

Abstract

The marginal and low-income groups face a number of obstacles in their quest to secure housing finance to improve their living conditions. Compared to the neighbors, Kenya has a more developed and effective finance system. However, it appears that the only beneficiaries from it are the middle and upper income groups of the housing market. Housing represents a major investment requiring a substantial capital outlay. As illustrated elsewhere in this document, personal residences account for 75% to 90% of household wealth in emerging market countries. In Kenya, it is estimated that out of a total 150,000 housing units required annually in urban areas, only an estimated 35,000 are produced. The shortage of housing is even acute for low-income households acute in urban areas, since only an estimated 6,000 units, or 20 per cent of the total number of all houses produced, cater for this group. In Kenya, only a small proportion of households of 10%, have traditionally qualified for mortgage loans from housing finance institutions, and borrowers generally consist of high net worth individuals. This study was aimed at determining the effect of level of income, interest rates, lack of a collateral, information asymmetry and requirement for a predetermined deposit on access to housing finance. The research design was a causal research whereby stratified random sampling technique was adopted to select a sample of 120 i.e. 1 % of the employees. A questionnaire was administered and the responses recorded. The data collected was analyzed using various measures of central tendency, measures of dispersion, correlation and ANOV A test. Also, various percentages and ratios were calculated. It was presented through the use of charts and graphs. Only 27% of the respondents owned houses while 65% rented their current houses and 7% stayed in houses owned either by their employers or stayed with relatives and friends. Only 23% financed the houses they owned from their personal savings. The rest got finances from the different institutions, for example, commercial banks, mortgage institutions, co- operative societies, investment groups and loans from their employers. Low monthly income was a factor that influenced the realization of home ownership. While 68% of the respondents said the interest rates are not a problem, 32% saw it as a big factor in accessing housing finance. Lack of security was a factor denying respondents access to finance. Majority of the respondents would not raise the high pre-determined down payment hence could not access housing finance. Therefore, the housing finance providers need to restructure the monthly repayments so that they are affordable to the low income earners. They should give attractive and affordable interest rates to encourage more people to own homes, the issue of down payments should be reviewed and the applications procedures should be made simpler. Also, the high pre determined down payments need to be reviewed so that those who cannot raise can still access housing finance. The nature of the collateral required to borrow especially from commercial banks need to be reviewed so that more options are available for the low and middle income earners.