

Defining access to housing finance in Malawi, Tanzania, Botswana, Zambia

Prepared for the FinMark Trust and the Centre
for Affordable Housing Finance in Africa by
Eighty20 Consulting

September 7 2011



The purpose of this presentation is to:

Introduce access frontiers using practical examples from Botswana, Malawi, Tanzania and Zambia

Explore potential demand for housing finance products in these four countries

Identify how the analysis could be improved or made more useful

Agenda

An introduction to access and access frontiers

Access to mortgages

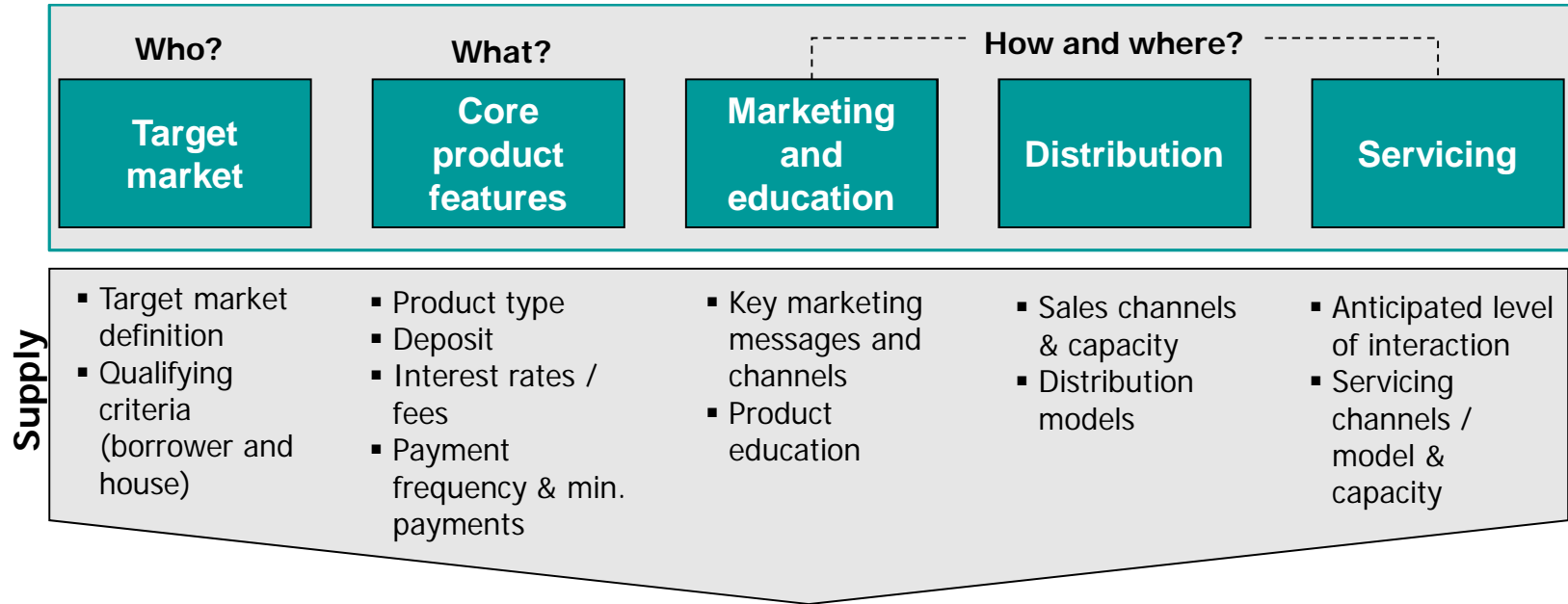
Access to unsecured housing finance

Some implications

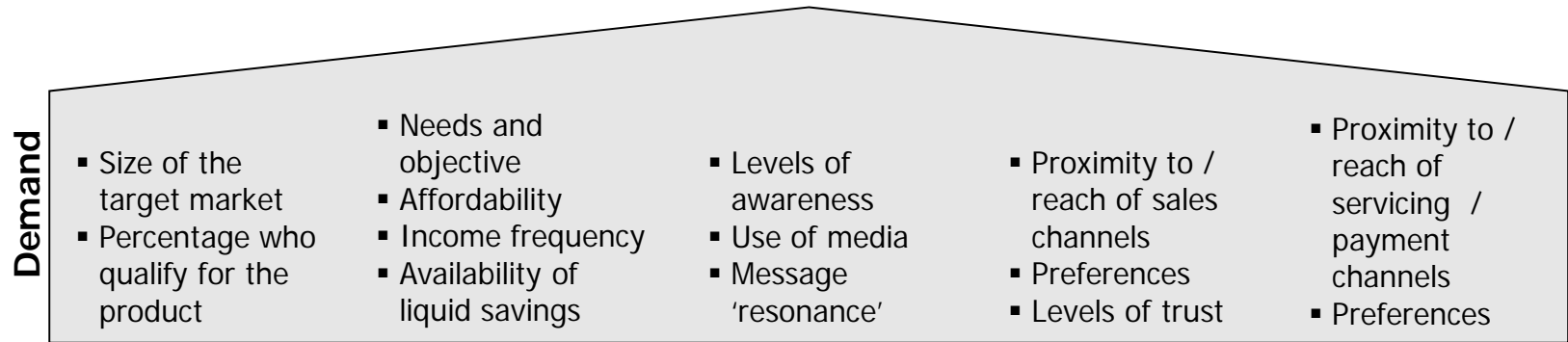


Access is not the same as usage – there may be more people who have access to a product than the number who choose to use the product. Conceptually access is the point of intersection between supply and demand

Value proposition

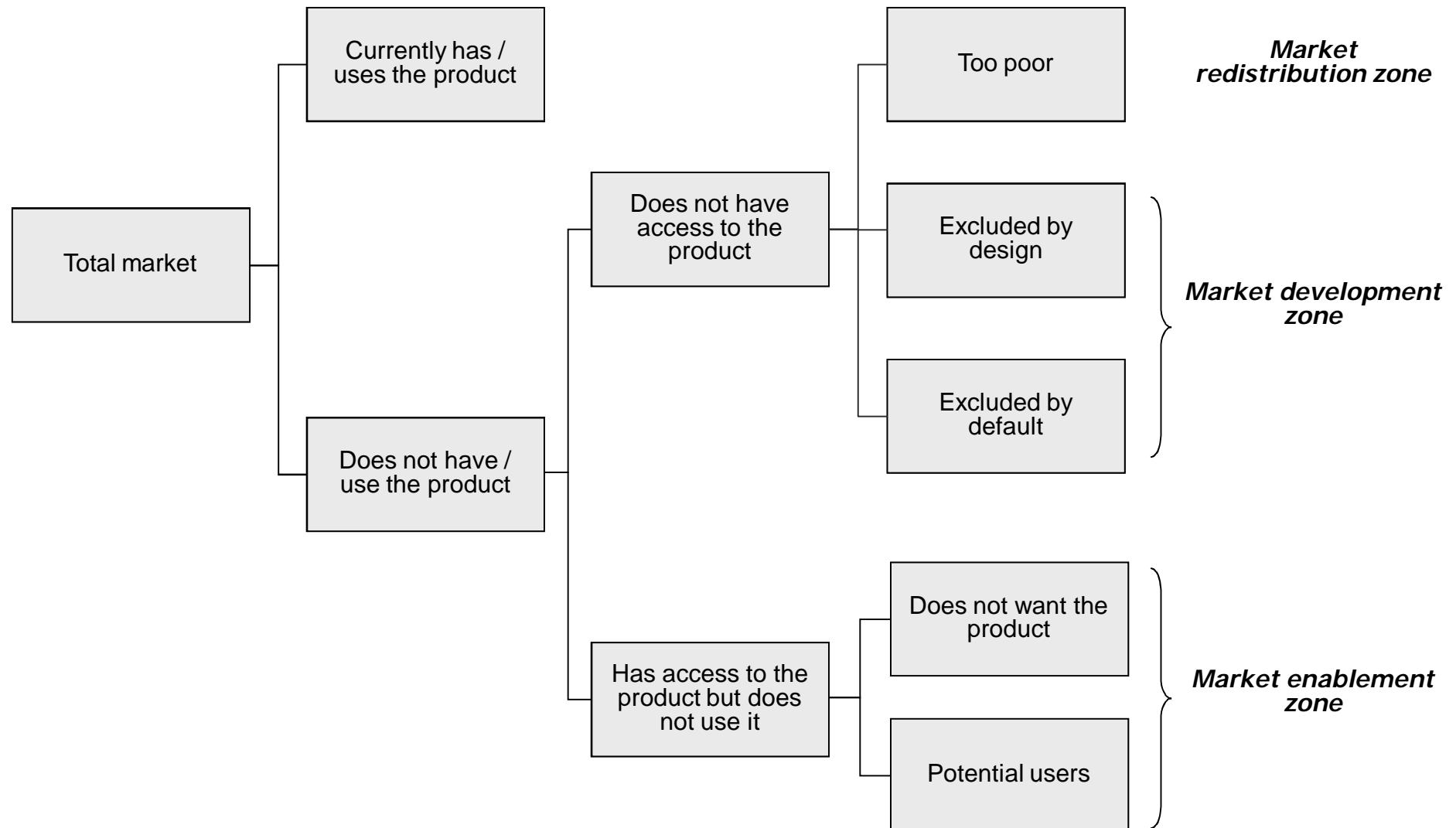


Access





Given supply and demand-side data the **Access Frontier Methodology** developed by David Porteous enables an identification and quantification of access barriers. It segments those who do not yet use a product into various market zones



Source: Based on a paper entitled "The Access Frontier as an Approach and Tool in Making Markets Work for the Poor" by David Porteous

To build an access frontier you need to start with a specific product category, and then gather fairly detailed data on the product specs



	Loan term and size / Deposit and LTV	Interest rates and fees	Qualifying criteria
Botswana (First National Bank)	<ul style="list-style-type: none"> • Min loan size: P50,000 (US\$7,315) • Avg loan size: P550,000 (US\$80,465) • Max loan term: 20 years • Minimum monthly repayment: P550 (US\$80) • Min 10% deposit • LTV aligned to different areas in the country 	<ul style="list-style-type: none"> • Interest rate: P+1% typically charged (Prime currently 11%) • Admin, legal and conveyancing fees • Repayments: Typically monthly (can be quarterly) 	<ul style="list-style-type: none"> • Borrower <ul style="list-style-type: none"> ➢ Max repayments may not exceed 40% of income ➢ Proof of income; 3 month bank statement (any); ID card; Clean account conduct / credit worthiness; Max 60 years old; Insurance • House <ul style="list-style-type: none"> ➢ Sanitation (connected to sewer line); ➢ Loan for complete or incomplete structure ➢ Loan for vacant land
Malawi (Standard Bank)	<ul style="list-style-type: none"> • Min loan size: MK1.2m (US\$ 24,000) • Max loan term: 20 years • Minimum monthly repayment: MK21,883 (US\$150) • Min 10% deposit 	<ul style="list-style-type: none"> • Interest rate: prime, currently 17.75% • Arrangement, legal, stamping and registration fees • Repayments: monthly, quarterly or biannually (in rare cases) 	<ul style="list-style-type: none"> • Borrower <ul style="list-style-type: none"> ➢ Max repayments may not exceed 35% of income ➢ Proof of income, identification and address; bank account for 6 months; Min age 18, Max age 55; • House <ul style="list-style-type: none"> ➢ Letter of offer for property; copy of title deed; building must be in a major city; insurance required ➢ No loan for construction ➢ No loan for vacant land
Tanzania (Azania Bank)	<ul style="list-style-type: none"> • Min loan size: TZS 5m (US\$3,087) • Avg loan size: TZS 200m (US\$123,495) • Max loan term: 15 years • Minimum monthly repayment: TZS 80,521 (US\$50) • Min 20% deposit 	<ul style="list-style-type: none"> • Interest rate: 18% p.a. • Loan Arrangement fee, Loan Administration fee • Repayments: Not necessarily monthly (but income must be "regular, reliable, sustainable and sufficient to service the loan") 	<ul style="list-style-type: none"> • Borrower <ul style="list-style-type: none"> ➢ Max repayments may not exceed two thirds of income (67%) ➢ Proof of income; Voters Card; Good credit history; Min age 18, Max age 60; Insurance • House <ul style="list-style-type: none"> ➢ Building permit; Arch. Drawing; Bills of Quantities; Title Deed; Valuation Report; Purchase agreement; No specification for sanitation/building materials; ➢ No loan for vacant land
Zambia (Barclays)	<ul style="list-style-type: none"> • Min loan size: K80m (US\$16,100) • Max loan term: 10 years • Minimum monthly repayment: K1.5m (US\$300) • Min 20% deposit 	<ul style="list-style-type: none"> • Interest rate: 19%-22% • 1% arrangement fee • Repayments: monthly only 	<ul style="list-style-type: none"> • Borrower <ul style="list-style-type: none"> ➢ Max repayments may not exceed 50% of income ➢ 3 months payslips; copy of NRC; 6 months bank statements; confirmation of employment; max 55 years; min 21 years • House <ul style="list-style-type: none"> ➢ Certificate for sale; copy of title deed; must be in area with Barclays presence; insurance required ➢ No loan for construction ➢ No loan for vacant land

Product details: Unsecured personal loan

	Loan term and size	Interest rates and fees	Borrower qualifying criteria
Botswana	<i>No product data available</i>		
Malawi (Standard Bank)	<ul style="list-style-type: none"> • Min loan size: MK 35 000 (US\$ 230) • Max term: 5 years 	<ul style="list-style-type: none"> • Interest rate: between prime +2% and prime + 6.5% • 1% fee is charged • Repayments: monthly 	<ul style="list-style-type: none"> • Proof of income, identification and address • Letter of introduction from employer • Max 55 years of age • Bank account for at least 6 months • Maximum repayments may not exceed 30% of income • Monthly income • Clean account conduct
Tanzania (WAT SACCO)	<ul style="list-style-type: none"> • Min loan size: TZS 300,000; max loan size: TZS 2.5m (US\$ 185-1,544) • Max term: 2 years 	<ul style="list-style-type: none"> • Interest rate: 18% p.a. • Loan application fee of 1% and loan insurance fee of 1% charged at inception • 4%-5% fee for upgrading or new construction; 10%+ for green field development charged at inception 	<ul style="list-style-type: none"> • Account with WAT SACCO (need to earn at least \$6 per day for new construction loans but not for upgrading loans) with at least 2 months savings history • Minimum age 18 • Income received at least monthly; economically active • Proof of income • Proof of housing, including a site visit and liaising with guarantors • Voters Card • Max repayments may not exceed 40% of income
Zambia (Habitat for Humanity)	<ul style="list-style-type: none"> • Min loan size: K3m (US\$600) • Max loan size: K12m (US\$2400) • Max term: 5 years 	<ul style="list-style-type: none"> • Interest rate: based on market price of cement • Repayments: monthly • Application fee and administrative costs 	<ul style="list-style-type: none"> • Letter of recommendation from community leaders • Last payslip or letter from employer • Minimum 18 years of age • Willing and able to help neighbours with their houses • Copy of NRC

On the demand side, survey data provides insight into the characteristics of the market

Botswana 2009

- Nationally representative survey of adults
- Focus on financial products usage patterns, attitudes and perceptions
- People surveyed: Adults 18+
- Dates in field: March to May 2009
- Total weighted: 993 854
- Total observations: 1 400

Malawi 2008

- Nationally representative survey of adults
- Focus on financial products usage patterns, attitudes and perceptions
- People surveyed: Adults 18+
- Dates in field: November to December 2008 (Main harvest: April to August)
- Total weighted: 6 053 146
- Total observations: 4 993

Tanzania 2009

- Nationally representative survey of adults
- Focus on financial products usage patterns, attitudes and perceptions
- People surveyed: Adults 16+
- Dates in field: May to July 2009 (Coffee harvest: November to February)
- Total weighted: 21 170 454
- Total observations: 7 680

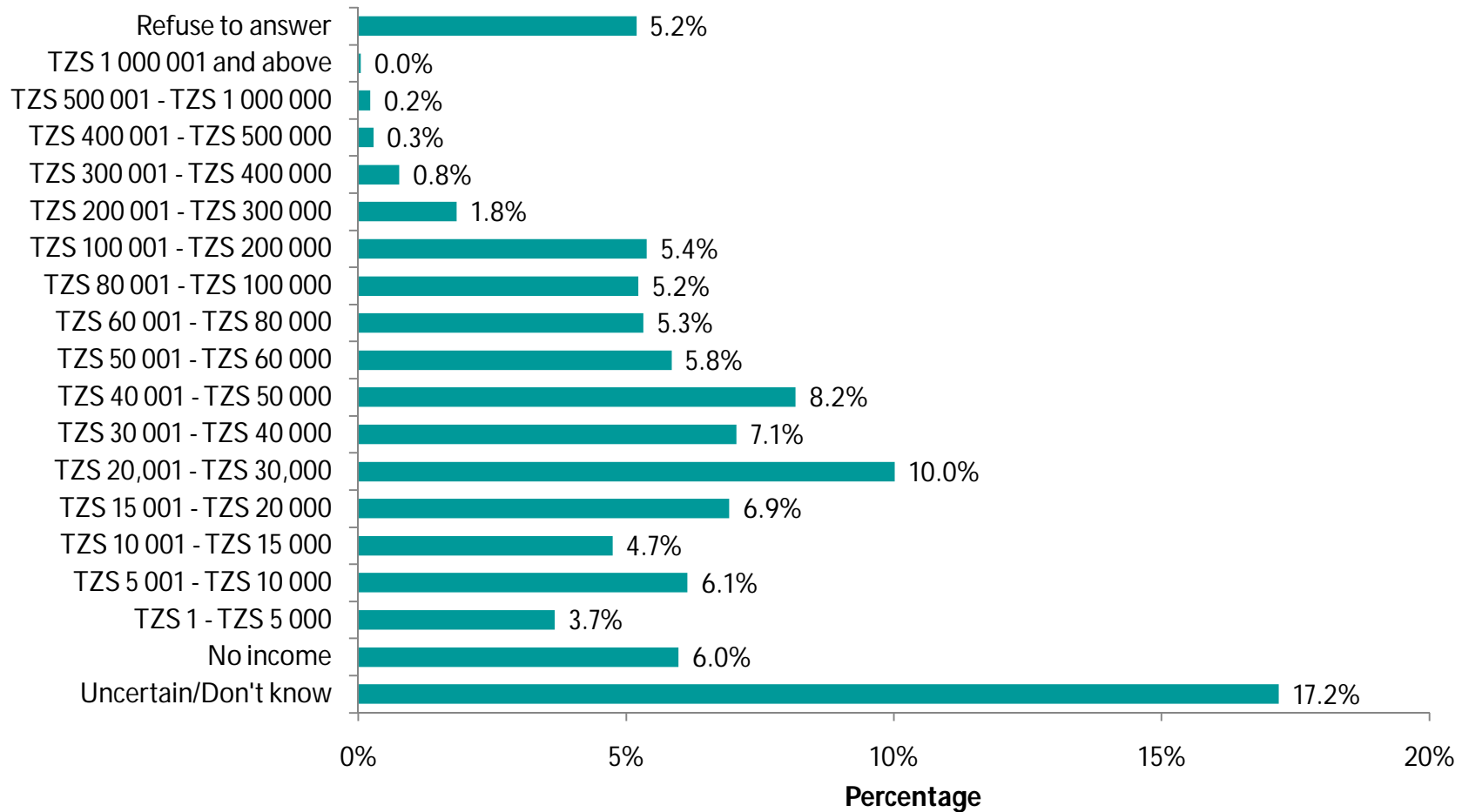
Zambia 2009

- Nationally representative survey of adults
- Focus on financial products usage patterns, attitudes and perceptions
- People surveyed: Adults 16+
- Dates in field: November to December 2009 (Main harvest: April to June)
- Total weighted: 6 387 885
- Total observations: 4 000

FinScope provides data to profile the market. According to FinScope Tanzania 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



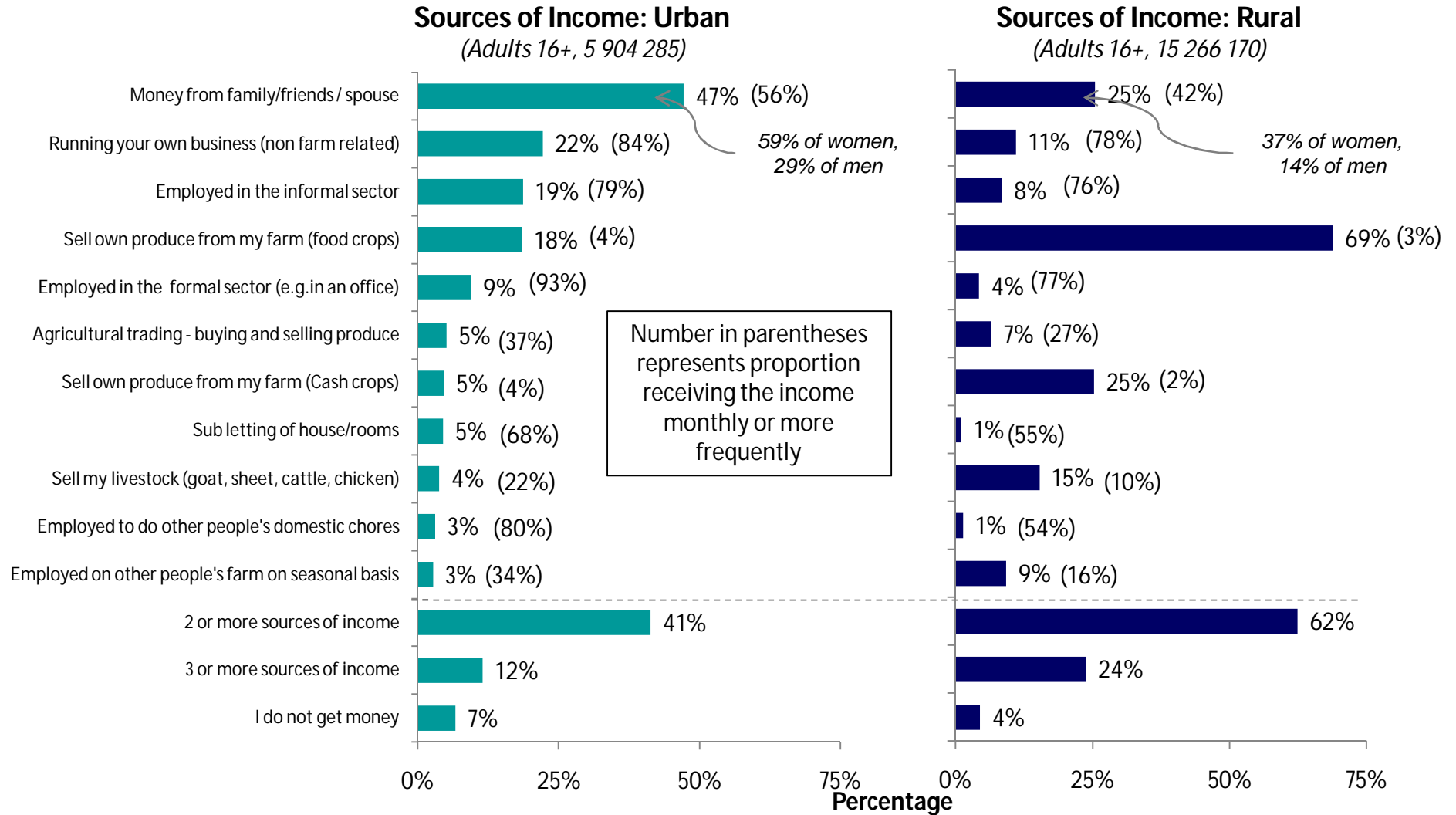
Personal monthly income
(Adults 16+)



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 . Findings for Tanzania are similar to those in Malawi and Zambia



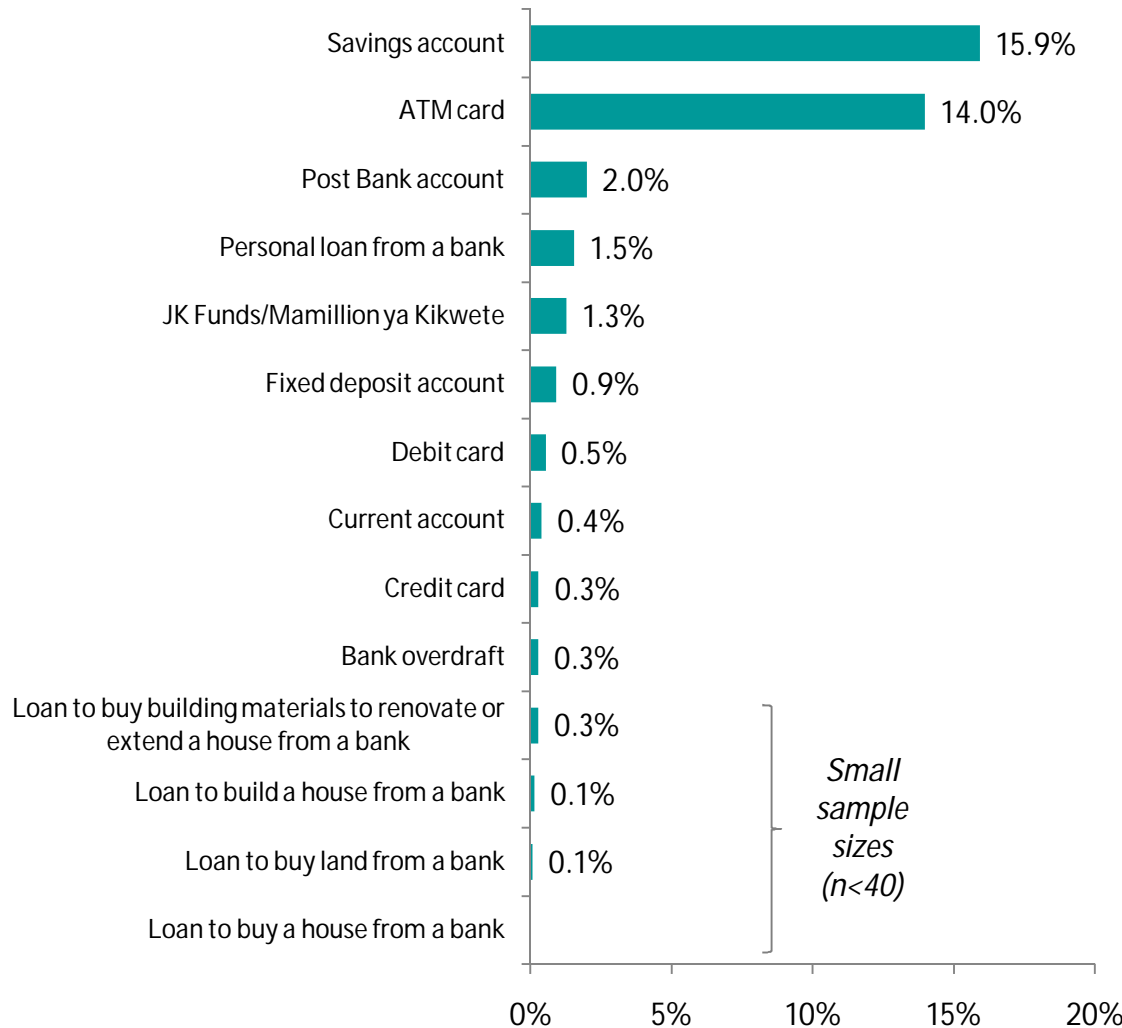
Source: FinScope Tanzania 2009

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

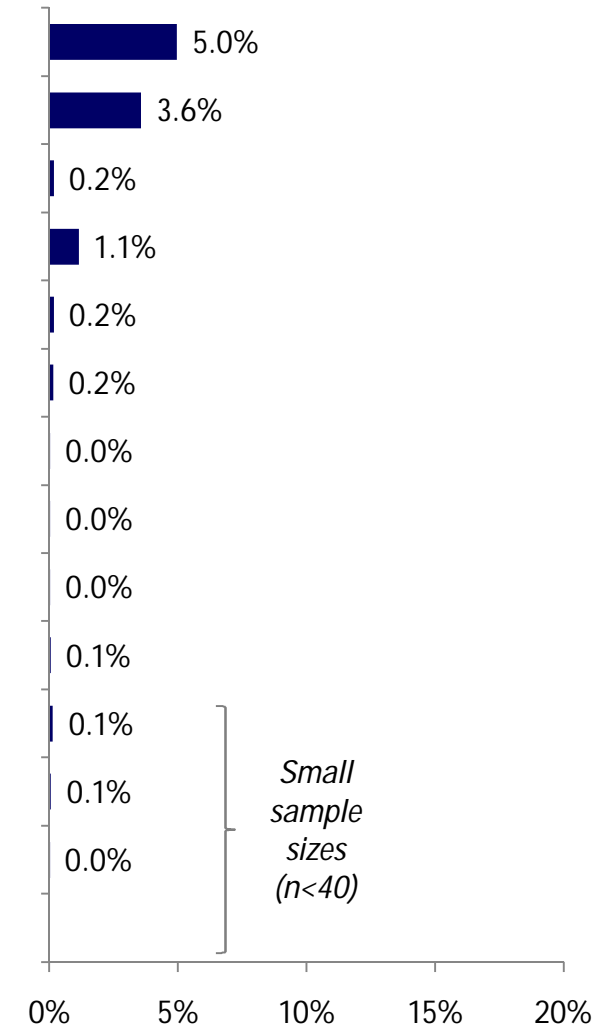
FinScope's primary focus is on financial products. According to FinScope Tanzania usage of banking products and services in that country is low, particularly in rural areas



Banking products and services currently have - urban
(Adults 16+)

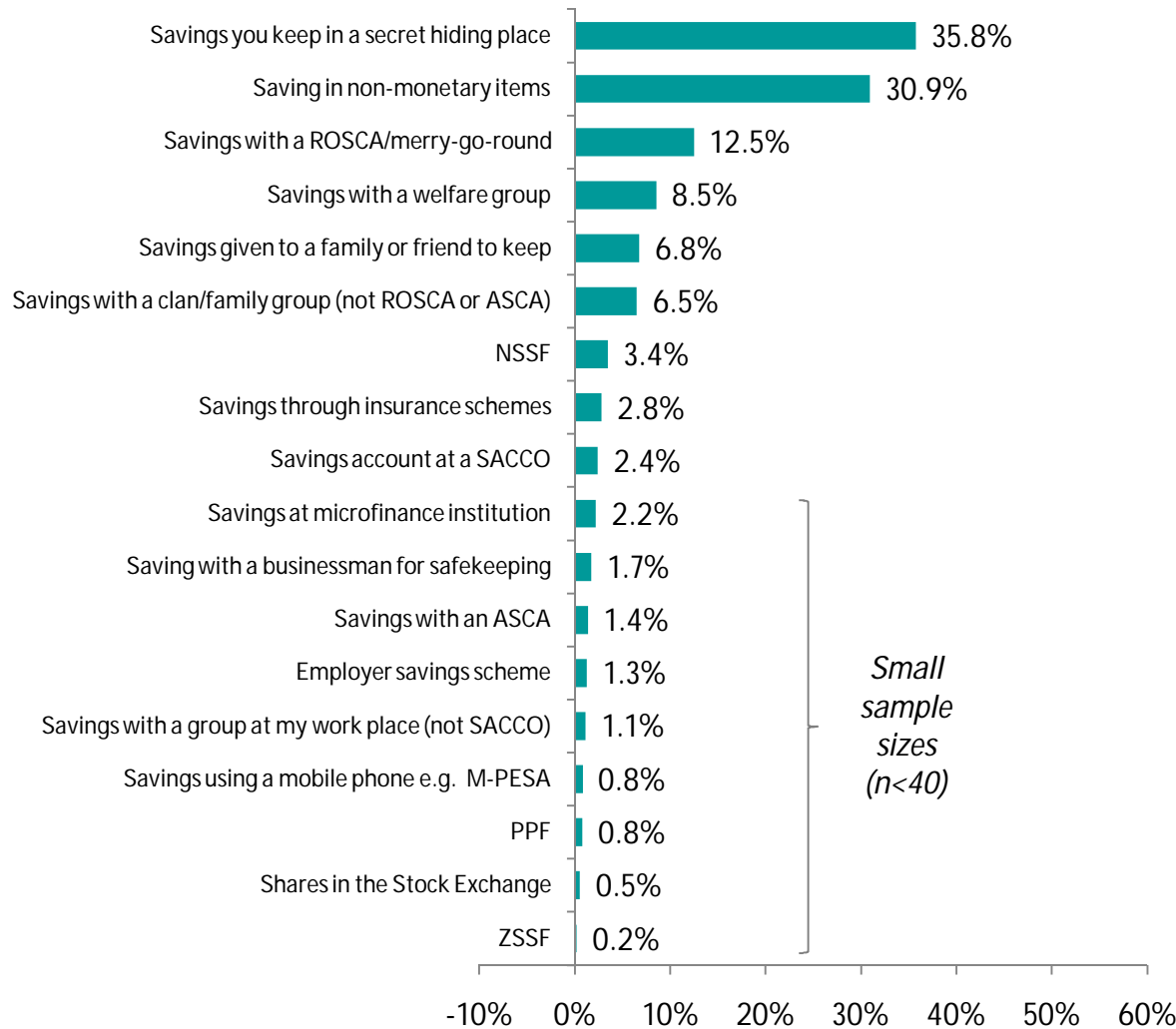


Banking products and services currently have - rural
(Adults 16+)

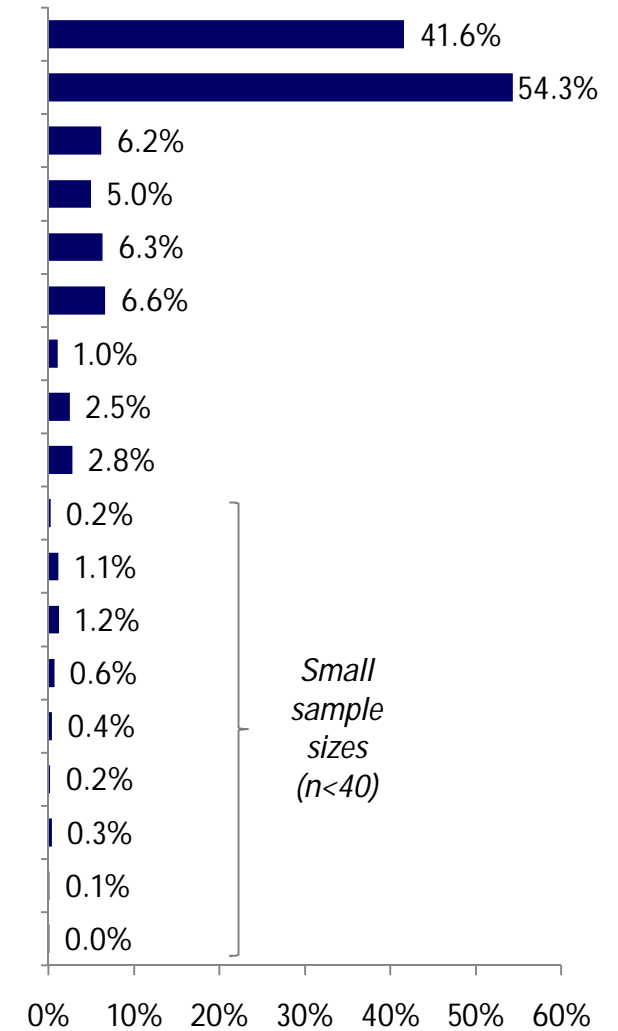


In contrast 64% of urban adults and 71% of rural adults say they currently use some kind of savings or investment mechanism. Hiding savings (presumably cash) and using non-monetary items is common

Savings/investments products currently have - urban
(Adults 16+)



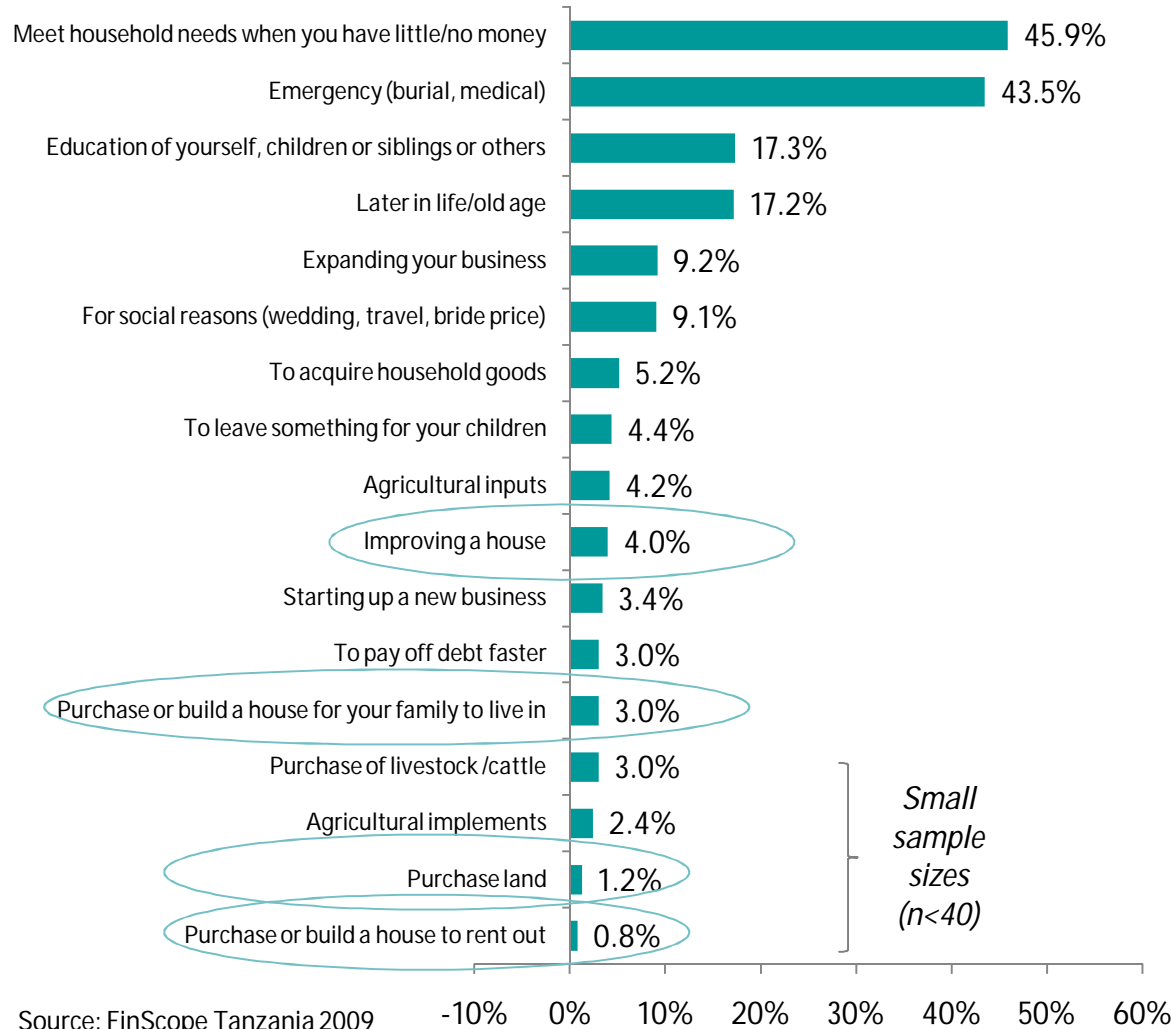
Savings/investments products currently have - rural
(Adults 16+)



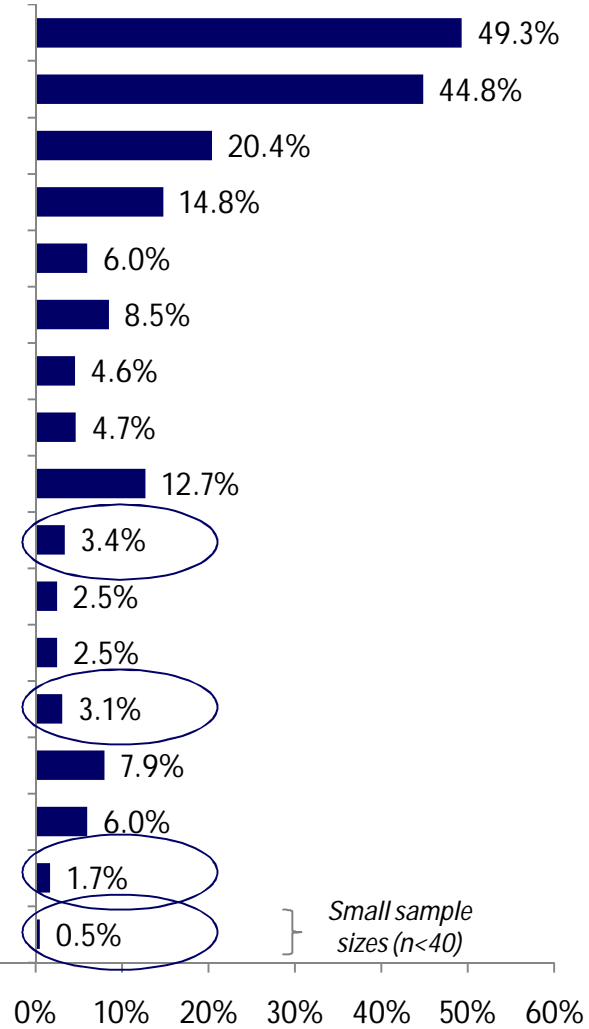


Savings or investing activity primarily relates to income smoothing and precautionary motives. There is some, albeit limited, savings for housing

Reason currently saving/investing - urban
(Adults 16+)



Reason currently saving/investing - rural
(Adults 16+)



Source: FinScope Tanzania 2009

* Several categories were excluded due to very small sample sizes

Percentage

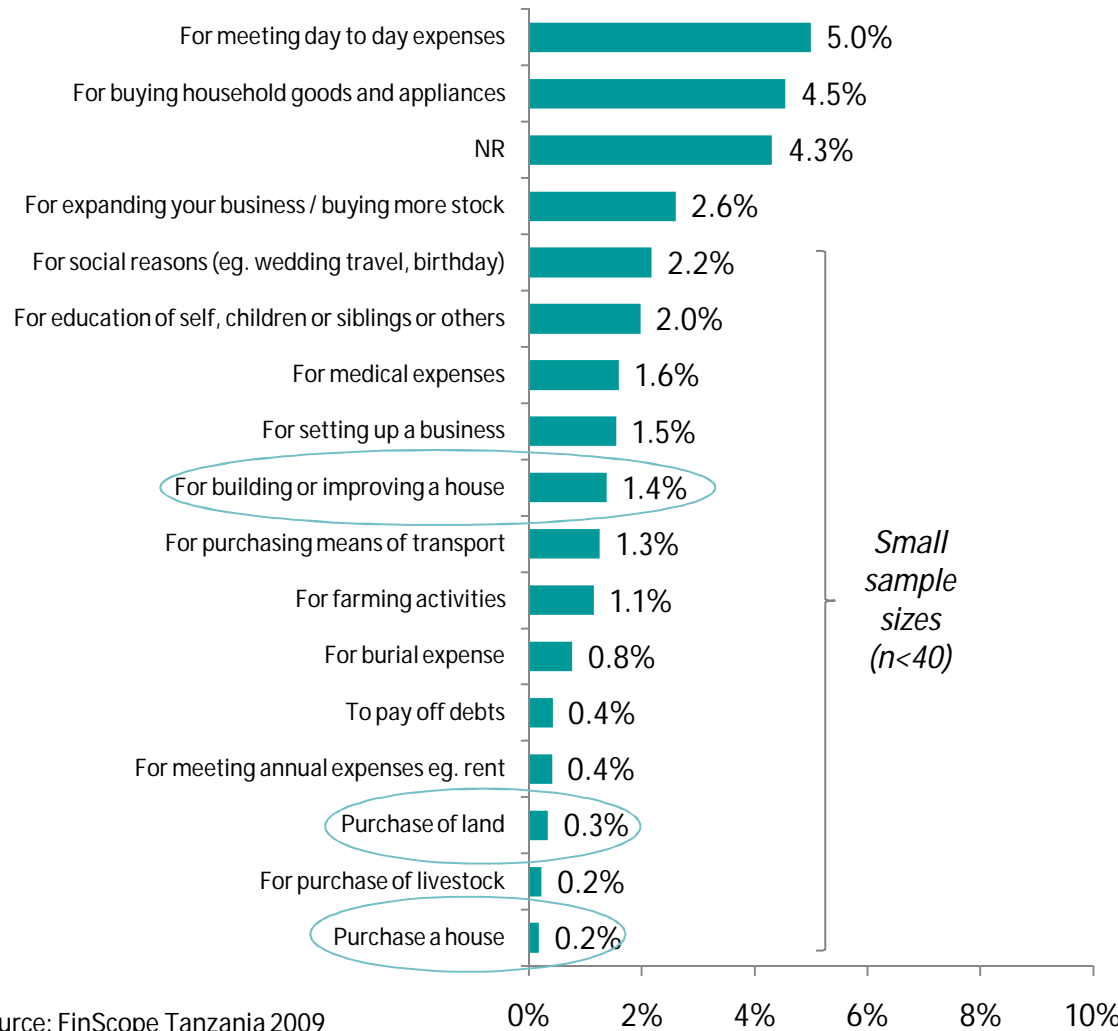
Small sample sizes (n<40)

Small sample sizes (n<40)

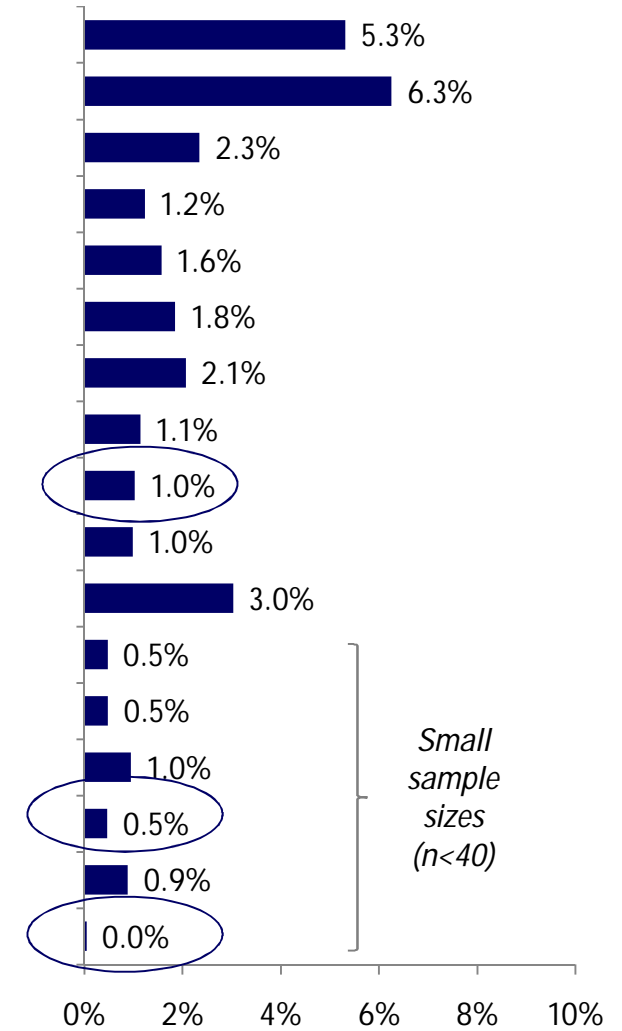
According to the survey very few adults in Tanzania are currently borrowing – including borrowing to build or improve a house



Reason currently borrowing money - urban
(Adults 16+)



Reason currently borrowing money - rural
(Adults 16+)



Small sample sizes (n<40)

Small sample sizes (n<40)

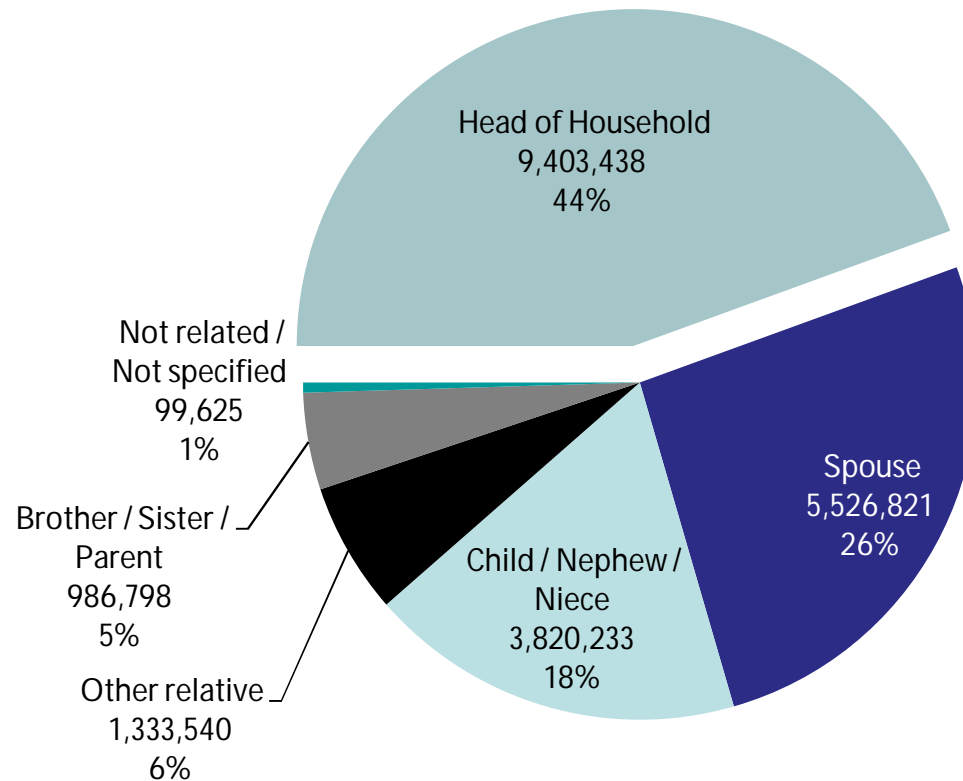
Source: FinScope Tanzania 2009

* Several categories were excluded due to very small sample sizes

Percentage

While the survey focuses on individual adults, in order to assess households or dwellings we can restrict the analysis to household heads

Relationship to head of household
(Adults 16+)



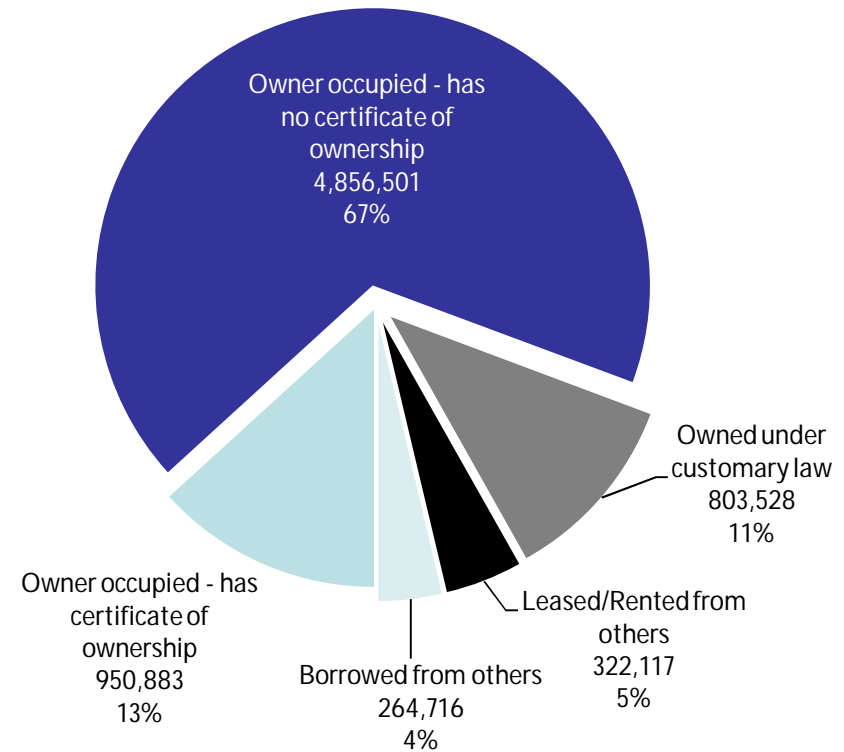
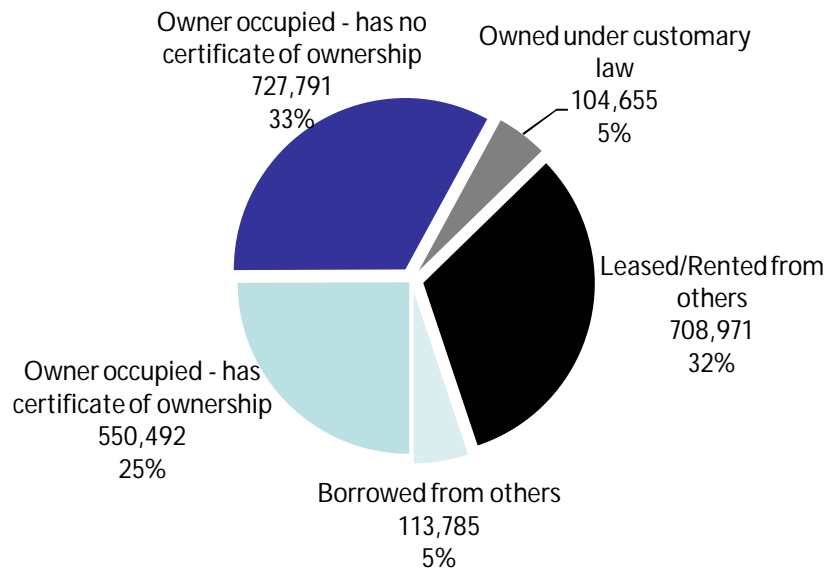
Census 2002 estimate of number of households: 7,098,213

FinScope contains useful data on housing conditions. It highlights differences in tenure between rural and urban areas. In urban areas a third rent while a quarter have a certificate of ownership. In rural areas 5% rent

Tenure of the land/farm on which you live
(HoH)

Urban: 2,205,694 households
(HoH)

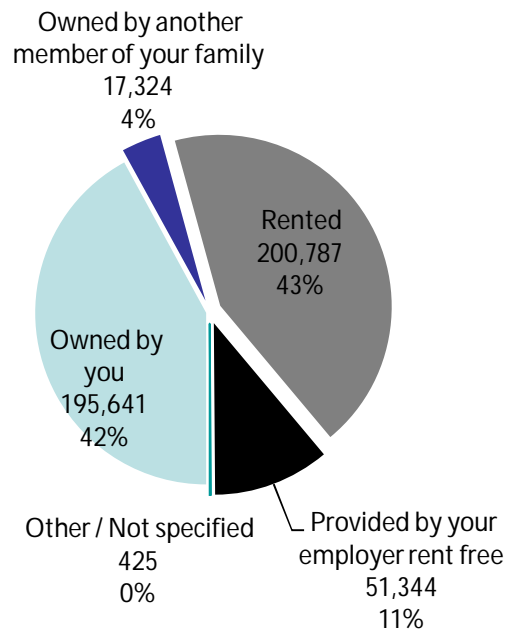
Rural: 7,197,744 households
(HoH)



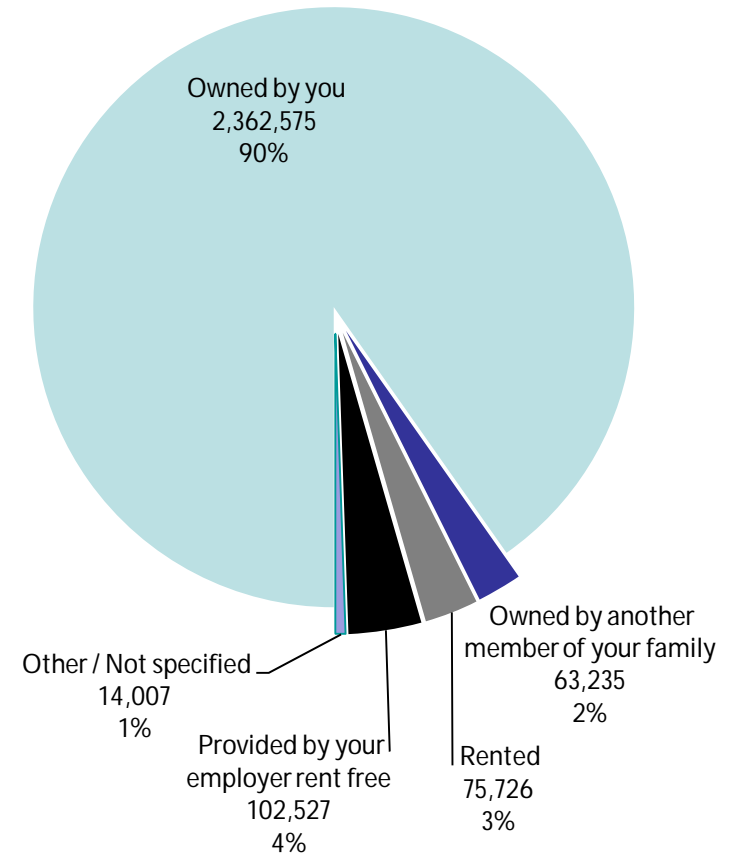
In Malawi renting is also high in urban areas

Dwelling tenure of dwelling currently living in (HoH)

Urban: 465,522 households (HoH)



Rural: 2,618,070 households (HoH)

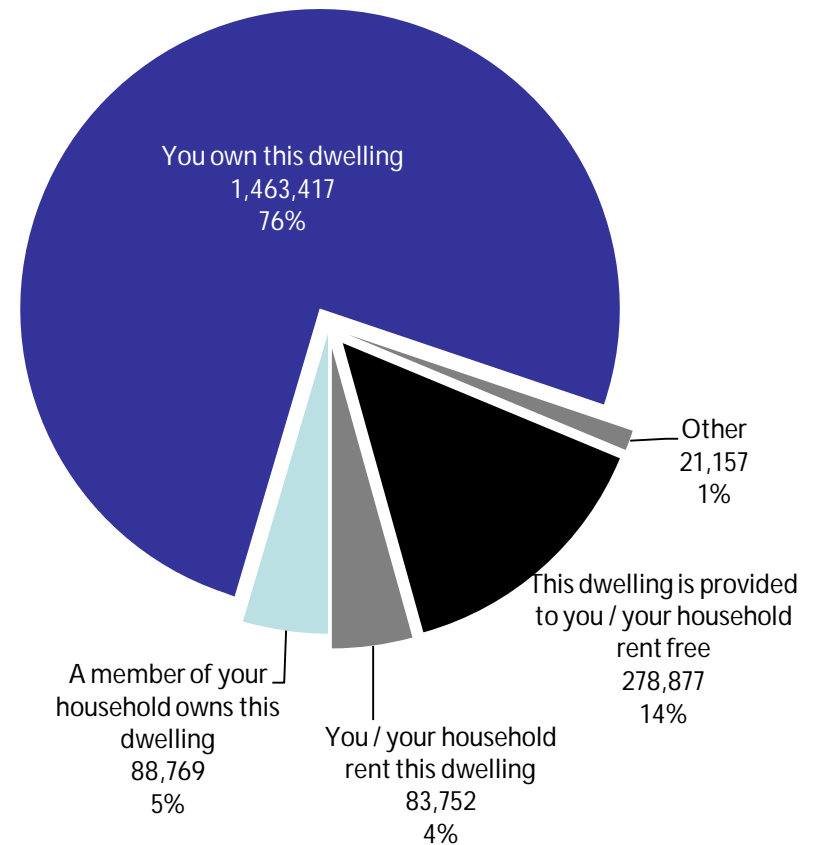
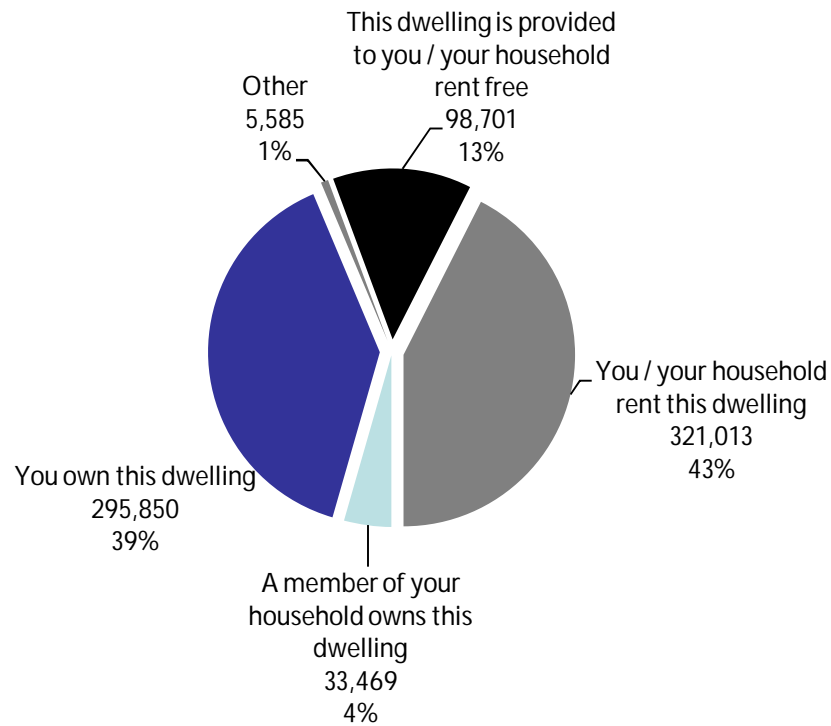


This is in line with findings for Zambia

Dwelling tenure of dwelling currently living in (HoH)

**Urban: 754,618
households
(HoH)**

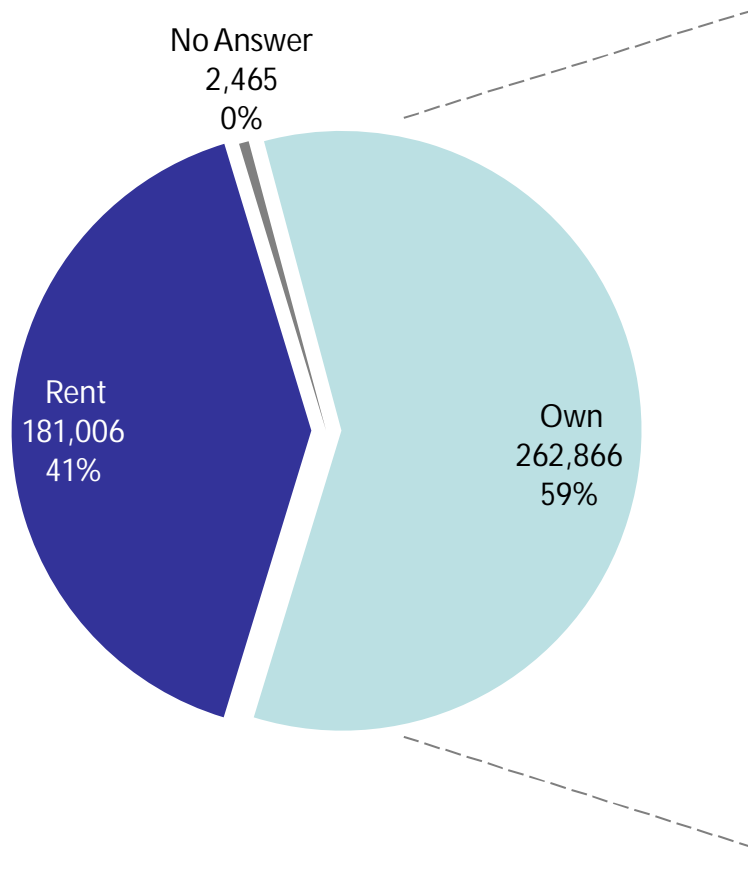
**Rural: 1,935,972
households
(HoH)**



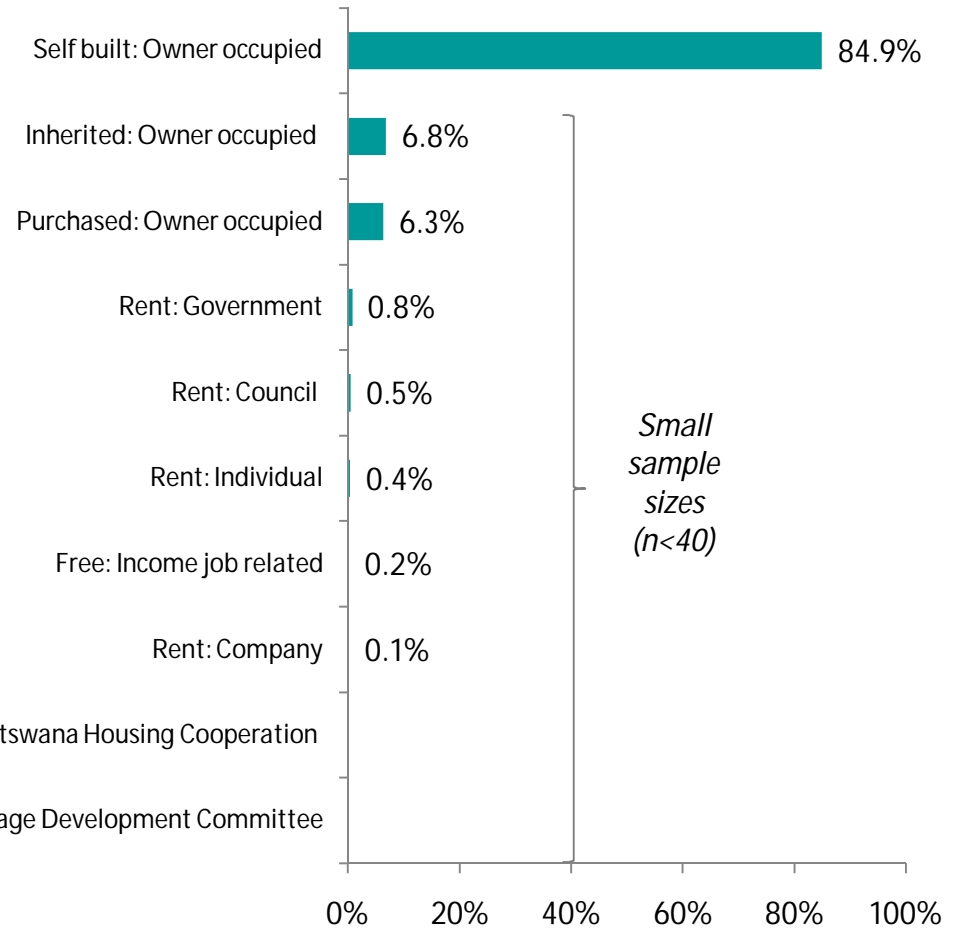


In Botswana there is very little distinction between rural and urban areas. In that country 41% of household heads rent their houses. For those who own, self-build dominates

Household ownership of house (HoH)



"How was this house acquired?" (HoH, Own their house)



Source: FinScope Botswana 2009

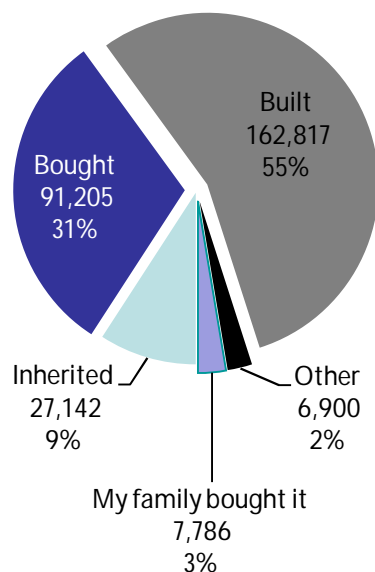
* Proportions of households using credit products for housing is low in this survey – it is difficult to determine how the remainder of these households own their homes

In Zambia, the majority of homeowners built their own dwellings. This is particularly the case in rural areas. In the majority of cases households rely on savings

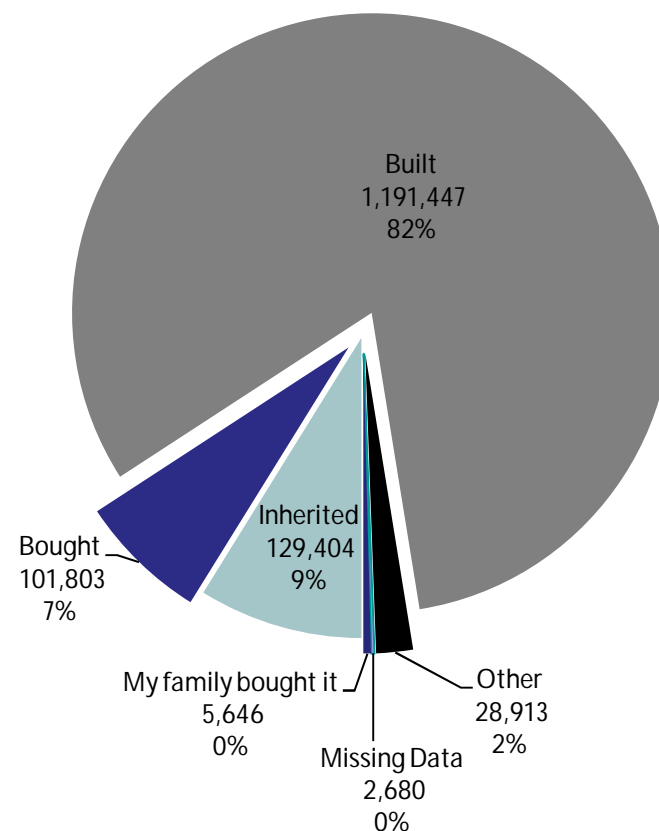


“How did you get the dwelling?”*
(HoH, own their dwelling)

Urban: Own dwelling – 295 850



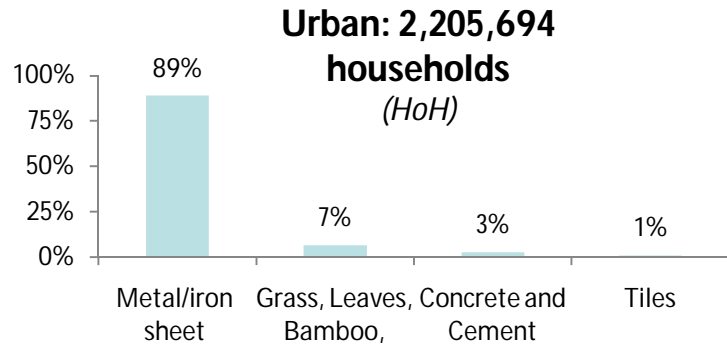
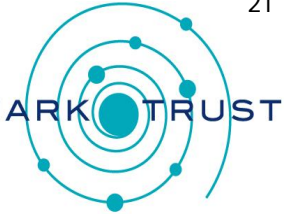
Rural: Own dwelling – 1 463 417



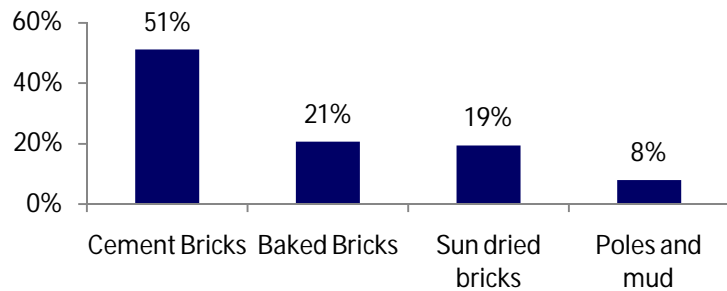
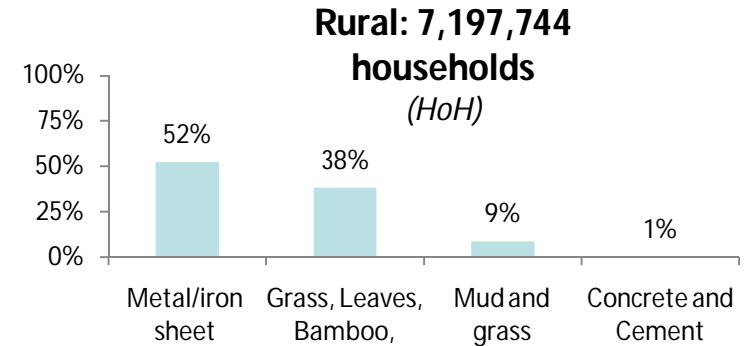
Source: FinScope Zambia 2009

* Note: This question was asked only to those respondents who claimed to own their dwelling

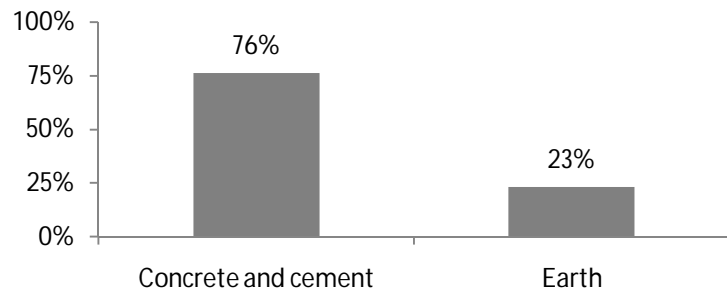
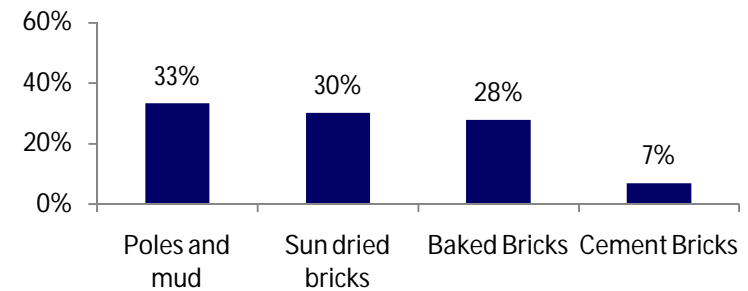
FinScope also contains data on building materials. In Tanzania these differ noticeably for urban and rural dwellings, as they do in Malawi and Zambia



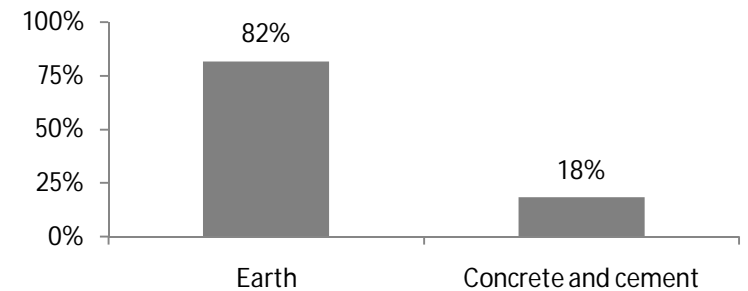
Main material used for roof*



Main material used for walls*



Main material used for floor*



Source: FinScope Tanzania 2009

Note: Roof materials exclude asbestos for both urban and rural as well as mud and grass for urban and tiles for rural; Wall materials exclude stones, timber, grass for both urban and rural

We can use this data to characterise dwellings in line with other household surveys

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



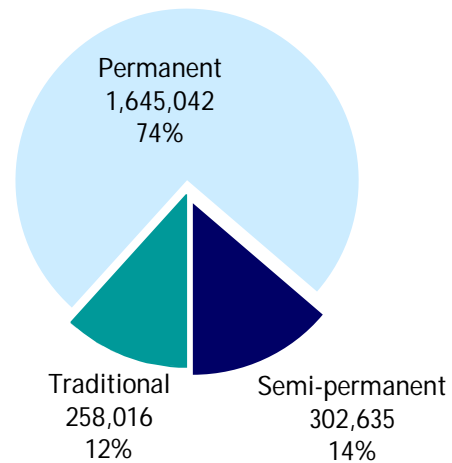
2,137,287
Households (HoH)
(23%)

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

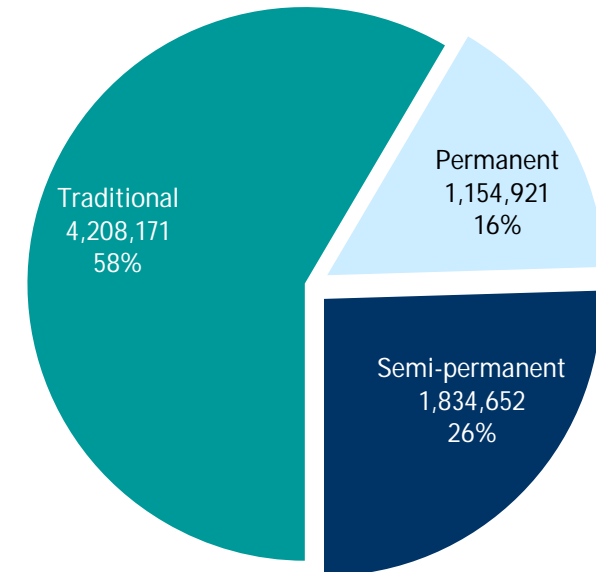


Type of Housing (HoH)

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



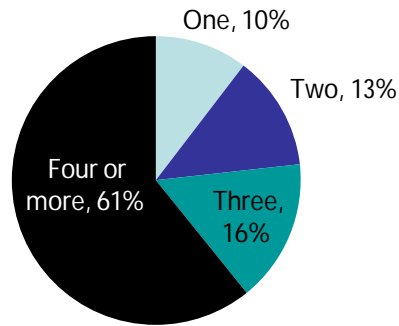
**Rural: 7,197,744
households
(HoH)**



FinScope data can also be used to assess over-crowding within dwellings. It is not clear at what point in-dwelling densities translate into housing need

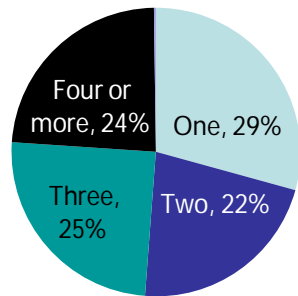
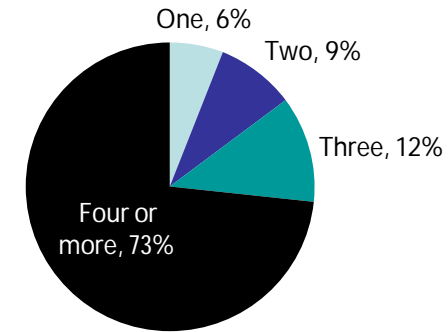


Urban
(HoH)

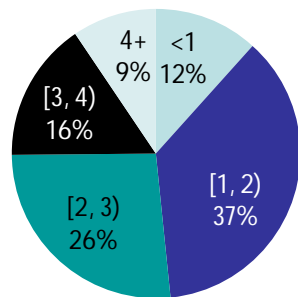
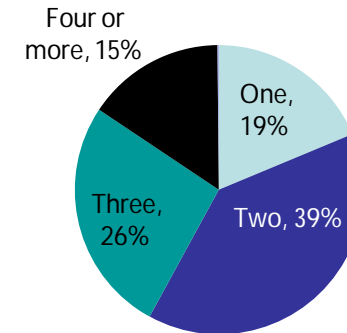


Number of people living in the household

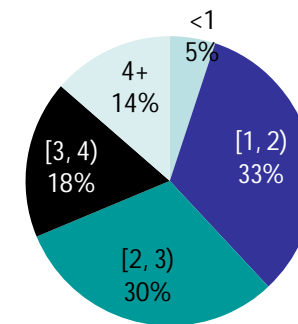
Rural
(HoH)



Number of rooms in household used for sleeping

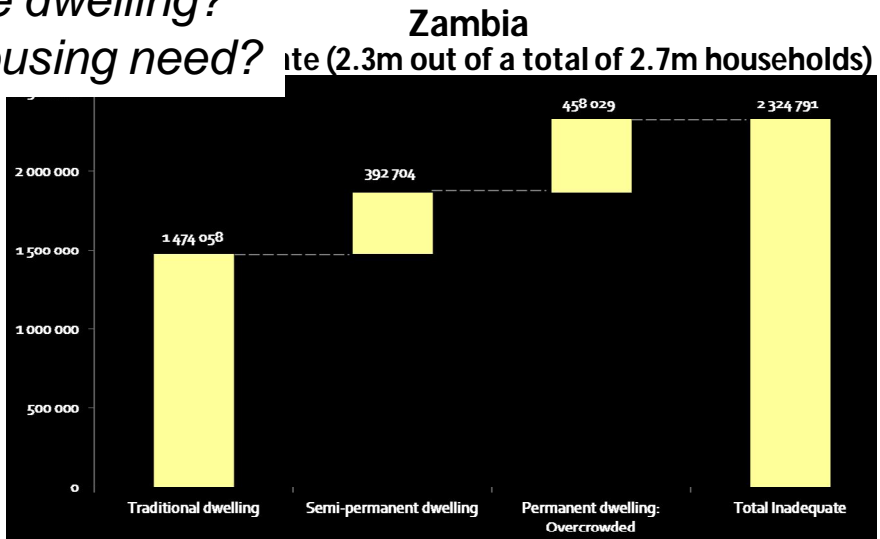
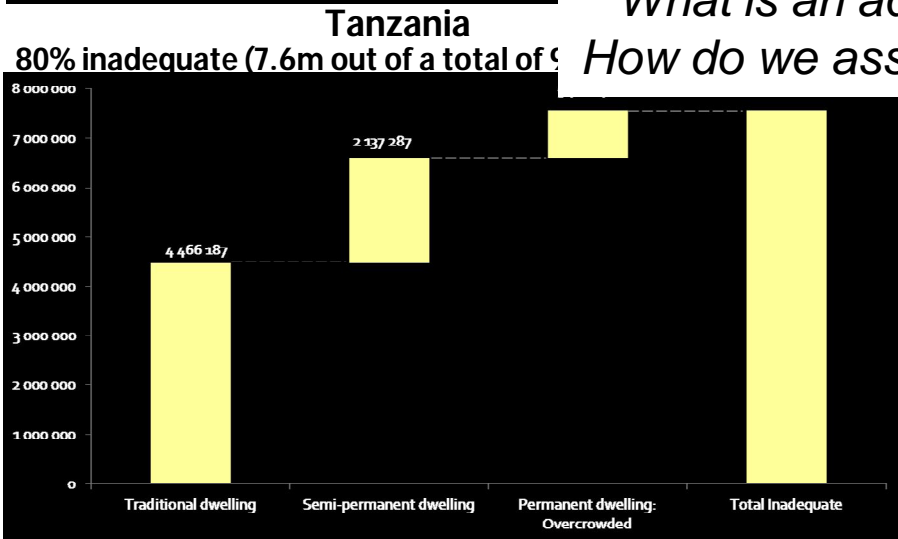
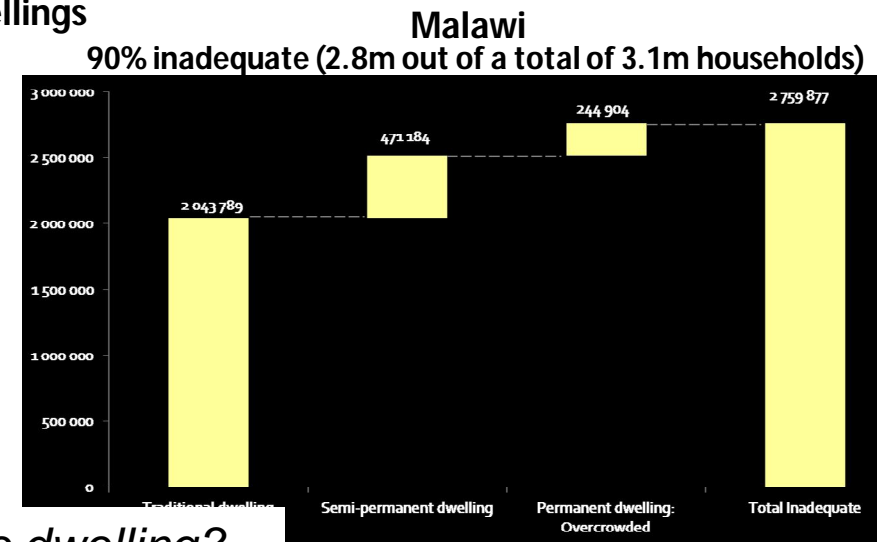
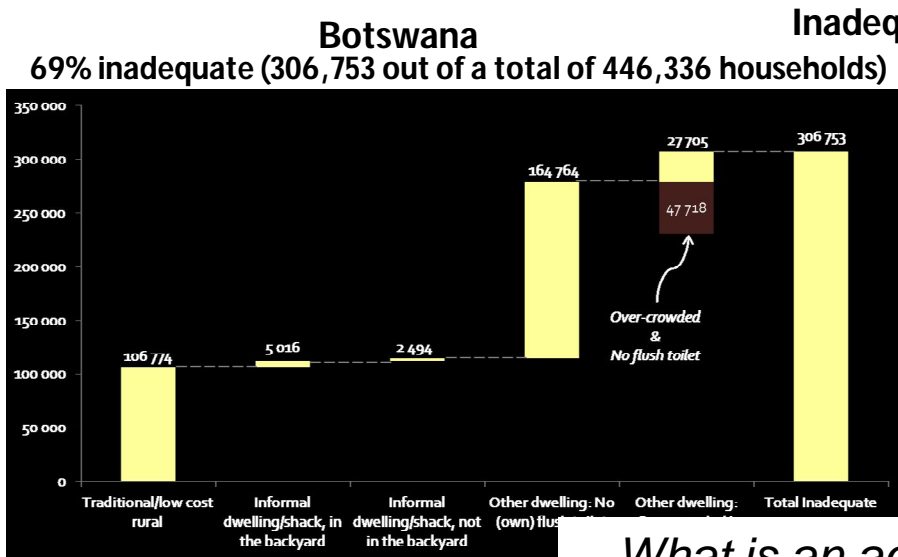


Number of people per room used for sleeping





FinScope data indicates that there is a significant housing need in the countries explored. For instance in Botswana, 69% of household heads live in what appear to be inadequate dwellings



What is an adequate dwelling?
How do we assess housing need?

Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009

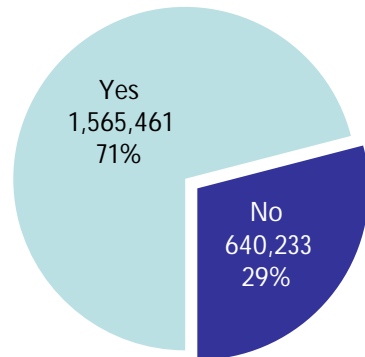
Note: There is no double counting; categories are mutually exclusive; Overcrowded dwellings are those with more than two people per room



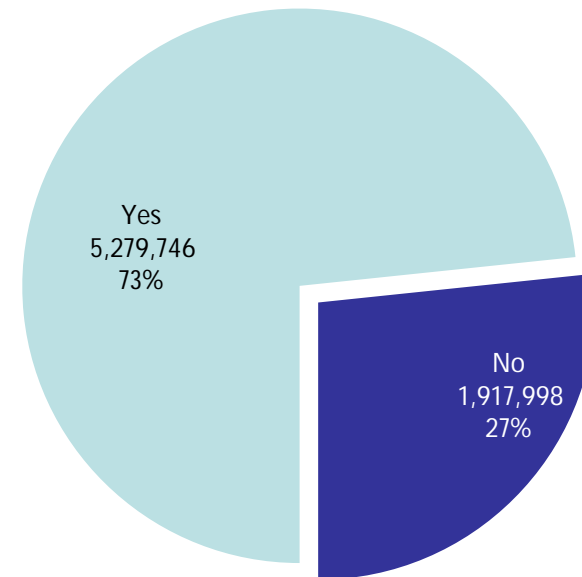
FinScope indicates that there is significant demand for a housing finance product in Tanzania

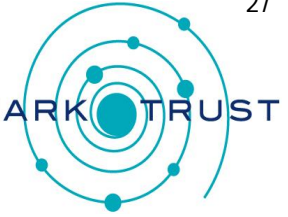
"If housing loans products were available would you be interested in such products?"
(HoH)

Urban: 2,205,694 households
(HoH)



Rural: 7,197,744 households
(HoH)

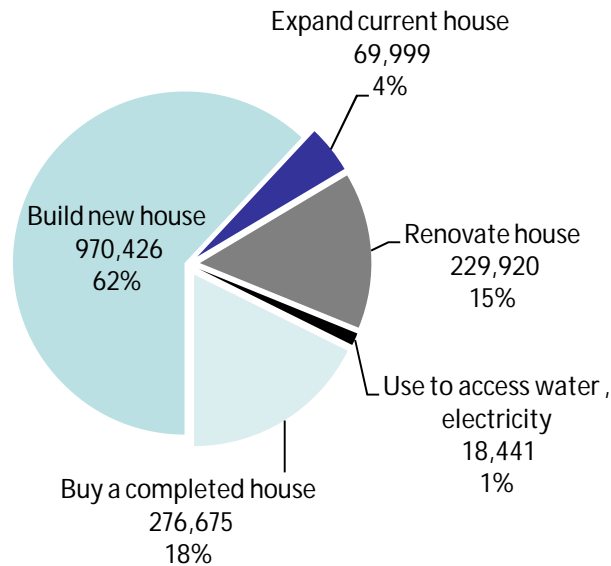




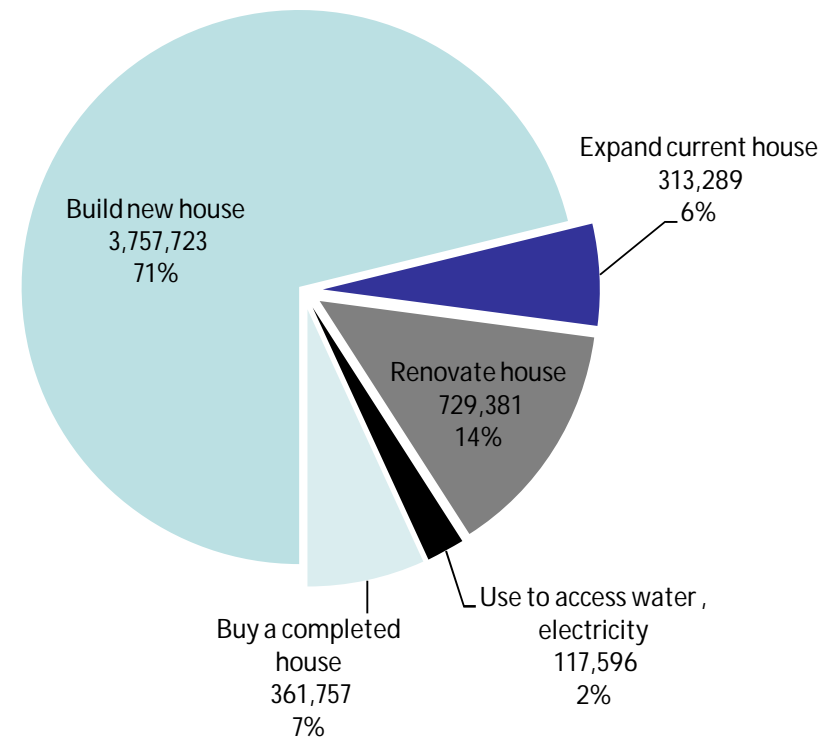
That survey indicates that the majority of the households who would want a loan are looking to build or improve a house rather than to purchase one

“If housing loans were provided which of the following best describe how you would utilize the loan?”
(HoH interested in housing loans)

Urban: 1,565,461 households
(HoH interested in housing loans)



Rural: 5,279,746 households
(HoH interested in housing loans)



Agenda

An introduction to access and access frontiers

Access to mortgages

Access to unsecured housing finance

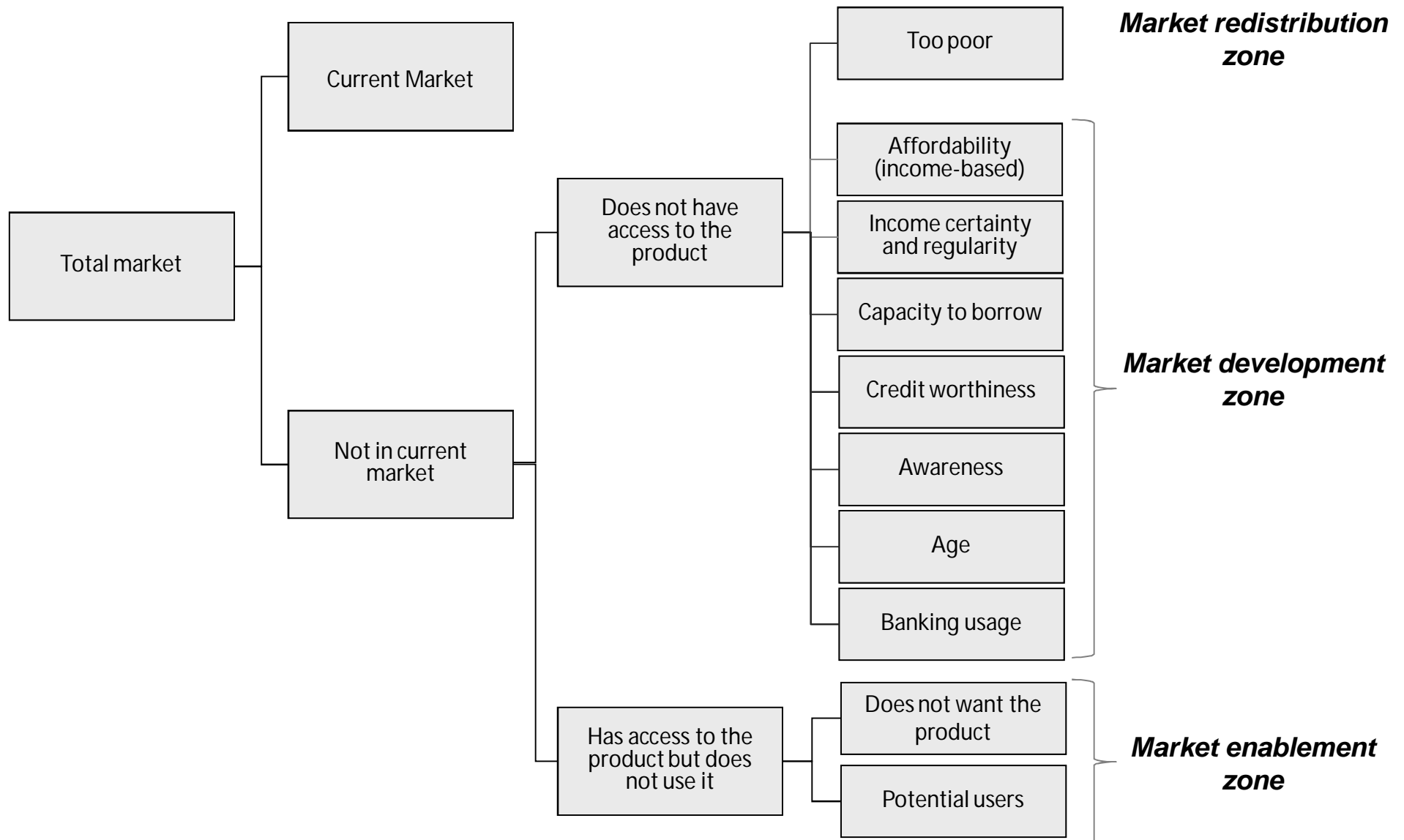
Some implications



To build an access frontier you need to start with a specific product category, and then gather fairly detailed data on the product specs

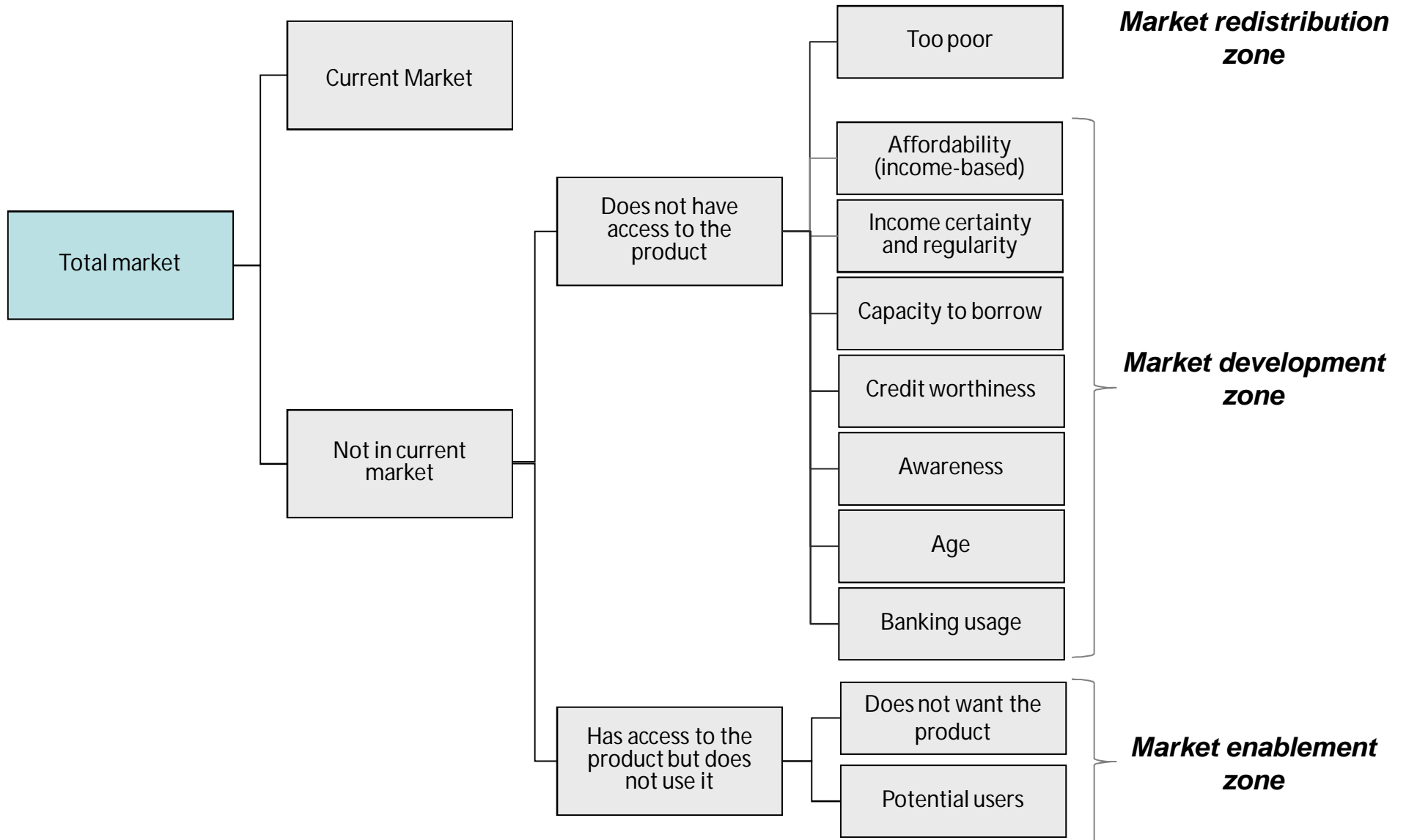
	Loan term and size / Deposit and LTV	Interest rates and fees	Qualifying criteria
Botswana (First National Bank)	<ul style="list-style-type: none"> • Min loan size: P50,000 (US\$7,315) • Avg loan size: P550,000 (US\$80,465) • Max loan term: 20 years • Minimum monthly repayment: P550 (US\$80) • Min 10% deposit • LTV aligned to different areas in the country 	<ul style="list-style-type: none"> • Interest rate: P+1% typically charged (Prime currently 11%) • Admin, legal and conveyancing fees • Repayments: Typically monthly (can be quarterly) 	<ul style="list-style-type: none"> • Borrower <ul style="list-style-type: none"> ➢ Max repayments may not exceed 40% of income ➢ Proof of income; 3 month bank statement (any); ID card; Clean account conduct / credit worthiness; Max 60 years old; Insurance • House <ul style="list-style-type: none"> ➢ Sanitation (connected to sewer line); ➢ Loan for complete or incomplete structure ➢ Loan for vacant land
Malawi (Standard Bank)	<ul style="list-style-type: none"> • Min loan size: MK1.2m (US\$ 24,000) • Max loan term: 20 years • Minimum monthly repayment: MK21,883 (US\$150) • Min 10% deposit 	<ul style="list-style-type: none"> • Interest rate: prime, currently 17.75% • Arrangement, legal, stamping and registration fees • Repayments: monthly, quarterly or biannually (in rare cases) 	<ul style="list-style-type: none"> • Borrower <ul style="list-style-type: none"> ➢ Max repayments may not exceed 35% of income ➢ Proof of income, identification and address; bank account for 6 months; Min age 18, Max age 55; • House <ul style="list-style-type: none"> ➢ Letter of offer for property; copy of title deed; building must be in a major city; insurance required ➢ No loan for construction ➢ No loan for vacant land
Tanzania (Azania Bank)	<ul style="list-style-type: none"> • Min loan size: TZS 5m (US\$3,087) • Avg loan size: TZS 200m (US\$123,495) • Max loan term: 15 years • Minimum monthly repayment: TZS 80,521 (US\$50) • Min 20% deposit 	<ul style="list-style-type: none"> • Interest rate: 18% p.a. • Loan Arrangement fee, Loan Administration fee • Repayments: Not necessarily monthly (but income must be "regular, reliable, sustainable and sufficient to service the loan") 	<ul style="list-style-type: none"> • Borrower <ul style="list-style-type: none"> ➢ Max repayments may not exceed two thirds of income (67%) ➢ Proof of income; Voters Card; Good credit history; Min age 18, Max age 60; Insurance • House <ul style="list-style-type: none"> ➢ Building permit; Arch. Drawing; Bills of Quantities; Title Deed; Valuation Report; Purchase agreement; No specification for sanitation/building materials; ➢ No loan for vacant land
Zambia (Barclays)	<ul style="list-style-type: none"> • Min loan size: K80m (US\$16,100) • Max loan term: 10 years • Minimum monthly repayment: K1.5m (US\$300) • Min 20% deposit 	<ul style="list-style-type: none"> • Interest rate: 19%-22% • 1% arrangement fee • Repayments: monthly only 	<ul style="list-style-type: none"> • Borrower <ul style="list-style-type: none"> ➢ Max repayments may not exceed 50% of income ➢ 3 months payslips; copy of NRC; 6 months bank statements; confirmation of employment; max 55 years; min 21 years • House <ul style="list-style-type: none"> ➢ Certificate for sale; copy of title deed; must be in area with Barclays presence; insurance required ➢ No loan for construction ➢ No loan for vacant land

An access frontier framework for mortgages



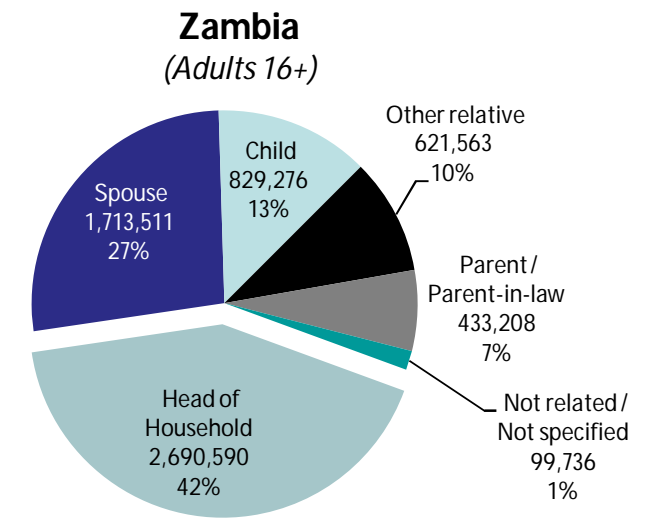
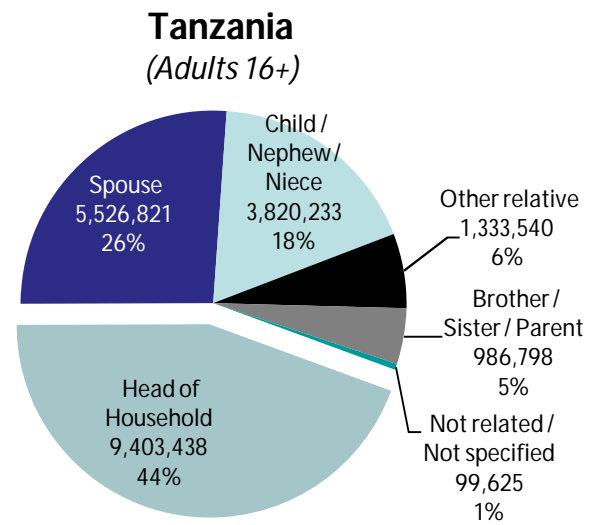
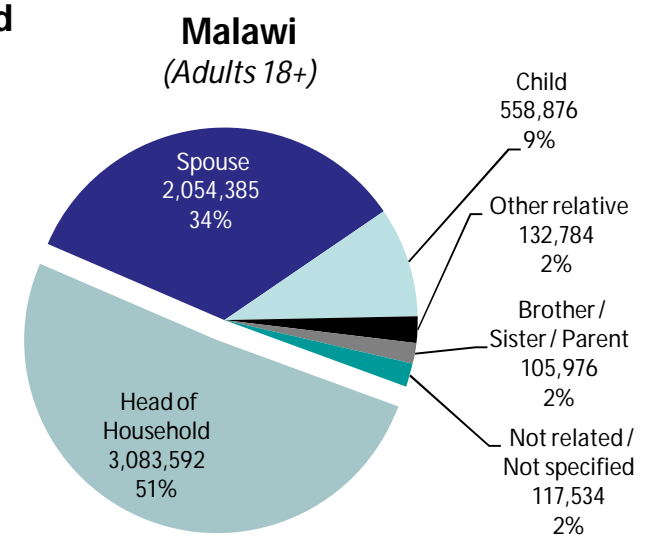
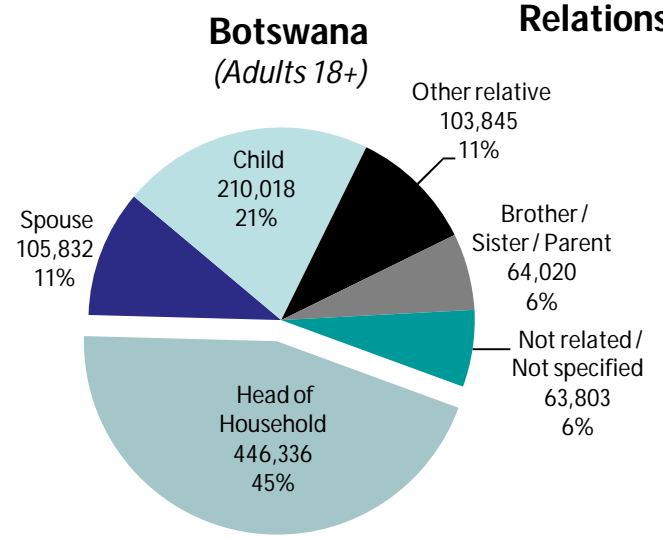
Demand side analysis: Step 1

Define the total market



While FinScope is a survey of individual adults, products such as mortgages are typically associated with a household (rather than an individual). We therefore restrict the analysis to the head of the household

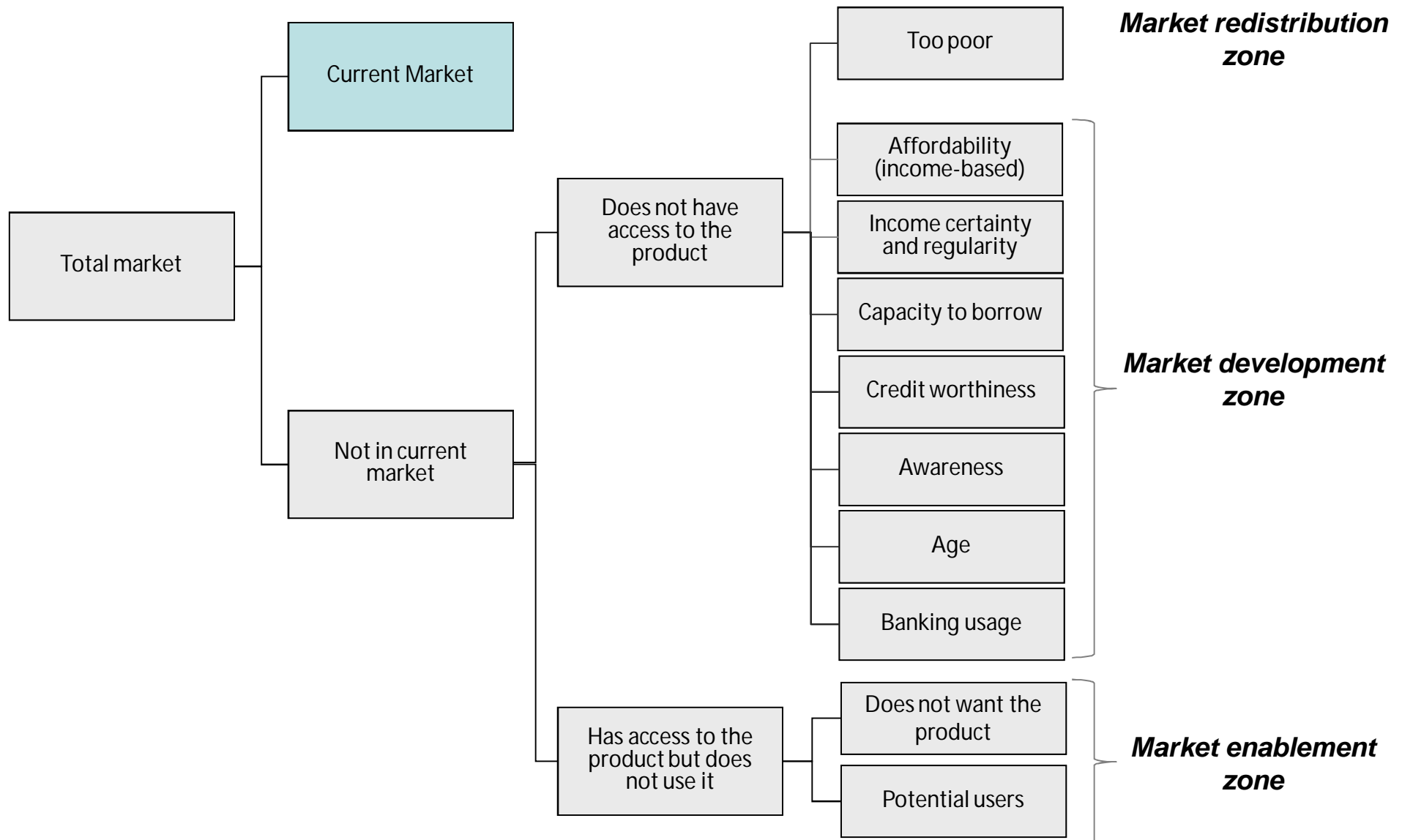
Relationship to the head of the household



Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009

Demand side analysis: Step 2

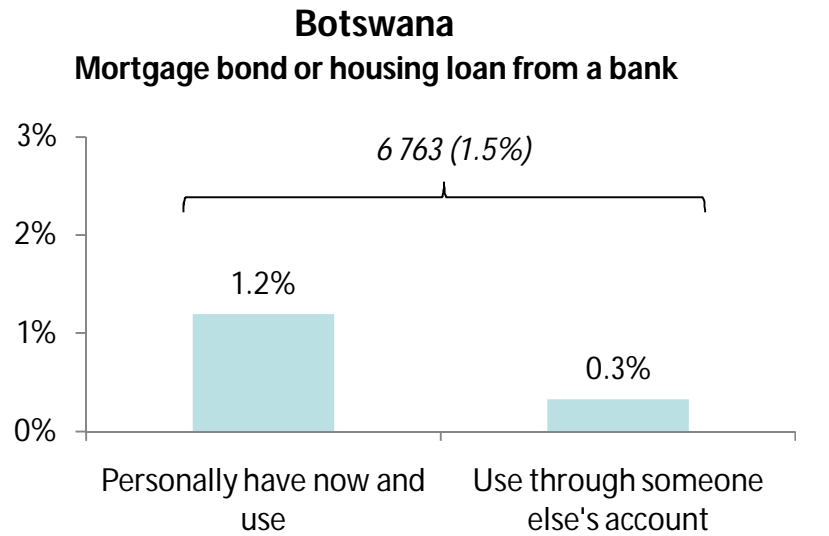
Define the current market: How many household heads currently make use of the product?



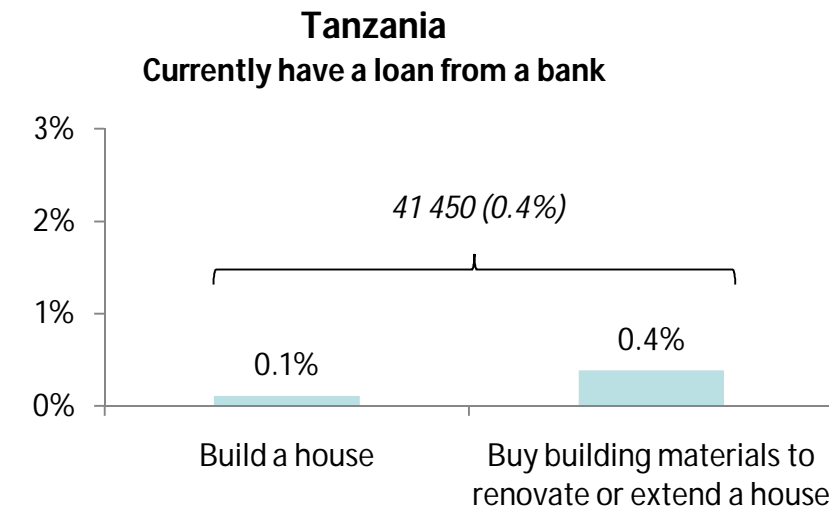
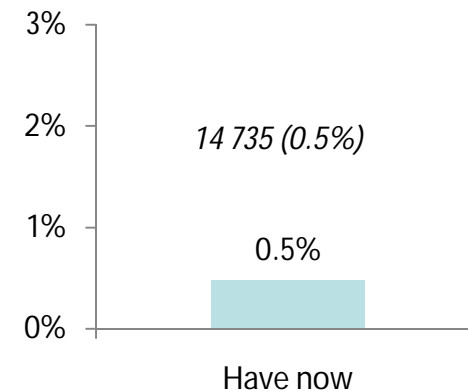


Very few household heads appear to have housing loans

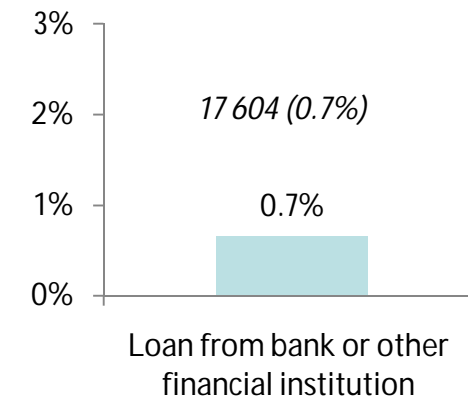
Who is in the current market? (HoH)



Malawi
Currently have a housing loan



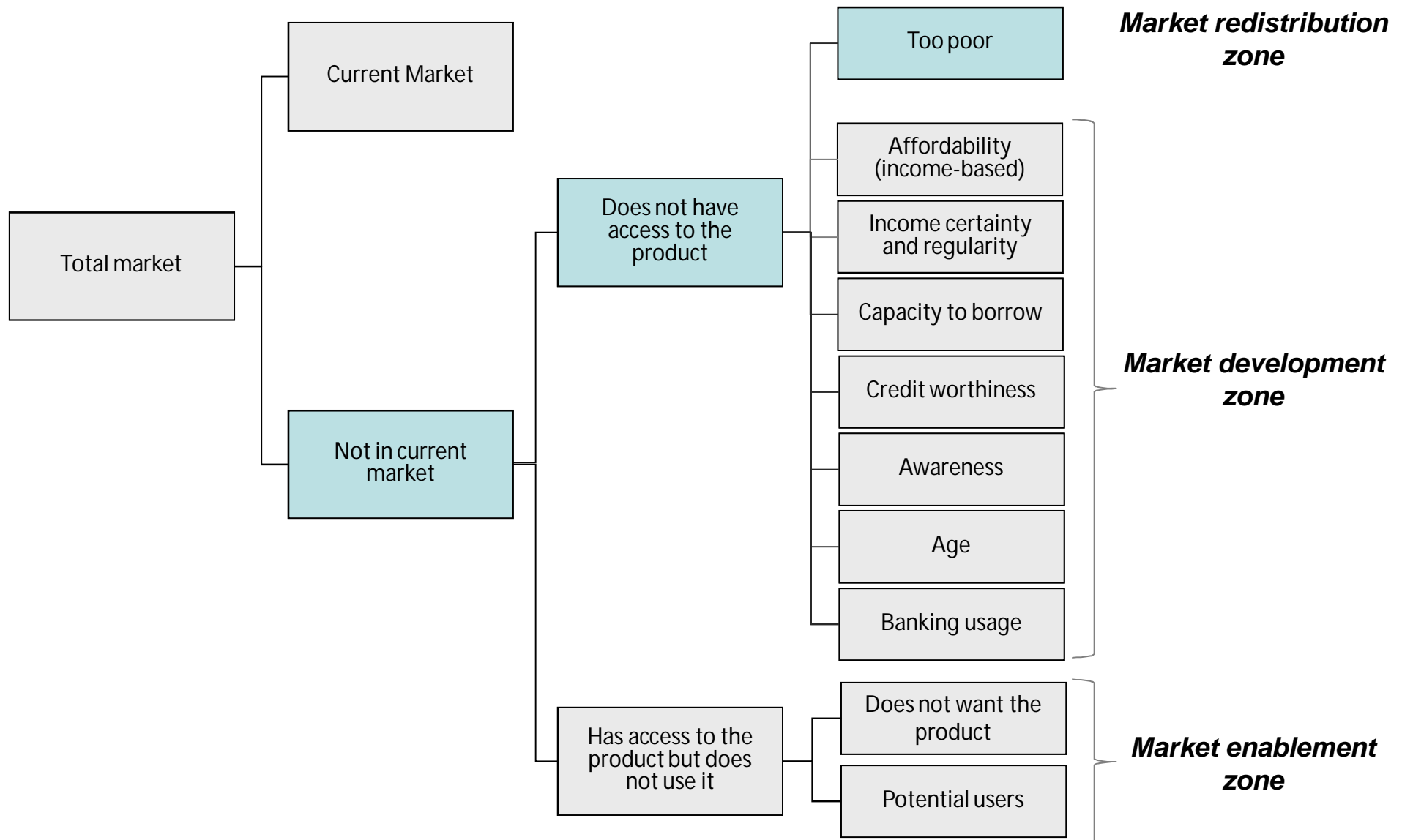
Zambia
Main source of money to buy dwelling



Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009

Demand side analysis: Step 3

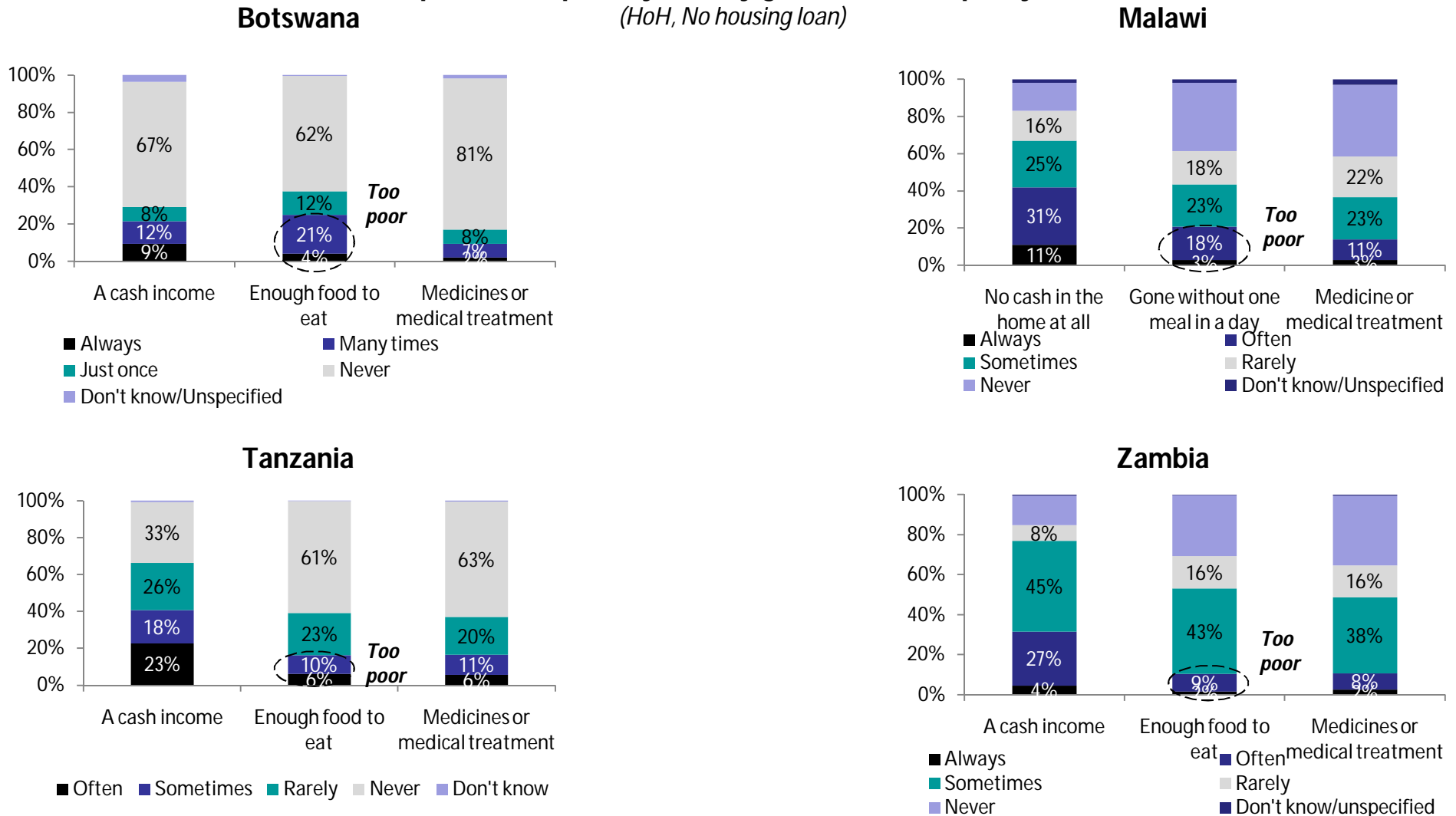
Identify those in the market redistribution zone



The market redistribution zone comprises those who are too poor for the product. It is not always clear how to define this segment. Nevertheless FinScope has useful data on the experience of poverty which we have used



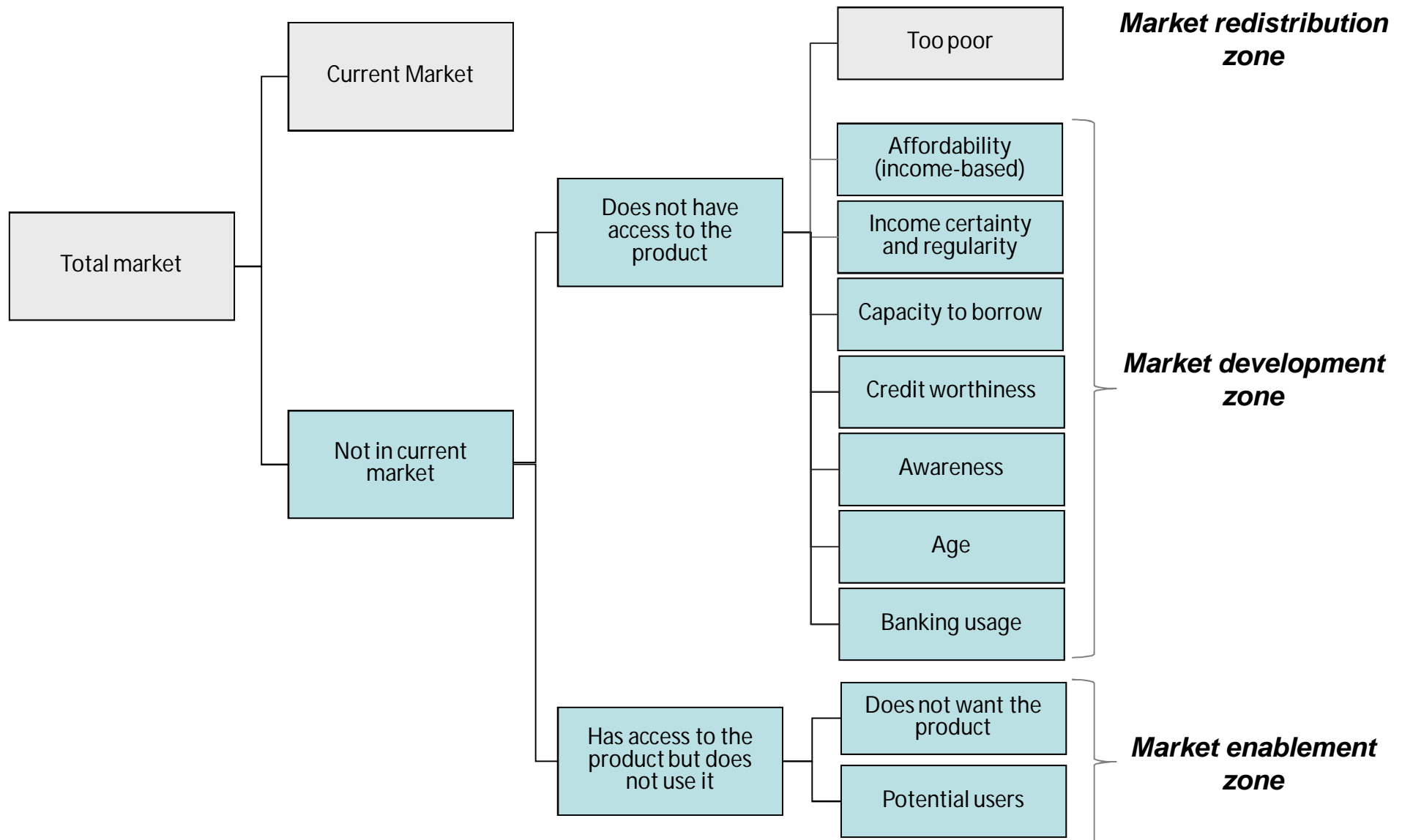
Experience of poverty: Family gone without in past year
(HoH, No housing loan)



Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009

Demand side analysis: Step 4

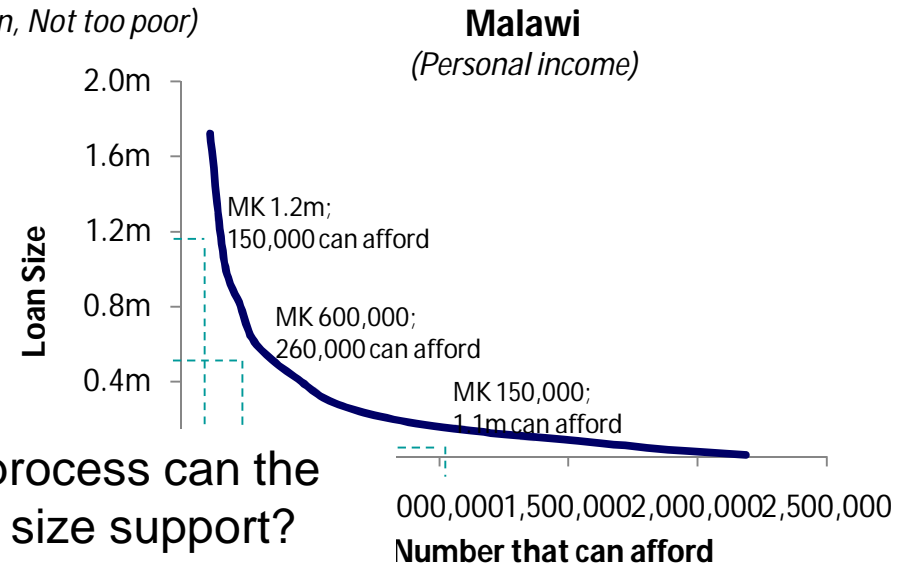
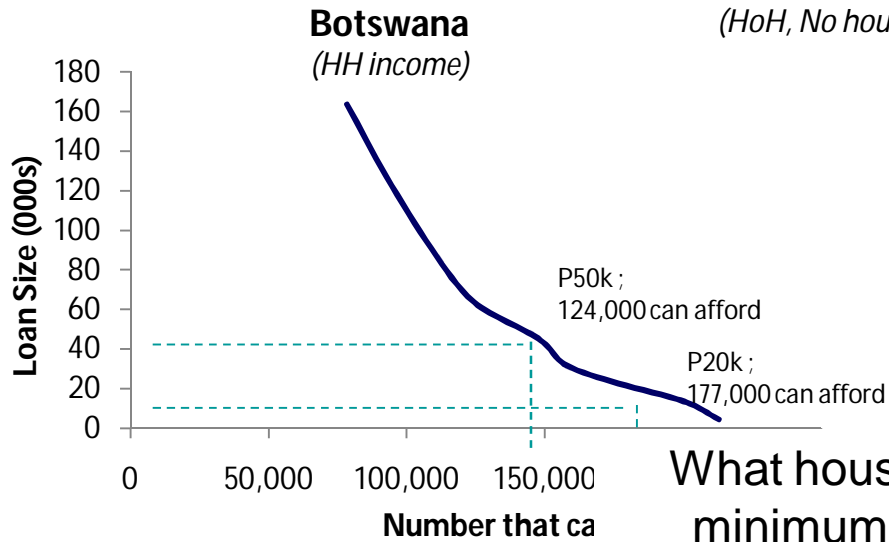
Explore the potential market (don't have the product, not too poor)



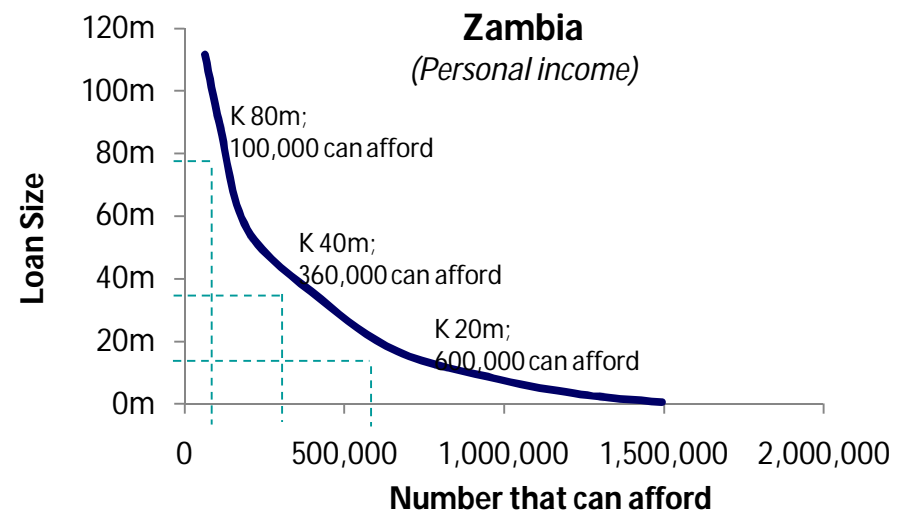
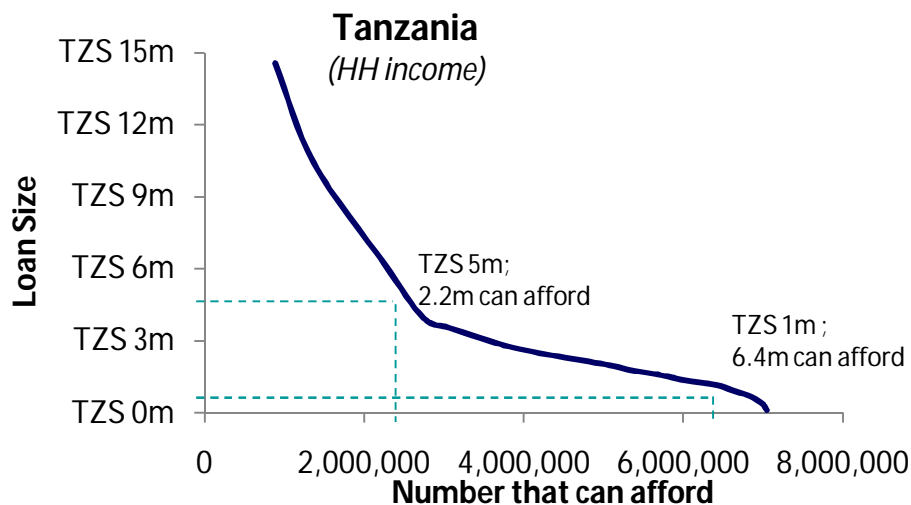


To assess affordability we use the minimum loan size with the maximum loan term at prevailing interest rates together with the lender's maximum instalment to income ratio. We use survey data on incomes to derive a demand curve

Affordability: Demand curves
(HoH, No housing loan, Not too poor)



What housing process can the minimum loan size support?



Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009



In order to pay premiums the borrower needs to have regular and reliable income

FINMARK TRUST

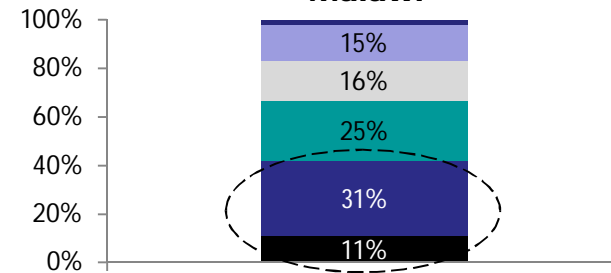
Income regularity

(HoH, No housing loan, Not too poor)

Botswana

No proxy available

Malawi

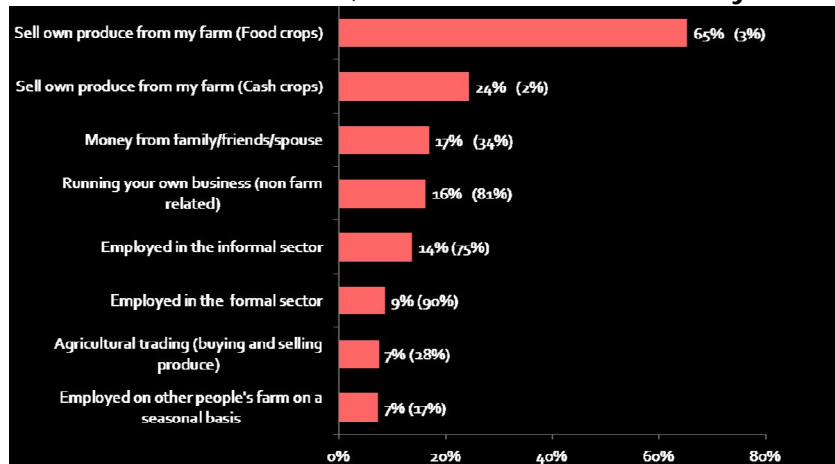


No cash in the home at all

- Always
- Often
- Sometimes
- Rarely
- Never
- Don't know/Unspecified

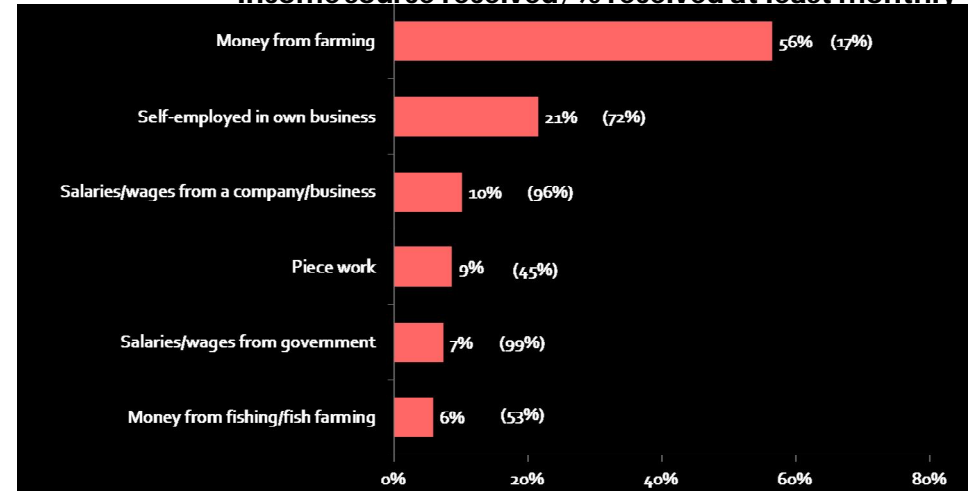
Tanzania

Income source received; % received at least monthly



Zambia

Income source received; % received at least monthly



Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009

Note: Several categories have been left out on the chart for Tanzania and Zambia due to small sample sizes; Percentages in brackets are those incomes received at least once a month



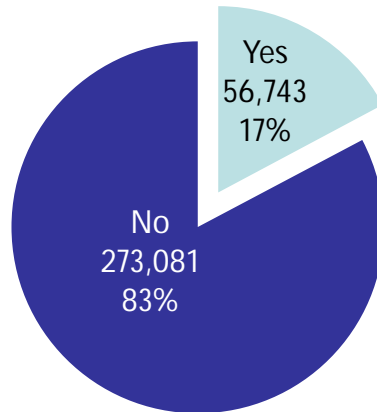
There is no single proxy available in the survey data to account for credit worthiness or capacity to borrow

Credit worthiness

(HoH, No housing loan, Not too poor)

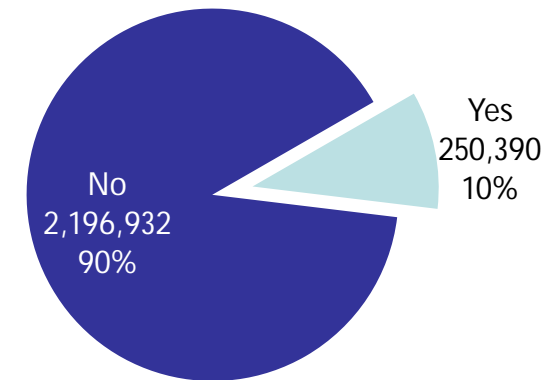
Botswana

Personally been unable to pay bills in the past year



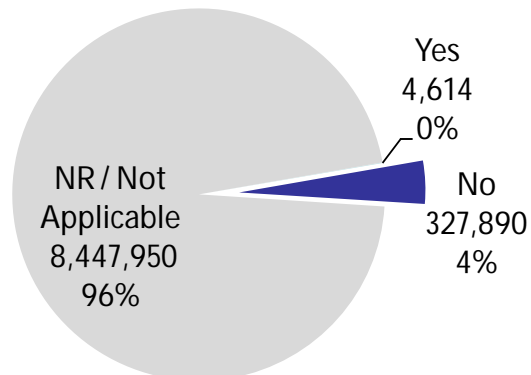
Malawi

Collateral has been seized in the past



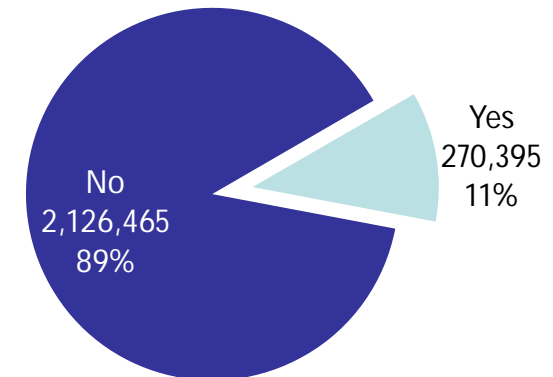
Tanzania

Ever lost collateral/security



Zambia

Claim to use more than 50% of income on paying back debts



Other access barriers

Other access barriers

(HoH, No housing loan, Not too poor)

% of potential market	Botswana	Malawi	Tanzania	Zambia
Affordability	62% cannot afford an FNB min loan (P 50,000)	95% cannot afford a Standard Bank min loan (MK 1.2m)	74% cannot afford an Azania Bank min loan (TZS 5m)	97% cannot afford a Barclays min loan (K 80m)
Banking status	44% are not banked	80% are not banked		78% are not banked
Documentation	16% don't have an ID card		9% don't have a Voters Card	4% don't have a National Registration Card
Age	51% are aged 41+	51% are aged 36+	39% are not aged <18 or 46+	40% are aged <21 or 46+
Awareness	57% are not aware of a mortgage bond or housing loan from a bank	67% do not understand the term "loans"	13% do not understand the term "loans"	51% do not understand the term 'interest'
Regular income		31% do not receive income regularly (no cash in the home always or often)	57% do not receive (any) form of income regularly (i.e. daily, weekly or monthly)	44% do not receive any regular income (ie. daily, weekly, twice a month, monthly)
Savings	35% have no liquid savings	27% have no liquid savings	24% have no savings/investments	45% have no liquid savings



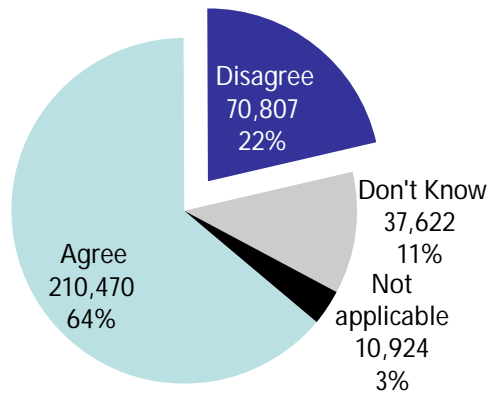
There are also some indicators on the propensity to use a mortgage or housing loan

Propensity to use

(HoH, No housing loan, Not too poor)

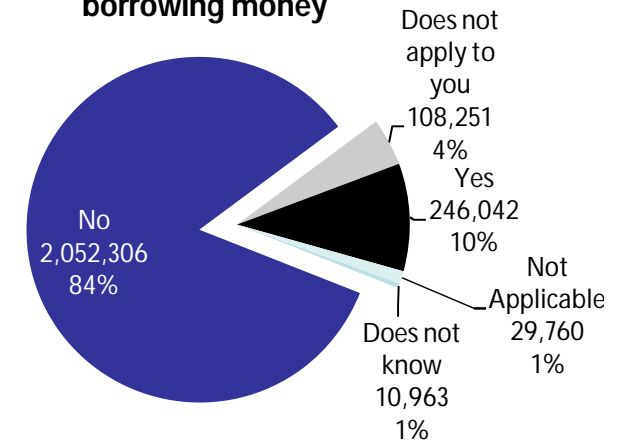
Botswana

“Taking loans should be avoided as much as possible”



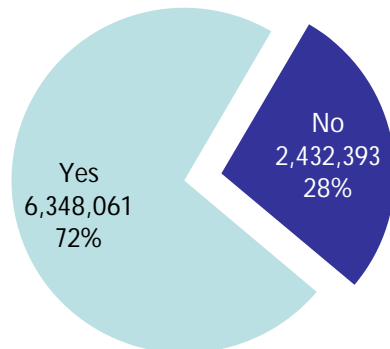
Malawi

You would use your dwelling or land as security when borrowing money



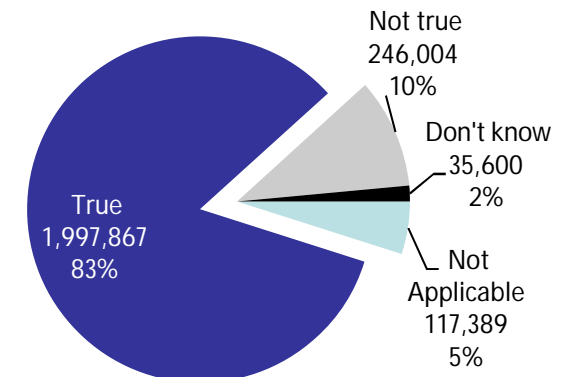
Tanzania

“If housing loans products were available would you be interested in such products?”



Zambia

“You avoid borrowing money if you can”





All these indicators can be used to populate an access frontier. While affordability dominates there are other critical constraints

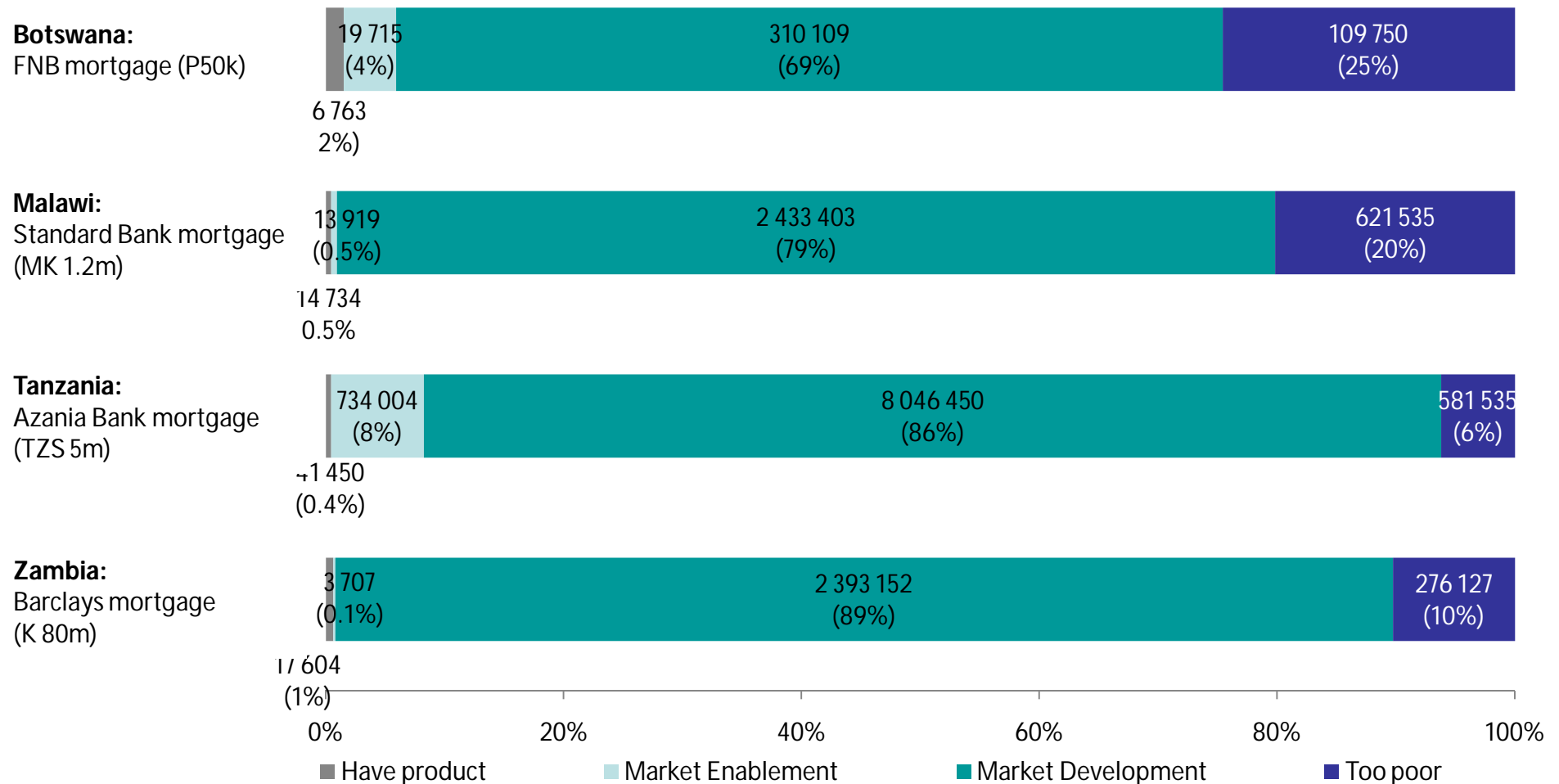
		Botswana	Malawi	Tanzania	Zambia
Total market (HoH)	Currently has a housing loan				
	Botswana 6 763 Malawi 14 734 Tanzania 41 450 Zambia 17 604				
Does not have access to the product	Does not have a housing loan				
	Too poor (Redistribution zone)	109 750	621 535	581 535	276 127
	Not banked	143 702	1 951 063	-	1 875 389
	Cannot afford	205 407	2 334 925	6 538 839	2 333 828
	No identification	52 320	-	817 194	87 994
	Too young/old	168 916	1 250 698	3 410 047	956 454
	Lack of awareness	188 527	1 648 759	1 109 893	1 224 249
	Not credit-worthy / No capacity to borrow	56 743	250 390	4 614	270 395
	No (liquid) savings*	103 647	641 917	1 954 725	1 060 061
	Irregular income	-	759 998	4 985 905	1 062 743
Development zone:		310 109	2 447 322	8 037 828	2 393 152
Has access to the product but does not use it	Potential users (Enablement zone)	19 715	13 919	742 625	3 707

Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009
 * "No liquid savings" if don't own a mortgage-able dwelling



These can be summarised as a strand

Access frontier for a bond: Household heads

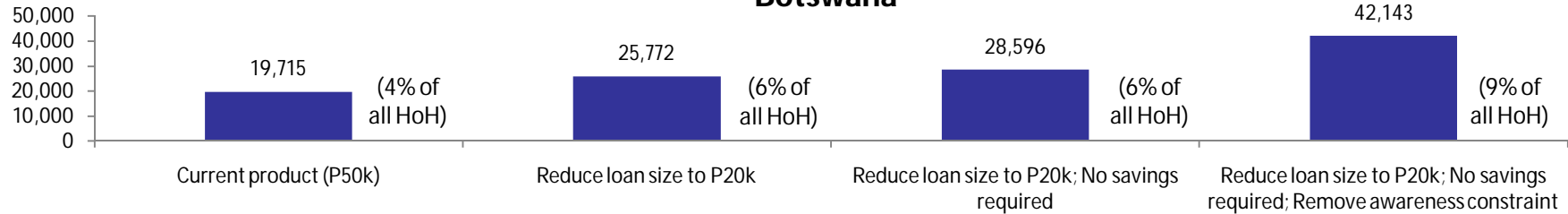




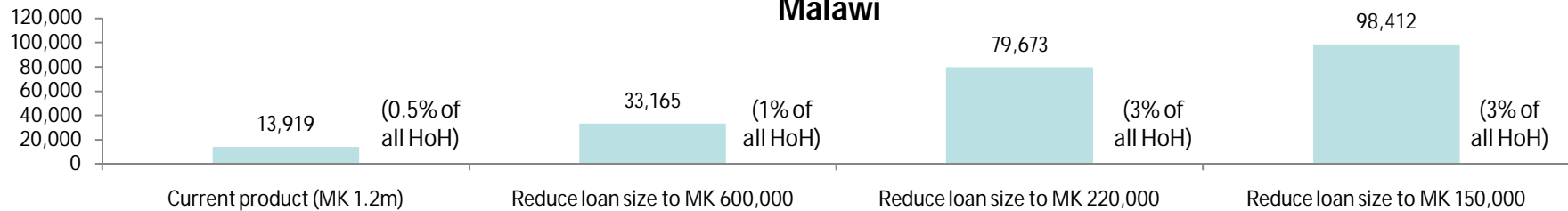
We can use the frontiers to size an 'addressable market' if we optimise the product. Again, it is critical to consider what housing process the product would support

Market Enablement Zone: Household heads

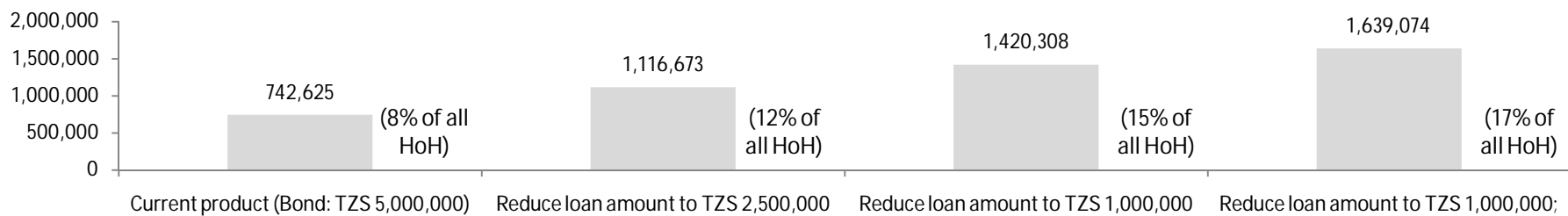
Botswana



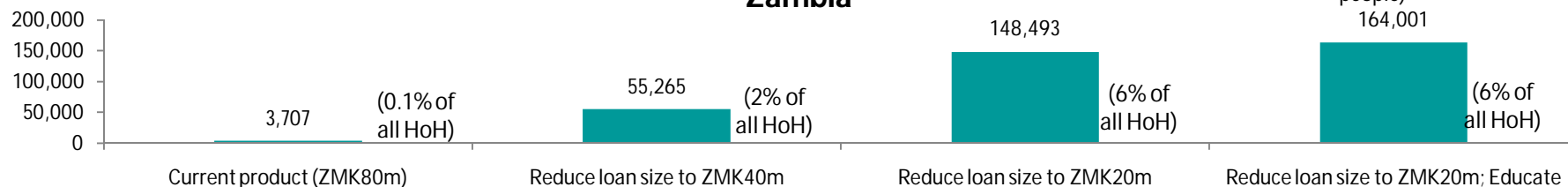
Malawi



Tanzania



Zambia



Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009

Agenda

An introduction to access and access frontiers

Access to mortgages

Access to unsecured housing finance

Some implications

Product details: Unsecured personal loan

	Loan term and size	Interest rates and fees	Borrower qualifying criteria
Malawi (Standard Bank)	<ul style="list-style-type: none"> Min loan size: MK 35 000 (US\$ 230) Max term: 5 years 	<ul style="list-style-type: none"> Interest rate: between prime +2% and prime + 6.5% 1% fee is charged Repayments: monthly 	<ul style="list-style-type: none"> Proof of income, identification and address Letter of introduction from employer Max 55 years of age Bank account for at least 6 months Maximum repayments may not exceed 30% of income Monthly income Clean account conduct
Tanzania (WAT SACCO)	<ul style="list-style-type: none"> Min loan size: TZS 300,000; max loan size: TZS 2.5m (US\$ 185-1,544) Max term: 2 years 	<ul style="list-style-type: none"> Interest rate: 18% p.a. Loan application fee of 1% and loan insurance fee of 1% charged at inception 4%-5% fee for upgrading or new construction; 10%+ for green field development charged at inception 	<ul style="list-style-type: none"> Account with WAT SACCO (need to earn at least \$6 per day for new construction loans but not for upgrading loans) with at least 2 months savings history Minimum age 18 Income received at least monthly; economically active Proof of income Proof of housing, including a site visit and liaising with guarantors Voters Card Max repayments may not exceed 40% of income
Zambia (Habitat for Humanity)	<ul style="list-style-type: none"> Min loan size: K3m (US\$600) Max loan size: K12m (US\$2400) Max term: 5 years 	<ul style="list-style-type: none"> Interest rate: based on market price of cement Repayments: monthly Application fee and administrative costs 	<ul style="list-style-type: none"> Letter of recommendation from community leaders Last payslip or letter from employer Minimum 18 years of age Willing and able to help neighbours with their houses Copy of NRC

Unsecured personal loan: access barriers

Access barriers (Total potential market)

% of potential market	Malawi <i>(HoH, currently no housing loan / not borrowed for land/dwelling, not too poor)</i>	Tanzania <i>(HoH, owns dwelling/land, currently no housing loan / not borrowed for land/dwelling, not too poor)</i>	Zambia <i>(Adults 16+, not borrowed for land/dwelling in past 12 months, not too poor)</i>
Affordability	38% can't afford a Standard Bank min loan (MK 35,000)	42% cannot afford a WAT SACCO min loan (TZS 300,000)	75% cannot afford a Habitat for Humanity min loan (K 3m)
Banking status / savings account	80% are not banked	97% do not have a SACCO savings account	
Documentation		9% don't have a Voters Card	16% don't have a National Registration Card
Age	24% are 51+	0.05% are aged <18	8% are aged <18
Awareness	68% don't understand the term 'loan'	13% do not understand the term "loans"	57% don't understand the term 'interest'
Regular income	57% do not receive any regular income (ie. daily, weekly, fortnightly, monthly)	63% do not receive (any) form of income regularly (i.e. daily, weekly or monthly)	59% do not receive any regular income (ie. daily, weekly, twice a month, monthly)
Credit-worthiness	10% have had their collateral seized in the past		
Adequacy of dwelling			15% live in an 'uncrowded' and permanent dwelling

Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009



The access frontiers can be summarised using this data for the three products reviewed

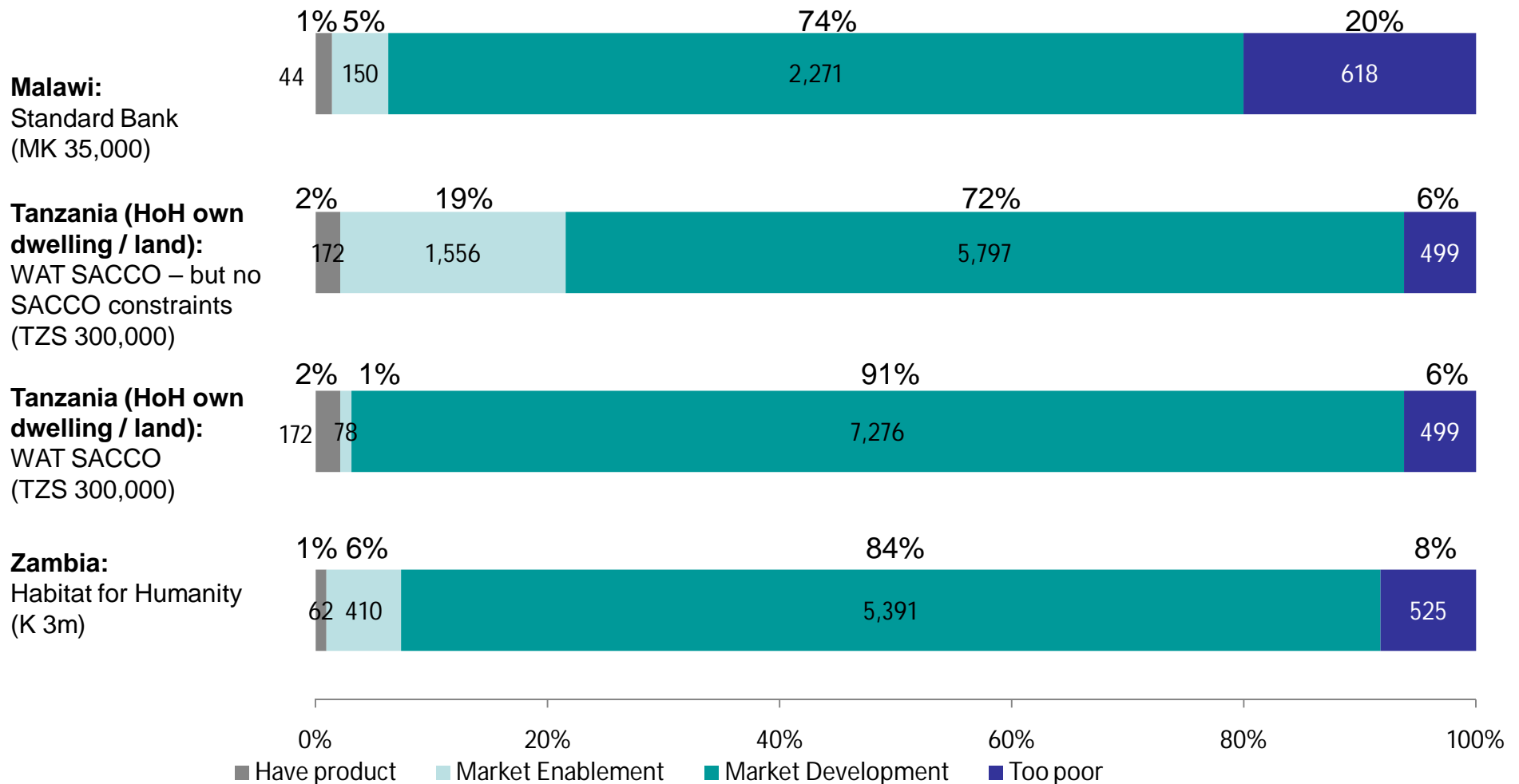
			Malawi	Tanzania	Zambia
Total market	Current market		618 205	499 413	525 240
	Malawi 44 314				
	Tanzania 172 163				
	Zambia 61 520				
Malawi (HoH) 3.08m	Not in current market	Does not have access to the product	Too poor (Redistribution zone)		
			Not banked	1 935 887	-
Cannot afford	910 02		3 074 375	4 359 205	
No identification	-		637 612	901 484	
Too young/old	569 724		3 660	470 903	
Lack of awareness	1 639 831		964 319	3 279 405	
Not credit-worthy	244 627		-	-	
No savings with a SACCO	-		7 119 462	-	
Irregular income	1 378 748		4 628 124	3 402 225	
Adequate dwelling	-		-	897 050	
		Development zone:	2 271 441	7 276 005	5 390 799
Tanzania (HoH owns dwelling/land) 8.0m	Has access to the product but does not use it	Potential users (Enablement zone)	149 632	77 750	410 326
Zambia (Adults 16+) 6.39m					

Source: FinScope Botswana 2009;
Malawi 2008; Tanzania 2009; Zambia



Strands summary

Access frontier for an unsecured loan (Total market differs by product)



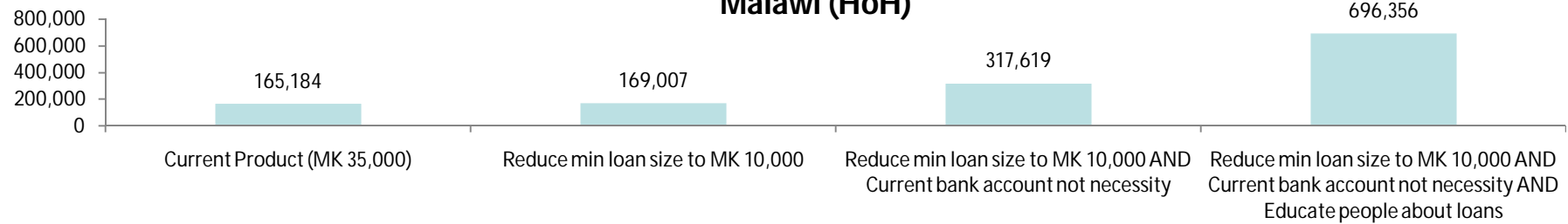
Source: FinScope Botswana 2009; Malawi 2008; Tanzania 2009; Zambia 2009



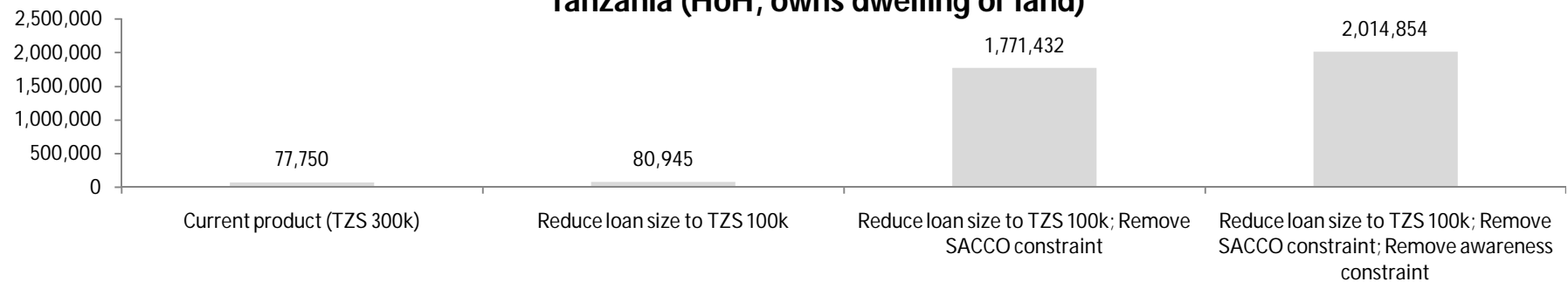
Strands optimised

Market Enablement Zone

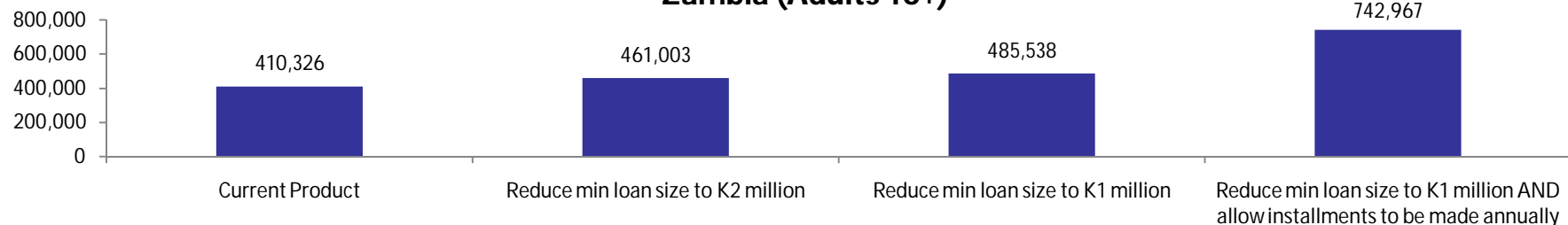
Malawi (HoH)



Tanzania (HoH, owns dwelling or land)



Zambia (Adults 16+)



Agenda

An introduction to access and access frontiers

Access to mortgages

Access to unsecured housing finance

Some implications

Some issues

While the current market is small, it appears there is scope for growth...

But the finance solution must align with the housing solution

Savings

Rental

More conversations, more analysis and experimentation



Prepared by
Eighty20 Consulting

Illana Melzer
02 1 460 0440
083 271 3764
illana@eighty20.co.za