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## An access frontier for housing finance in Tanzania



### Agenda

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*Tanzania – a FinScope overview*

Housing conditions in Tanzania

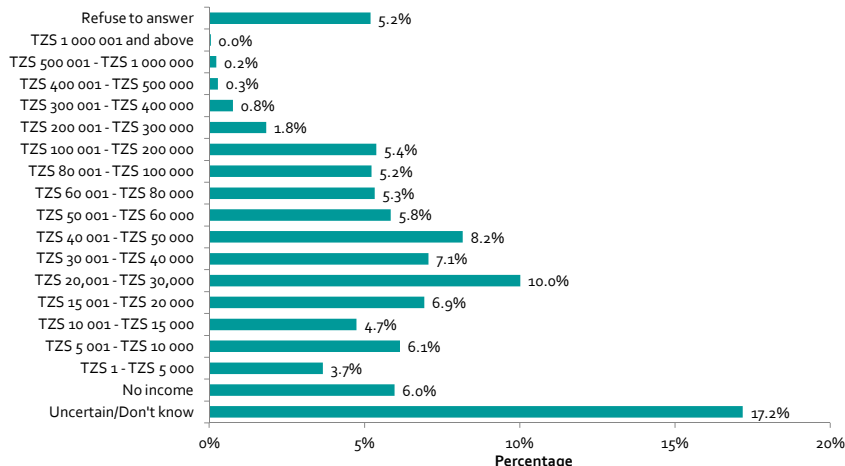
Access to mortgages in Tanzania

Unsecured housing finance

According to FinScope there are 21.2 million adults aged 16+ in the country. Over half (53%) earn less than TZS 50,000 (roughly US\$31) per month



Personal monthly income (Adults 16+)



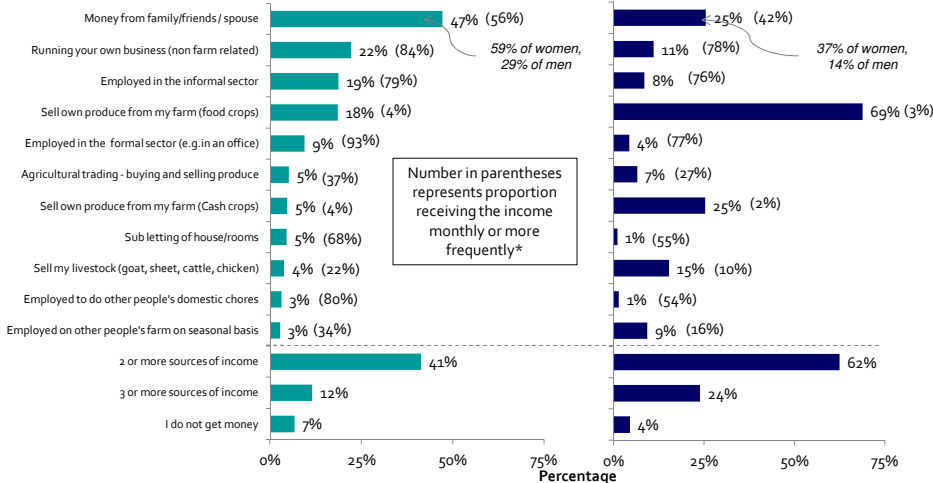
Source: FinScope Tanzania 2009 (Note: Exchange rate correct as at 31/8/2011)  
 Note: The exact question reads "Which amount best describes the average total monthly personal income before tax and other deductions. Include all sources of income, i.e. salaries, pensions, income from investment etc."

The survey highlights differences in income sources between rural and urban areas

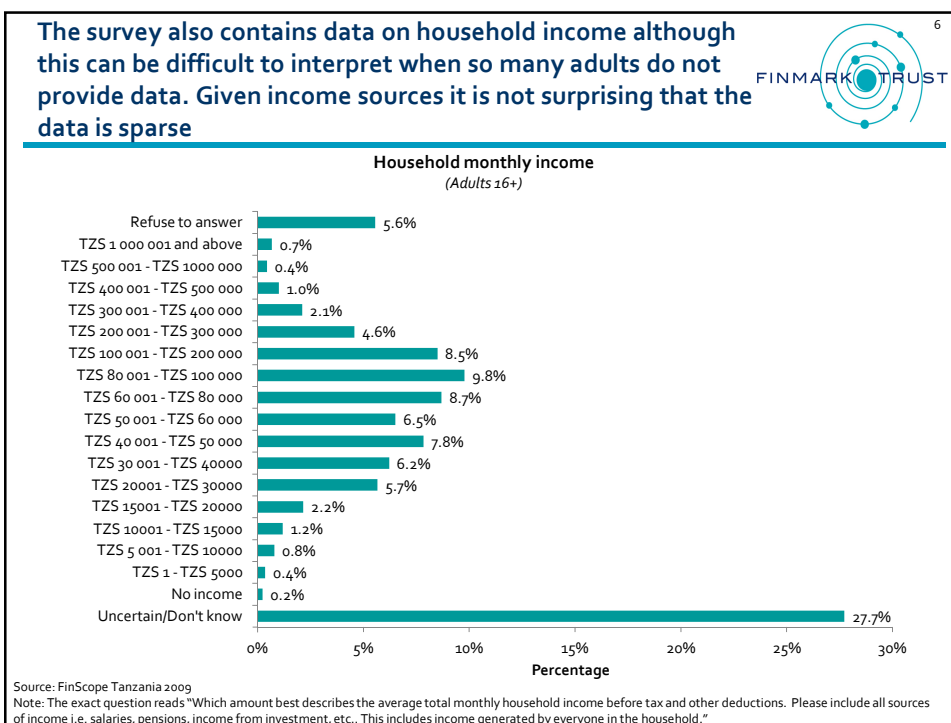
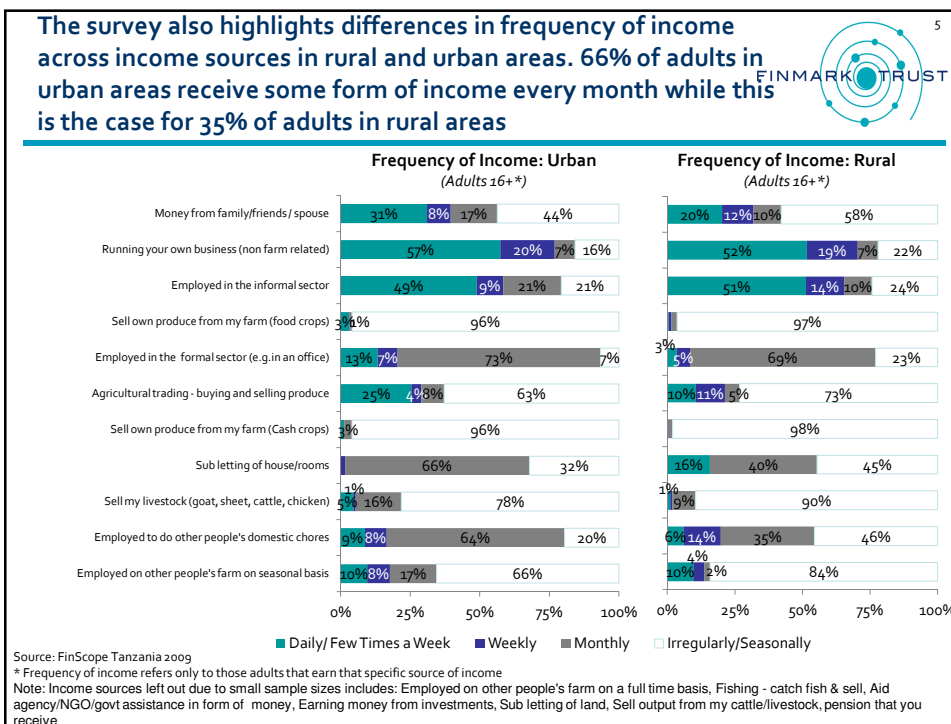


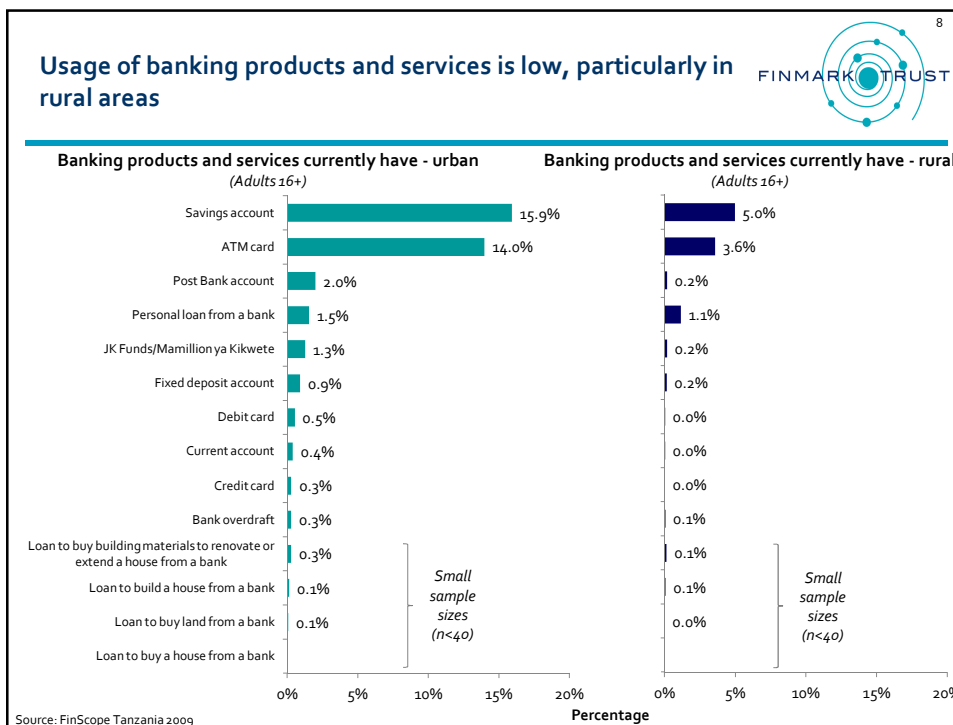
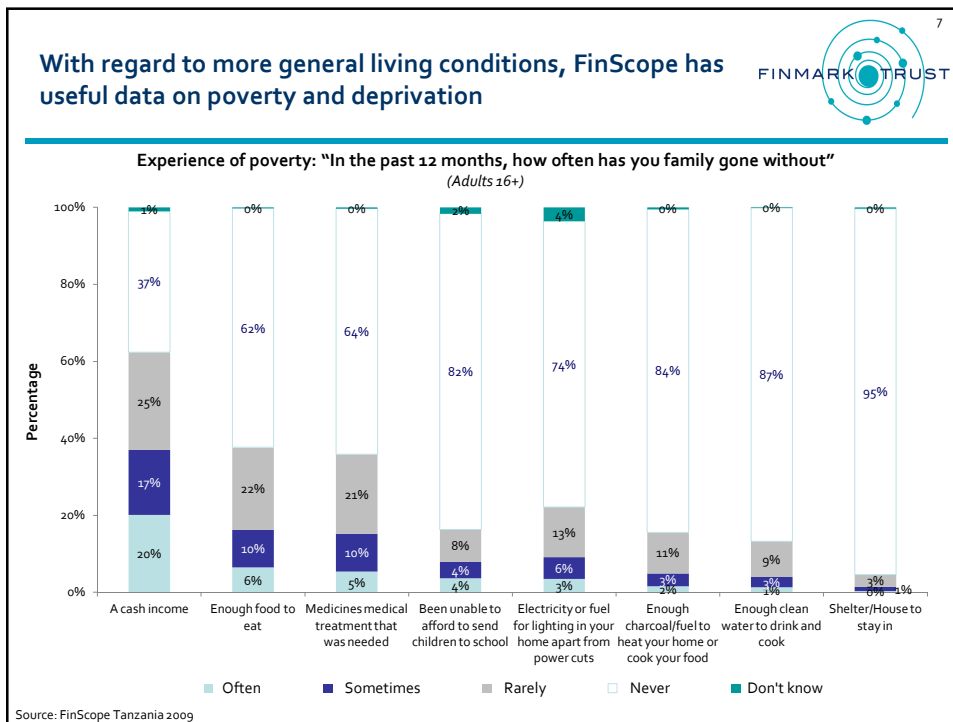
Sources of Income: Urban (Adults 16+, 5 904 285)

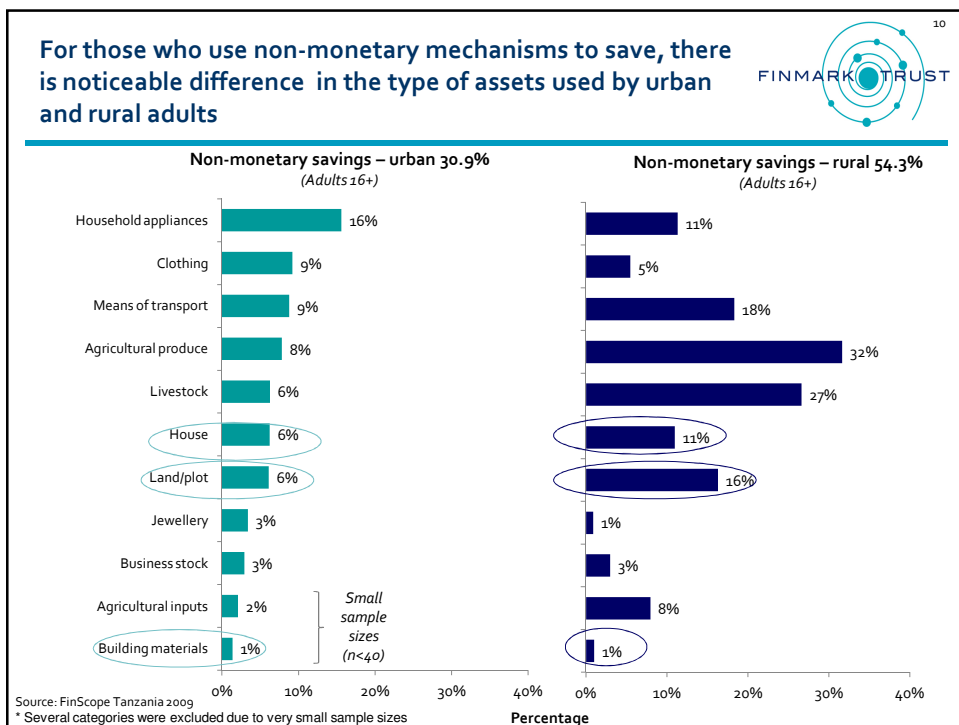
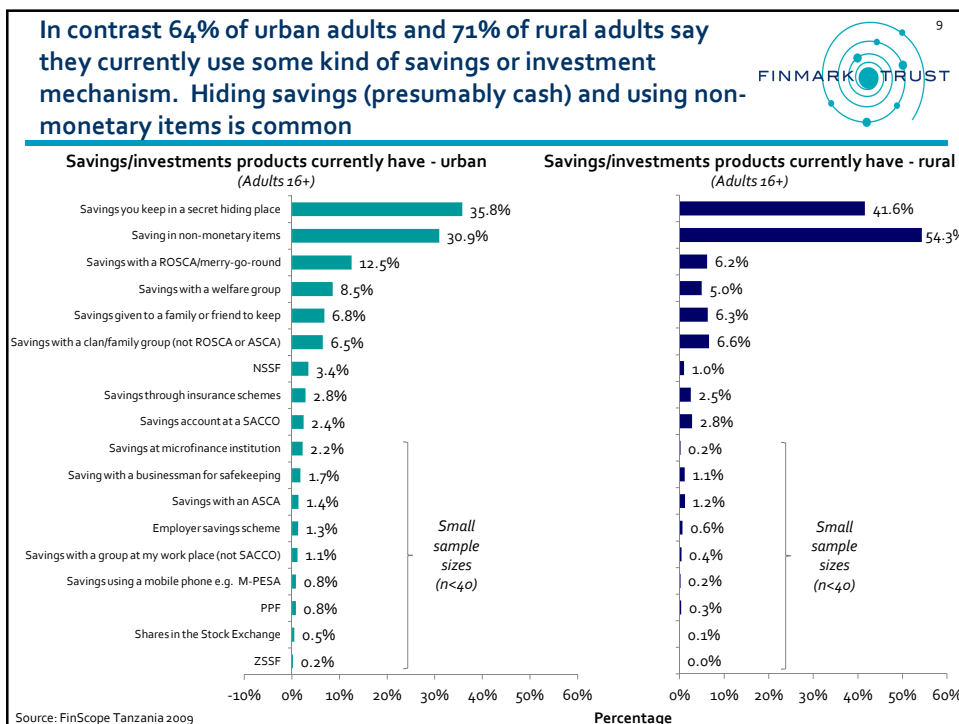
Sources of Income: Rural (Adults 16+, 15 266 170)

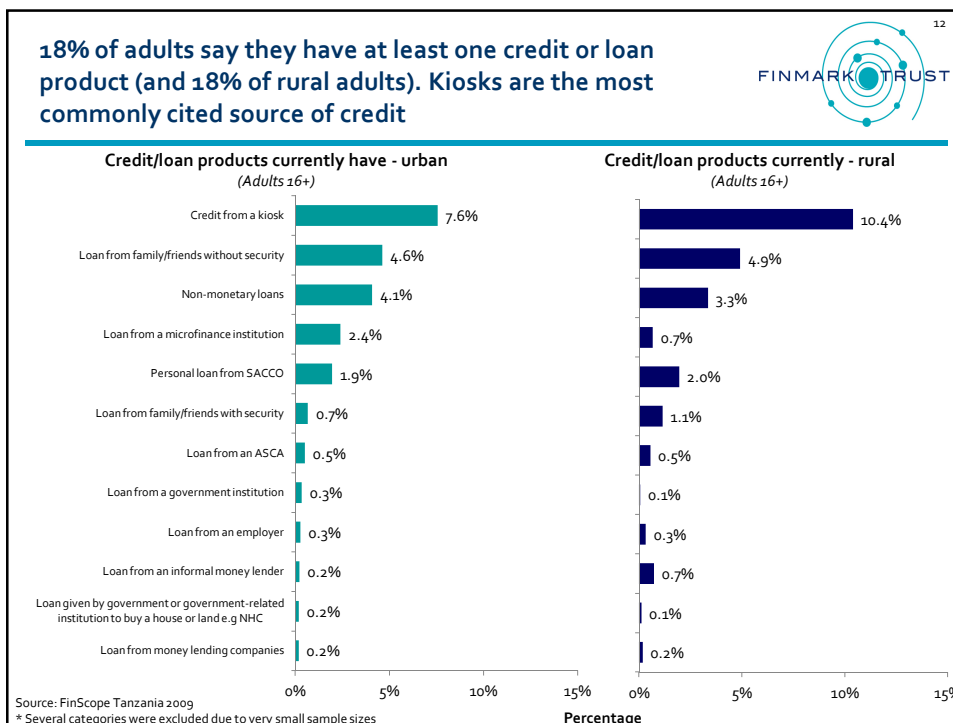
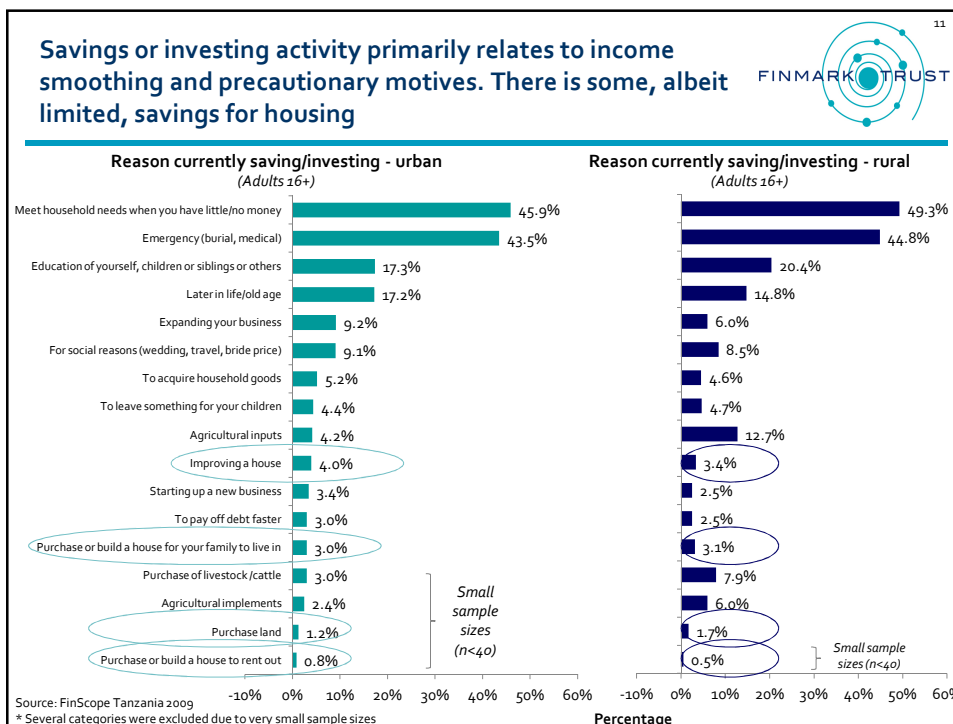


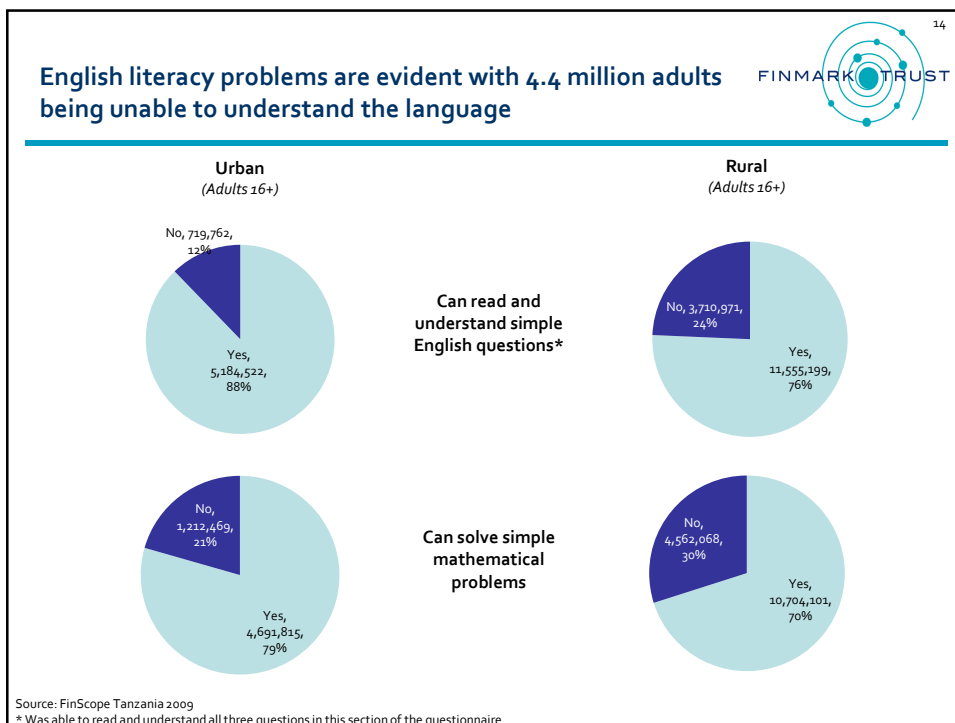
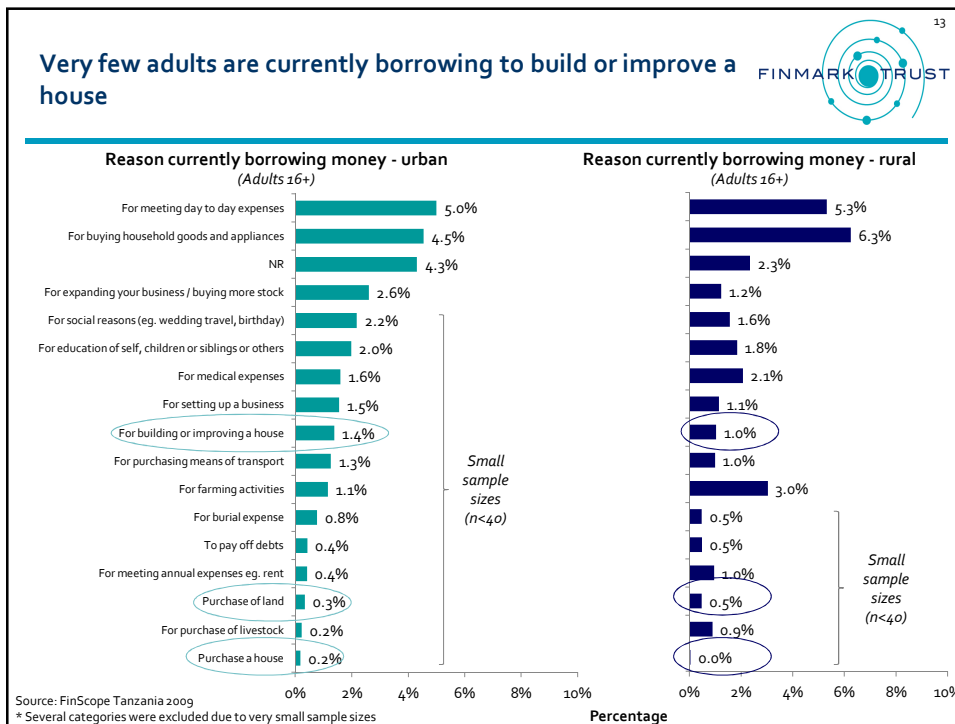
Source: FinScope Tanzania 2009  
 Note: Income sources left out due to small sample sizes includes: Employed on other people's farm on a full time basis, Fishing - catch fish & sell, Aid agency/NGO/govt assistance in form of money, Earning money from investments, Sub letting of land, Sell output from my cattle/livestock, pension that you receive

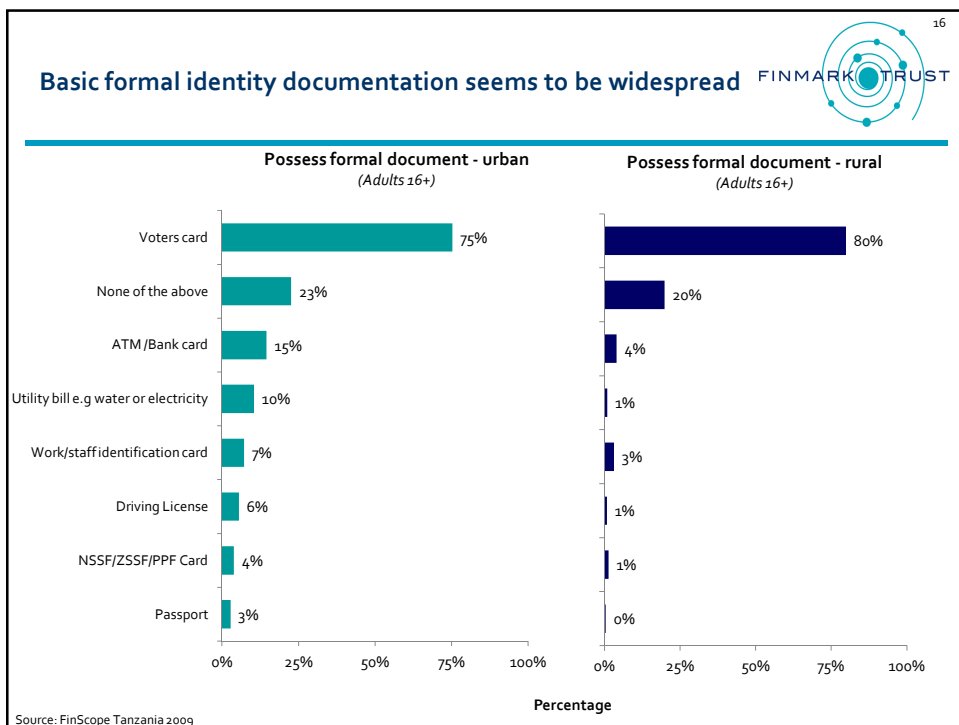
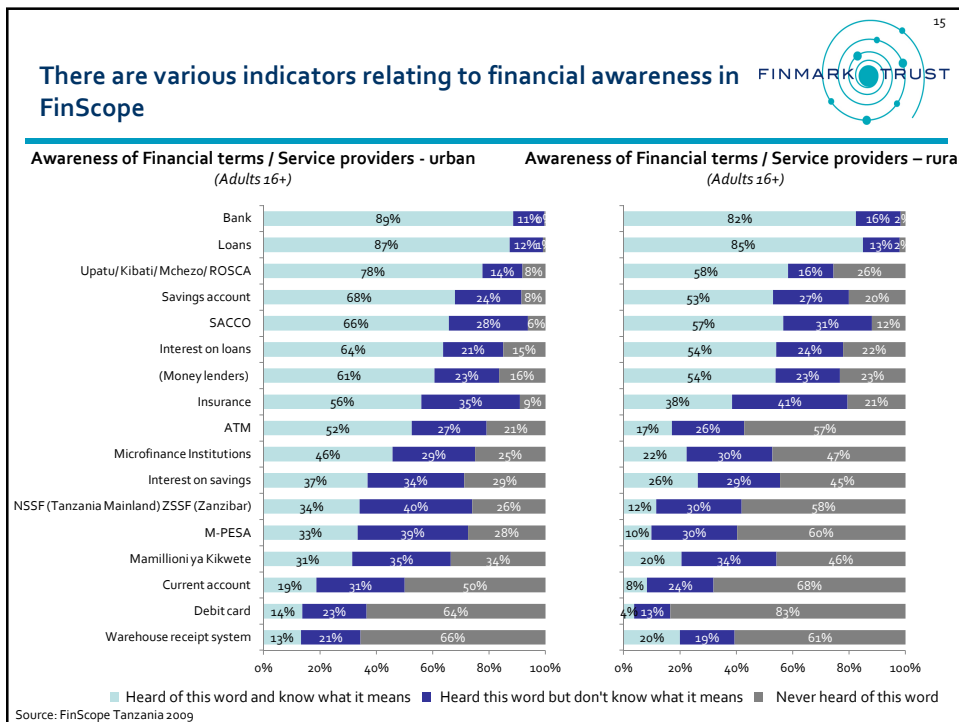
















17

## Agenda


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Tanzania – a FinScope overview

*Housing conditions in Tanzania*

Access to mortgages in Tanzania

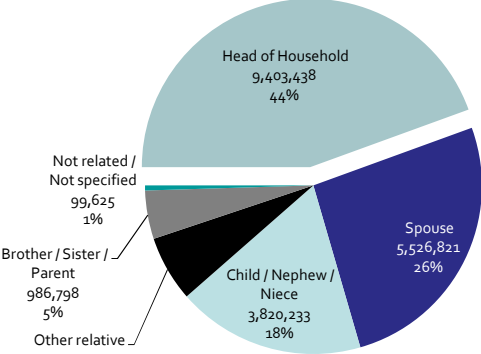
Unsecured housing finance


18

## In order to assess households or dwellings we can restrict the analysis to household heads

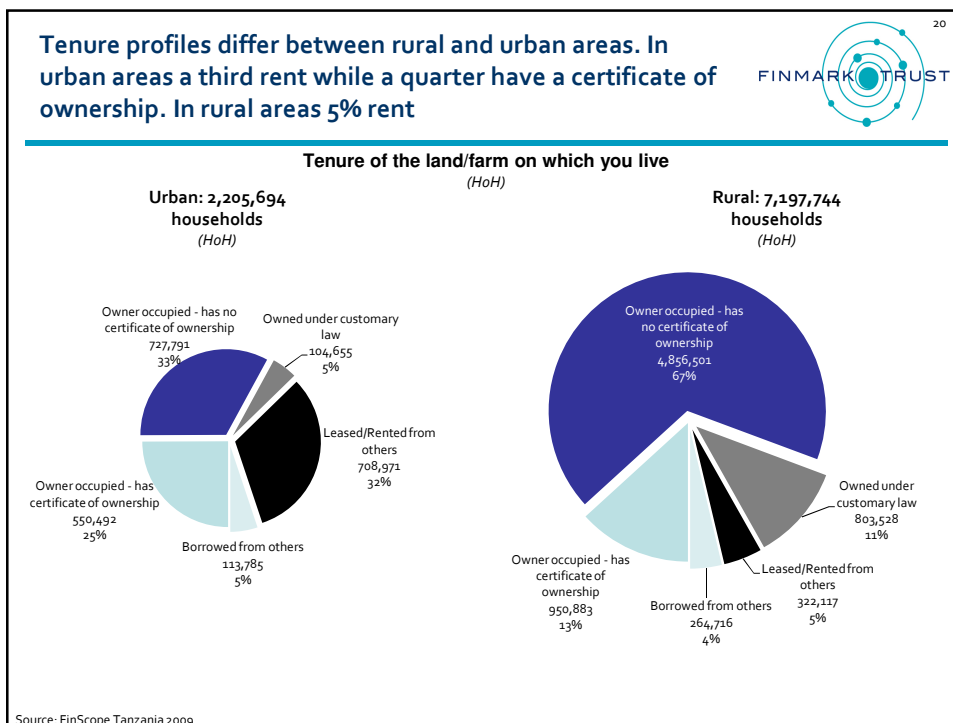
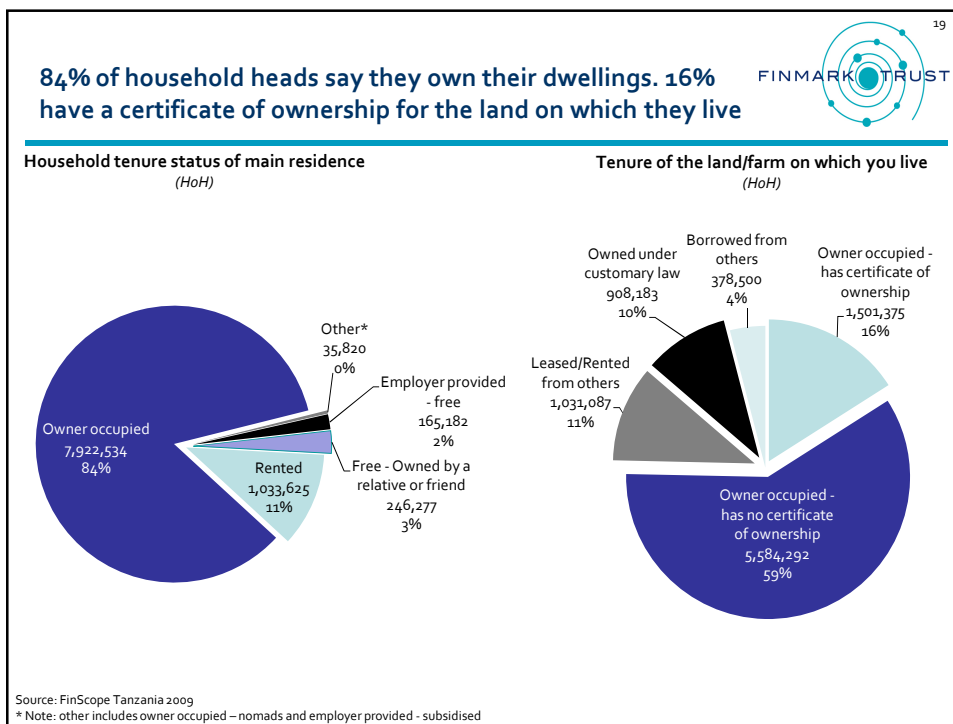
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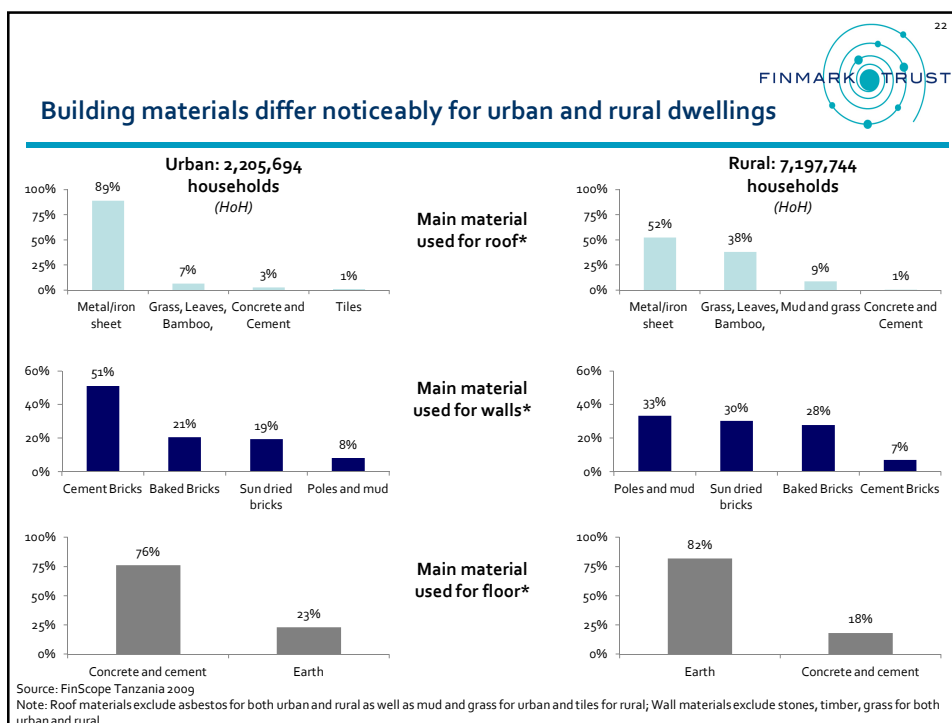
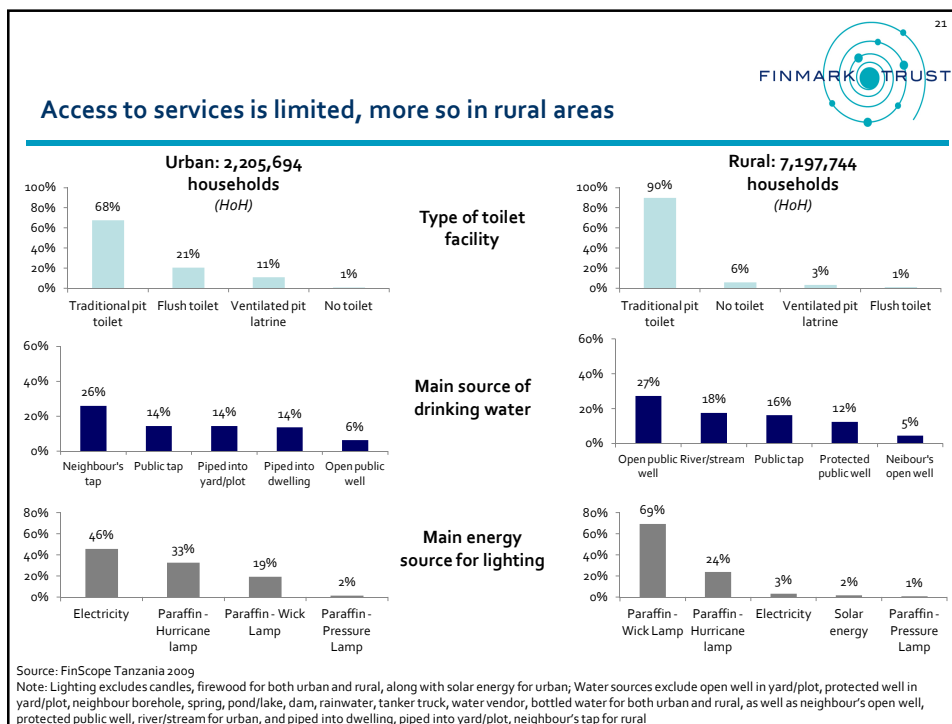
**Relationship to head of household**  
*(Adults 16+)*



Relationship	Count	Percentage
Head of Household	9,403,438	44%
Spouse	5,526,821	26%
Child / Nephew / Niece	3,820,233	18%
Other relative	1,333,540	6%
Parent	986,798	5%
Not related / Not specified	99,625	1%
Brother / Sister	-	-

Source: FinScope Tanzania 2009





23


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

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**Traditional Housing**

- Roof: mud & grass , grass/ leaves/bamboo OR
- Walls: poles and mud, grass OR both




**4,466,187**  
Households (HoH)  
(47%)

**Permanent Housing**

Built using durable modern materials


- Roof: Concrete and Cement, Metal/Iron sheet, Asbestos, Tiles AND
- Walls: Cement Bricks, Baked Bricks, Sun Dried Bricks AND
- Floors: Concrete and Cement, Tiles



**2,799,964**  
Households (HoH)  
(30%)

**Semi- Permanent Housing**

Built using more durable materials than traditional housing but not permanent



**2,137,287**  
Households (HoH)  
(23%)

Source: FinScope Tanzania 2009

24

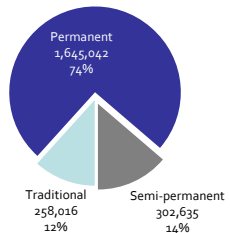
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### The majority of urban households live in permanent dwellings while most rural households live in traditional dwellings

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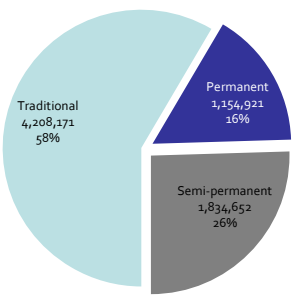
**Type of Housing (HoH)**

**Urban: 2,205,694 households (HoH)**



Type	Households (HoH)	Percentage
Permanent	1,645,042	74%
Traditional	258,016	12%
Semi-permanent	302,635	14%

**Rural: 7,197,744 households (HoH)**



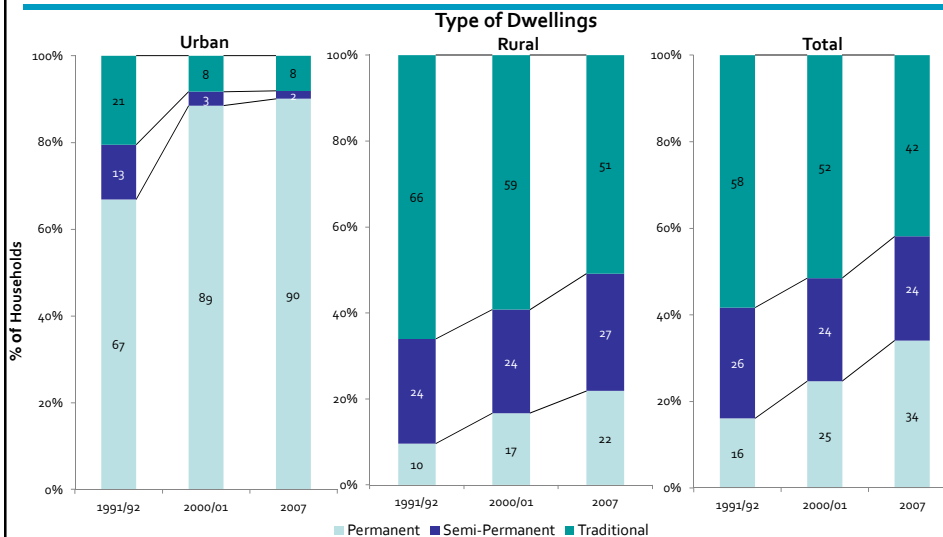
Type	Households (HoH)	Percentage
Traditional	4,208,171	58%
Permanent	1,154,921	16%
Semi-permanent	1,834,652	26%

Source: FinScope Tanzania 2009

The National Bureau of Statistics highlights a significant shift towards permanent dwellings defined purely on the basis of the materials used to construct the dwelling's walls\*



25



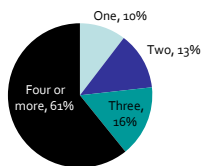
Source: National Bureau of Statistics (2009) "Household Budget Survey 2009"  
 Note: Houses are classified solely based on wall materials. Traditional walls are mud only, mud and poles/stones and poles, branches, grass; Permanent walls are baked/burnt brick and concrete, cement, stone; Semi-permanent consists of any other material

FinScope data can also be used to assess over-crowding within dwellings



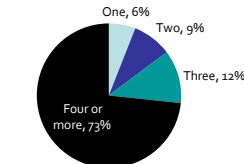
26

Urban (HoH)

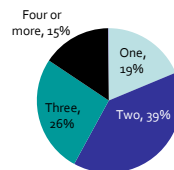
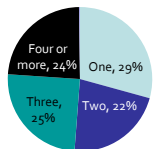


Number of people living in the household

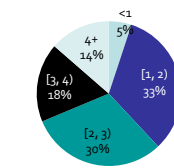
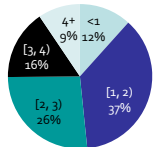
Rural (HoH)



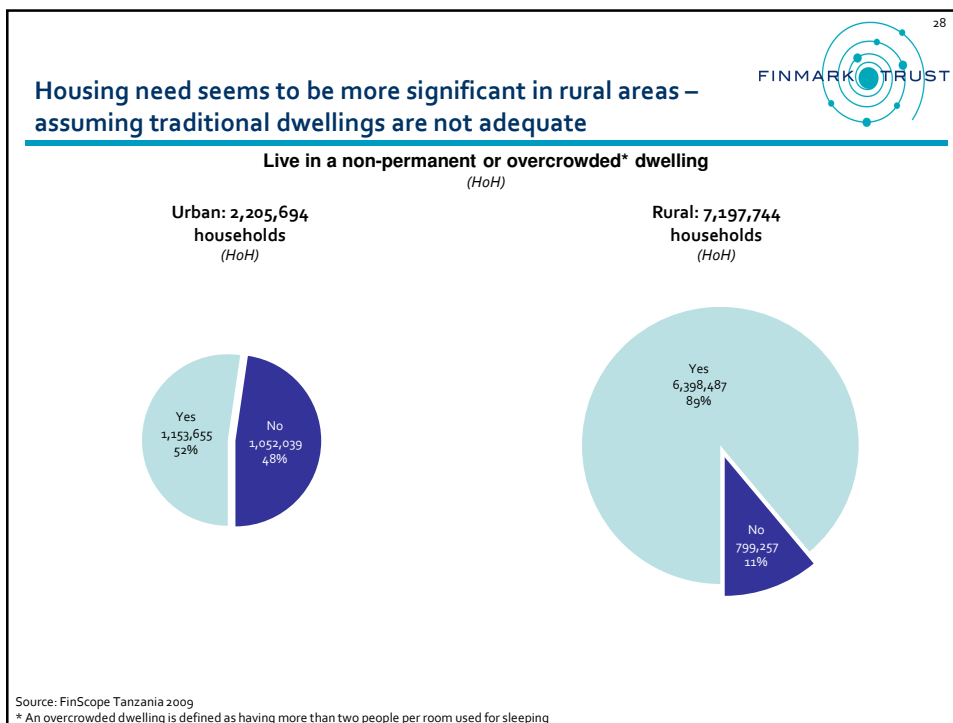
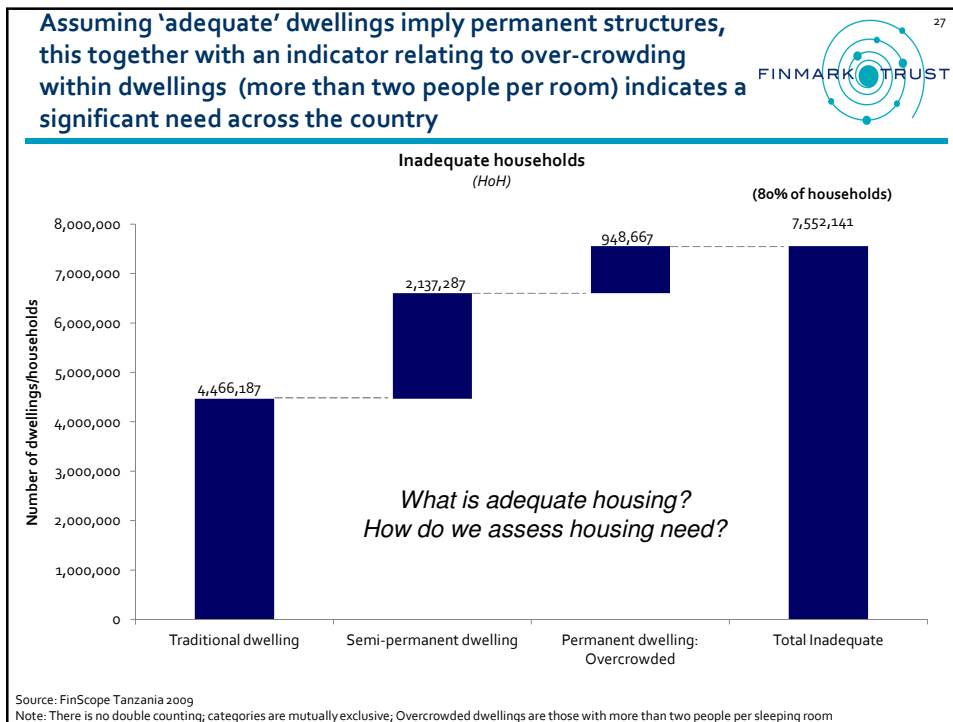
Number of rooms in household used for sleeping



Number of people per room used for sleeping



Source: FinScope Tanzania 2009

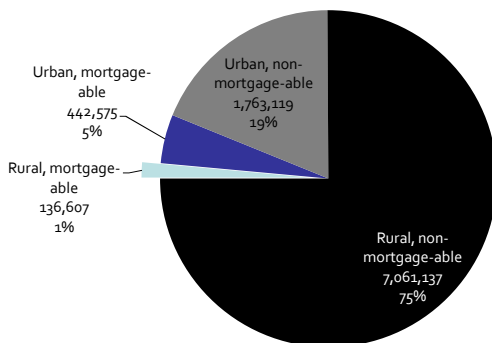


We can use FinScope data to assess how many dwellings might be mortgage-able. That data indicates that roughly 6% of households live in a mortgage-able dwelling



29

What is a mortgage-able dwelling?  
Permanent dwelling with Certificate of ownership of land  
(HoH)



Source: FinScope Tanzania 2009  
Note: A mortgage-able dwelling must be owned (with certificate of ownership for the land) and it must be a permanent structure.

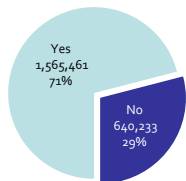
FinScope indicates that there is significant demand for a housing finance product



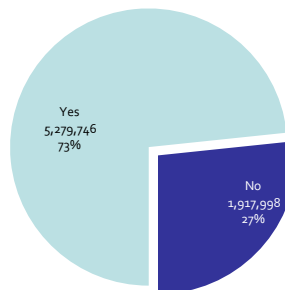
30

"If housing loans products were available would you be interested in such products?"  
(HoH)

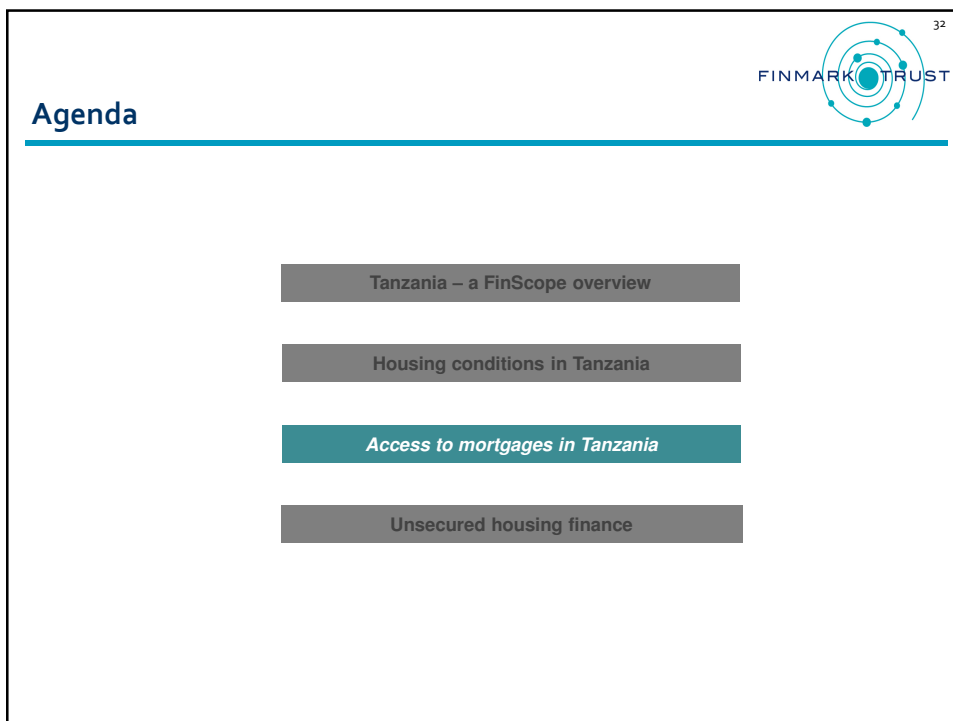
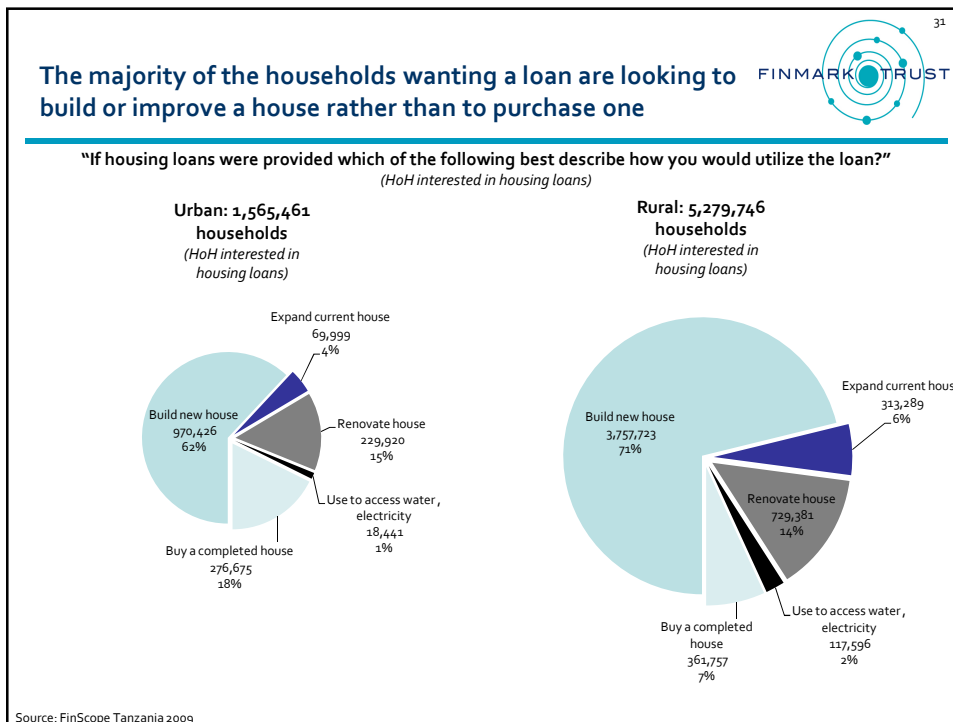
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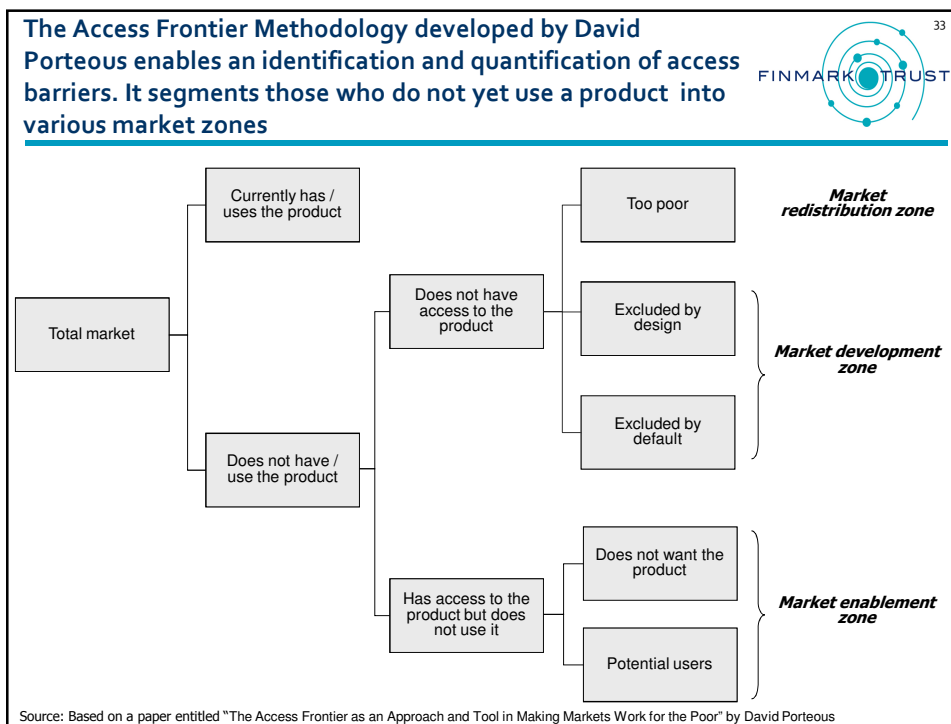
Rural: 7,197,744 households  
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Source: FinScope Tanzania 2009

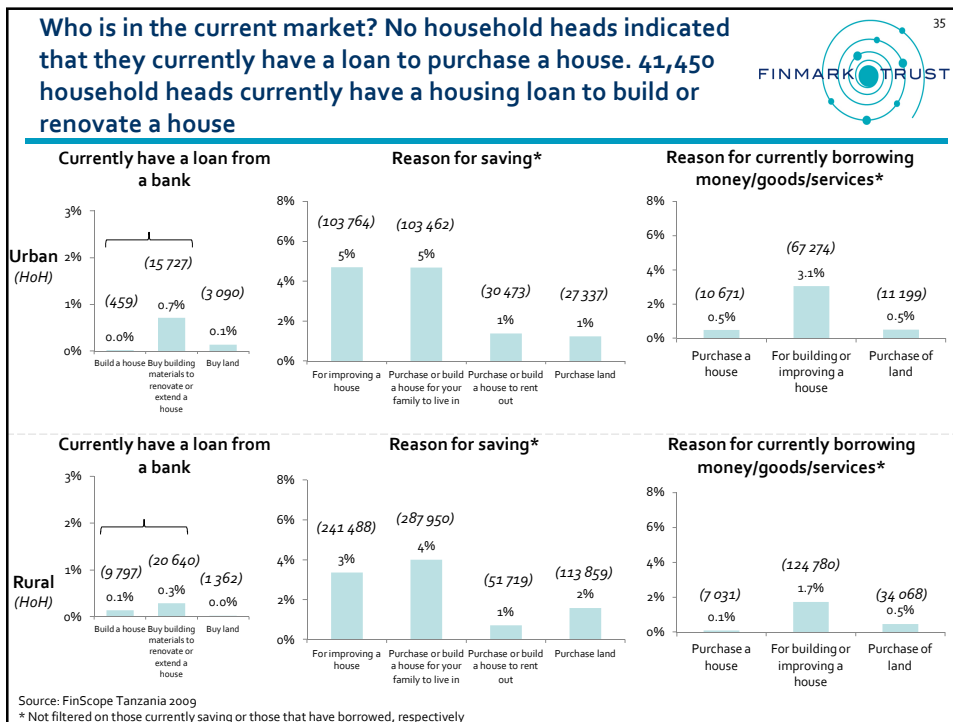






**Azania Bank Mortgage Overview**


<b>Product description</b>	<ul style="list-style-type: none"> <li>Maximum loan term is 15 years (180 months); Typical loan term is between 84 and 120 months</li> <li>Maximum repayments may not exceed two thirds (67%) of income</li> <li>Minimum loan size is TZS 5,000,000 (US\$3,087); Average loan amount is TZS 200,000,000 (US\$123,495)</li> <li>Minimum deposit of 20% of the loan amount required</li> <li>Interest rate of 18% per annum</li> <li>The payment terms depend on the clients' cash flow and is not necessarily monthly</li> <li>Loan Arrangement fee, Loan administration fee</li> </ul>
<b>Documents Needed</b>	<ul style="list-style-type: none"> <li>Proof of income (regular, reliable, sustainable and sufficient to service the loan)</li> <li>Building permit, Architectural drawing, Bills of Quantities (construction), Copy of Title Deed, Valuation report, Purchase agreement (purchase)</li> <li>Voters Card (identification)</li> </ul>
<b>Other Requirements</b>	<ul style="list-style-type: none"> <li>Good credit history (can be obtained through reference from other bankers, salary slips, statement of account, or financial statements in case of business)</li> <li>Not exceeding 60 years of age, minimum 18 years</li> <li>Businesses must have had a bank account for at least 6 months with Azania Bank, but individuals may be considered at account opening stage</li> <li>No specification of sanitation and required building materials</li> <li>No mortgage provided for acquisition of land</li> <li>The bank does not provide a mortgage for properties located in unsurveyed areas (areas not planned by the relevant authorities)</li> <li>Insurance: Fire Insurance for commercial properties &amp; Domestic package Insurance for residential properties. It is 0.25% of the sum insured (market value)</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>Credit applications must be received at Azania Bank branches for processing (3 in Dar es Salaam, 1 in Arusha, 1 in Kahama, 2 in Mwanza)</li> <li>Forms are available in English and Swahili</li> <li>Marketing is done through print media, television and the Internet</li> </ul>



### In order to quantify access in a meaningful way the market has been segmented into those that already own mortgage-able properties and those that don't

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**Own mortgage-able properties**



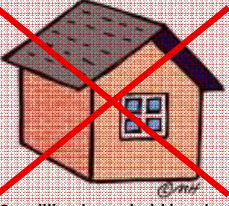
579,182 household heads who:

- Say they have a certificate of ownership of their land
- Live in permanent structures

↓

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**

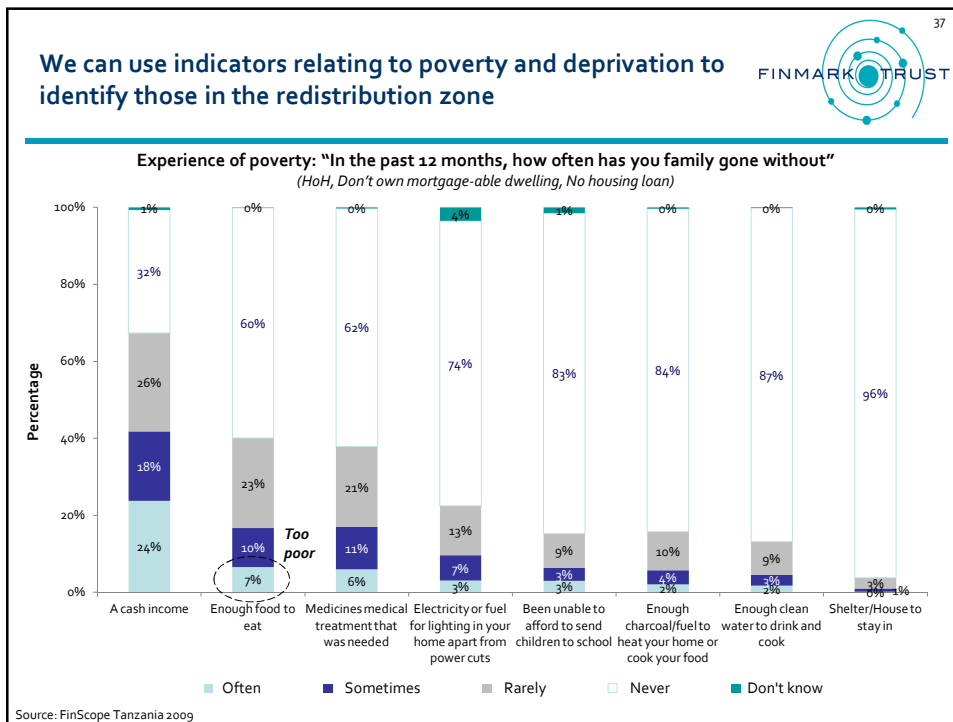


8.8z million household heads who:


- Live in a non-permanent dwelling OR
- Do not have a certificate of ownership for their dwelling

↓

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



### Affordability is a key constraint. A number of assumptions have been used to determine an affordability constraint based on the minimum loan amount available



38

**Costs**

- Minimum loan size available: TZS 5,000,000
- Maximum loan term: 15 years (i.e. 180 monthly repayments)
- Rate of 18% p.a.

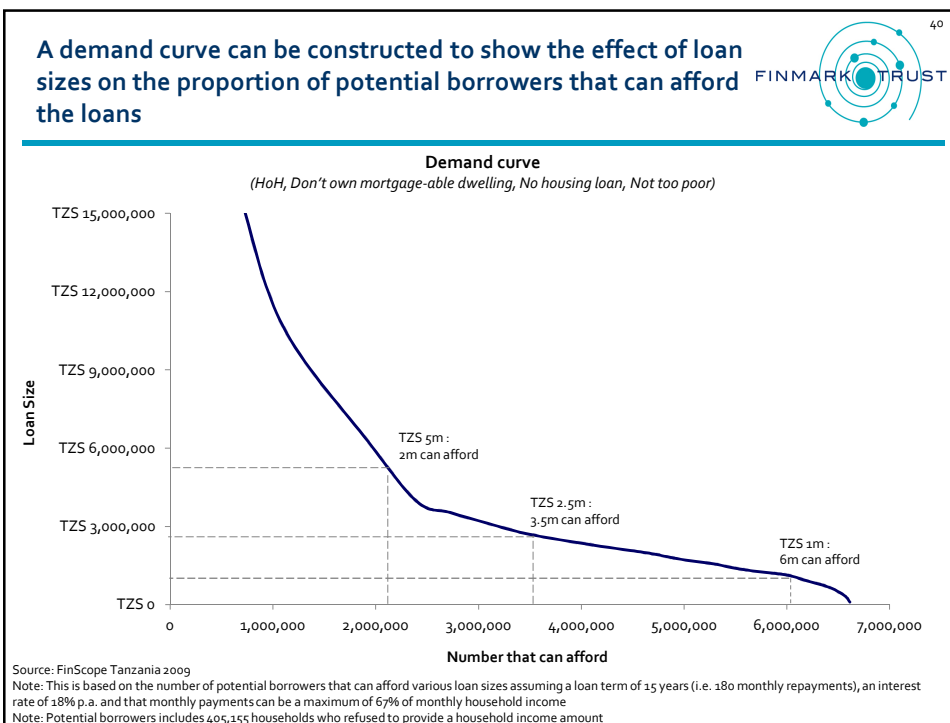
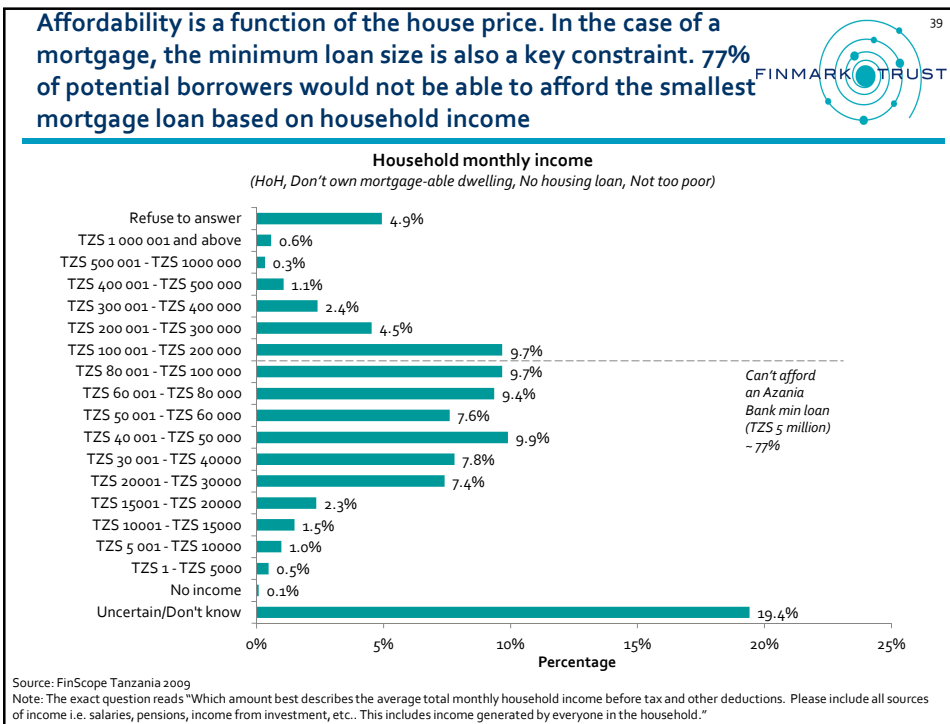
**Affordability**

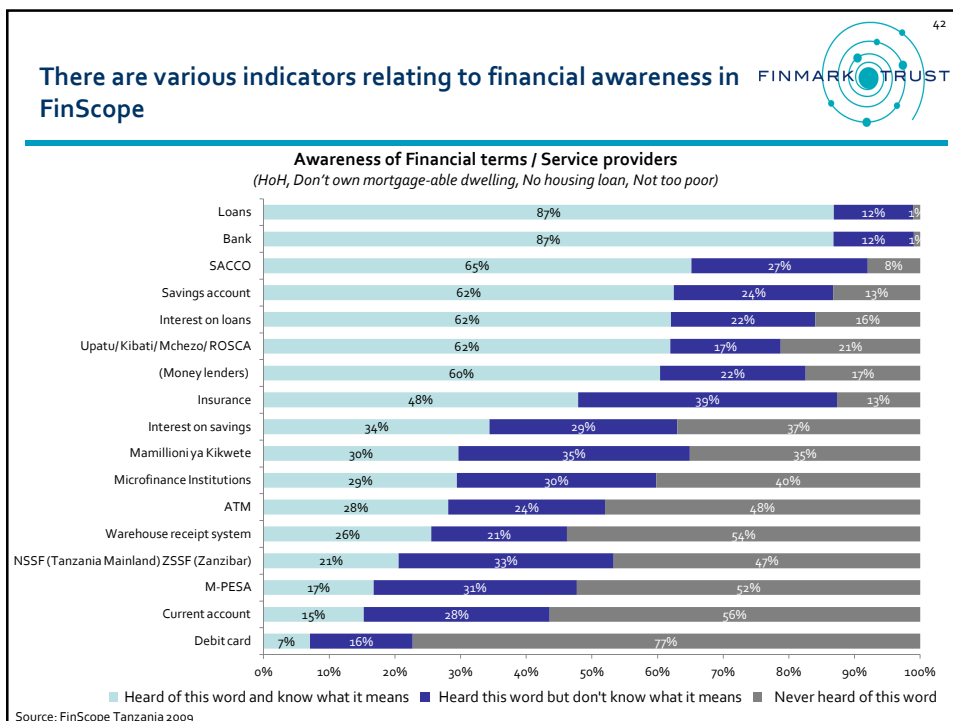
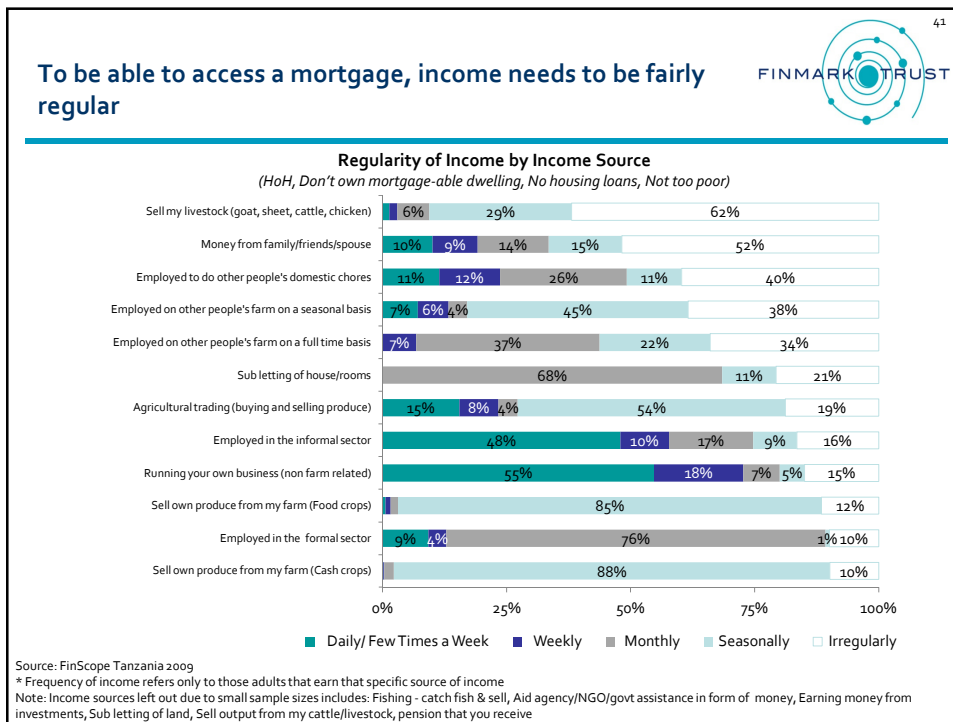
- Monthly payments can be a maximum of 67% of monthly household income

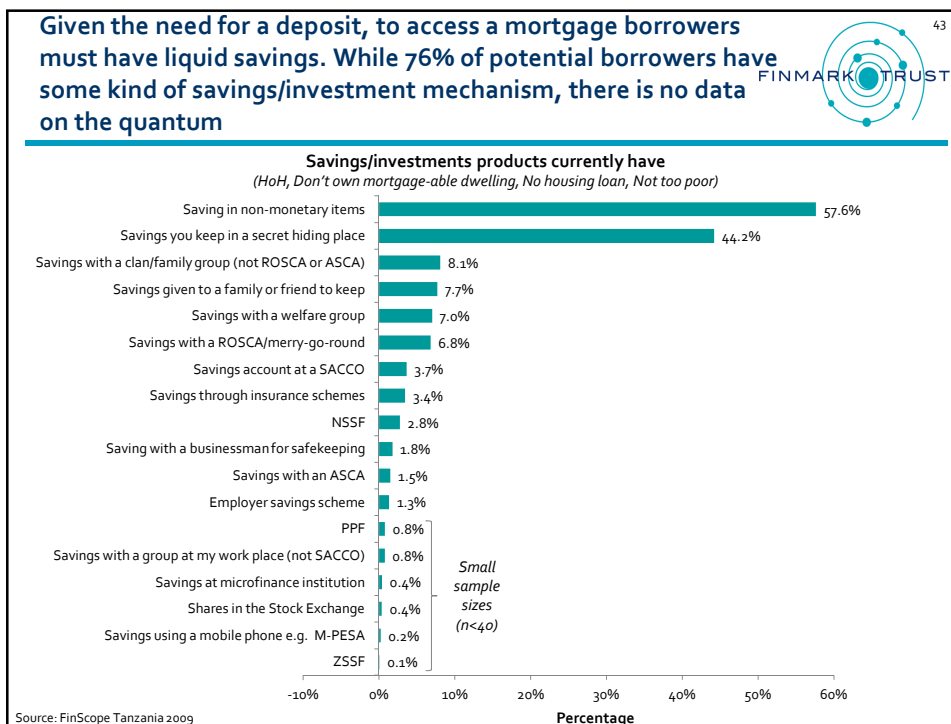


- Loan size = TZS 5,000,000
- Basic monthly payments = TZS 80,521
- Minimum monthly household income required =  $TZS\ 80,521 / 67\% = TZS\ 120,181$  (US\$74)

Source: FinScope Tanzania 2009





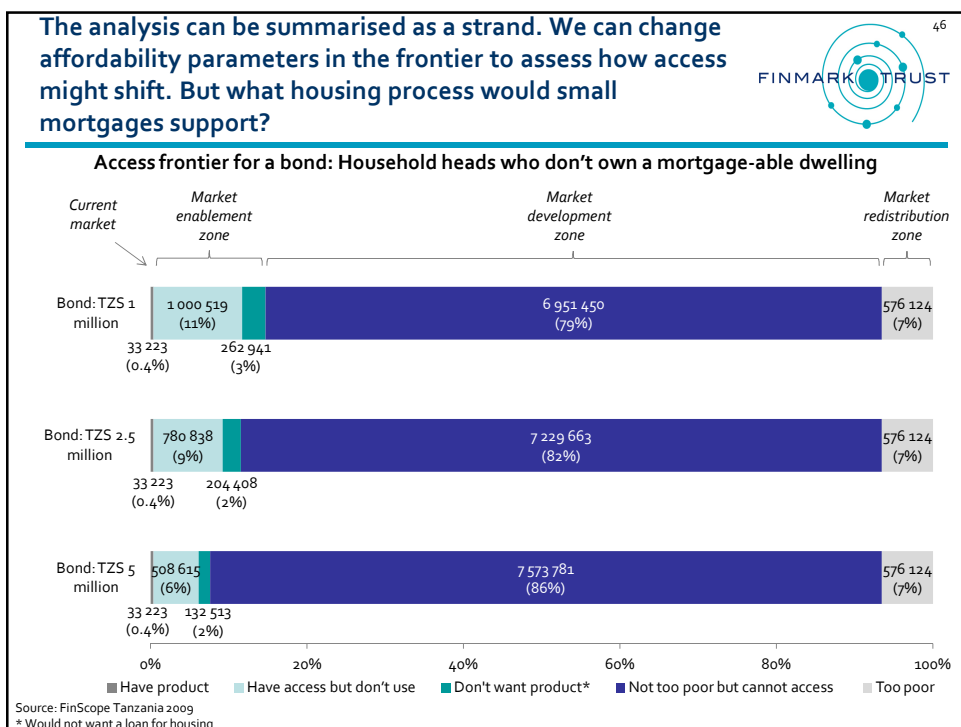
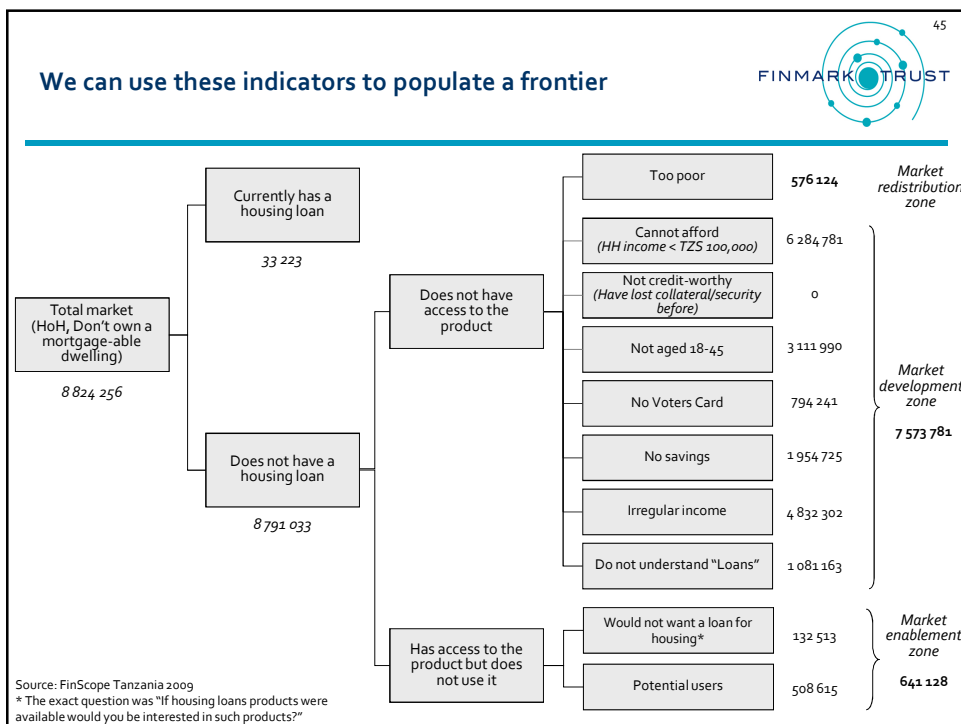


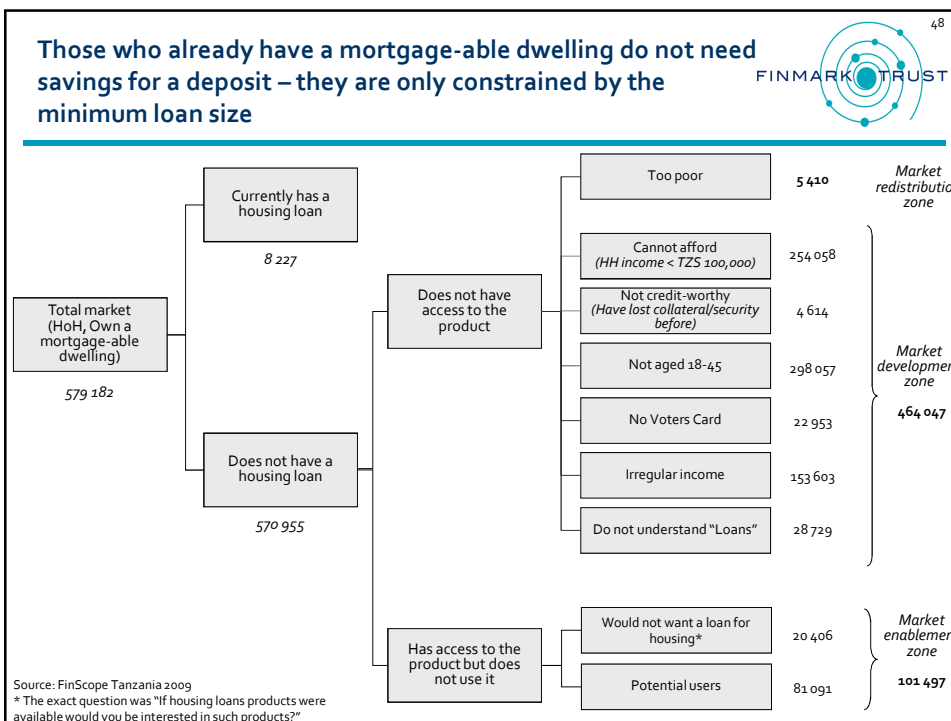
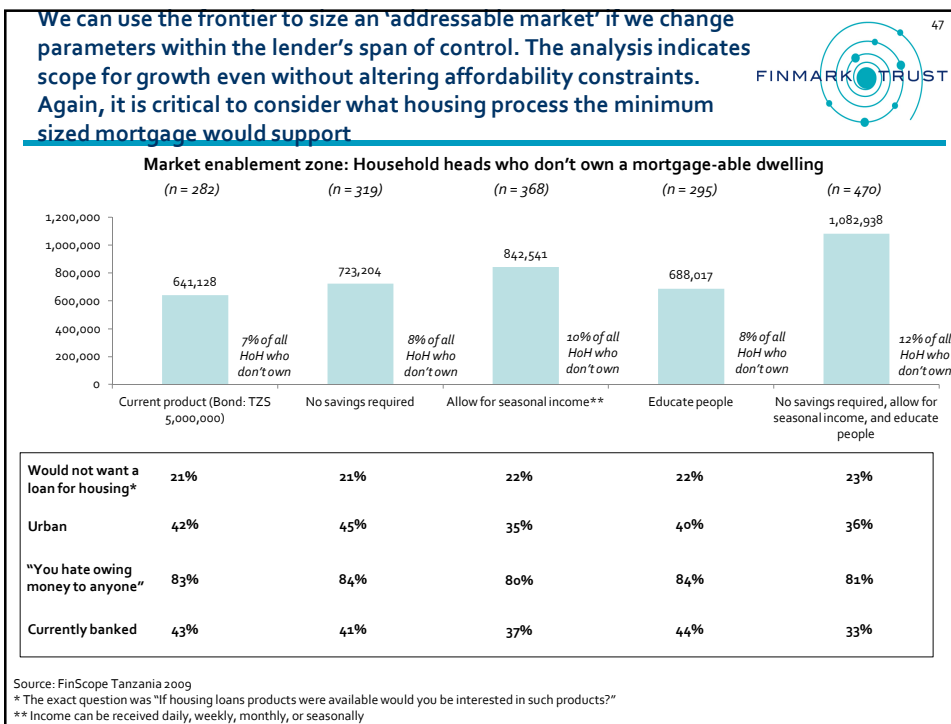
### Other criteria may also limit access

44 FINMARK TRUST

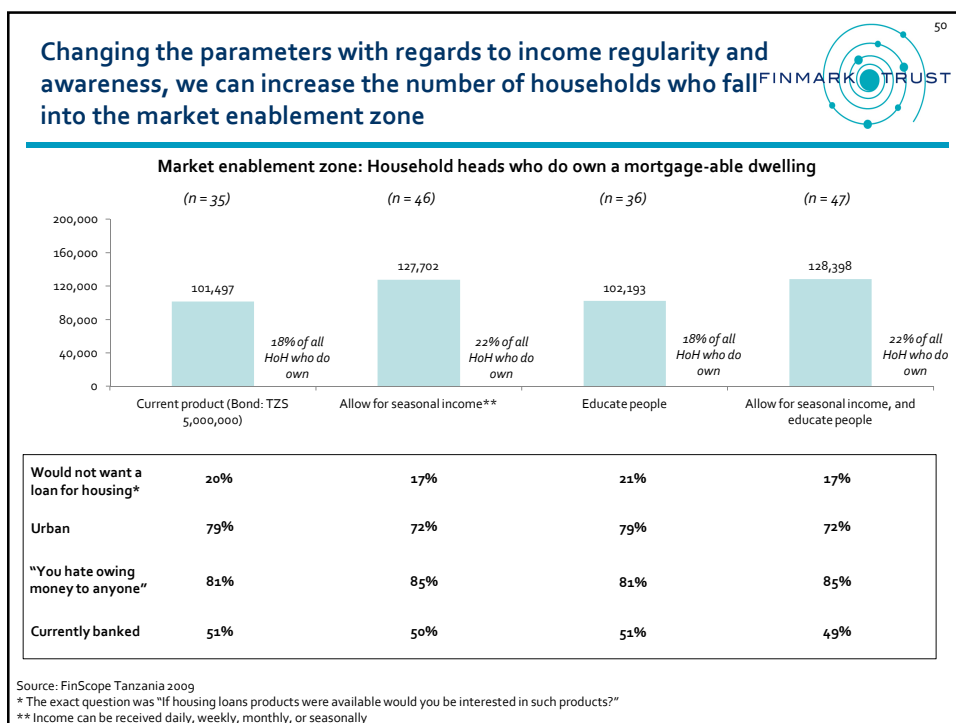
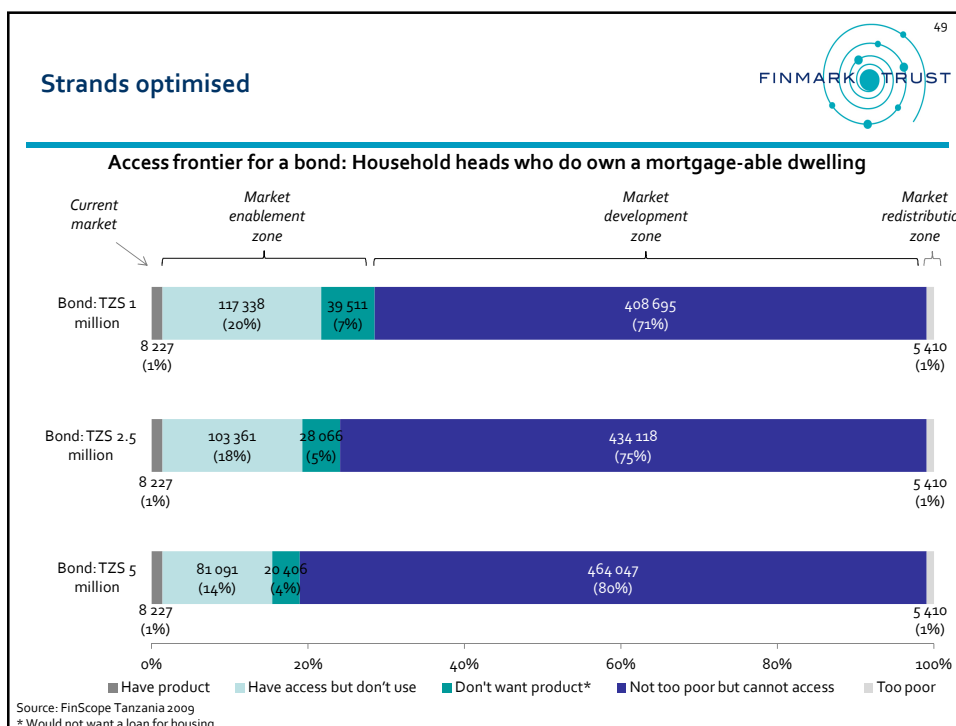
- Proof of identification**
  - 10% of potential borrowers don't have a Voters Card
- Regular income**
  - 59% of potential borrowers do not receive (any) form of income regularly (that is, no income is received daily, weekly or monthly)
- Understanding of the term "Loans"**
  - An awareness constraint has been incorporated
- Age**
  - Maximum age for product is 60 years - assume maximum loan term of 15 years therefore constraint is maximum age 45
- Credit worthiness and capacity to borrow**
  - A person is deemed not credit-worthy if they admit to having ever losing collateral/security


Source: FinScope Tanzania 2009










51

## Agenda


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Tanzania – a FinScope overview

Housing conditions in Tanzania

Access to mortgages in Tanzania

Unsecured housing finance

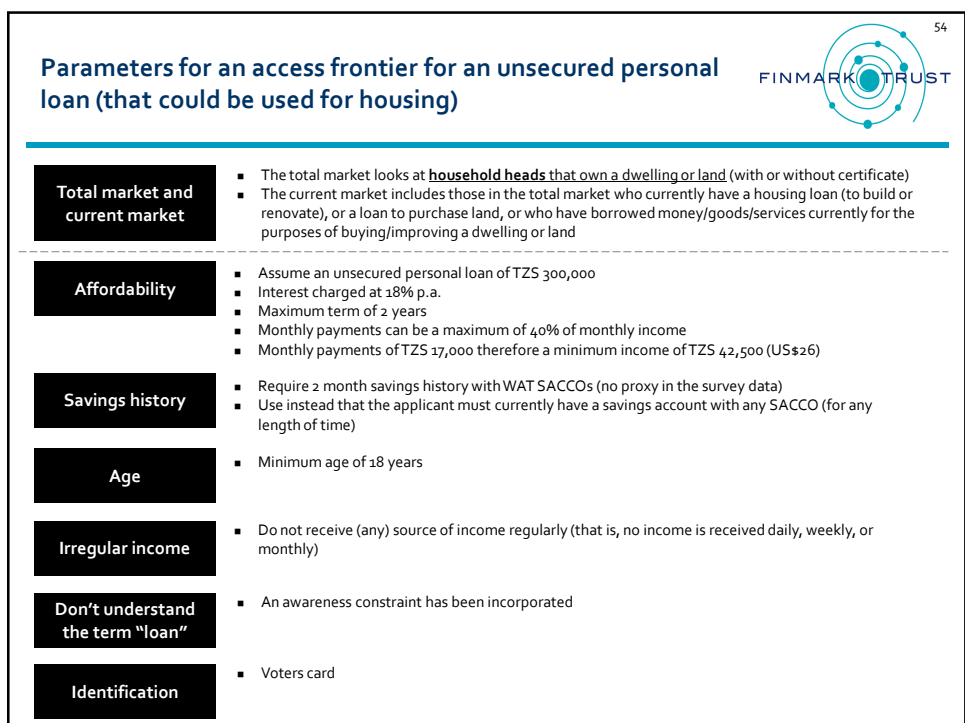
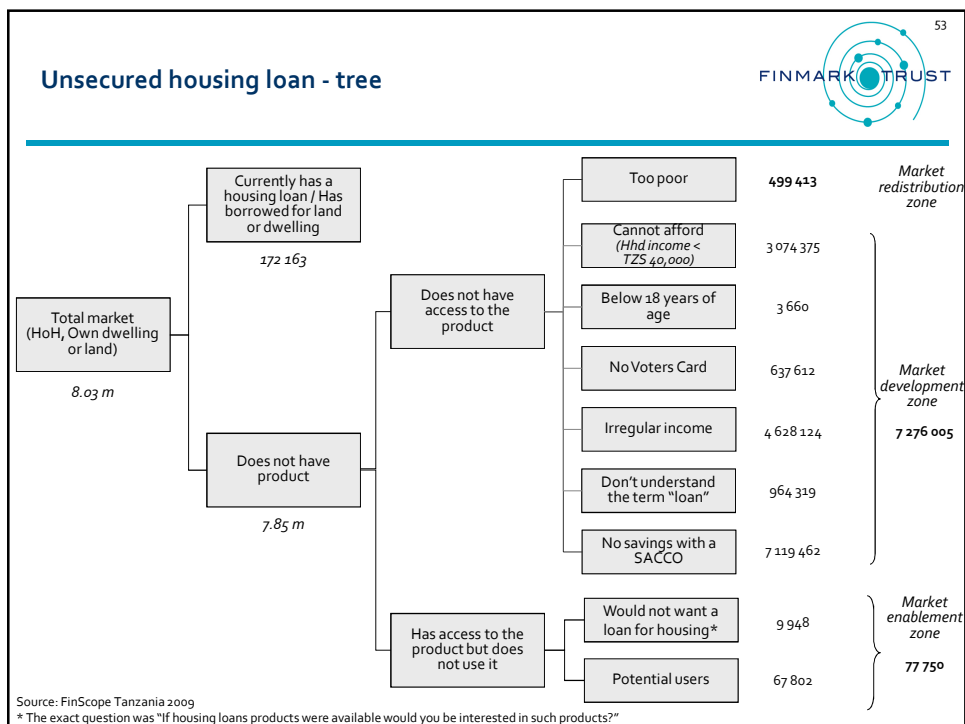

52

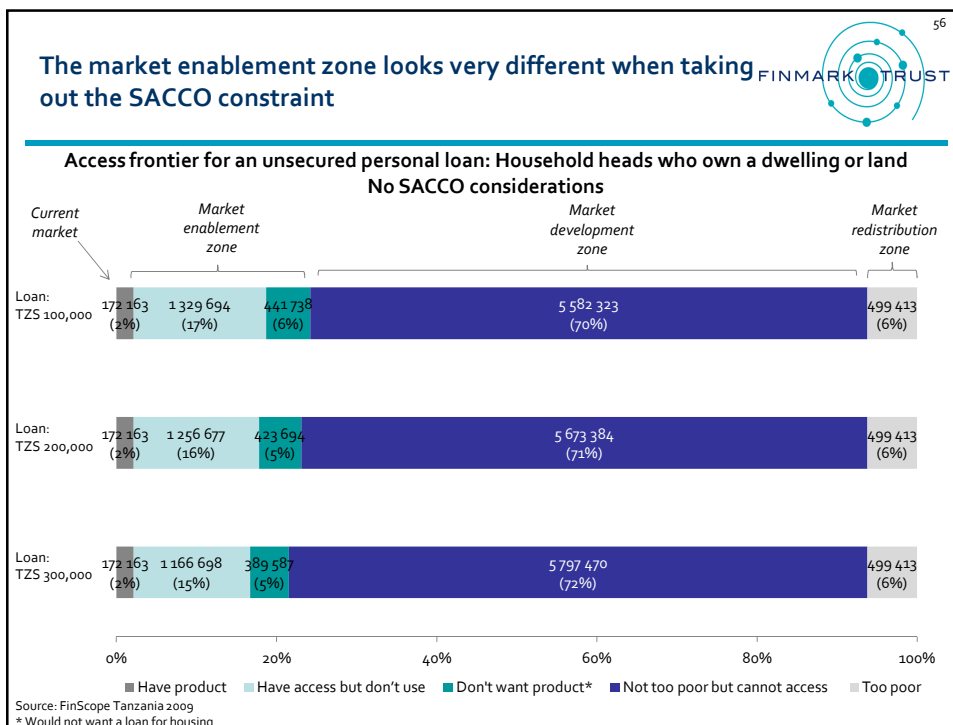
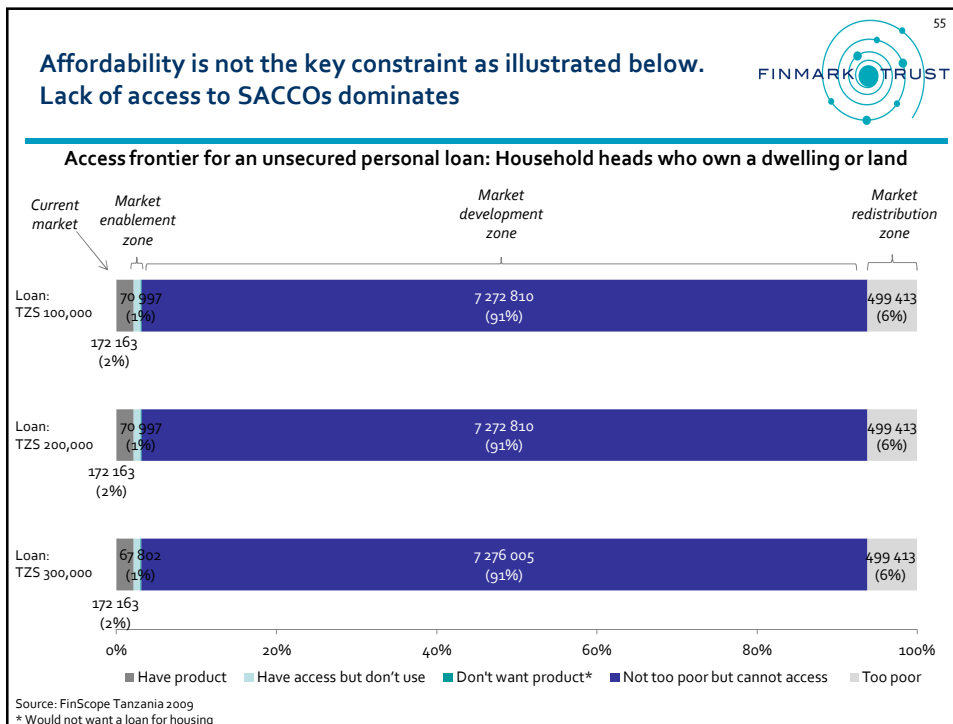
## WAT SACCO Unsecured Personal Loan overview

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<b>Product description</b>	<ul style="list-style-type: none"> <li>▪ Minimum amount is TZS 300,000; maximum is TZS 2,500,000 (US\$185 – US\$1,544)</li> <li>▪ Maximum repayment period of 2 years</li> </ul>
<b>Documents Needed</b>	<ul style="list-style-type: none"> <li>▪ Introduction letter from local authority</li> <li>▪ Proof of income</li> <li>▪ Proof of housing needed</li> <li>▪ Voters Card</li> </ul>
<b>Other Requirements</b>	<ul style="list-style-type: none"> <li>▪ Must have an account with WAT SACCOs (need to earn at least \$6 per day for new construction loans but not for upgrading loans) with at least 2 months savings history</li> <li>▪ Housing support services are compulsory if borrowing for housing</li> <li>▪ Must be over 18 years</li> <li>▪ Income must be received at least monthly</li> <li>▪ Must be economically active</li> </ul>
<b>Costs</b>	<ul style="list-style-type: none"> <li>▪ Interest 18% pa</li> <li>▪ A loan application fee of 1% is charged at the start</li> <li>▪ 1% loan insurance fee is charged at the start</li> <li>▪ 4%-5% fee for upgrading or new construction; 10%+ for green field development charged at the start</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>▪ Applications can be done in the Kinondoni or Mwenge branches in Dar es Salaam</li> <li>▪ Forms are available in Kiswahili</li> <li>▪ The repayments are on 5<sup>th</sup> day of every month and are taken directly from the client's savings account with WAT SACCOs</li> <li>▪ Personal loans not advertised widely, rather just through existing clients and one-to-one</li> </ul>

Note: Exchange rate correct as at 31/8/2011

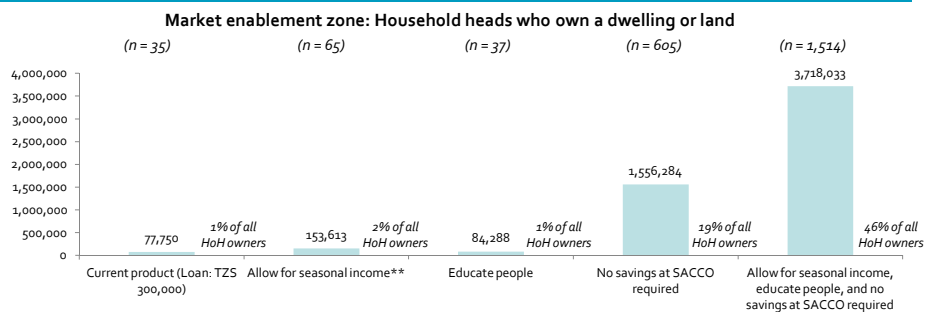




**Changing the parameters with regards to income regularity, awareness and banking with a SACCO, we can increase the number of households who fall into the market enablement zone**



57



Would not want a loan for housing*	13%	11%	17%	25%	25%
Urban	37%	22%	37%	33%	20%
"You hate owing money to anyone"	75%	87%	77%	76%	80%
Permanent dwelling	66%	59%	69%	49%	32%

Source: FinScope Tanzania 2009  
 \* The exact question was "If housing loans products were available would you be interested in such products?"  
 \*\* Income can be received daily, weekly, monthly, or seasonally



58

**Thank you**

Making financial markets work for the poor