HOUSING

Mortgage financier restructures products amid costly credit

Changes will involve expanding the income bracket to have more Kenyans eligible for mortgage loans.

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State-owned mortgage financier, Kenya Mortgage Refinance Company (KMRC) has revealed plans to restructure its products in the wake of the shifting economic conditions that have made credit costly for current and potential homeowners.

The changes will involve expanding the income bracket to have more Kenyans eligible for mortgage loans.

This is as the refinancing company seeks to spur up the uptake of units following the implementation of the housing levy.

While the critical details of these changes are still under wraps, KMRC Chief Executive Johnstone Oltetia said discussions are underway with financial partners and once they are done, they will be communicated to stakeholders.

"We are currently having those discussions in the view that we are going to change and that means we will increase the number of people who will come to benefit from KMRC. Once we do that, we will communicate to primary lenders and borrowers," said Mr Oltetia.

Mr Oltetia, who was addressing attendees at the just concluded KMRC Affordable Housing Conference 2023 held at a Mombasa hotel, said the changes will see more financial partners onboard the KMRC programme.

Funding programme

KMRC now has 20 banks and saccos that lend to end customers at a single-digit courtesy of the refinancing.

The annual Affordable Housing Conference saw the attendance of several players in the sector among them banks.

This year's theme was: *Affordable Housing for Economic Transformation and Social Inclusion.*

"We are aware many Kenyans have asked their banks and Saccos who are not members of KMRC to see how they can join the funding programme. This is an issue we have picked and considering keenly," said Director General Budget and Fiscal Economic Affairs at the National Treasury Albert Mwenda.

He represented National Treasury and Economic Planning Cabinet Secretary Prof Njuguna Ndung'u at the event.

Mr Mwenda noted that finding opportunities for low-income segments to gain access to housing is a critical issue which needs innovative financial solutions. He added that KMRC is working on piloting a risk-sharing facility to derisk borrowers deemed risky by banks and saccos due to the nature of their income.

KMRC boss said while a lot has been done on the demand side of affordable housing, not much has happened on the supply side. He cited the housing levy as a solution for the supply side of housing as it will help with construction and potentially laying the required horizontal infrastructure that would later attract investors. "We believe there will be more units coming up that would qualify for KMRC financing," he said.

Mr Oltetia said KMRC is looking into increasing its cope of lending while also expanding or refining the variety of products that it offers.

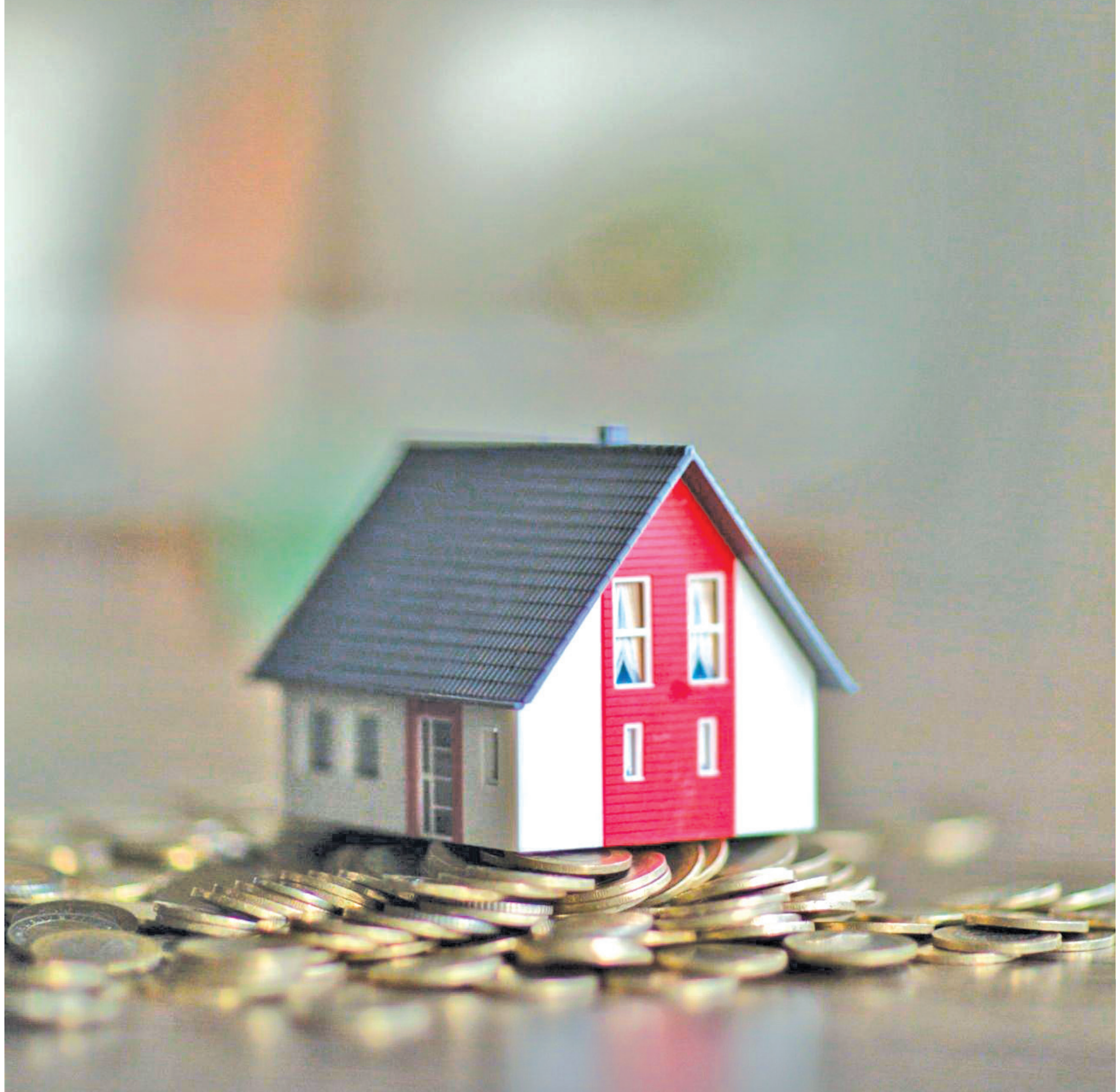
"I think I alluded earlier to the macroeconomic challenges that make it difficult for people to borrow. We are going to tweak our products to make it possible for people to take up these loans," said the MD.

He said this will potentially expand partnering banks and saccos while also addressing the existing challenge of distribution between market rate and affordable housing mortgages.

There is also the possibility of increasing the maximum amounts of income segments.

Referencing the Bank Supervision Report published May 2023 which recorded 27,786 mortgages as of December 2022, Mr Mwenda described this as low when compared to the housing deficit in the country.

State Department for Housing and Urban Development documents that Kenya has a deficit of 200,000 units annually with the ability to provide just 50,000 units.



20 THE NUMBER banks and saccos that lend to end customers at a single-digit courtesy of the refinancing by KMRC.

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Decent housing

Of these, almost one per cent can be categorised as affordable housing with the rest being sold at market rate mortgages or cash buyers.

"The reason why uptake of mortgage is low is partly because we have not been able to sustain supply of decent housing which can then serve whatever demand that might be there," said Mr Mwenda.

He acknowledged the innovations that KMRC seeks to introduce noting that when interest rates change upwards, it not only affects the ability of current borrowers to pay but also sends fears of foreclosure.

"The problem is not that one isolated event. The problem is when that message gets to the market, mortgage facilities are viewed as risky. It discourages potential homeowners," he said.

Mr Mwenda noted that as the supply side is being fixed by delivering units to the market, it is important to ensure that there is predictability in the demand side in terms of cost of credit.

"The essence of housing levy is to ensure when the developer finishes work, the government can guarantee uptake. Housing levy addresses supply while KMRC does the same for demand," he said.