Habitat for Humanity®

Terwilliger Center for Innovation in Shelter

In partnership with

mastercard foundation

Building Assets, Unlocking Access: Shelter Solutions for the Poor

Whom are we reaching?

A snapshot of housing microfinance client trends and profiles

Building Assets, Unlocking Access: Shelter Solutions for the Poor

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Acknowledgments

Habitat for Humanity would like to thank our valued partner the Mastercard Foundation for its continued support of Building Assets, Unlocking Access: Shelter Solutions for the Poor and for its contributions to this publication.

About the Mastercard Foundation

The Mastercard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the world's largest independent foundations, its work is guided by its mission to advance learning and promote financial inclusion in order to alleviate poverty. Based in Toronto, Canada, the Mastercard Foundation established its independence after being created by Mastercard in 2006. For more information, please visit **mastercardfdn.org** or follow @MastercardFdn on Twitter.

About the partnership

Habitat for Humanity Canada, Habitat for Humanity International and the Mastercard Foundation partnered to implement a six-year "Building Assets, Unlocking Access" project in Africa. This project is carried out by Habitat for Humanity's Terwilliger Center for Innovation in Shelter, and provides technical assistance to six leading financial institutions in Uganda and Kenya to develop housing microfinance products and nonfinancial support services for people living on less than US$5 per day. The aim is to enable these people to secure adequate and affordable housing and improve their living conditions.

About Habitat for Humanity International

Driven by the vision that everyone needs a decent place to live, Habitat for Humanity began in 1976 as a grassroots effort on a community farm in southern Georgia. The Christian housing organization has since grown to become a leading global nonprofit working in more than 70 countries. Habitat for Humanity operates in 12 countries in Sub-Saharan Africa through a number of housing initiatives. It has witnessed a growing demand for financial services that address housing needs among microfinance institutions and clients. To learn more, donate or volunteer, visit **habitat.org**.

About the Terwilliger Center for Innovation in Shelter

This project is implemented by Habitat for Humanity's Terwilliger Center for Innovation in Shelter. Habitat established the Terwilliger Center to work with housing market systems by supporting local firms and expanding innovative and client-responsive services, products and financing so that households can improve their shelter more effectively and efficiently. Habitat can have exponentially more impact by improving systems that make better housing possible for millions more families. Market development stays true to Habitat for Humanity's original principles of self-help and sustainability by focusing on improving systems that enable families to achieve affordable shelter without needing ongoing direct support.

About the financial institutions of the project

We want to acknowledge the contributions made by the financial institutions of this project. Their level of engagement, not only during the process of developing and refining the housing microfinance products but also in understanding the impact of the products at the household level, has made possible the systematic collection of information needed to understand the client's profiles and to know how these clients describe in their own words the impact of these products in their lives.

This document was produced by Habitat for Humanity's Terwilliger Center for Innovation in Shelter.

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The housing challenge for low-income households in Africa

Housing is often proclaimed to be one of the "big three" priorities for low-income households around the world, along with food and primary education.[1] The global population living in substandard housing is 1.6 billion and climbing, especially as the world becomes more urban.[2] According to the United Nations' Sustainable Development Goals, half of the global population – 3.5 billion people – currently lives in cities, and 828 million people live in slums.[3] This rapid urbanization has fed housing deficits and fostered substandard living conditions. The International Finance Corp. estimates that "more than 1 billion low-income people – 1 out of every 7 people – currently live in slums that often lack basic infrastructure such as water and sanitation."[4] In Sub-Saharan Africa, substandard housing affects both urban and rural areas where households build semipermanent or permanent houses incrementally using little household resources. In rural areas of Kenya, for example (see Box 1), 82.5 percent of residents live in their own houses, but a large proportion of these dwellings are considered substandard by UN-HABITAT.[5] Many households build one- or two-room houses made of local materials, such as mud, thatch, poles and corrugated iron sheets, and work on improvements and extension of their homes as their situation gets better. In urban areas, strict building codes and requirements make even the cheapest houses that can be acquired through mortgage financing very difficult for low-income borrowers to access. Therefore, in urban areas as in rural areas, many households work on the improvement and extension of their homes first to obtain the minimum standards in size and quality, and later work to incorporate changes in household size to obtain income from their investment in the house.[6]

Box 1: Some housing indicators in Kenya

Type of structure

- 35 percent live in one-room houses.
- 27 percent live in two-room houses.
- 22.4 percent live in three-room houses.

Materials used in construction

- 54 percent are constructed using mud and wood.
- 73 percent have floors made up of mud or earth.
- 73 percent of roofs are constructed of corrugated iron sheets.
- 14.8 percent still use grass roofing.

Source: Kenya National Household Budget Survey 2015

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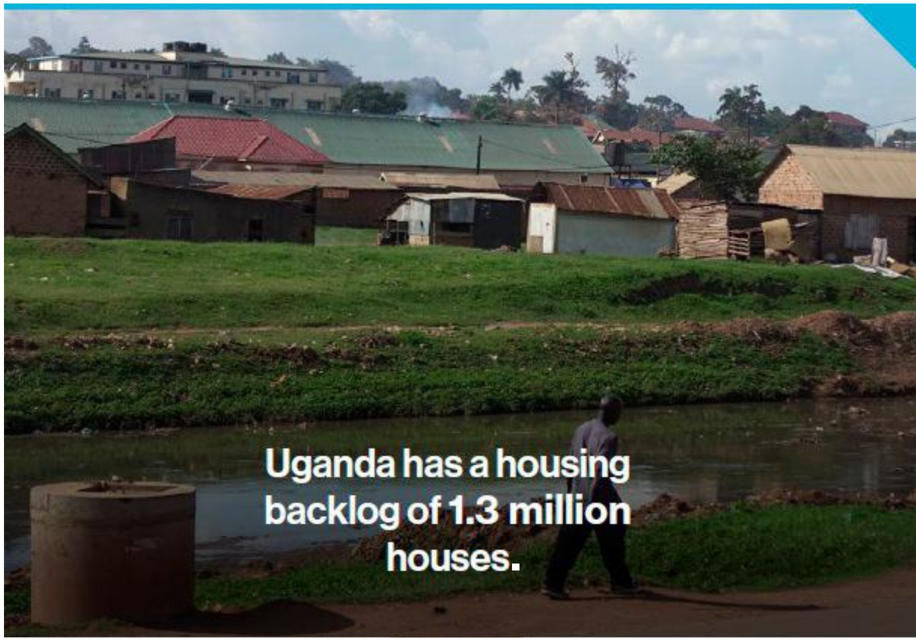
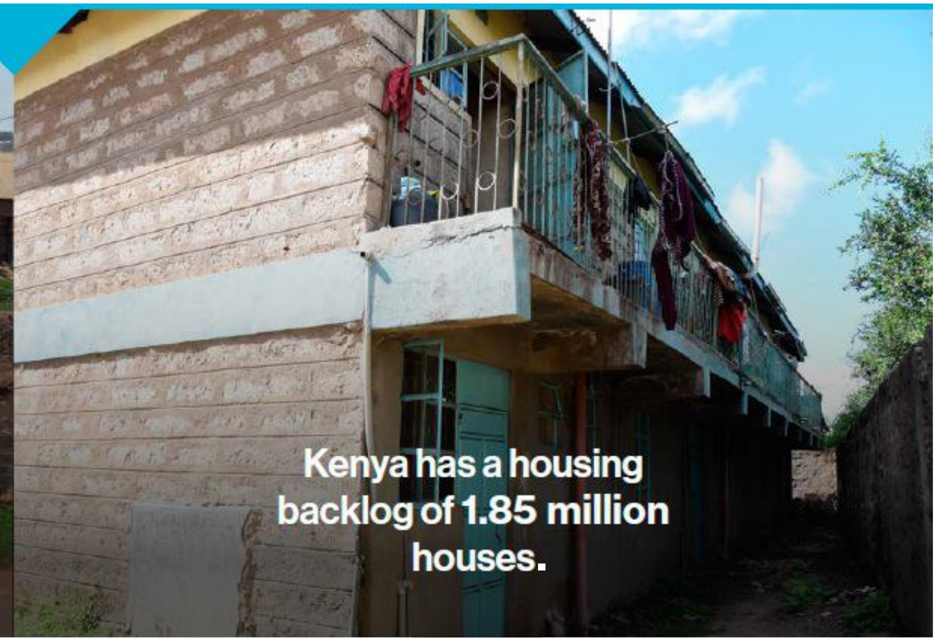
[1] Jan Maes and Larry Reed. *State of the Microcredit Summit Campaign Report*, Microcredit Summit Campaign, 2012.
[2] Woetzel, et al. *A Blueprint for Addressing the Global Affordable Housing Challenge*. McKinsey Global Institute. October 2014. mckinsey.com/global-themes/urbanization/tackling-the-worlds-affordable-housing-challenge.
[3] United Nations, "Goal 11: Make Cities Inclusive, Safe, Resilient and Sustainable." *U.N. Sustainable Development Goals*. un.org/sustainabledevelopment/cities/.
[4] Stein, Peer, and James Scriven. *Capturing Our Impact: IFC Housing Finance – Multiplying Impacts*. International Finance Corp., World Bank Group. December 2013.
[5] Kenya National Household Budget Survey, 2015.
[6] Taken from *Housing Microfinance Product Development: A Handbook*, Terwilliger Center for Innovation in Shelter, 2015.

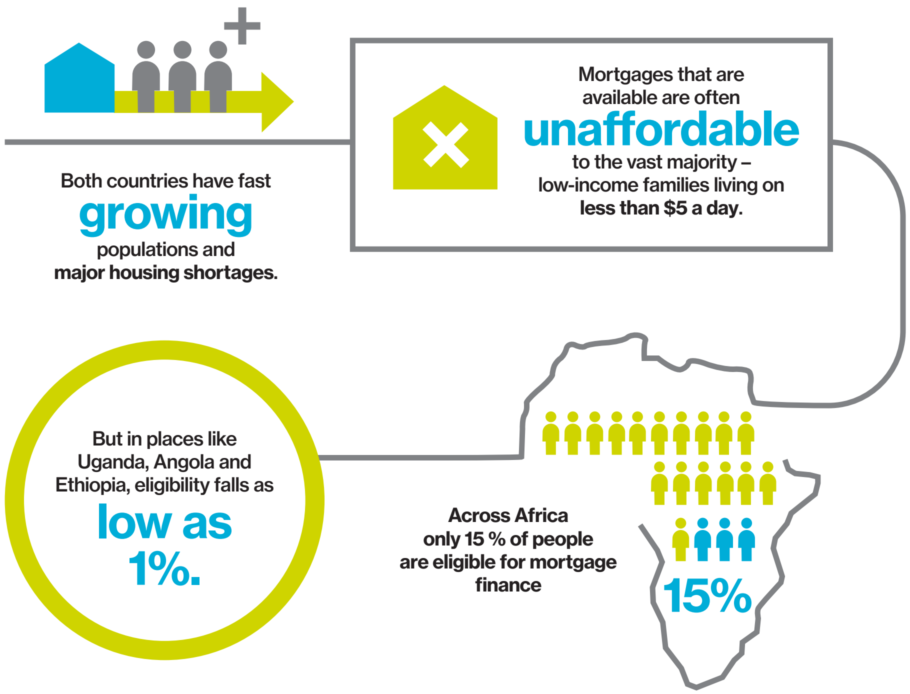




The housing deficit — paired with the shortage of affordable financing for housing — is acute in Sub-Saharan Africa. In Kenya, for instance, there is a backlog of 1.85 million houses, and in Uganda the backlog is 1.3 million units.

Banks generally reject or ignore the financing of low-cost shelter, as the perceived risks and costs outweigh benefits. This problem is further accentuated by ambiguous property rights and legal precedents that constrain conventional ways of financing shelter. Thus, mortgage markets in the region remain small, providing access to only a small, elite segment of the population. Indeed, research commissioned by the FinMark Trust into housing finance sectors in various African countries has found that, at best, 15 percent of local populations are eligible for mortgage finance, and this is before housing affordability is considered. Some staggeringly low penetration rates for mortgage markets prevail in Africa: 2 percent of households in Angola, 1 percent in Uganda, 4 percent in Ethiopia, and a mere 0.02 percent of households in Rwanda.[7]

[7] Kihato, Michael. (2012) *Scoping the Demand for Housing Microfinance in Africa*, Annex C.



As a result, poor (and even middle-class) households in pursuit of better shelter are often driven into the informal financial sector.

Meanwhile, the microfinance sector continues to grow between 10 and 15 percent globally. According to MIX, the number of borrowers worldwide grew by 16 percent to 130 million in 2014-15. Microfinance markets in Sub-Saharan Africa are on average expected to register growth of 15-20 percent in the upcoming years.[8]

However, fewer financial institutions have ventured into adding differentiated housing microfinance products, with very small portfolios, representing less than 1 percent of overall microfinance institution portfolios in the region (MIXMarket.org). Some other financial institutions continue to shy away from investing in the affordable housing segment. Their reasons include a lack of technical expertise in developing housing microfinance products, which includes not only the loan appraisal but also understanding the nature of the loan and the conditions that should be accounted within the processes and procedures to originate the loan so that it accomplishes the purpose of supporting a client through a series of loans to incrementally improve their home conditions (as shown in the graphic below).

[8] Responsibility Investments AG (2016) Microfinance Market Outlook.

Building Assets, Unlocking Access: Shelter Solutions for the Poor

The Sub-Saharan Africa housing deficit and the failure by the financial sector to respond to it were at the core of the partnership between Habitat for Humanity and the Mastercard Foundation to implement the six-year "Building Assets, Unlocking Access" project. The project provides technical assistance to six leading financial institutions in Uganda and Kenya to develop housing microfinance products and nonfinancial support services for people living on less than US$5 per day.

The project, which started in 2012, is well in synchrony with the 11th Sustainable Development Goal,[9] which seeks to have sustainable cities and communities. It is expected, also, that the finance markets will be incentivized through the results of the project to add differentiated housing finance products and services, and to provide funding toward low-income housing, targeted at the base of the pyramid, as a viable market opportunity.

Over the last five years, the project has provided technical assistance to Kenya Women Microfinance Bank, or KWFT; Centenary Bank; Opportunity Bank, or OBUL; Pride Microfinance Limited; Stima SACCO; and Kenya Commercial Bank to develop housing microfinance products targeted at low-income households incrementally building and improving their home conditions. The methodological approach used by Habitat's Terwilliger Center[10] involves a comprehensive housing market systems assessment and market research study, followed by the design of housing microfinance product prototypes, aligned to the needs, preferences and capacities of both the clients and the institutions. Each institution developed a dedicated housing microfinance product; and each institution is at a different stage of the implementation of the product. Box 2 contains a sample of the main characteristics of one of the housing microfinance prototypes designed with the financial institutions.

Box 2: Building Assets, Unlocking Access: Summary of housing microfinance prototypes

Attribute	Description
Target population	• New and existing clients. • Individual or group borrowers. • Self-employed or salaried. • Clients with homes and/or plots of land in rural and peri-urban areas.
Product descriptions	• A housing microfinance loan, with nonfinancial housing support services to be used to incrementally build, improve, renovate, repair and extend houses. The housing support services include *fundis* supporting clients in material and cost estimations and providing advice on material quality and selection.
Target income levels	• $50-$500 per month.
Age of borrower	• 18 years and above.
Loan amount	• $50-$15,000.
Loan term	• 12–60 months.
Pricing	• 20-22 percent per annum.
Requirements	• Copy of identification, consent form from spouse, verifiable business, proof of ownership or occupancy (e.g., sales agreement, chattels, etc.).
Collateral	• Co-guarantee mechanism for borrowers in groups. • Pledges of assets. • Chattels.

[9] undp.org/content/undp/en/home/sustainable-development-goals.html.
[10] For more information on Habitat's Terwilliger Center, please visit habitat.org/tcis.

Theory of change for impact

The theory of change that drives this project aims to address the constraints the target population faces to increasing their assets and improving their conditions of life, by enabling access to low-income households to financial services linked to demand-driven nonfinancial services that address land tenure and other shelter service needs. This project builds the capacity of local financial institutions already serving the poor to diversify their products so that they include viable housing microfinance products and services that can be delivered at scale according to the needs, capacities and preferences of the target population. Demand-driven products will be taken up by the target market, enabling the acquisition of improved shelter and the accumulation of durable shelter assets, and, as a consequence, improve their quality of life (as shown in the graphic on page 13).

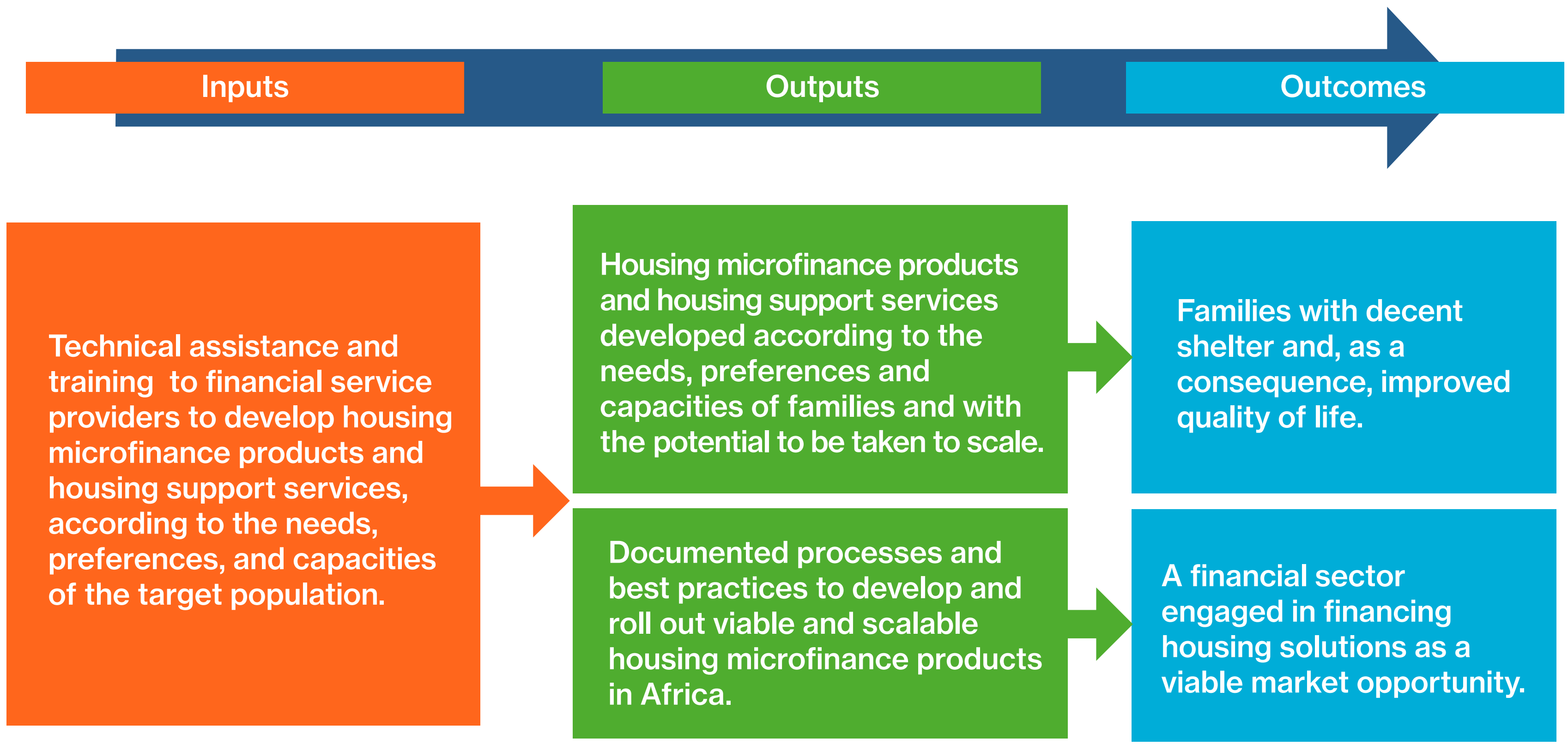
As of June 30, 2017, over 42,000 low-income customers had accessed housing microfinance loans with a total value of over US$33 million, resulting in a direct impact on over 210,000 individuals since the inception of the project. This is already a huge success for the project's attempt to build a market for housing microfinance in Sub-Saharan Africa to help reduce the housing backlog. The project's initial goal was to reach 17,000 households.

Nonetheless, what is the impact beyond unlocking access for low-income households to improve their shelter conditions? In Africa, as in other continents, a house, apart from being one of the most important assets a family can acquire, is considered a conduit of hospitality and a lens to social standing, and has been linked to positive changes in health, education, safety, economic opportunities, social status, and even one's sense of happiness.[11]

This publication is the preamble of a series of publications that will be produced during the last year of project implementation, which will focus on understanding if, and to what extent, access to affordable housing and other nonfinancial, demand-driven services supports low-income households in improving their quality of life. The first part of this publication portrays some overall characteristics and/or trends of housing microfinance clients on socioeconomic and demographic information; the second part focuses on types of home improvements, those involved in the process of carrying out the home improvement, land tenure, and financing. The last part showcases the faces behind the loans, telling us about their experience of improving their home conditions, and how the housing microfinance products have supported them and impacted their quality of life.

[11] Terwilliger Center for Innovation in Shelter (2016). *The 2015-16 State of Housing Microfinance: A Review of the Housing Microfinance Practice around the Globe*, page 31.

Theory of change for impact



1 Who are the housing microfinance clients?

Figure 1: Housing microfinance clients' profiles

SOCIOECONOMIC

AGE RANGE
Most clients
36-50 years old

0 — 80

MAIN LIVELIHOOD STRATEGIES

Trade

Farming

Salaried employment

INCOME
39% make less than $5 per day

0 — $5 per day

37.3% make less than $10 per day

0 — $10 per day

HOUSEHOLD OCCUPANTS
3-5 occupants
some cases > 5

EDUCATION
1-2 children enrolled in school

LAND TENURE/SECURITY

- **Over 50%** of the clients have land sales agreements for land ownership, followed in frequency by title deeds. A smaller number have letters from the local authorities, while **very few** have a certificate of land ownership.
- **Over 50%** are confident that they cannot lose their properties.
- **The most common length of time** clients have lived on their land is **1-5 years**, followed by **6-10 years**, **11-15 years** and **25 years** or more.
- **61%** of households live in permanent houses, and **19%** in temporary houses. **12%** had temporary roofs, **26%** had temporary floors, and **11%** had temporary walls.

HOUSING CONDITIONS AND IMPROVEMENTS

- **Slightly less than 50%** of clients have access to electricity sources, including solar, though the majority of clients still do not have access to electricity.
- **A majority** of households had improvements done in the last **3 years**, including improvements made to **floors (22%)** or **roofs (20%)**, **new builds (19%)**, and installation of **latrines (9%)**.
- **Most clients** had cost estimates done by local artisans; a small percentage had them done by friends.
- **Over half of the clients (60%)** had additional funds for house improvement from personal savings. **14%** of funds came from other sources, **6%** came from **family members**, and **5%** came from financial institutions.
- **Clients reported** that additional funds received would be used to improve **roofs (36%)** and **floors (13%)** and to construct **new structures (8%)**.

In examining the socioeconomic characteristics, there is little – not to say no – difference between overall microfinance clients and housing microfinance clients. This makes sense, considering that the housing microfinance product, in the majority of cases, has been extended first to existing clients of the financial service providers, and has been offered to new clients only afterward. However, there are some characteristics that financial institutions should consider to enhance the housing product offering and to reach new market segments not typically served by traditional microfinance products.

In the following section, we share some key characteristics and trends of housing microfinance clients, based on 252 interviewed individuals who applied and were approved for a housing microfinance loan. These interviews are part of the ongoing monitoring system implemented by Habitat's Terwilliger Center for Innovation in Shelter, which will be used in conjunction with impact evaluations and further research to understand the impact of housing microfinance portfolios in improving the quality of life of low-income households. These trends are in line, as well, with the general characteristics of potential housing microfinance clients who were identified during the market research phase of the project conducted with the financial service providers in Uganda and Kenya.[12]

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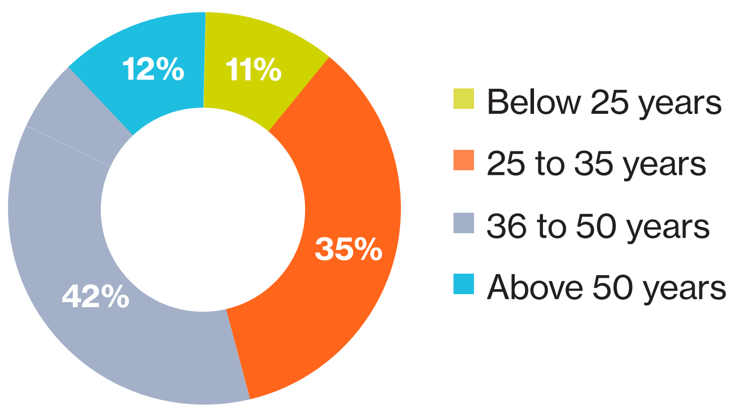
[12] This information can be found within the document titled *Whom Are We Reaching? A Comparison of Demographic Findings in Market Research and Preliminary Information on Housing Microfinance Client Profiles*, which can be accessed at habitat.org/impact/our-work/terwilliger-center-innovation-in-shelter/shelter-solutions-for-people-in-sub-saharan-africa.

Client age

Based on the profiles of the 252 clients who were surveyed before receiving their housing microfinance loan, it was found that the majority of them are mature, economically active adults between 36 and 50 years old, as seen in Figure 2. Given the varied age of the housing microfinance clients, financial service providers can segment their markets, provide various types of products that meet the clients' needs at specific life cycles, and develop strong relationships that last decades as younger clients grow and continue to improve existing houses or construct new ones.

Figure 2: Age of housing microfinance clients

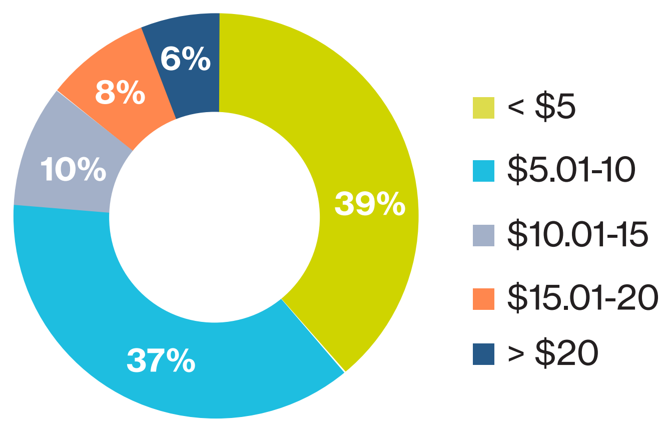


Client income

One of the core targets of the Building Assets, Unlocking Access project was to serve low-income households, specifically those earning US$5 or less per day. Although the collected data provide us with some key insights, it is important to recognize that the data represent only a small sample (252 clients, or less than 1 percent of those being reached by the financial institutions to date) and must be understood therefore as only a rough proxy. Further surveys and field assessments would increase our understanding of clients' income levels and socioeconomic status.

Clients reported their incomes in local currency units (Ugandan or Kenyan shillings, respectively). In order to conduct an overall evaluation, these figures were converted to U.S. dollars, using both official exchange rates and PPP conversion factors.[13] Figure 3 reflects average daily income of clients converted from local currency units to U.S. dollars using the average of the official exchange rates for the first quarter of 2017. This conversion then concludes that 38.5 percent of clients fall within the project's targeted income segment of US$5 or less per day. An additional 37.3 percent fall beneath an income level of US$10 per day. It should be noted that at least one community reflected higher client incomes, which could be reflective of a higher socioeconomic status in the overall community.

Figure 3: Average daily income of housing microfinance clients (local currency units to dollar, first-quarter 2017 exchange rates)

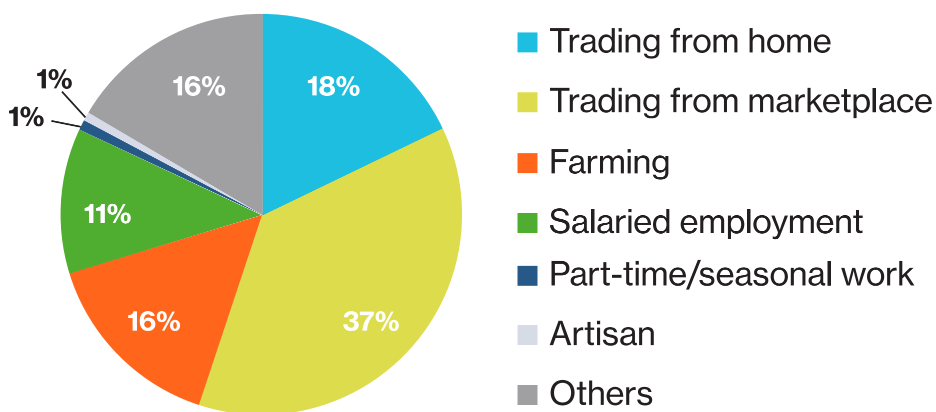


[13] Figures for official nominal exchange rates (2012, 2015, 2016) and PPP conversion factors (GDP) were taken from World Bank. Official exchange rates for first-quarter 2017 were taken from Bank of Uganda and the Central Bank of Kenya, respectively.

Client income-generating activities

As seen in Figure 4, trading is the primary income-generating activity of 55 percent of clients, followed by farming (16 percent), seasonal part-time employment (16 percent) and salaried employment (11 percent). Microfinance institutions such as KWFT, Opportunity Bank and Pride Microfinance have a tradition of lending to borrowers with trading activities, so the proportion of clients dedicated to trading activities, whether from home or trade centers, is not surprising, and in fact represents the majority of microfinance clients. Repayments for housing microfinance loans come mainly from these sources of income. However, a global trend must be considered when lending for housing, which is the fact that low-income earners who cannot access financing for housing present a market niche among salaried workers that can be reached through this product.

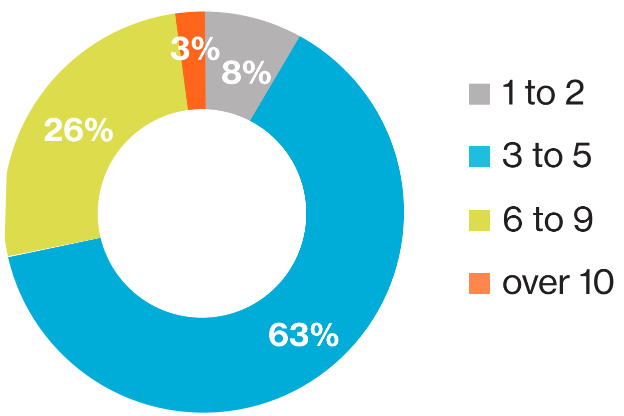
Figure 4: Income-generating activities of housing microfinance clients



Client household size

More than half of households (63 percent) have three to five members (as seen in Figure 5), including the client, a smaller range than the one identified during the market research phase (five people for Kenya, and six to eight for Uganda). Only 29 percent of the households have more than five members. Among rural low-income households, a larger household may diversify income risk and increase repayment capacity because of increased options for income-generation sources, but smaller households may allow for more direct impact on the individuals in the households.

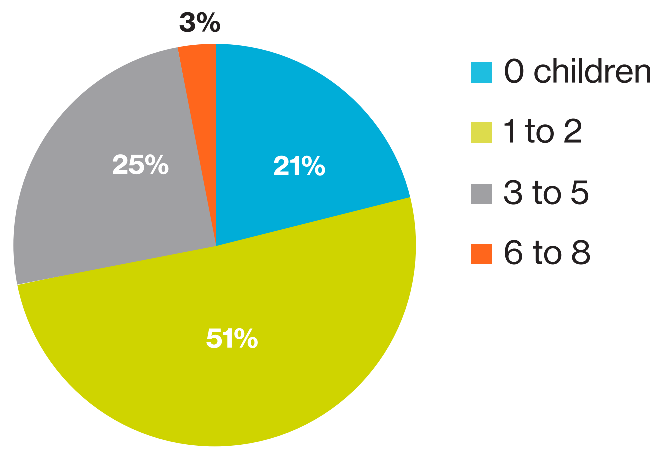
Figure 5: Household size



Enrollment of clients' children in school

Seventy-nine percent of the housing microfinance clients interviewed have children currently enrolled in school. The majority (51 percent) have one to two children enrolled, which correlates with recent studies conducted by FinAccess in which education is confirmed as continuing to be a main priority among Kenyans and Ugandans. The 2016 FinAccess Household Survey found education to be the second leading reason for taking credit in Kenya,[14] while in Uganda, the 2013 FinScope study found education to be the main driver of borrowing by its population.[15] Because of the free or universal primary education policy of the governments in both Kenya and Uganda, enrollment in primary schools is considerably higher than that of secondary schools. However, because of the generally poor quality of education in public primary schools, clients use some of the credit they receive to enroll their children in better private schools.

Figure 6: Children enrolled in school



[14] Central Bank of Kenya, Kenya National Bureau of Statistics & FSD Kenya. *The 2016 FinAccess Household Survey on Financial Inclusion*. Nairobi, Kenya: FSD Kenya. 2016. fsdkenya.org/publication/finaccess2016/.
[15] FinScope Uganda. *FinScope III Survey 2013 Findings*. November 2013. bou.or.ug/opencms/bou/bou-downloads/Financial_Inclusion/Finscope-Report-2013.pdf.

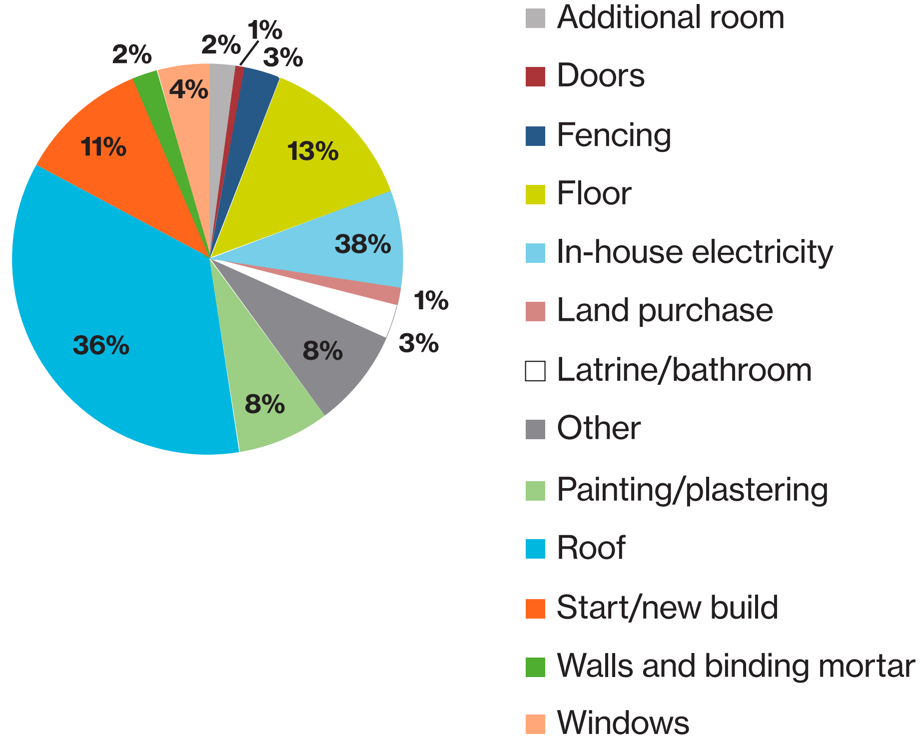

MMI
KIBOKO MABATI

2 What are the housing conditions of the housing microfinance clients served by the BAUA project?

Types of home improvements and the construction process

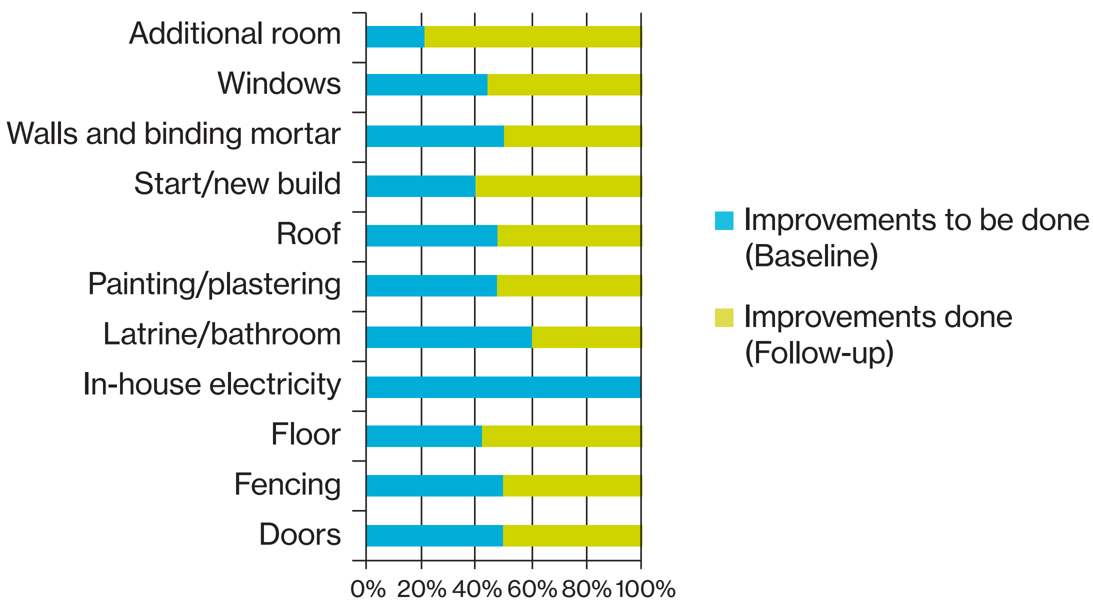
For the majority of the developing world, the predominant pattern for building and upgrading homes is progressive – by means of small, incremental stages in accordance with a household's priorities and financing abilities. In addition, the type of housing among low-income households generally differs by location, type of materials available for building, and wealth ranking. Feasibility studies done at the beginning of the project showed a disparity in the type of housing in rural and urban areas of Kenya and Uganda, highly dependent on the availability of stones, bricks and timber for walling and of grass, iron sheets or tiles for roofing. Data from the survey show that 61 percent of the households lived in houses constructed with temporary materials such as earth, poles, mud and corrugated iron sheets, requiring frequent improvements and an upgrade to more permanent materials. The survey also found that at least 75 percent of clients had made some repairs or improvements to their houses in the past three years, mainly to their roof (36 percent) or floors (13 percent), but also commonly through the addition of a room (11 percent), as seen in Figure 7.

Figure 7. Types of home improvements during last three years.



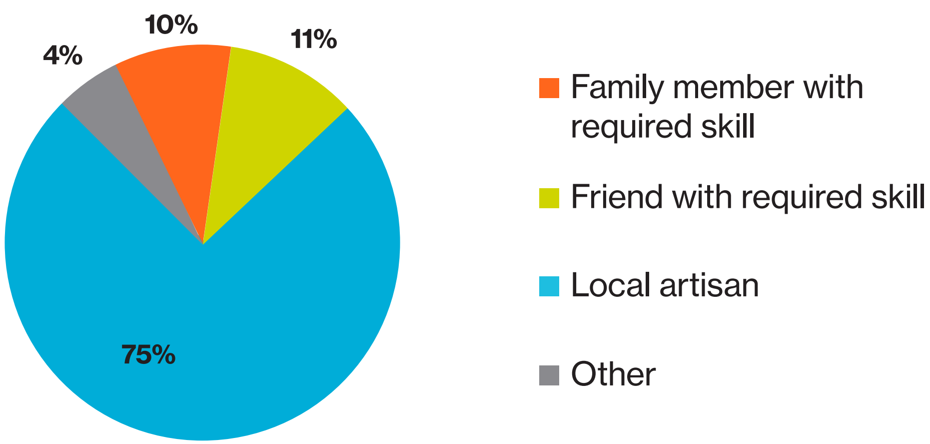
Follow-up visits conducted with 37 clients have shown that though clients did not express high interest in starting a new build or adding a room, 78 percent of the clients who were visited after they invested the loan added a room, and at least 40 percent have invested in starting a new build (as shown in Figure 8). It is early to draw any conclusion, but perhaps having a product dedicated toward housing is unlocking a door for low-income earners to expand their dwellings and continue expanding their income-generation activities, most of which are hosted from their homes. It also may be allowing people who have owned pieces of land to start the construction process.

Figure 8. Home improvements, intended vs. actual



Most clients who conducted home improvements in the three years preceding their housing microfinance loans (77 percent) had their cost estimates done by local artisans, or *fundis*, while 11 percent had this done by friends. Generally, 94 percent of clients believed that the people who carried out the home improvements had the right skills. Findings from the baseline survey of 252 clients shows that in 75 percent of the cases a local artisan is the person doing the home improvement, followed by a friend with required skills (11 percent) or a family member with the required skills (10 percent), as shown in Figure 9. This finding is not conclusive but could be considered. Within the project, a program to enhance the capacity of artisans – who will continue being preferred by the clients – to carry out the home improvements has been implemented in Kenya and Uganda, with the hope of enhancing the quality of construction that will provide low-income families with a safe home.[16]

Figure 9. Person completing the home improvement



[16] More information on the artisanal training can be found at habitat.org/impact/our-work/terwilliger-center-innovation-in-shelter/shelter-solutions-for-people-in-sub-saharan-africa.

Access to utility connections

Fifty percent of the 252 surveyed clients have access to electricity, including solar panels, while 40 percent had no electricity, and the others did not respond. Additional data collected from 63 clients of KWFT shows that 60 percent had electricity: 41 percent through solar panels and 19 percent connected through regular power grid. The high usage of solar among KWFT clients may be attributed to the solar loan product, which falls within the basket of housing loans the institution currently offers. In Uganda, 25 Pride clients (51 percent) and 24 clients from OBUL (60 percent) had electricity. In terms of water, 85 percent of all clients had access within 500 meters of their dwellings. The sources were piped water (47 percent), borehole (18 percent) and dug well (16 percent). The main sources of fuel for cooking in the households included charcoal (46 percent) and wood (28 percent), with gas and kerosene at 10 percent and 9 percent usage, respectively. These findings could be considered, as in the case of KWFT, to find opportunities to have very targeted housing-related products that can enhance overall shelter conditions.

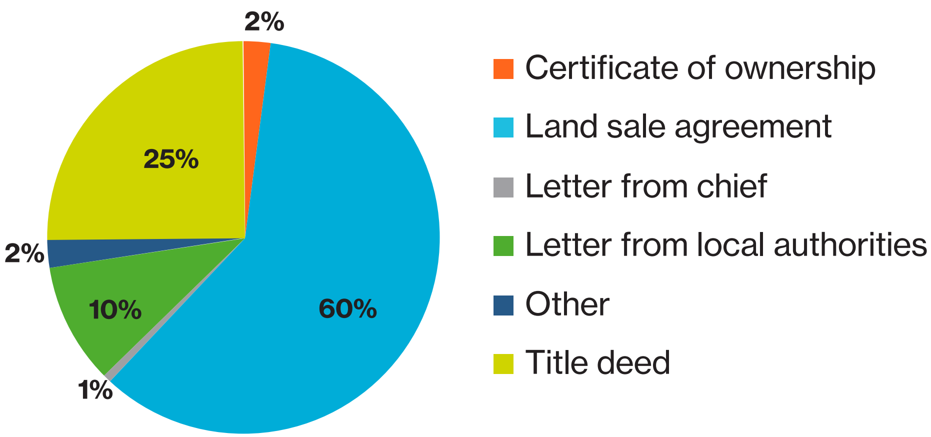
Land and home ownership documents

Land tenure is frequently understood in binary terms: formal/informal, legal/extralegal, secure/insecure, de facto/de jure. However, in practice, a wide and complex spectrum of appropriate, legitimate tenure arrangements exists between these extremities. These can be documented as well as undocumented, formal as well as informal, for individuals as well as for groups, including pastoralists and residents of slums and other settlements, which may be legal or extralegal. The extent of the actual security of such arrangements depends on local regulatory, institutional and governance contexts. Most housing microfinance lenders place great importance on clients' having an established place of residence, security of occupancy and, for certain sizes of loans, security of tenure. In urban areas, the least secure form is a sales agreement and the most secure is a freehold title, followed by a leasehold title. However, in rural areas, lower levels of documentation seem to provide sufficient security, and sales agreements are an acceptable form.

The data collected from the clients show that land sales agreements are the main document that the majority of clients (60 percent) have to prove their ownership of the land they are building or making their home improvements on, followed by land titles (25 percent), letter from local authorities (10 percent) and certificate of land ownership (2 percent), as seen in Figure 10.

Even with the least secure tenure documents, such as letters from chiefs and certificates of ownership, 63 percent are confident that they will not be evicted because they have been living in these properties for a long time. Thirty-eight percent of the clients have lived in the land between one and five years, while 20

Figure 10. Type of land ownership documentation

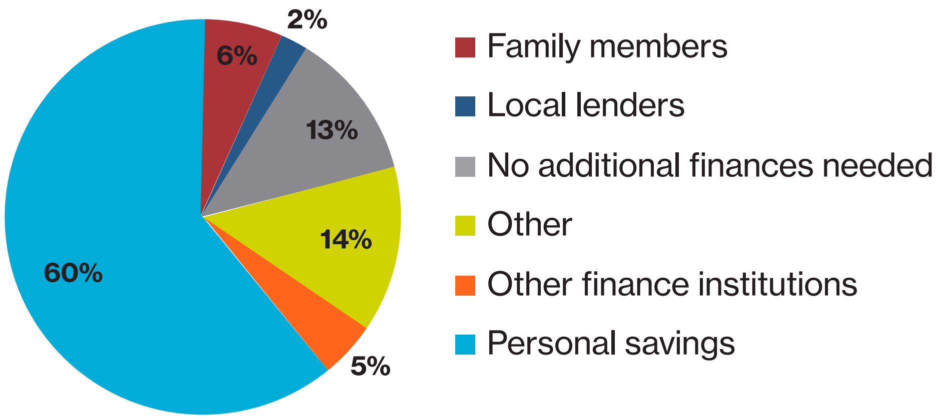


percent have lived there between six and 10 years, 17 percent have occupied the land 11 to 15 years, and 14 percent have been there more than 25 years. Further research will be conducted on this matter to help us continue exploring some theories Habitat's Terwilliger Center has regarding home improvements and increased tenure security, in addition to acknowledging the need for better government land registration systems. One idea is that when a household invests in immovable assets such as housing, it is more likely to want to obtain greater rights of tenure. Consequently, households may be more willing to seek secure tenure improvements when they are improving their homes. An alternative theory suggests that improving one's house may give a household greater claim through adverse possession, along with credibility to request documentation from local land rights authorities. The latter theory fits neatly with the idea that there are no binary formal and informal land rights, but rather a continuum in which households move from the informal to the formal over time, creating a possibility for financial institutions to design a product toward this specific purpose.

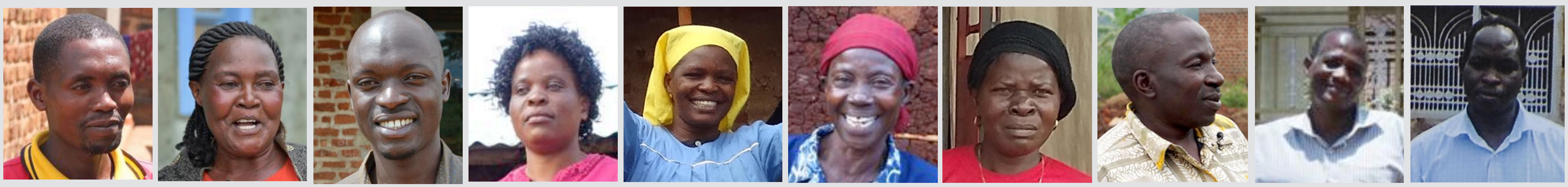
Financing of home improvements

The desire of low-income families to improve their homes frequently leads them to save in small amounts either with hardware stores, merry-go-rounds or, in fewer cases, with financial institutions. Some people buy and accumulate construction materials incrementally to prepare for construction. These materials may include bricks, sand, iron sheets, foundation stones and ballast. In most cases, by the time a family requests a housing loan, a lot of preparation has taken place and the loan goes to boost the savings of the family and speed up the progressive building process. If this is done only with a household's own resources, the construction of a house can take up to 15 years. Findings from the survey on additional funding for construction and home improvement show that 60 percent of clients have used personal savings to advance their home improvement, with 13 percent borrowing from family members (6 percent), microfinance institutions (5 percent) or local lenders (2 percent). This corroborates how not only credit but also other financial products should be considered in tandem to help low-income families create a plan that can allow them to incrementally improve their housing conditions. ■

Figure 11. Source of additional funds to complete home improvements



3 Who are the faces behind the housing microfinance loans?



So far, we have shown data that profile housing microfinance clients. The following pages will showcase real stories and experiences of housing microfinance clients, along with the support this loan has given them – beyond the home improvement – to improve their quality of life.

Faces behind the housing microfinance loans

Asiimwe

Uganda, Centenary Bank client

Asiimwe was born in Kabale, a city in the Western region of Uganda. As a young adult, he left home to go to work at a seminary in a small city. He stayed there for four years but then decided to move to Kampala, where he met Olivia, his wife, and they decided to form a family together.

Asiimwe and Olivia ended up in Wakisu, 30 kilometers away from Kampala. He started selling things along the road, and later he started to sell newspapers.

The couple rented a small room, and after a while their first son, Paul, was born there.

After four months, Paul became sick, so they took him to the hospital and found out that he was born with sickle cell anemia. Asiimwe and Olivia started treating Paul with local herbs, but it was quite costly. "We had to take him often to the hospital for treatment," Asiimwe says. "The money was always tight, and we spent a lot on rent."

Asiimwe decided he wanted to have a house where he and his family could stay without having to pay rent. He did not know that a bank could lend him money to buy land; instead, he used the savings in an account he opened under the encouragement of a priest.

Once the land was purchased, Asiimwe found it difficult to save enough money to build even a simple house. His second son, Patrick, also suffers from sickle cell anemia, and that encouraged Asiimwe even more to find an alternative way to ensure his family could feel the comfort of being in their own home.

He was saving bit by bit and managed to build a brick structure. But then his children needed treatment. "We had to use money for doctors," he says. "We could not move into our house, because it was not finished."

That's when he heard that people were borrowing money from Centenary Bank. Asiimwe met the bank manager in Wakisu, told him that he had a house, and asked if he could help him acquire a simple loan. The manager told him about a recently launched product that could help him finance his house construction, which by that time had reached the beam level. So Asiimwe took a loan of 2.3 million Ugandan shillings (equivalent to US$690) from Centenary Bank, and used it to purchase roofing, windows and doors. "It was good since it allowed me to finish off my house and move in with the family."

The loan is for 24 months. He took it in September 2016 and will finish in September 2018 with monthly repayments of 122,754 Ugandan shillings (equivalent to US$35) a month.

When Asiimwe finishes repaying this loan, he plans to try to earn more money, add it to savings, get a new loan, and build a bigger house. "I don't want to stay in a small house," he says. "I want to expand it."

He feels that by accessing the housing microfinance loan from Centenary Bank, he won a lot. Not only does he not have to rent anymore, but he also can focus on looking after his kids. "I knew I couldn't rent and look after my kids," he says. "I simply couldn't afford both, so now I had taken care of one of these issues and could focus on the other. I don't think I would even be here without the loan. Without it, life would still be bad. I would still be lagging behind."

Faces behind the housing microfinance loans

Jane

Kenya, Kenya Women Microfinance Bank client

Jane has three grown children. When they were born, she lived on her father's property in Mwanza, where she stayed for 15 years. But then her father married again, and her stepmother wanted everyone to move off the land. Her brothers were also not happy that she was paying for the education of her daughters. They said that since she had money to pay for this, she should also have money to buy her own land.

Jane had to move into a rented room close to the shopping center in Machakos, which is 63 kilometers southeast of Nairobi, Kenya's capital.

At that time, she had a small business that consisted of operating the canteen at a school and selling seeds. In 2009, Jane joined the Kenya Women Microfinance Bank, or KWFT, and took out a loan for 200,000 Kenyan shillings (about US$1,940) for her business.

In 2013, 1½ years after leaving her father's house, she took out a second loan from KWFT – 150,000 Kenyan shillings, or US$1,454 – to buy a small plot of land. "I prayed to God to give me my own piece of land so that I can leave town and stop renting," she says.

After she got the land and had saved some money, she heard of the new Nyumba smart loan that KWFT was offering for home construction and home improvements. She applied for a loan of 200,000 Kenyan shillings in 2015 and used it to start building her home. She had her own *fundi*, a local worker, who gave her a plan and a budget. "I used this guy to help with the construction and also put a lot of my own time to supervise all the work," she says. In May 2016, her house was complete and she moved in.

Now that she is in her own house, she plans to continue developing her business so that she can repay the loan. She plans to buy a cow to add to the chicken she already raises.

She says she has learned that when "you take a loan, you need to have a plan. If it is for business, make sure you've started small so that you add onto it. If it is for a house, let it be seen that it is for a house; you need to plan the construction and the whole process."

She feels very happy because she can see what she paid for. She remembers that she could not believe how quickly she got the loan to start building her house. As soon as she was told the money was in her account, she instructed the *fundi* to begin looking for the materials. They sourced the materials from different places, taking ballast, bricks and other items. The work started the following day. "We started building, and everyone was shocked, saying: 'How did she start building so fast and where did she get this money?' I built the house quickly, telling the *fundi* that by this date I will have moved into the house even though it wasn't complete."

When she finishes paying the loan, she plans to apply for another loan to finish the house.

Jane says the biggest benefit of her home is that she now feels like a strong woman. All of her children are married now, and her in-laws were not coming to her previous home. That gave her motivation to work harder, and "sure enough," she says, "they saw that this woman has worked very hard. I told them that this house has been made possible by KWFT and the loans. I am very happy, so I would urge banks to give women more loans to allow them to build themselves, as well as to educate them more on housing microfinance."

Faces behind the housing microfinance loans

Umar

Uganda, Centenary Bank client

Umar, 26, is married and has a 2-year-old son. He has a diploma in agriculture and works with a nongovernmental organization in Iganga.

Some years ago, he and his wife purchased land and built a three-bedroom house up to the window level. Though the home was incomplete, he moved in while continuing construction, leaving his wife and son with his mother until the house is complete.

Umar took out a loan from Centenary Bank with only the land sales agreement as collateral. His desire was to complete the walls and put the roof on his house. He took out an initial loan for US$853, which he used to buy timber and iron sheets for roofing, and he used his salary to contribute to the labor costs needed to complete the roof. In December 2015, only seven months into the repayment of the first loan, he took out a second loan, a CenteHome loan, of US$1,376 to buy doors and windows.

When he received the CenteHome loan, he was given a template with instructions on how to price certain items, so he priced out the cost of materials on a piece of paper. "I forgot and ignored some small things like labor and transport, to be included as part of the costs," he admits, "so the template was a useful reminder for myself." His uncle, an electrician, gave him a copy of the plan and supervised the bulk of the building.

His next goals are to bring his wife and son to the home and get a new loan to plaster the house, and to connect to utilities like electricity and water. He also plans to buy another piece of land next to his house and construct rental houses to boost his family's income.

So far, he feels that he has accomplished the dream of having his own house, where he, his wife and his son can be established.

Faces behind the housing microfinance loans

Risper

Kenya, Kenya Women Microfinance Bank client

Risper is married and lives with her husband, Jacob; their six children, ages 6-16; and a grandchild of her husband and his first wife.

She trades dry fish at Uriri Center, 10 kilometers from home. It is not a seasonal trade, but the highest income typically occurs in August and December. Risper makes about US$65 per month or US$2.17 per day. Her husband grows sugar cane, bringing home about US$200 per month, which he uses to support multiple wives.

Risper and her family used to live in a three-room mud house. The house was very small for her family. Some of the children were too old to stay in the confined quarters with their parents and the smaller children, so they lived in the compound's kitchen, separate from the main house.

Risper and her husband wanted to build a new brick house that would be large enough for all six children. This dream drove them to secure a housing loan that KWFT used to offer so that they could acquire materials for the new construction, beginning with the foundation.

After repaying the loan, Risper did not apply for new loans. But when she heard about the Nyumba Smart Loan, she approached KWFT to apply. She and Jacob agreed to put his expected income from sugar cane sales up as collateral for the loan. They requested US$4,000, but qualified for only a US$2,000 loan to be repaid in 24 months.

The business development officer from KWFT helped Risper align her desire for a new home with what she could afford. "It was smaller to what I originally expected, but aligned to what I could afford," Risper says.

Risper and Jacob, after putting together a plan for completing their home, worked with a *fundi* to design and build the new home around the old one. The two houses share a roof and a brick wall on one side. Once completed, the new home will have a sitting room, two bedrooms, a veranda and an outside kitchen. With the current loan, they have built the house up to lintel level. Risper's income went to the loan, while Jacob's was used to purchase materials needed to complete the roof.

Risper finished paying the loan in May 2017. Now she is requesting another loan to complete construction, which includes tiling the floors and installing a water purifier, a water tank, and a fence wall around the house to deter animals.

The primary motivation for the new house was to provide a better place for Risper's children to stay, but it also has had an effect on her standing in the community. It is a source of pride for her, and she says it has earned her respect. In her words: "I have moved forward. My class has gone up."

Faces behind the housing microfinance loans

Pamela

Kenya, Kenya Women Microfinance Bank client

Pamela, 40, is the third wife of Joseph, and together they have seven children – four daughters and three sons – between 2 and 17 years old. Pamela and her children live in a compound shared with Joseph's two eldest wives and their children, in a predominantly rural area 15 kilometers from the nearest town, Awendo. Like many in Awendo, Pamela is a small-scale farmer, primarily growing maize, which she sells to schools.

While Joseph's two elder wives had semipermanent residences of their own, Pamela and her children resided in a three-room mud house with one bedroom, a sitting room and a store. A kitchen and bathroom were separate from the main house, and another mud house on the compound provided shelter for extended relatives.

Pamela dreamed of a home that could safely and comfortably accommodate her seven children, husband and guests. Her children's health was a primary concern, as the dust of the mud house often caused them to be sick. The confined space provided little privacy for her and her husband, and it could not accommodate relatives or other visitors, such as her church group. Family inter-reliance underpins community culture in Awendo, so the inability to "appropriately" host relatives weighed heavily on Pamela. As Joseph was retired from his motorcycle business and had two other wives to support, she had to find ways to improve the dwelling on her own.

Pamela tried to improve her house by plastering it with local mud, but she found it difficult to get the right type of mud for the continual repairs. After a while, she decided to take out a small-business loan that enabled her to increase revenue generation and begin to acquire building materials. Once that loan was repaid, she took out another one to purchase a water tank that will replace the single spout that had served as the family's sole water source. Next, she joined a financial literacy training class at KFWT that enabled her to meet like-minded women and participate in KWFT's group lending program. Through this program, she continued to improve her maize business and invest in her home, eventually laying the foundation and adding brick walls.

When Pamela learned about the Nyumba Smart Loan, fellow members of her lending group ridiculed her for considering it, but Pamela paid off her business loan and pursued the opportunity. She used the loan to invest in window grills and to purchase iron sheets and a tree for use in constructing a new roof – essential for providing the home with adequate security.

Today, Pamela has a three-bedroom brick home with room for all her children to run, space to host church groups and extended family members, and a space to store her husband's motorcycle.

Upon completion of her current loan, Pamela intends to apply for a top-up loan to continue improving her home, which includes installing electricity (either through solar power or by connecting to the national grid), purchasing a sofa set and a cupboard, and opening another business – either a trucking business or a petrol station.

Pamela says the new home has led to improved health in her children, and the extra space allows all the children to play and read inside, resulting in better performance at school. Pamela and Joseph are elated that they can now host guests. "We feel that this has increased respect for us and strengthens our relationship with the wider community," she says.

Faces behind the housing microfinance loans

Nora

Uganda, Opportunity Bank (OBUL) client

Nora, a mother of four, was widowed at a young age and left with few assets. She spent most of her life as the sole caregiver for her children, striving to ensure that they received a good education and that all their needs were met.

Her primary source of income is mixed farming activities; she has four cows and three goats and grows maize, bananas and eggplants. She sells the maize to a nearby mill, and the bananas to local vegetable sellers. Previously, she owned and operated a small hatchery of about 600 chickens, but she sold it off when it was no longer financially feasible. Her monthly income is an estimated US$50. She receives some financial support from her children, who are now grown.

Nora worked hard to buy the land where her mud house currently sits. Using her farming income, she built a temporary house with mud floors, mud-and-plaster walls, and corrugated iron sheets for the roof. The house stretches horizontally across the land and includes two bedrooms (one for herself and one for her farm laborer), a kitchen, and two rooms that were previously used as the hatchery. A lavatory is located further away on the premises, and a single tap serves as the primary source of water.

Once her children reached adulthood and were able to provide for themselves, Nora turned her focus to building a permanent home for herself. She quickly realized that it would be difficult to obtain the necessary financing because of her low income. Fortunately, Opportunity Bank had just launched its Opportunity Zimba loan, and the bank's relationship manager advised her to apply for the loan. Nora received a first loan of US$890, guaranteed by a group lending method and with a duration of two years.

With the loan, she was able to lay the foundation and construct the outer walls of her new home. Throughout the construction, she directed the *fundi* on the type of house she wanted, calling in her brother to help settle any disagreements. She conveyed an overall positive experience. After paying off the initial loan, she took a second loan of US$1,042, also with a two-year duration, with the intention of completing the house. Just then, however, another piece of land became available only a few meters away, and she chose to use the loan to purchase the additional land. Although this delayed completion of her home, Nora notes that the additional land was an important opportunity for increasing her farming revenue over the long term.

Her monthly payment on the current loan is US$27 per month, but this is offset by support from her children. One child lives in Japan and sends remittances quarterly, while two others pay her water bill and her farmhand. If money is tight, her daughter will step in and assist with her monthly payment.

Once the current loan is repaid, she plans to take out another to complete the work on her house. She also plans to add an extra bedroom and a washroom.

For additional income, Nora plans to sell two goats and a calf in the near future. By artificially inseminating her cows, she is able to sell both milk and the new calves.

Land ownership and home construction enabled through Opportunity Bank's Zimba loans have instilled a sense of pride in Nora. As she says: "As a single mother, I am most proud of the educational heights my children have obtained (all have higher-education diplomas and degrees), but I am also proud of being a landowner and, now, being able to pursue my dream of a permanent home and expanding my income-generation activities."

Faces behind the housing microfinance loans

Betty

Uganda, Centenary Bank client

Betty, 50, was once married, but left her marital home because of irreconcilable differences. She provides retail services to the nearby community and also trades sugar cane, making about US$50 per month. Betty does not have her own shop, so she stores her items in her mother's house and retrieves them when a customer places an order.

Upon leaving her marital home, Betty moved back in with her mother. This is just temporary; she has begun building her own home on land procured by her grand-parents, and where her mother was born and raised. Step by step, she has been able to build her home up to the window level, but the low income from her retail business left her unable to finish construction right away. When she heard of the CenteHome loan, she decided to apply.

She took out a US$687 CenteHome loan to complete the roofing of her home and fix doors and windows. For collateral, she put up the sales agreement for the land on which the house sits. The loan amount was not enough to complete all the home improvements, however, so she used her savings to finish the work. Her loan repayment period is 12 months, and she makes a payment of US$71 monthly. To reduce costs, she supplied the unskilled labor on the site and also cooked for the masons. She also procured some of the necessary materials, including iron sheets, cement and brick, before starting construction.

Betty plans to take out another loan in order to complete the interior work, such as adding doors.

She says that without the loan she wouldn't have accomplished all that she has so far. "I am very happy with the loan because I was able to meet my building objectives. Despite some pending interior work, I was able to move into my new home."

Faces behind the housing microfinance loans

Kafuuma

Uganda, Centenary Bank client

Kafuuma lives near Wakisu, 30 kilometers from Uganda's capital, Kampala, with his wife, Joy, and their children: Angel, Michele and Ian.

They used to live in a single room. "It was a tiny place, and there was not enough space for all of us," he says. Having his own family and his own house was always his dream, but the land he occupied in the village belonged to the entire family, so it was not possible for him to have his own house there. This motivated him to acquire his own land.

Through some savings set aside from his payment as a mason, he was able to acquire the piece of land he needed to start building his house. He started laying bricks for the home, and little by little he finished the house halfway, but then he could not afford to go on. He went to Centenary Bank to apply for his first CenteHome loan of 5 million Ugandan shillings (about US$1,390), to be paid in four months, which he used to pay workers helping him build the house up to the ring beam level.

Before moving into the house, he went back to the bank to get a second loan of 6 million Ugandan shillings (about USD$1,668) to be repaid in 12 monthly installments. Kafuuma used this loan to finish constructing the ring beam and bought materials for the windows, and the iron sheets and timber for roofing. After the roofing was done, he moved in quickly with his family to stop people from breaking into the incomplete house and stealing some construction items. The family moved in on Dec. 3, 2016.

Kafuuma has no experience in getting mortgage loans, but when he heard about the CenteHome loan from Centenary Bank, he found it was easy for him to access. "It was easy to get the loan, do all the paperwork, get the money and pay it back," he says. "It is well within my means. Perhaps I could build something without a loan, but it would have taken more time, and I still would be living somewhere and not in my house."

He has given information about the CenteHome loan product to his brother and told him that if he wanted to improve his situation, he should go to Centenary Bank, open an account and start saving. He also told a friend about the loan, who then opened an account with Centenary Bank's Wakiso Branch. His friend is currently saving toward getting a CenteHome loan. "I have tried to spread the gospel to my friends about this loan because it's been so helpful to me," Kafuuma says.

"Though the house is not yet complete," he says, "the children are happy and playing freely. There is enough space in the house for all my family members, which was not the case in the village."

Faces behind the housing microfinance loans

Kiwanuka

Uganda, Centenary Bank client

Kiwanuka is a 40-year-old father of five. He operates a small supermarket in Amayumba district and owns and operates a small-scale real estate business.

Kiwanuka was inspired to build his family a house after visiting one of his friends, a member of parliament who had a very large house. Having used his savings to purchase land in Wakiso town in 2009, he set out to build his new house. Not long into construction, Kiwanuka realized that he could not build all at once, so he decided to start small and build incrementally using his savings.

Kiwanuka has had a savings account with Centenary Bank since 2006, but in 2013, two years after his home project had stalled, he took out a home improvement loan of US$1,190, using the land sales agreement, or *kibanja*, as collateral. He used the loan to continue construction and put up the roof. In 2014, he took out a second loan of US$1,493 to plaster the house.

In October 2015, he took out his current CenteHome loan for US$4,477 with an 18-month duration, and used it for finishing the interior of the house, along with landscaping and furnishing. In total, Kiwanuka has taken out 24 million Ugandan shillings (about US$6,866) in tranches to build his house incrementally at a rate he could afford. Kiwanuka is currently paying 1.01 million Ugandan shillings (about US$301) each month. Sometimes the cash flow from his businesses is not consistent enough, which leads to late monthly installments, but he says the interest rate is quite manageable and the principal borrowing amounts are good. He is certain that he will recommend the product to his friends.

Given his limited funding and the incremental building process, he used different builders at different stages of construction. His cousin, a civil engineer, designed the house plan, and construction materials were purchased in a hardware store in the neighbouring town. Kiwanuka selected builders based on recommendations and their previous work; he would visit friends and ask them to recommend the artisans they had used to construct their homes. In his own words, “You cannot use someone unless you have seen what they have done.” The advice he received from his *fundis* was invaluable, as it led him to change the layout of his house to include a kitchen.

He is very satisfied with what he has achieved so far, as he is moving from his dusty house soon and is paying for something he can see. He has also been able to connect electricity and water in his compound.

Faces behind the housing microfinance loans

Umar
Uganda, Centenary Bank client

Umar is a 38-year-old father of three who works as a computer teacher. For years, he rented a house, but his goal was to build a house for his family. After converting from Islam to Christianity, he decided to buy a piece of land and start building a home.

Using his land sales agreement, or *kibanja*, he received a loan of US$688 to be repaid in 12 months to continue building the walls. In December 2015, he became eligible for a second loan and took up a CenteHome loan for US$1,100 for 18 months to build the house to a ring beam level.

Umar is quite satisfied with the CenteHome loan product. "I feel the duration of CenteHome loan is good for low-income borrowers, and the installments are manageable," he says.

He also is all praise for the Centenary Bank staff who have provided him with comprehensive information about his loans and construction tips. This was his first time taking out a differentiated housing loan, and he discovered that he was very naïve in construction matters. He used his friends to supervise his construction, and only later realized what he was losing in terms of quantity and cost of materials. He was not satisfied with the quality of the construction and is now fully in charge of its supervision. He has also contracted a second *fundi*, who is now developing a bill of quantity for the roofing and the remaining part of the house.

Umar is close to finishing his house and being able to move his family into their own place. "For me this is a great accomplishment," he says, "to have a place to continue raising my children, and not having to continue having a landlord."

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17-56720/TCIS/10-2017