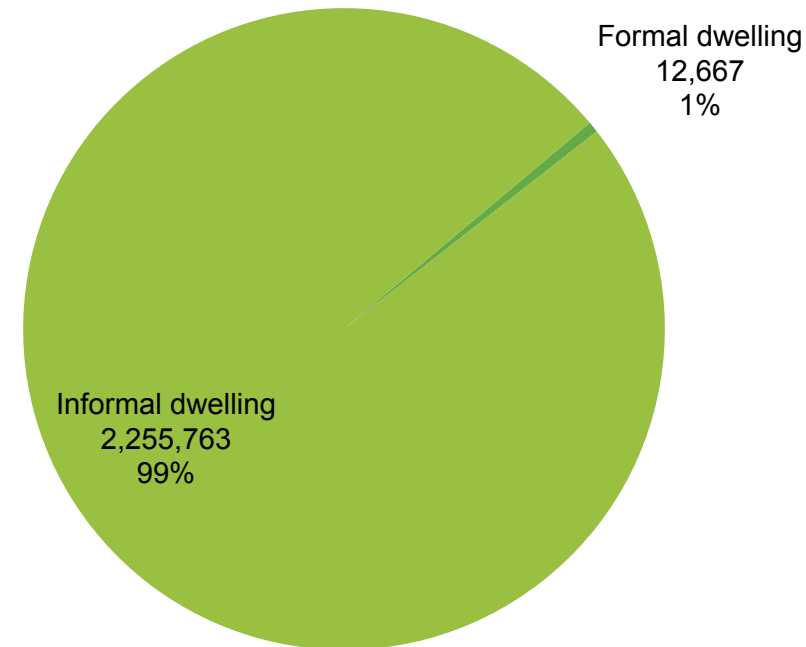
TYPE OF HOUSING

(Sole decision maker, Not in current housing loan market)

Urban:
1 270 516 adults



Rural:
2 268 430 adults



Physical access

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



- Required to cover the shortfall of the loan to value ratio

AWARENESS

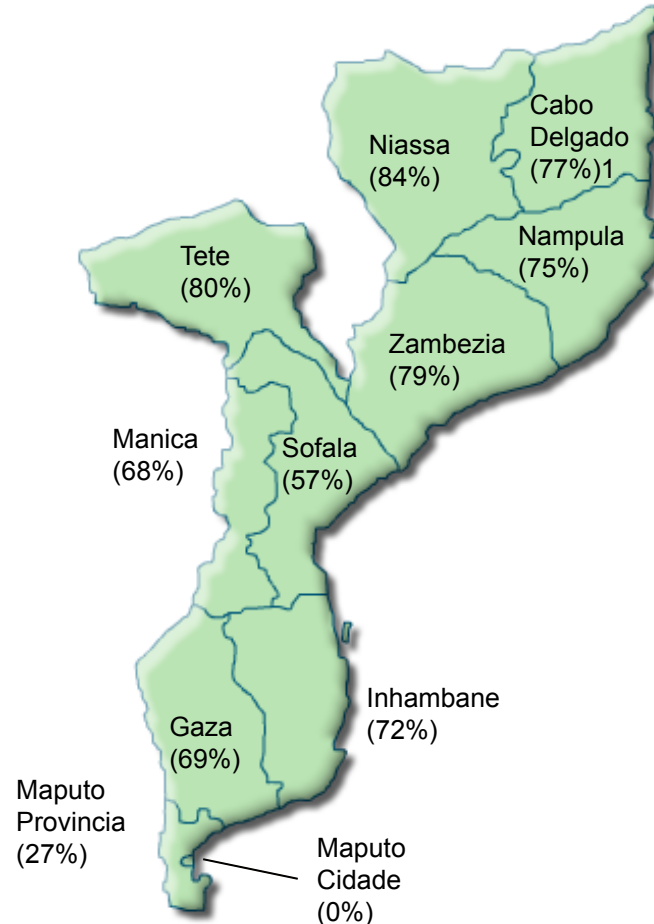


- Awareness of financial institutions and financial products and services

The bank requires the property to be located in areas where there are business units of that bank. For purposes of this analysis, a person must be located in a province where there is a bank branch. In the case of the bank under review, there are branches located in all provinces

MOZAMBIQUE PROVINCES: PROPORTION LIVING IN RURAL AREAS

(Sole decision maker, Not in current housing loan market)



Property documentation

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

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- Required to cover the shortfall of the loan to value ratio

AWARENESS

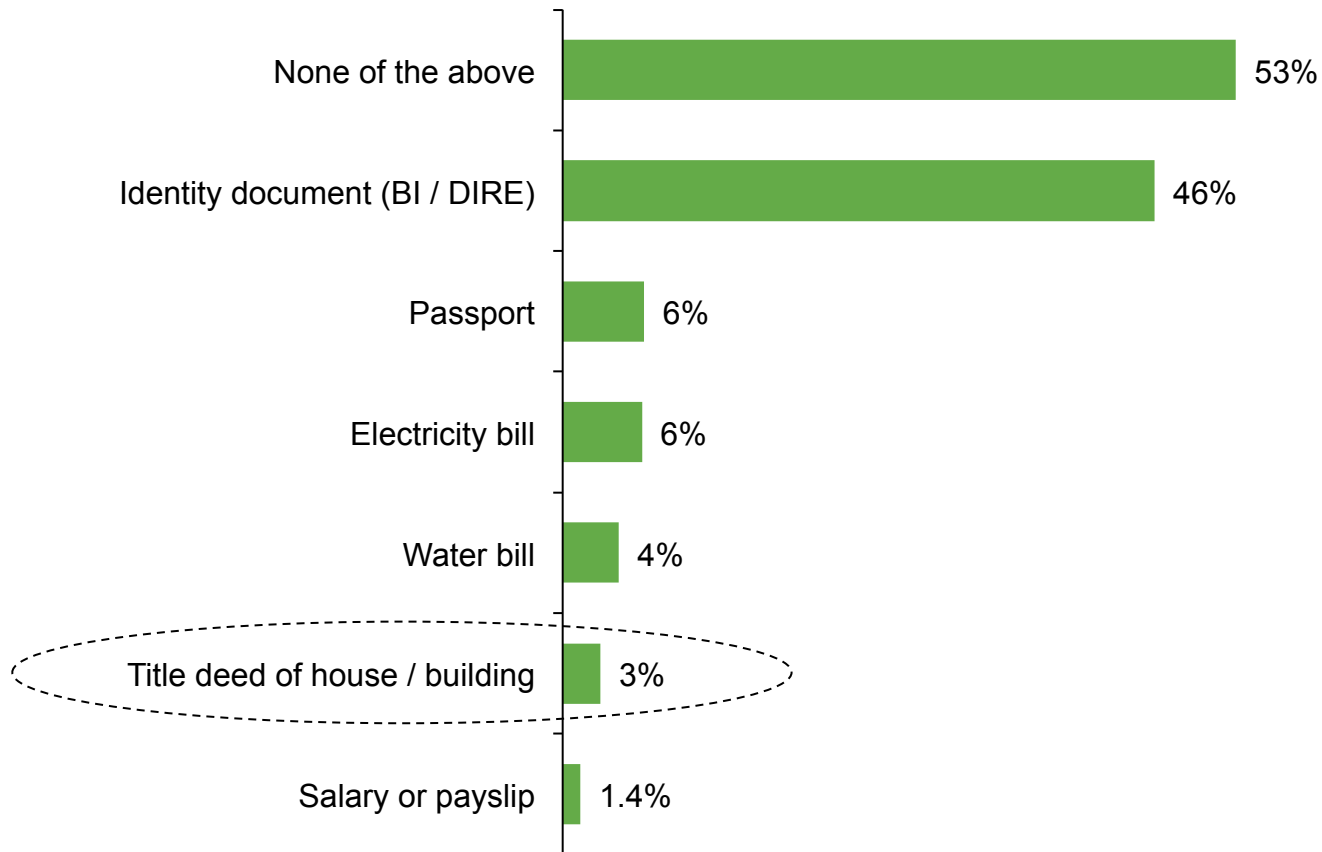


- Awareness of financial institutions and financial products and services

The survey only provides information on personal documentation. There is no proxy in the data for the types of property documents required such as a contract of purchase and sale

DOCUMENTS HAVE IN OWN NAME

(Sole decision maker, Not in current housing loan market)



Age

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



- Required to cover the shortfall of the loan to value ratio

AWARENESS



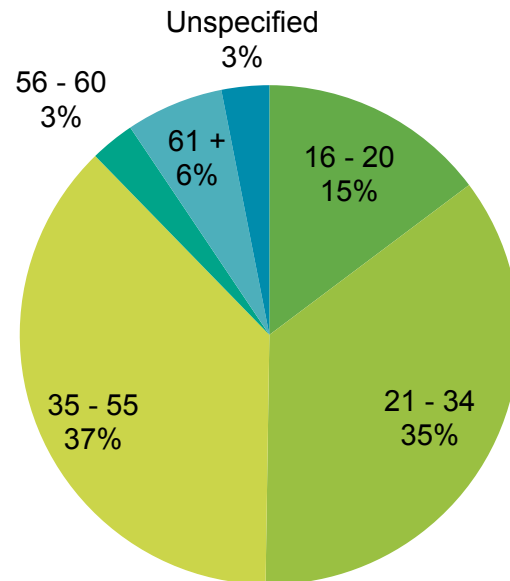
- Awareness of financial institutions and financial products and services

In order to access a mortgage loan product, there is a minimum age restriction of 21. Additionally, the product is only offered to men up to 60 years of age and women up to 55 years of age

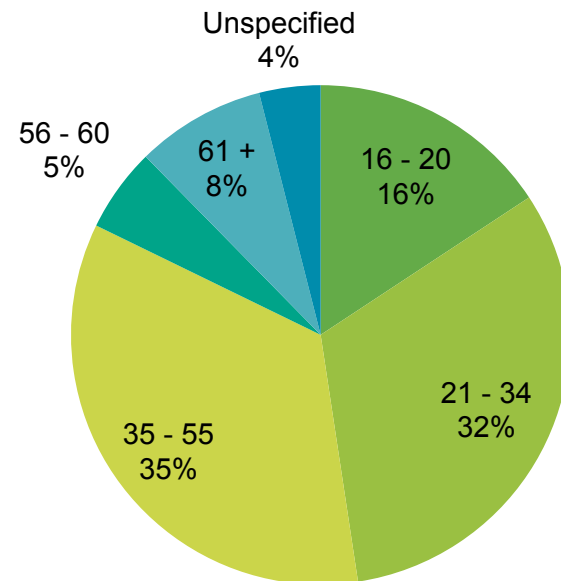
AGE

(Sole decision maker, Not in current housing loan market)

MEN



WOMEN



Personal documentation

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

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- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



- Required to cover the shortfall of the loan to value ratio

AWARENESS

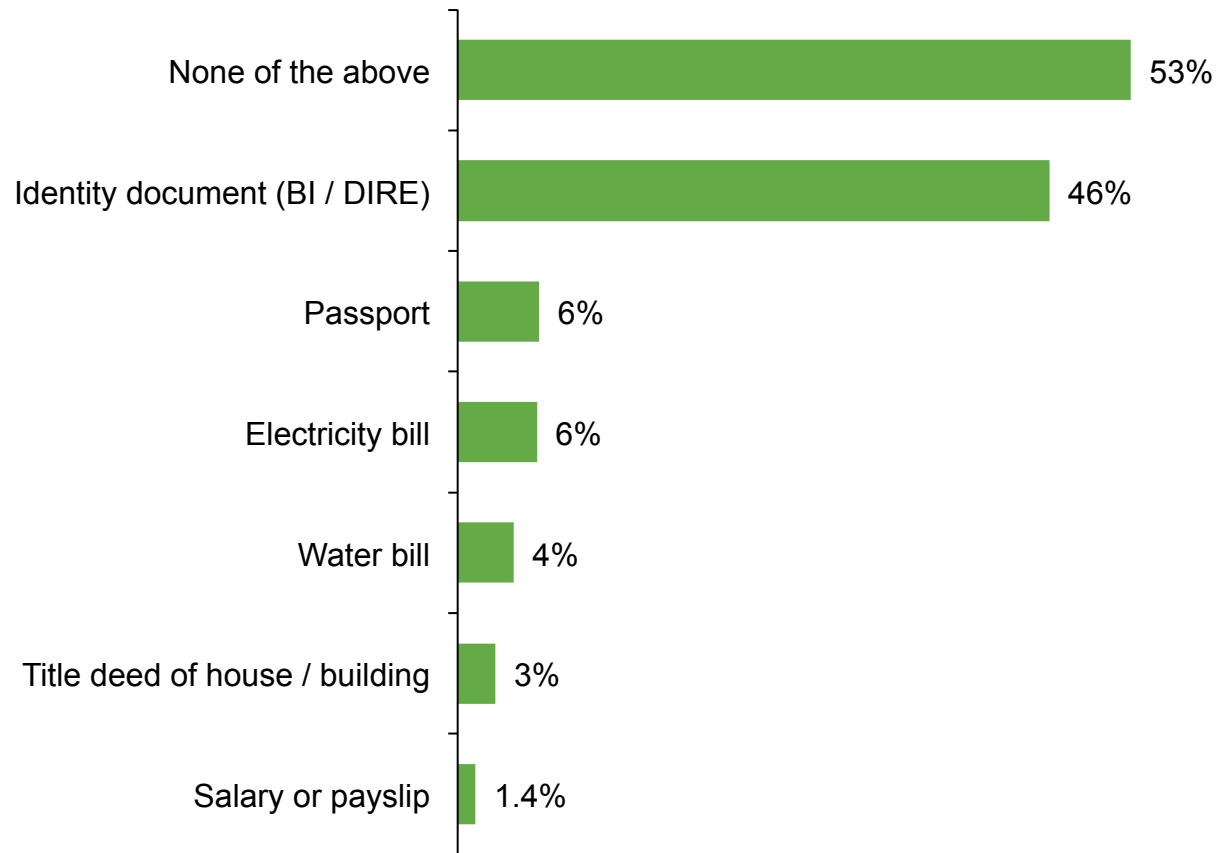


- Awareness of financial institutions and financial products and services

Less than half of the potential market have an identity document or passport to use as identification

DOCUMENTS HAVE IN OWN NAME

(Sole decision maker, Not in current housing loan market)



Regular income

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



- Required to cover the shortfall of the loan to value ratio

AWARENESS

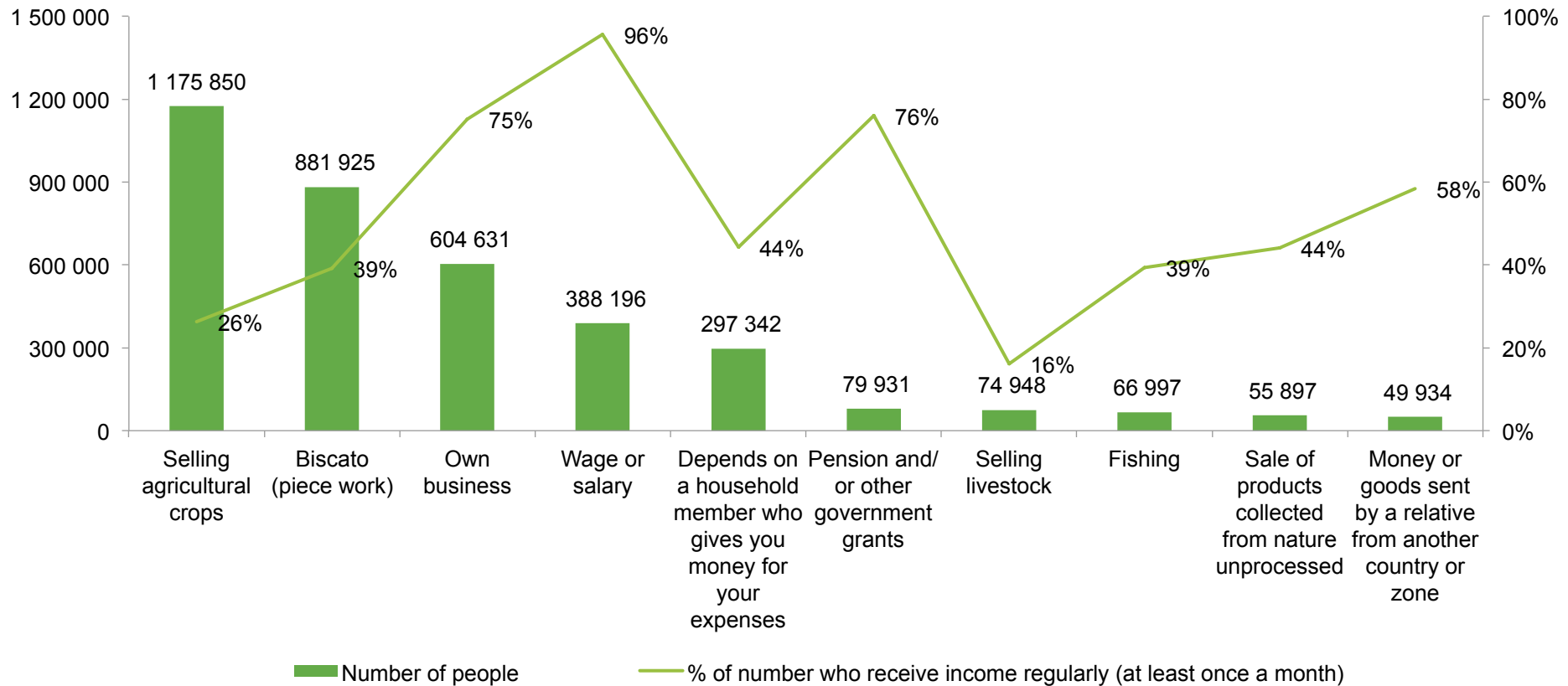


- Awareness of financial institutions and financial products and services

To be able to access a mortgage, income needs to be fairly regular

REGULARITY OF INCOME BY INCOME SOURCE

(Sole decision maker, Not in current housing loan market)



Source: FinScope Mozambique 2014

Note: Regular Income is defined as income received daily, weekly, or monthly (applies only to those actually receiving that type of income). The following income sources are not shown on the chart: Other (69,000), Income from rentals (42,000), Aid agency or NGO (11,000), Cash loan (3,000)

Affordability

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



- Required to cover the shortfall of the loan to value ratio

AWARENESS

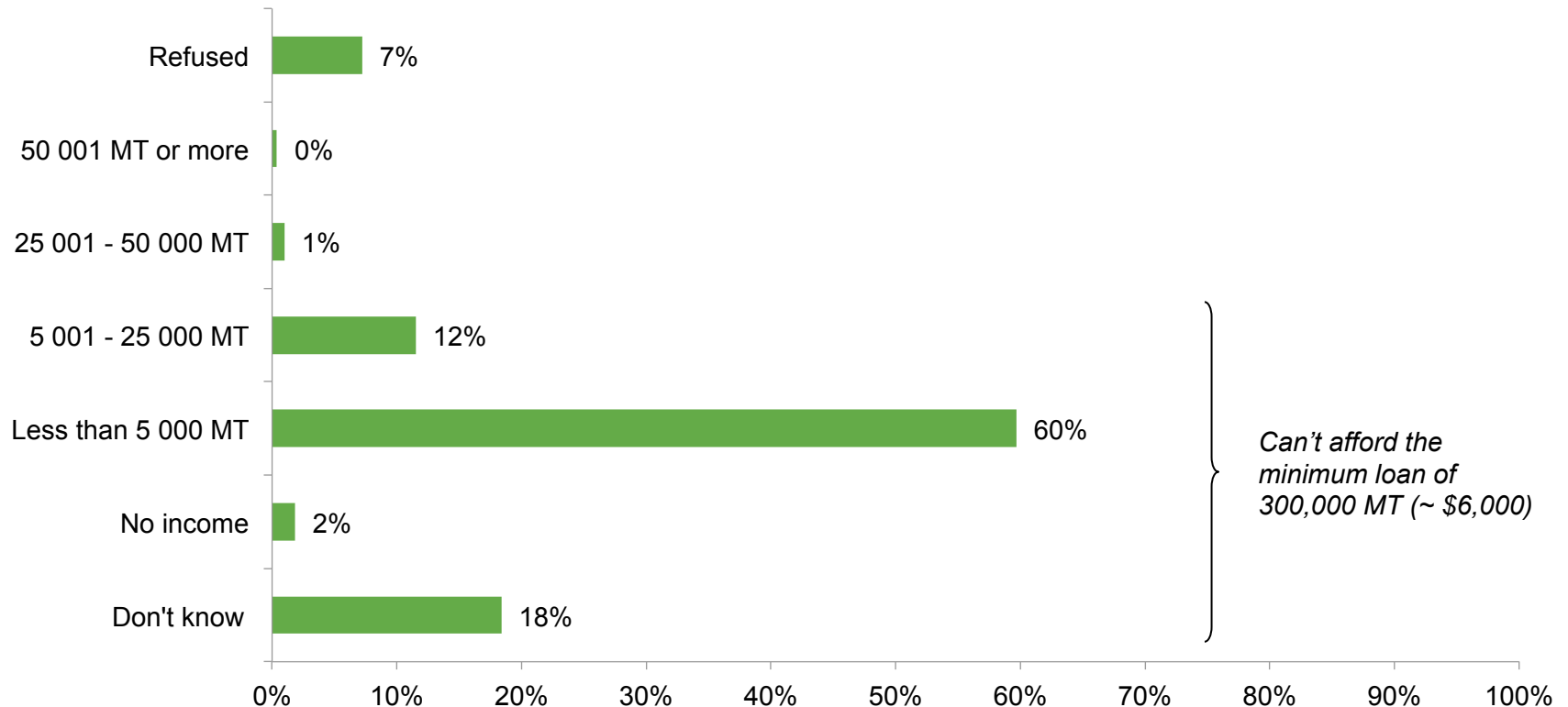


- Awareness of financial institutions and financial products and services

At an annual rate of 19%, the monthly repayment on a mortgage of 300,000 MT for a period of 25 years is 4,793 MT. At a 30% affordability ratio, a household would need to earn a minimum of 15,977 MT. There is no household income available in the survey. For purposes of this analysis, those individuals in the potential market must earn a personal income of at least 25,000 MT per month

PERSONAL MONTHLY INCOME

(Sole decision maker, Not in current housing loan market)



While it is unlikely that households will be able to purchase mortgage-able stock for less than 300,000 MT, they could potentially trade up or cash out for less. However, the data indicates this market is very small

Own mortgage-able properties



27,158 sole decision makers* who:

- Say they own their dwellings AND
- Live in formal dwellings AND
- Have title deeds for their property AND
- Live in urban areas



***Use the existing asset to trade up or cash out
The value of the mortgage need not equal the
value of the house***

Do not own mortgage-able properties



3.59 million sole decision makers who:

- Do not own their dwellings OR
- Own an informal dwelling OR
- Don't have title deeds for their property OR
- Live in rural areas



***Can only use a mortgage if they find an
affordable house to buy***

Savings

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



- Required to cover the shortfall of the loan to value ratio

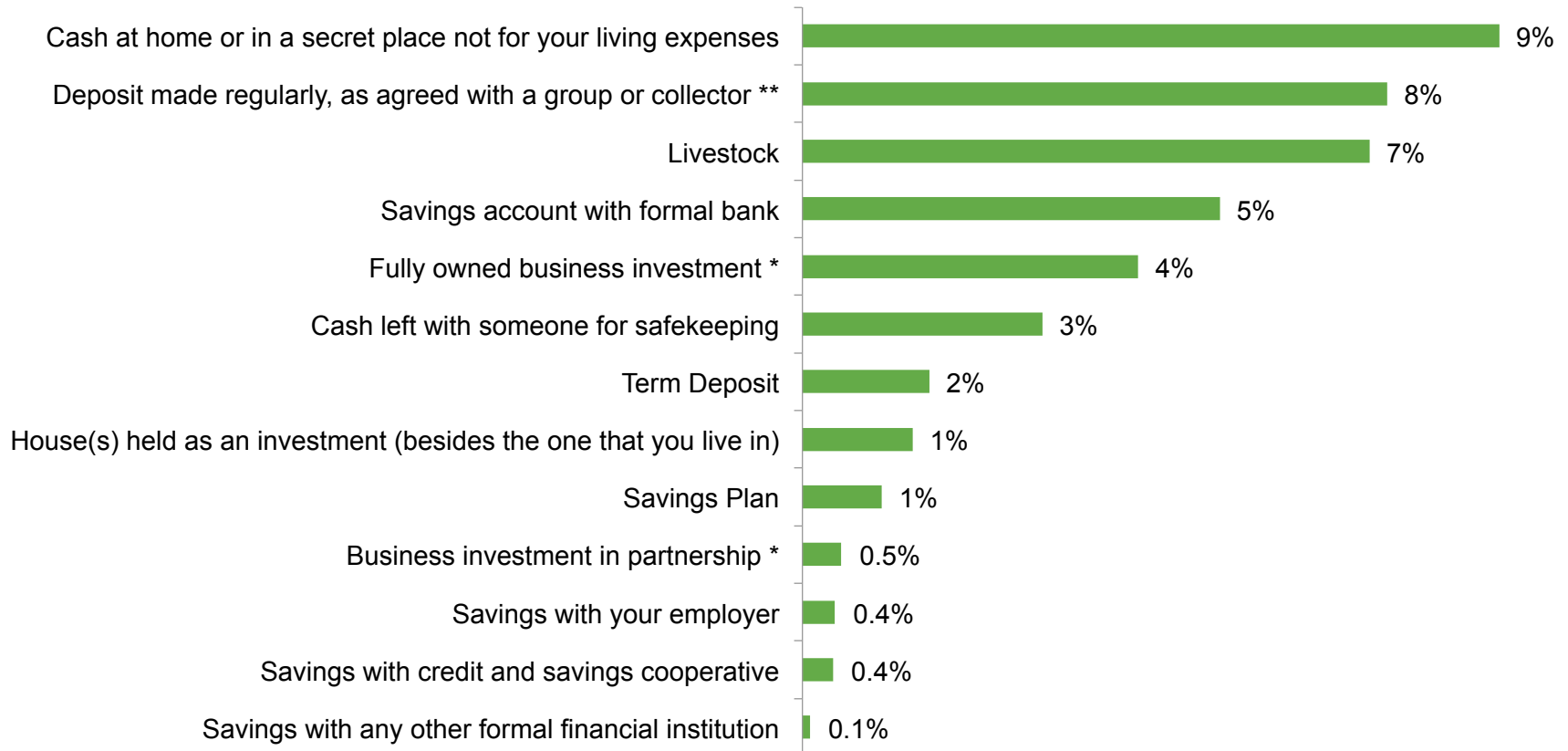
AWARENESS



- Awareness of financial institutions and financial products and services

Given that the loan covers a typical amount of 70% - 80% of the value of the dwelling, to access a mortgage borrowers must have liquid savings. 27% of the potential market claim to save although there is no data on the quantum of savings

SAVINGS PRODUCTS CURRENTLY HAVE
(Sole decision maker, Not in current housing loan market)



Source: FinScope Mozambique 2014

* e.g. barraca, chapa, shop, farming equipment; ** e.g. community-based savings and credit group, xitique group, xitique geral

Awareness

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



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PHYSICAL ACCESS



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PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



- Required to cover the shortfall of the loan to value ratio

AWARENESS



- Awareness of financial institutions and financial products and services

Awareness of financial terms is very low overall, with the exception of a “bank”, where just less than half the segment understand the term. Only one quarter of the potential market understand the term “bank loan”

AWARENESS / KNOWLEDGE OF FINANCIAL TERMS

(Sole decision maker, Not in current housing loan market)

	Heard of this and know what this means	Heard of this but does not know what it means	Never heard of this
Bank	47%	31%	21%
Bank branch	26%	18%	55%
Bank charges / Service fees	7%	8%	85%
Bank loan	25%	18%	57%
Collateral	16%	10%	73%
Guarantor	8%	9%	83%
Instalments	8%	8%	83%
Insurance	13%	12%	75%
Interest rate	26%	17%	57%
Micro credit	9%	9%	81%
Mobile bank	7%	17%	75%
Savings Account	18%	15%	66%

We can use these indicators to populate a frontier

1. WHAT CHARACTERISTICS DOES A HOUSE / PROPERTY NEED TO HAVE TO BE MORTGAGEABLE?

DWELLING CHARACTERISTICS



- Type and quality of dwelling
- Location of dwelling

PHYSICAL ACCESS



- Property must be located in areas where there are business units of the bank

PROPERTY DOCUMENTATION



- Contract of purchase and sale, property documents

2. WHAT CHARACTERISTICS DOES A BORROWER NEED TO ACCESS A MORTGAGE?

AGE



- Minimum and maximum age restrictions

DOCUMENTATION



- Identification such as an identity card, national registration card or passport

REGULAR INCOME



- Income must be regular, instalments are paid monthly

AFFORDABILITY



- Affordability of monthly repayments

HAVE SAVINGS



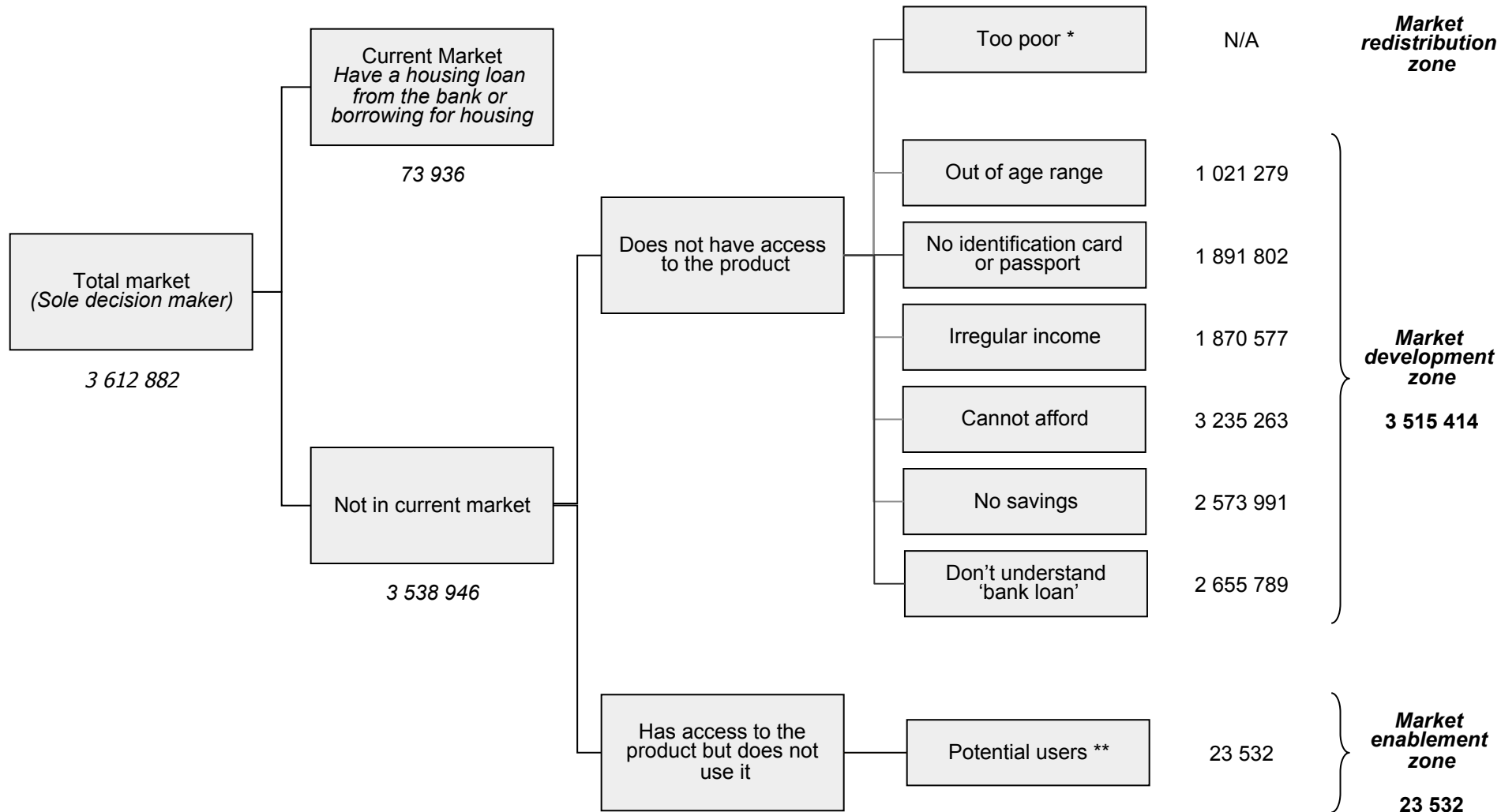
- Required to cover the shortfall of the loan to value ratio

AWARENESS



- Awareness of financial institutions and financial products and services

Affordability is a key constraint but other constraints are also significant

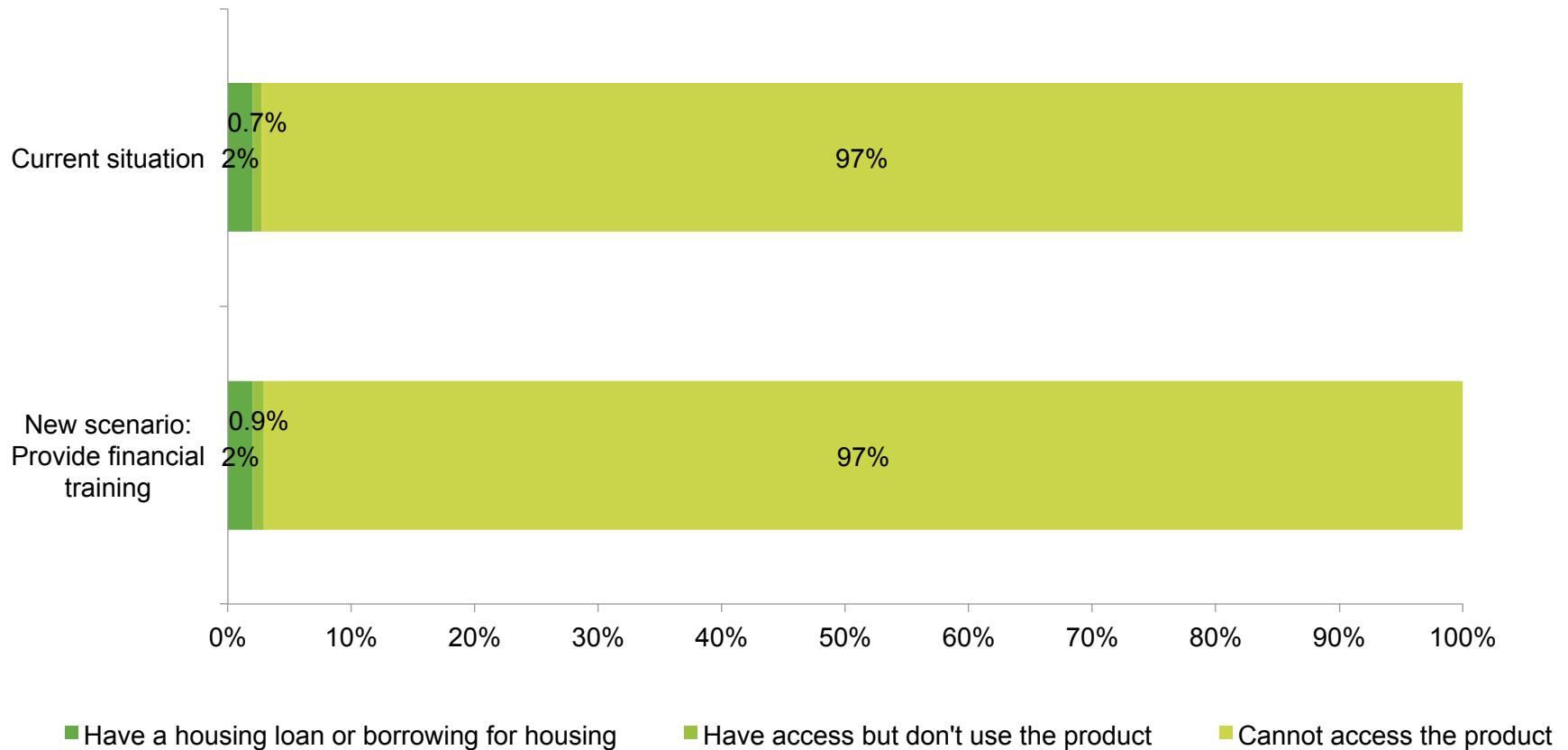


Source: FinScope Mozambique 2014

* There are no indicators available in the survey data relating to poverty and deprivation, therefore no redistribution zone

The frontier can be summarised as a strand. If we consider the access frontier by removing a constraint that might not be binding (i.e. awareness) the addressable market only increases slightly by around 8,400 adults. Affordability and lack of savings remain key barriers to access

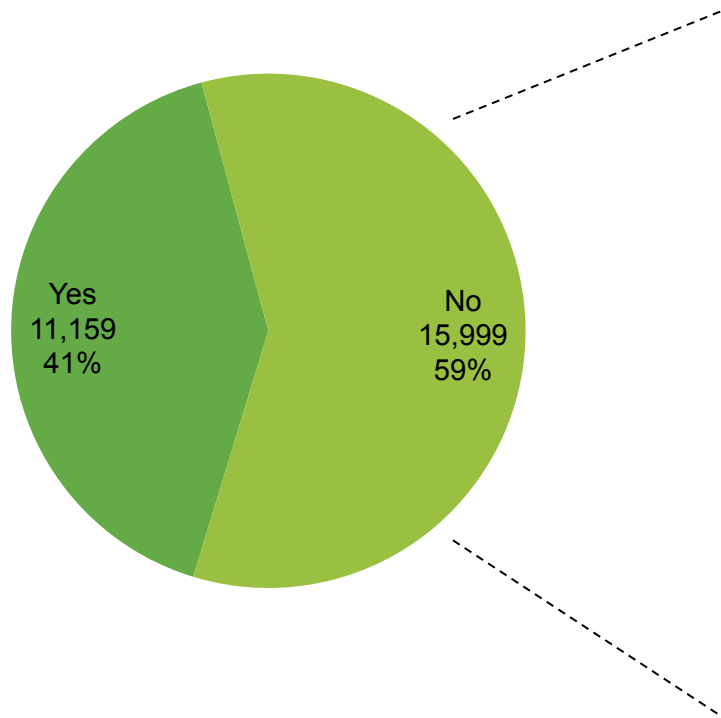
ACCESS STRAND FOR MORTGAGE LOAN PRODUCT (Sole decision makers, 3 612 882 adults)



The sample size for those who already have a mortgage-able dwelling is too small to investigate in an access frontier. However, they would already be less likely to need a mortgage

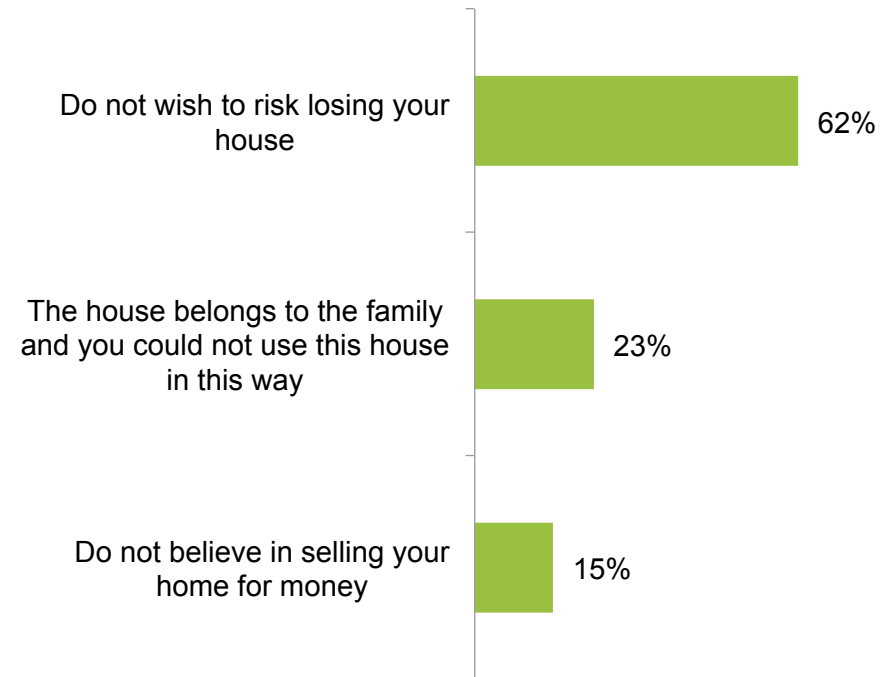
IS YOUR PROPERTY A TRADABLE ASSET?

*(Sole decision maker, Own a mortgage-able dwelling)**



REASONS WHY NOT?

(Sole decision maker, Own a mortgage-able dwelling, Don't see their property as a tradable asset)



Agenda

Mozambique – a FinScope overview

Housing conditions in Mozambique

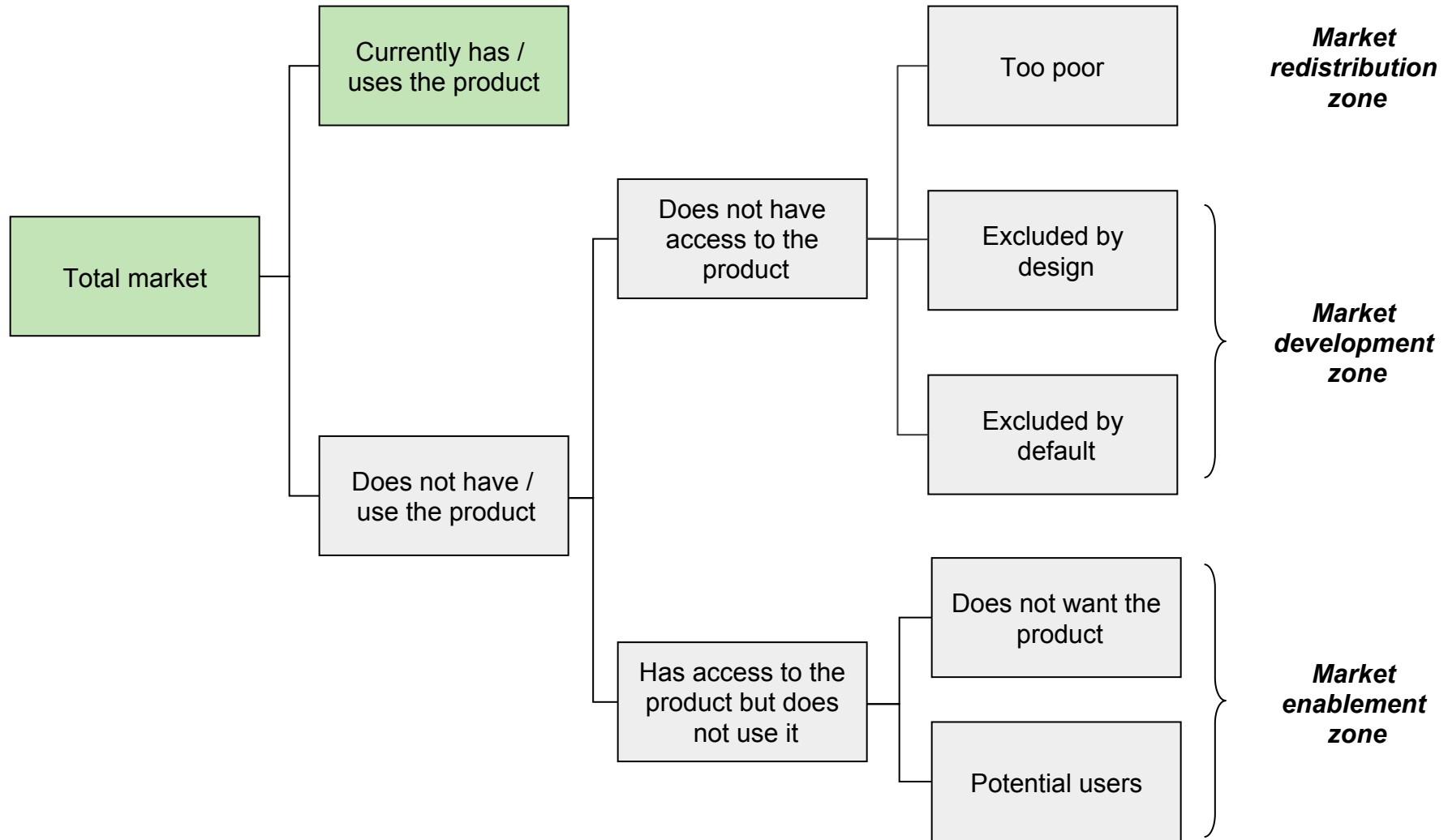
Access to mortgages

Unsecured housing finance

Rent to buy

Access Frontier Methodology: Steps 1 and 2

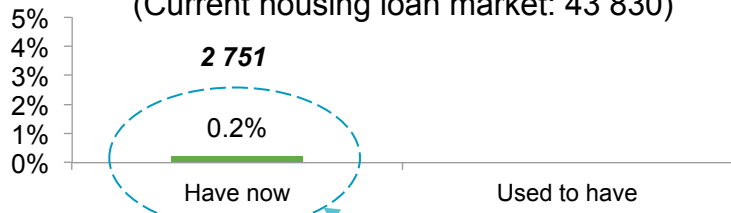
Define the total market and the current market



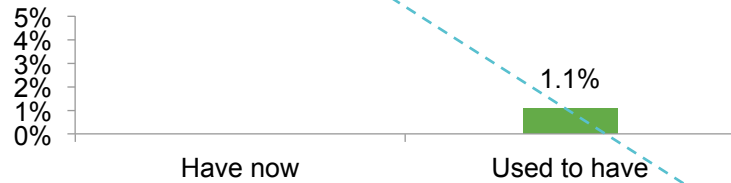
Who is in the current market? For the purposes of this analysis, we will look only at those adults who claim to be the sole decision maker in their household*. No-one currently holds a mortgage credit product, however a small proportion of the market currently has a housing loan from the bank as well as those in the market who claim to be currently borrowing money for housing

URBAN: 1 314 345 decision makers

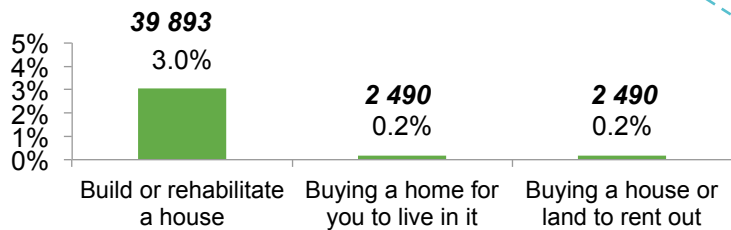
(Current housing loan market: 43 830)



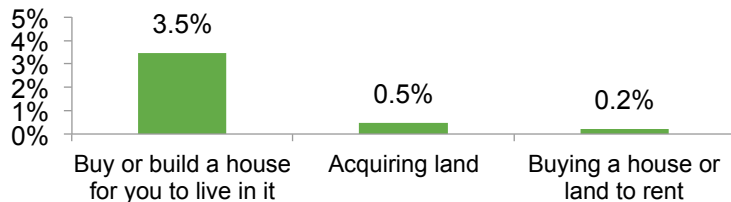
Housing loan banking product



Mortgage credit product



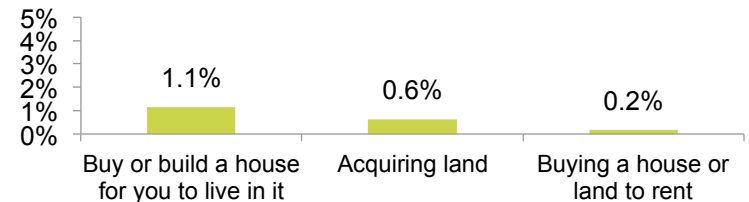
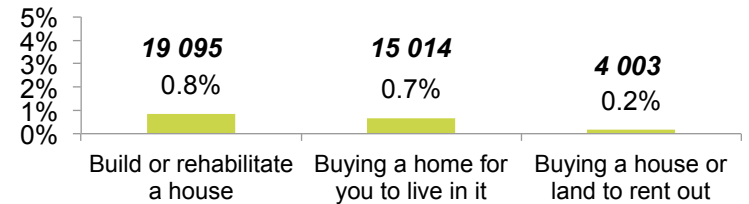
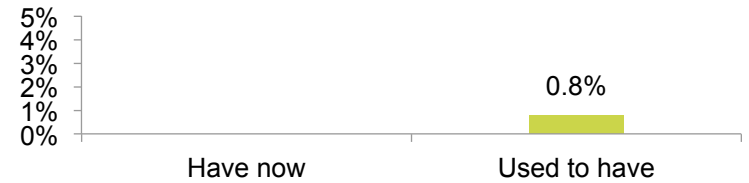
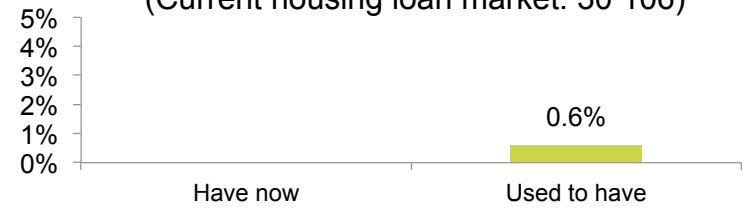
Reasons for borrowing money



Reasons for saving

RURAL: 2 298 536 decision makers

(Current housing loan market: 30 106)

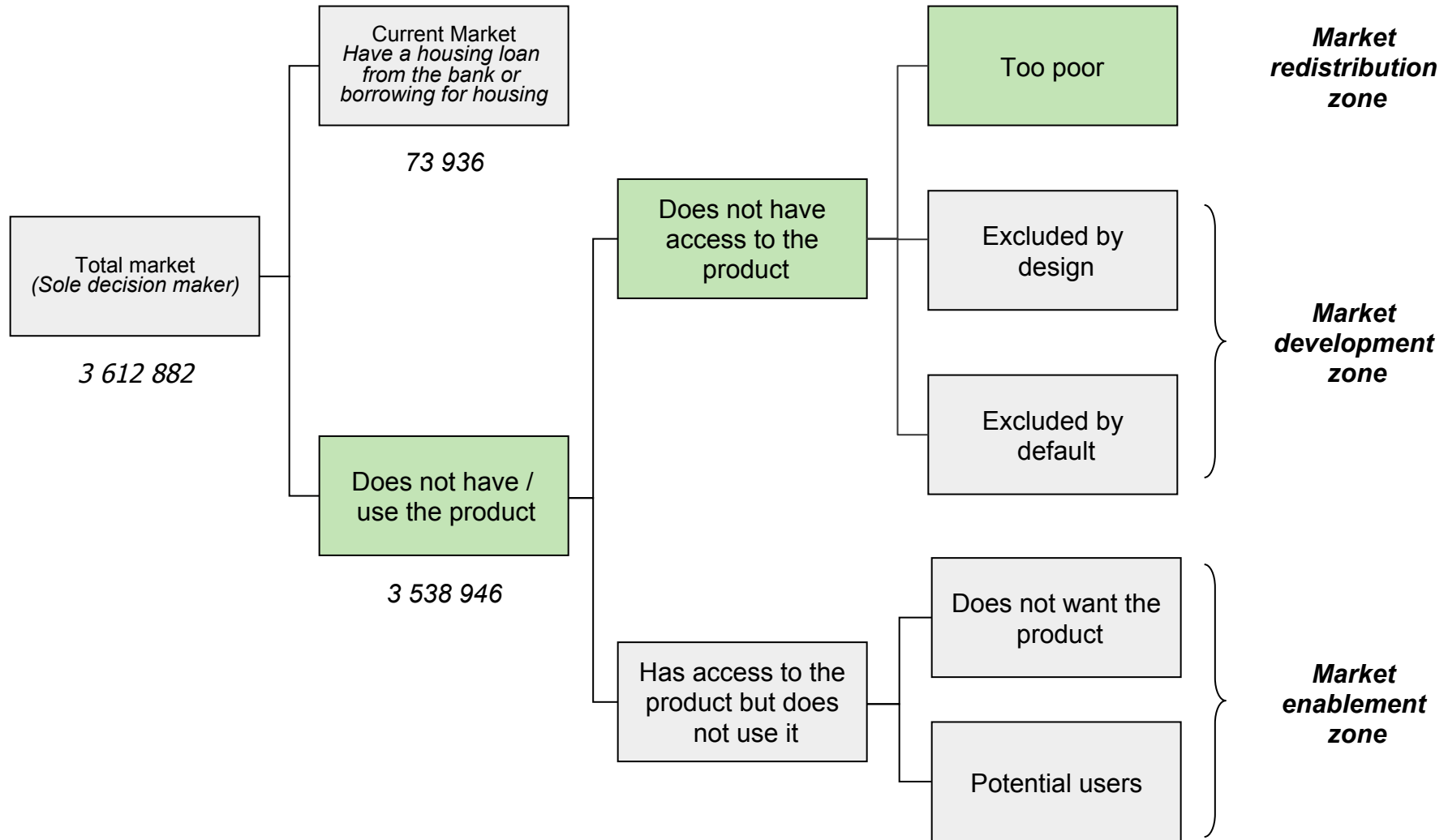


Source: FinScope Mozambique 2014 * No household head filter is available

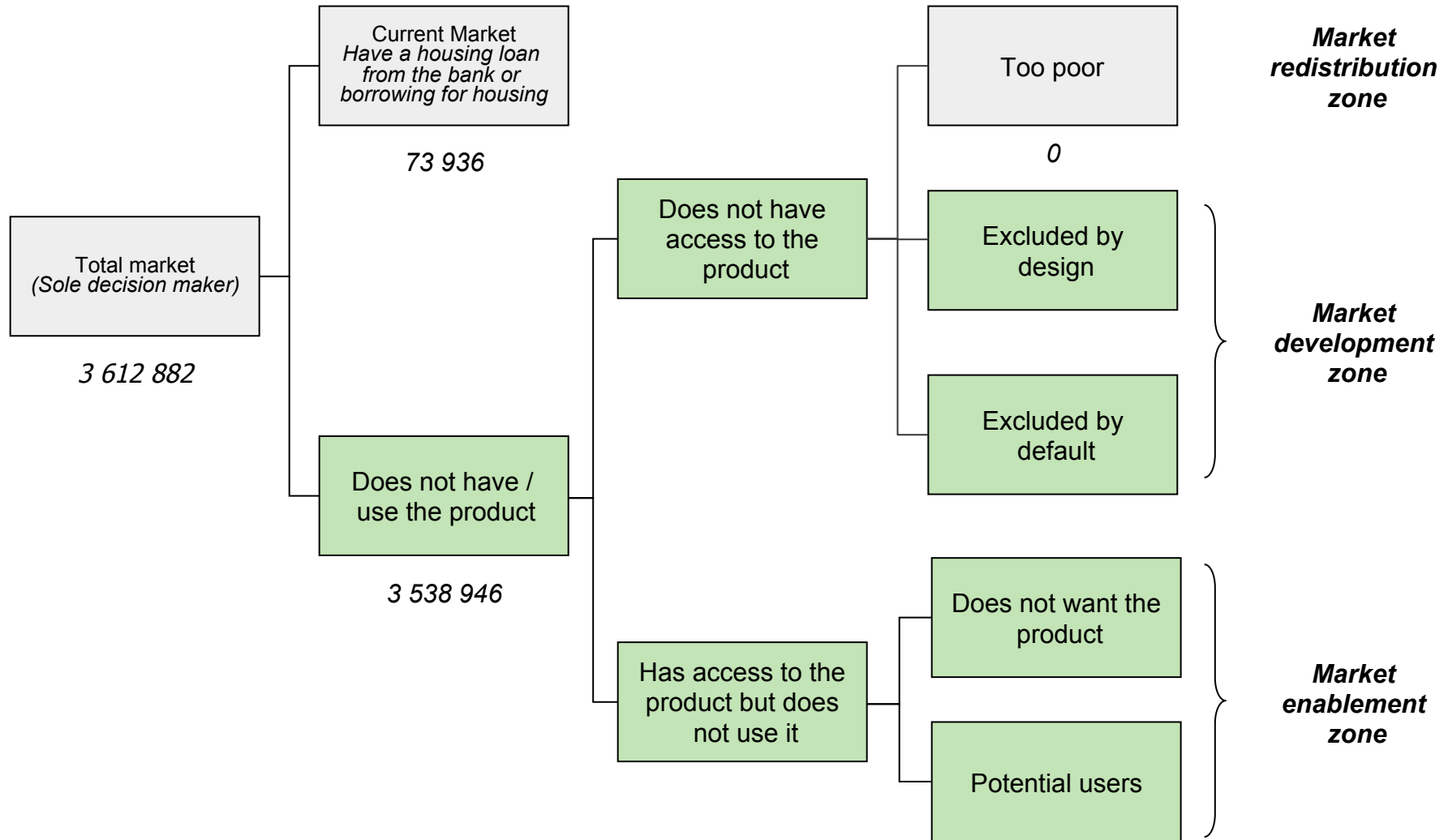
Note: The current housing loan market is defined as those who currently have a housing loan banking product or those that are currently borrowing money for the purposes of housing (build/rehabilitate a house, buy a house to live in, buy a house to rent out)

Access Frontier Methodology: Step 3

Identify those in the market redistribution zone - There are no indicators available in the survey data relating to poverty and deprivation, therefore no redistribution zone has been identified



Access Frontier Methodology: Step 4 Explore the potential market



Two unsecured housing construction loans from an MFI and a small commercial bank are summarised below

BASIC PRODUCT DESCRIPTION

	MFI	SMALL BANK
PRODUCT DESCRIPTION	<ul style="list-style-type: none"> The loan can be used for construction, renovations or land acquisition 	<ul style="list-style-type: none"> The loan can be used for construction only (loan for renovations is a separate product)
MARKETING	<ul style="list-style-type: none"> No data 	<ul style="list-style-type: none"> Advertised in Portuguese via website, email, ATMs and at branches
APPLICATIONS	<ul style="list-style-type: none"> Applications are done at the branch only There are branches located in Maputo Province The house under construction or renovation must be located in Maputo Province / City Death and disability insurance must be taken out with the loan Verification of client information: Field visit and also enquire with neighbours Maximum 5 days to accept or reject an application 	<ul style="list-style-type: none"> Applications are done at the branch, or an account manager goes to meet the client There are branches located in six provinces The house under construction does not need to be located in one of those provinces Must take out insurance from the bank associated with the financing Verification of client information: Technical and financial assessment by a recognised company Maximum 5 days to accept or reject an application

Two unsecured housing construction loans from an MFI and a small commercial bank are summarised below

REQUIREMENTS

	MFI	SMALL BANK
AGE RESTRICTIONS	<ul style="list-style-type: none"> Ages 21 - 65 	<ul style="list-style-type: none"> Ages 21 - 60
DOCUMENTATION	<ul style="list-style-type: none"> Personal identification such as ID or Passport Tax number (NUIT) is not mandatory, but is recommended Permanent address 	<ul style="list-style-type: none"> Personal identification such as ID or Passport Tax number (NUIT) Permanent address
OTHER REQUIREMENTS	<ul style="list-style-type: none"> Minimum monthly income of 3,500 MT Affordability is 35% of income Income must be regular Must be employed or self-employed (can be farmers if have area of 5 hectares or more and have regular income) Does not need a bank account (but the institution encourages the client to open an account) No credit bureau check, request salary slip or bank statement where applicable 	<ul style="list-style-type: none"> Affordability is 30% of income Income must be regular Must be employed with a formal working contract Must open a current account with the bank Good credit history (client provides information about other loan, bank checks with Central Bank) Property documents such as Rights for Use and Utilisation of Land, Registration Certificate of Land, and property payment documents in the case of buying/selling

Two unsecured housing construction loans from an MFI and a small commercial bank are summarised below

FEES AND PRICING

	MFI	SMALL BANK
LOAN AMOUNTS AND TERMS	<ul style="list-style-type: none"> ▪ Minimum: MT 25,000 ▪ Maximum: MT 750,000 ▪ Typical: MT 75,000 ▪ Loan term: 18 months ▪ Disbursement in full 	<ul style="list-style-type: none"> ▪ Minimum: MT 300,000 ▪ Maximum: 80% of the budgeted construction amount ▪ Minimum loan term: 5 years ▪ Maximum loan term: 30 years ▪ Disbursement in tranches: First portion up to 30% of funding, thereafter dependent on progress of construction and technical inspections
REPAYMENTS	<ul style="list-style-type: none"> ▪ Instalments are monthly ▪ Repayments are made via bank payment 	<ul style="list-style-type: none"> ▪ Instalments are monthly ▪ Repayments are made via direct debit from the customer's bank account
FEES	<ul style="list-style-type: none"> ▪ Interest rate of 50% per year ▪ Once-off registration fee 	<ul style="list-style-type: none"> ▪ Interest rate analysed case by case: Minimum PR + 2% (PR currently 15.39%) ▪ Fees applicable: <ul style="list-style-type: none"> ➢ Organisation: 1% of capital ➢ Surveying property: MT 7,500 ➢ Insurance: 1% of capital ➢ Management fee per year







Two unsecured housing construction loans from an MFI and a small commercial bank are summarised below

LOAN PROCEDURES

	MFI	SMALL BANK
GRACE PERIOD	<ul style="list-style-type: none"> No grace period (“zero tolerance”) 	<ul style="list-style-type: none"> Grace period: 24 months (maximum period of construction)
DEFAULT MANAGEMENT	<ul style="list-style-type: none"> Default management: Negotiations (no legal action) 	<ul style="list-style-type: none"> Default management: Initial contact with client to recover the values in default, then sent to Recovery Credit Department (recover the amount or restructure the finance) – if in default for 90 days then the process goes to Court

What would an individual need to access an unsecured housing loan?

WHAT WOULD YOU NEED TO ACCESS AN UNSECURED HOUSING LOAN?

AGE	DOCUMENTATION	AFFORDABILITY	PHYSICAL ACCESS	CLIENT REQUIREMENTS	AWARENESS
 <ul style="list-style-type: none"> • Minimum and maximum age restrictions 	 <ul style="list-style-type: none"> • Identification such as an identity card or passport • Bank: Tax number (NUIT) • Contract of purchase and sale, property documents 	 <ul style="list-style-type: none"> • Affordability of monthly repayments 	 <ul style="list-style-type: none"> • Location of loan applications • Location of property under construction 	 <ul style="list-style-type: none"> ▪ Income must be regular, instalments are paid monthly ▪ MFI: Must be employed or self-employed ▪ MFI: Repayments made via bank deposits ▪ Bank: Repayments made via debit order from bank account 	 <ul style="list-style-type: none"> • Awareness of financial institutions and financial products and services available to consumers

Age

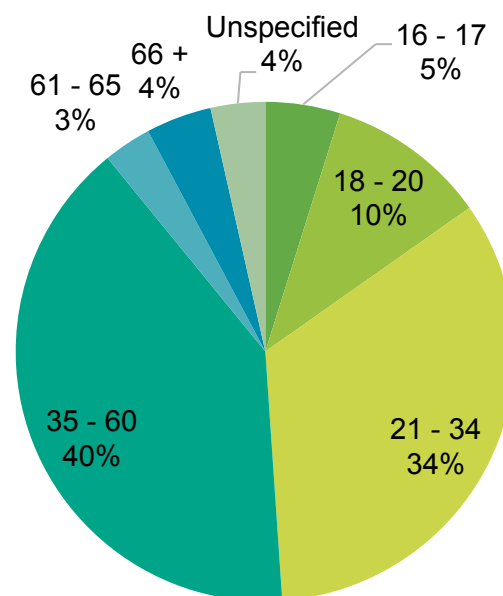
WHAT WOULD YOU NEED TO ACCESS AN UNSECURED HOUSING LOAN?

<p>AGE</p>  <ul style="list-style-type: none"> • Minimum and maximum age restrictions 	<p>DOCUMENTATION</p>  <ul style="list-style-type: none"> • Identification such as an identity card or passport • Bank: Tax number (NUIT) • Contract of purchase and sale, property documents 	<p>AFFORDABILITY</p>  <ul style="list-style-type: none"> • Affordability of monthly repayments 	<p>PHYSICAL ACCESS</p>  <ul style="list-style-type: none"> • Location of loan applications • Location of property under construction 	<p>CLIENT REQUIREMENTS</p>  <ul style="list-style-type: none"> ▪ Income must be regular, instalments are paid monthly ▪ MFI: Must be employed or self-employed ▪ MFI: Repayments made via bank deposits ▪ Bank: Repayments made via debit order from bank account 	<p>AWARENESS</p>  <ul style="list-style-type: none"> • Awareness of financial institutions and financial products and services available to consumers
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In order to access the unsecured loan product for construction, the MFI imposes an age restriction of 21 to 65 while the bank imposes an age restriction of 21 to 60






AGE

(Sole decision maker, Not in current housing loan market)



Documentation

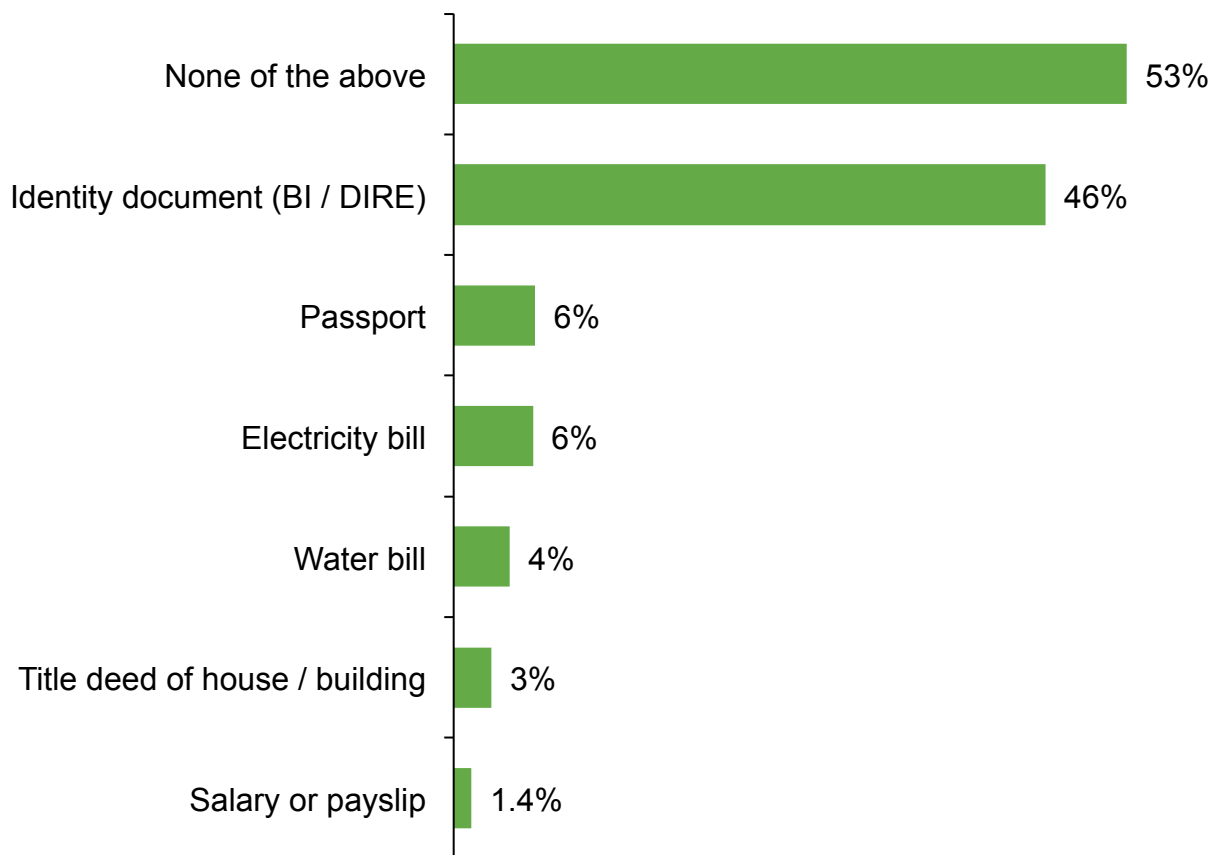
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The survey only provides information on personal documentation. There is no proxy in the data for the types of property documents required such as a contract of purchase and sale and a Rights for Use and Utilisation of Land document







DOCUMENTS HAVE IN OWN NAME

(Sole decision maker, Not in current housing loan market)



Affordability

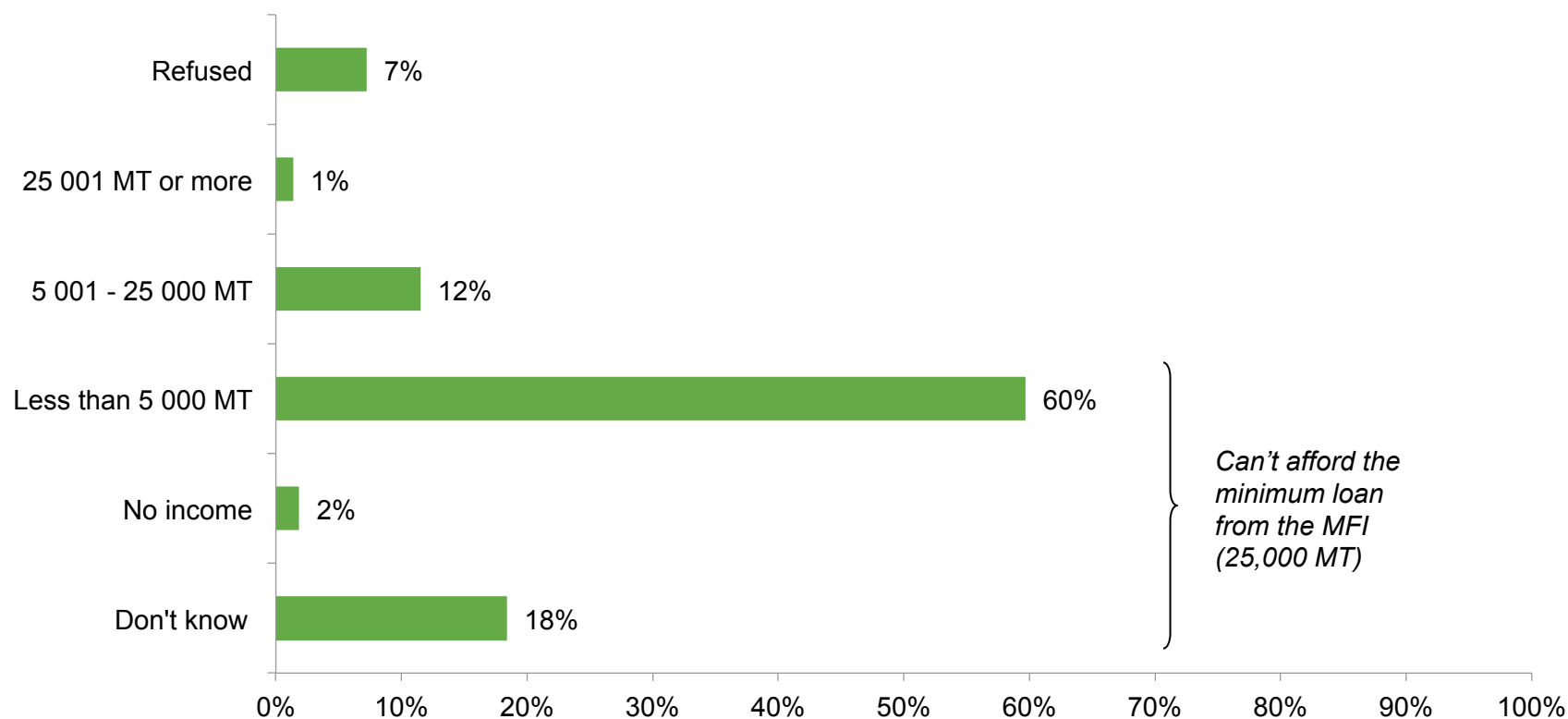
WHAT WOULD YOU NEED TO ACCESS AN UNSECURED HOUSING LOAN?

AGE	DOCUMENTATION	AFFORDABILITY	PHYSICAL ACCESS	CLIENT REQUIREMENTS	AWARENESS
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For the unsecured MFI loan, assuming that monthly repayments may not exceed 35% of income, the minimum loan size of 25,000 MT paid off at 50% interest p.a. over a period of 18 months would require at least 5,719 MT income per month. A cut-off of 5,000 MT has been used given the wide income brackets

PERSONAL MONTHLY INCOME

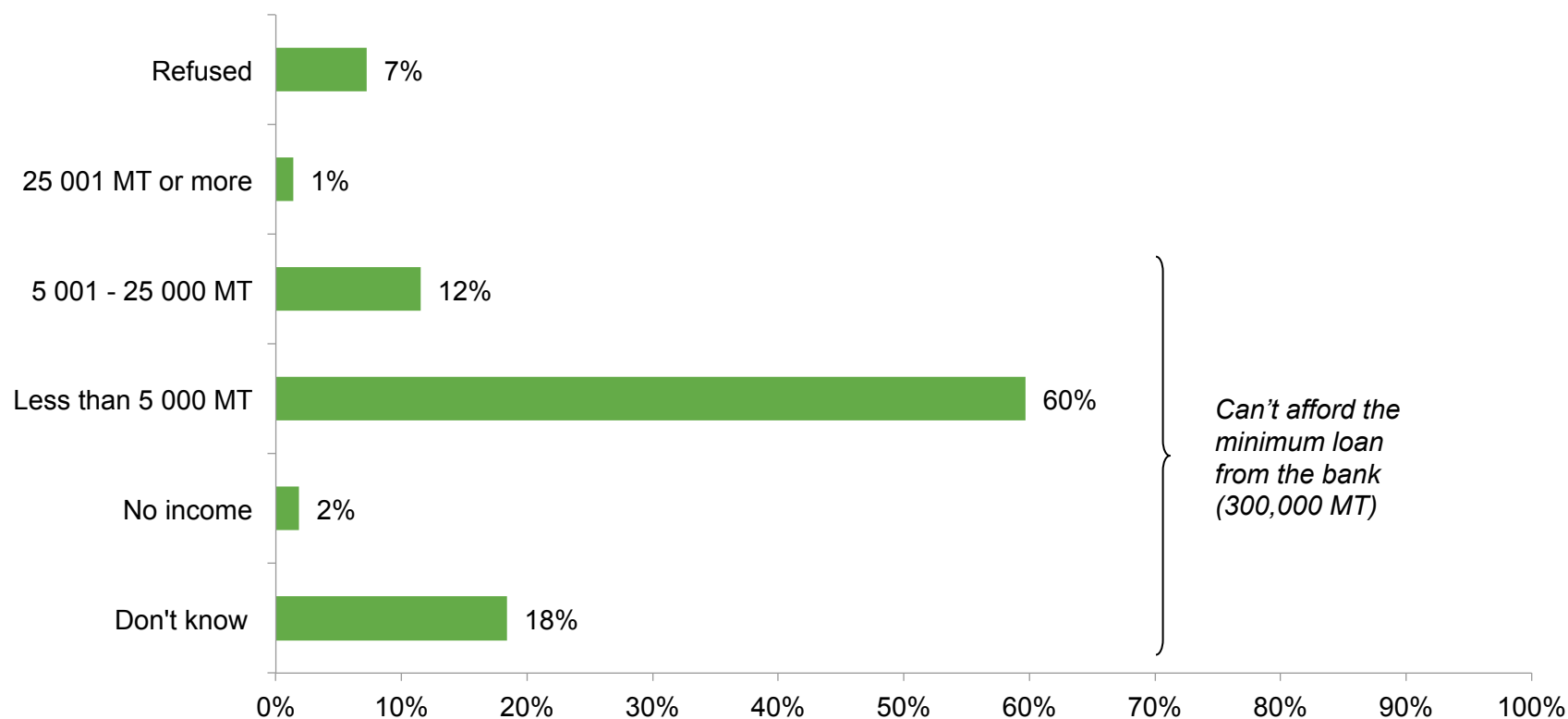
(Sole decision maker, Not in current housing loan market)



For the unsecured loan from the bank, assuming that monthly repayments may not exceed 30% of income, the minimum loan size of 300,000 MT paid off at 17.5% interest over a period of 30 years would require at least 14,663 MT income per month (the same loan size over 5 years would require an income of at least MT 25,122 per month). A cut-off of 25,000 MT has been used given the wide income brackets







PERSONAL MONTHLY INCOME

(Sole decision maker, Not in current housing loan market)



Physical access

WHAT WOULD YOU NEED TO ACCESS AN UNSECURED HOUSING LOAN?

AGE	DOCUMENTATION	AFFORDABILITY	PHYSICAL ACCESS	CLIENT REQUIREMENTS	AWARENESS
 <ul style="list-style-type: none"> • Minimum and maximum age restrictions 	 <ul style="list-style-type: none"> • Identification such as an identity card or passport • Bank: Tax number (NUIT) • Contract of purchase and sale, property documents 	 <ul style="list-style-type: none"> • Affordability of monthly repayments 	 <ul style="list-style-type: none"> • Location of loan applications • Location of property under construction 	 <ul style="list-style-type: none"> ▪ Income must be regular, instalments are paid monthly ▪ MFI: Must be employed or self-employed ▪ MFI: Repayments made via bank deposits ▪ Bank: Repayments made via debit order from bank account 	 <ul style="list-style-type: none"> • Awareness of financial institutions and financial products and services available to consumers

In order to access the MFI unsecured loan, the individual is required to apply for the loan at a branch. There are branches located only in Maputo Province. Additionally, the house under construction or renovation must be located in Maputo. For purposes of this analysis, a person must live in Maputo Province or Maputo City in order to have physical access

MOZAMBIQUE PROVINCES



Applications for the small bank's unsecured loan are done at the branch, or an account manager goes to meet the client. There are branches located in six provinces across the country*. For purposes of this analysis, a person must live in one of these six provinces in order to have physical access

MOZAMBIQUE PROVINCES









Source: Discussions with MFI

* The house under construction does not need be located in one of these provinces

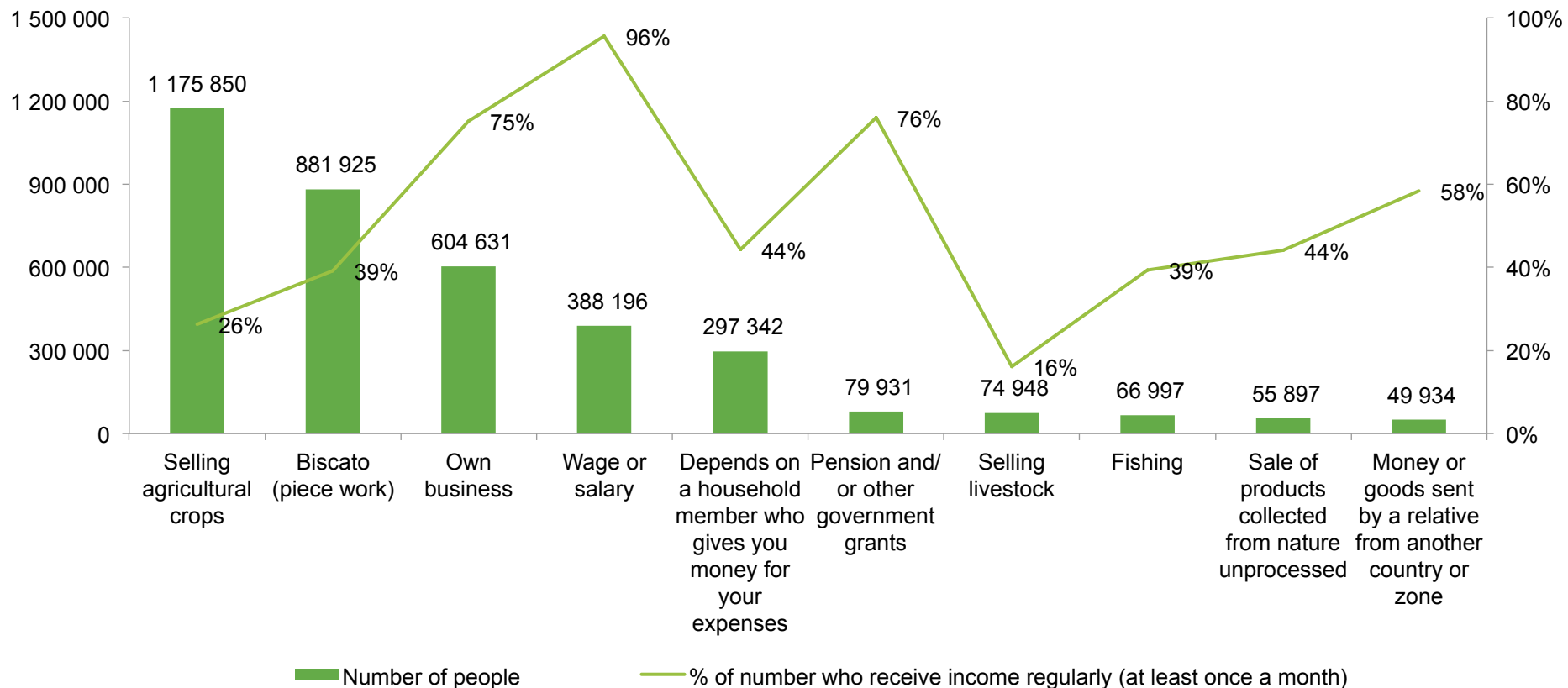
Client requirements

WHAT WOULD YOU NEED TO ACCESS AN UNSECURED HOUSING LOAN?

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Instalments are paid monthly and the institutions require the client to have regular income. For purposes of this analysis, regular income is defined as receiving an income daily, weekly or monthly

REGULARITY OF INCOME BY INCOME SOURCE (Sole decision maker, Not in current housing loan market)



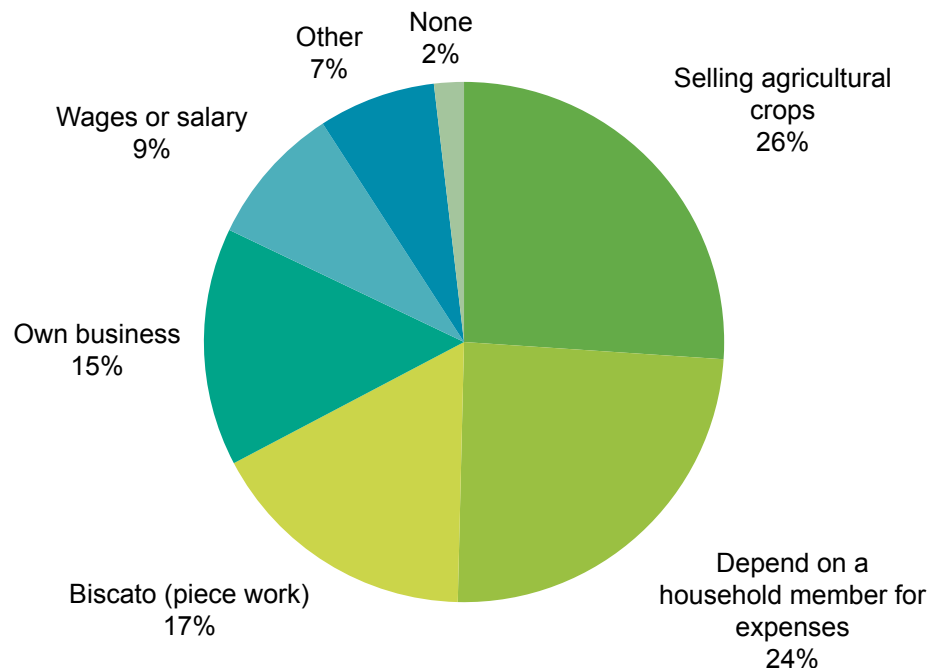
Source: FinScope Mozambique 2014

Note: Regular Income is defined as income received daily, weekly, or monthly (applies only to those actually receiving that type of income). The following income sources are not shown on the chart: Other (69,000), Income from rentals (42,000), Aid agency or NGO (11,000), Cash loan (3,000)

Additionally, both institutions require the client to be formally employed or self-employed. If an individual receives their main source of personal income from a salary or wage, own business or the selling of agricultural crops, they are considered to be formally working

MAIN INCOME SOURCE

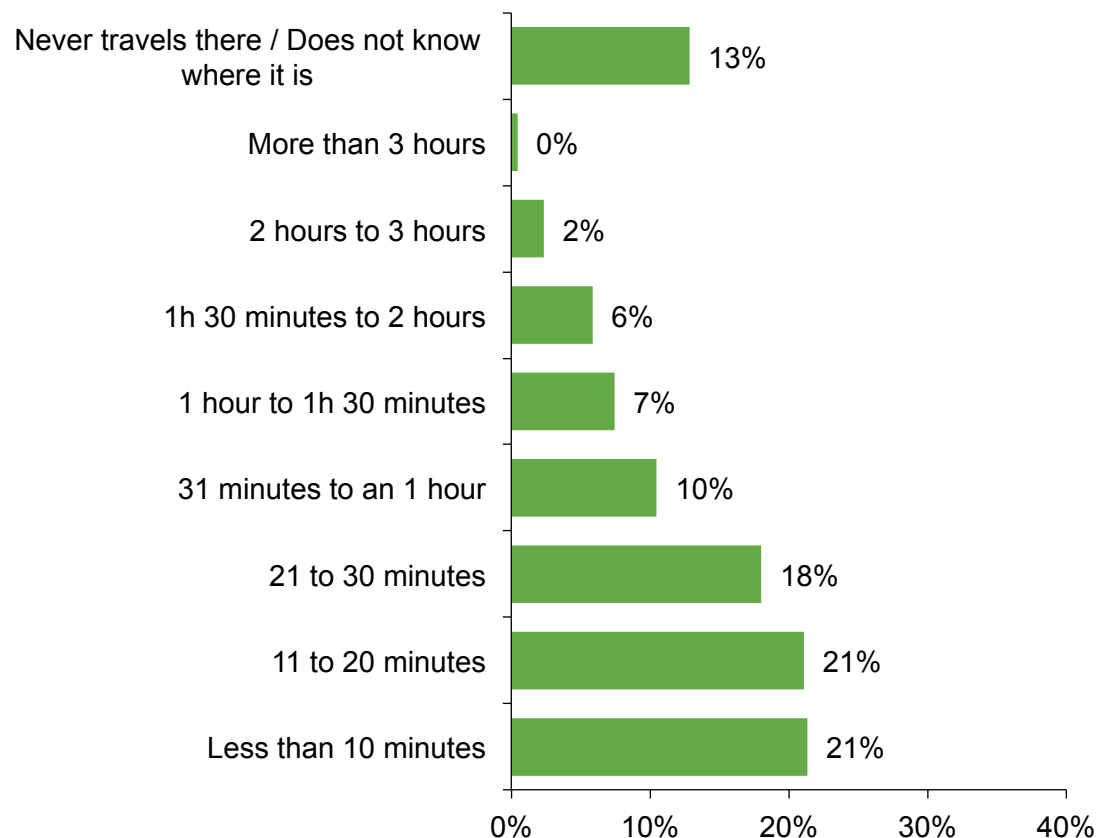
(Sole decision maker, Not in current housing loan market)



Monthly instalments for the MFI loan are paid via bank payment only. That is, the client must deposit money into the institution's bank account at a bank branch. The majority of those adults in the potential market who live in Maputo Province or Maputo City live within an hour of a bank branch



TIME OF TRAVEL TO NEAREST BANK BRANCH OR MOBILE BANK

(Sole decision maker, Not in current housing loan market, Live in Maputo Province / Maputo City)



Awareness

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Awareness of financial terms is very low overall, with the exception of a “bank”, where just less than half the segment understand the term. Only one quarter of the potential market understand the term “bank loan”

AWARENESS / KNOWLEDGE OF FINANCIAL TERMS

(Sole decision maker, Not in current housing loan market)

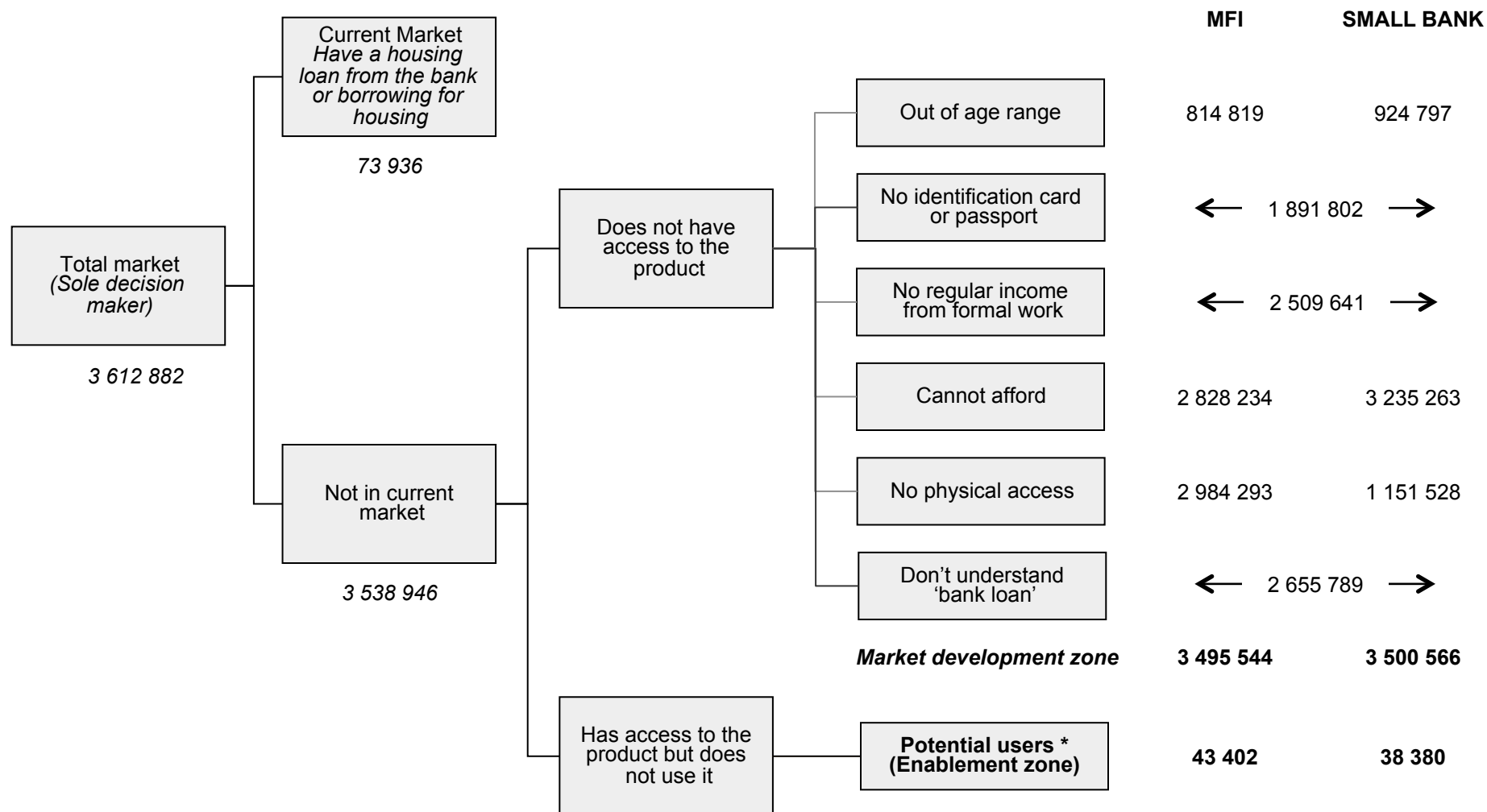
	Heard of this and know what this means	Heard of this but does not know what it means	Never heard of this
Bank	47%	31%	21%
Bank branch	26%	18%	55%
Bank charges / Service fees	7%	8%	85%
Bank loan	25%	18%	57%
Collateral	16%	10%	73%
Guarantor	8%	9%	83%
Instalments	8%	8%	83%
Insurance	13%	12%	75%
Interest rate	26%	17%	57%
Micro credit	9%	9%	81%
Mobile bank	7%	17%	75%
Savings Account	18%	15%	66%

We can use these indicators to populate a frontier

WHAT WOULD YOU NEED TO ACCESS AN UNSECURED HOUSING LOAN?

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Affordability is a key constraint for both products but other constraints are also significant, particularly the physical access constraint for the MFI loan



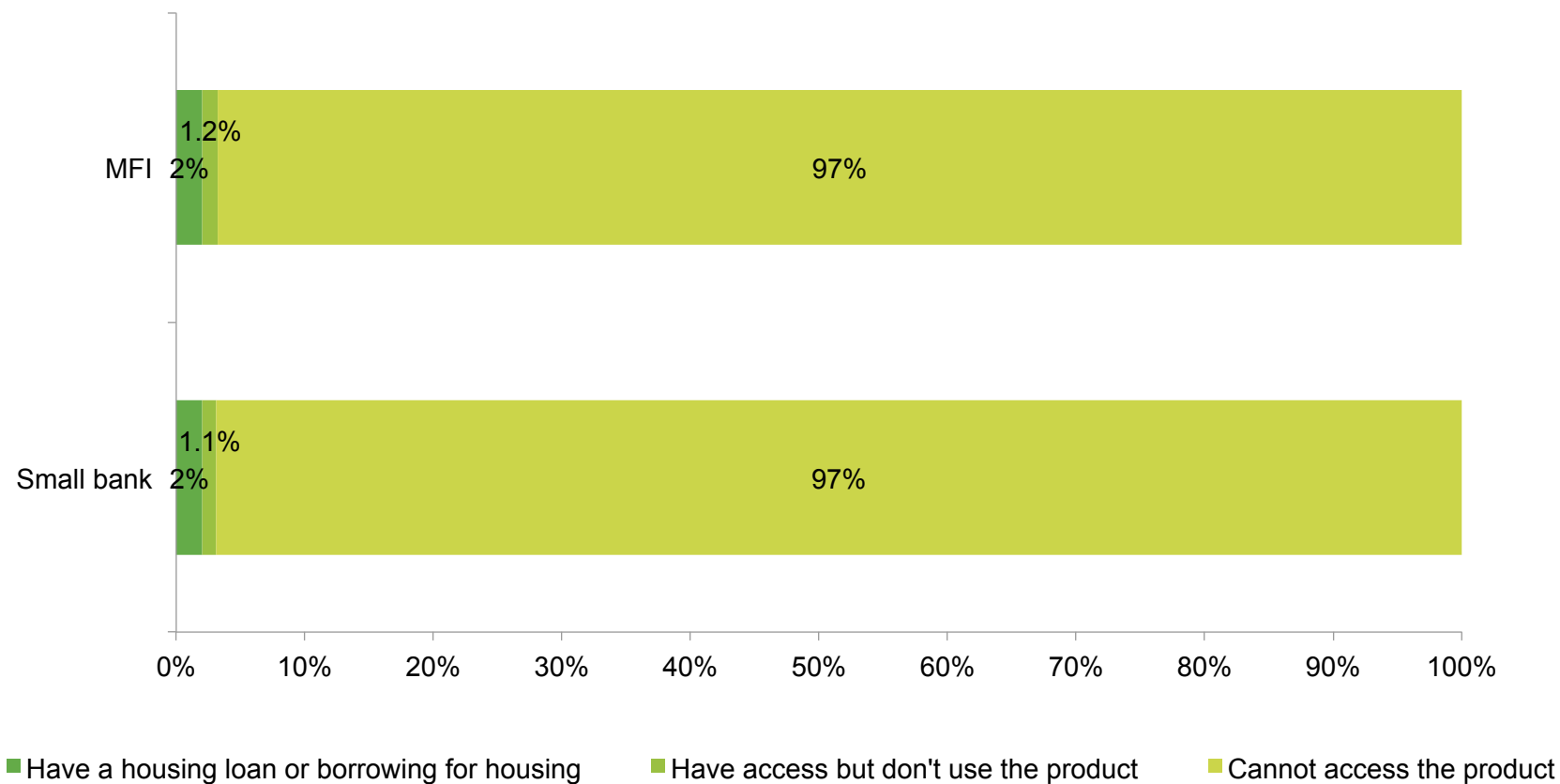
Source: FinScope Mozambique 2014

Note: There are no indicators available in the survey data relating to poverty and deprivation, therefore no redistribution zone

* The sample size for the enablement zone is too small to investigate further

The frontier can be summarised as a strand. In both cases just 1% of sole decision makers have access to the product

ACCESS STRANDS FOR UNSECURED HOUSING LOAN (Sole decision makers, 3 612 882 adults)



Agenda

Mozambique – a FinScope overview

Housing conditions in Mozambique

Access to mortgages

Unsecured housing finance

Rent to buy

A rent-to-buy housing product from a Mozambican housing promotion fund is outlined below. At an annual rate of 8%, the monthly repayment on a loan of 1 million MT for a period of 25 years is 7,718 MT. At a 30% affordability ratio, a household would need to earn a minimum of 25,727 MT

Basic product description

- The minimum loan amount is 1,000,000 MT
- Instalments must be made on a monthly basis via a direct debit from a bank account
- Maximum loan term is 25 years
- Loan is for completed house, not for construction or purchase of land
- Will take 15 – 20 days to accept or reject an application

Fees and pricing

- Affordability is 30% of income
- Annual interest rate of 8%
- Three missed payments before client is taken to court

Requirements

- Personal documentation including ID, NUIT, work contract of self and spouse
- Income must be regular, instalments are paid monthly
- Must have a good credit history
- Bank account (no history required – can open a new account)
- Minimum age 21, maximum age 45
- Forms to be completed are available in Portuguese
- Clients must apply at a branch at an institution office, located in every province

Agenda

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Rent to buy

ANALYSIS OF FINSCOPE DATA
PREPARATION OF PRESENTATIONS



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SELECTION OF PRODUCTS
GATHERING OF PRODUCT SPECIFICATIONS



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