MAKERERE UNIVERSITY

COLLEGE OF ENGINEERING, DESIGN, ART AND TECHNOLOGY
SCHOOL OF BUILT ENVIRONMENT

DEPARTMENT OF CONSTRUCTION ECONOMICS AND
MANAGEMENT

AN INVESTIGATION INTO THE EASE TO ACCESS MORTGAGE FINANCING
FOR REAL ESTATE DEVELOPMENT IN UGANDA

CASE STUDY: MUKONO MUNICIPALITY

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF
SCIENCE IN LAND ECONOMICS, MAKERERE UNIVERSITY.

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APRIL 2018
DECLARATION

I, ACAN SUSAN hereby declare that this Research project is my own original work and has never been presented to any University or Higher Learning Institutions for diploma, degree or any other professional award.

Date 18th/6/2018

Signed

ACAN SUSAN  14/U/8
APPROVAL

This is to certify that this research report is the original work of ACAN SUSAN Reg. 14/U/8 and has been produced under my supervision and submitted to the college of Engineering, Design, Art and Technology in partial fulfillment of the requirements for the award of a degree of Bachelor of Science in Land Economics at Makerere University.

Date 18/6/2018

Signed---------------------------------

MR. MUJUMBA FRANCIS
DEDICATION

This report is dedicated to my dearly Uncle Mr. Odur Kenneth, my mum Ms. Atto Margret and to all my family members, lectures and friends, for the endless prayers and support they offered me throughout the study.
ACKNOWLEDGEMENT

I thank the almighty God for His guidance, providence and protection throughout the project from the very minute I started until I finished.

With utmost thanks, I wish to acknowledge the contribution of a number of people and institution towards the success of the research project. First, Makerere University and in particular the lectures of department of Construction Economics and Management CEDAT, whose knowledge and technical skills assisted me in the entire study period, some of which I have used in this report.

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Finally, I extend my appreciation to my fellow course mates and all those individuals whose direct and indirect contribution has been helpful to this study. I am greatly indebted to you.

May the Almighty God reward you abundantly!
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ABBREVIATIONS/ACRONYMS

PSC: Private sector credit
NHCC: National Housing Construction Company
NSSF: National Social Security Fund
BOA: Bank of Africa
DTB: Diamond Trust Bank
FRM: Fixed-rate mortgages
ARM: Adjustable-rate mortgages
HOA: Homeowner’s Association
CRB: Credit Reference Bureau
MSMEs: Micro, Small, and Medium-Size Enterprises
BOU: Bank of Uganda
BOQ: Bill of Quantities
NEMA: National Environmental Management Authority
MLHUD: Ministry of Lands, Housing and Urban Development
LC1: Local Council one (1)
CEDAT: College of Engineering, Art, Design and Technology.
ABSTRACT

This study was conducted in Central Uganda with the research entitled ‘An investigation into the ease to access mortgage financing for real estate development in Uganda, case study Mukono Municipality’

The main objective of the study is to investigate the ease to access Mortgage Financing for Real Estate Development in Uganda and specific objectives addressed are; (i) to establish the procedures of obtaining mortgage financing for Real Estate Development in Uganda, (ii) to establish places where mortgage financing can be obtained, (iii) to establish the various alternative ways of obtaining housing finance, ( iv) to determine the challenges faced by Real Estate Developers in obtaining mortgage financing in Uganda and (iv) to examine how Mortgage Financing institutions can make mortgage financing accessible for Real Estate Developers in Uganda.

‘Case study research design was used however qualitative and quantitative approach were used to design research questions. This was achieved by review of related literature and field data collection from 70 respondents by using approaches like questionnaires and interviews. Both qualitative and quantitative data collected were analysed using thematic analysis and Microsoft excel respectively.

The findings show that requirements for obtaining a mortgage loan includes; Land title, Approved plans, Structural drawings among others, procedures followed when obtaining a mortgage loan includes; Loan Application , application is presented to the respective committee for approval, Presentation of the required documents, Analysis of the documents, Inspection and appraisal of the property, Offering letter having terms and conditions to a qualified applicant, Approval and Registration of the Mortgage, Disbursement of the funds, Credit administration and Monitoring. Challenges faced by real estate developers when accessing mortgage includes; Bureaucracy, High interest rates, Short repayment period, Unfavourable terms and conditions among others.

The study goes ahead and recommends some solutions such as; Reducing Interest rates, Easing the system of obtaining approved plans from the concerned offices, Increasing the repaying duration, Reduce customer contribution, Improve Communication and Staff Attitude among others.
CHAPTER ONE
INTRODUCTION AND BACKGROUND

1.0. Background of the Study

(Galbraith, 2017) provides that, when we think about real estate we should not think about the homes and the community or the business of buying and selling houses, this is because real estate includes not only our homes but also our places of work, worship, government, commerce, education, recreation and entertainment, our physical environments, natural and built. In addition to the foregoing, it includes a wide range of business and institutional activities associated with the development, purchase, use, and sale of land and buildings.

Mortgage financing refers to a loan secured by collateral of some specified real estate property that the borrower is obliged to pay back with predetermined set of installments. (Bienert & Brunauer, 2006). The loan is usually for the purchase or construction of housing estates by individuals or companies (Kiyingi & Isagayita, 2008).

An efficient mortgage financing system has significant importance both in meeting the housing needs of individuals and in strengthening the development of the construction, finance and other related sectors of an economy. International experience suggests that, the widespread availability of residential mortgages has favourable impact on poverty relief, quality of housing, infrastructure, and urbanization (Erbas, 2005).

Pittman (2008), points out that obtaining a mortgage in today’s mortgage market is a complicated process as it involves many procedures like identifying the best service provider with the best interest rates. When reaching a decision on a mortgage, borrowers might feel compelled to use their social networks for information and guidance. Access to and use of social capital influences the degree to which borrowers make informed decisions. Social capital is anything that facilitates the achievement of goals that couldn’t be achieved in its absence or could be achieved only at a higher cost (Durlauf & Fatchamps, 2004).

The real estate sector in Uganda has seen Property developers who have recently entered the market and have innovatively teamed up with a number of local and international banks present in Uganda to extend mortgage services to a number of Ugandans. Companies like the Government
owned National Housing and Construction Corporation and Private Property Developers like Akright Projects, Kensington Real Estate Company, Turipati Developments, Pearl Real Estate Developers and Jomayi Property Consultants have worked out schemes through which middle-income earners can access loans for the purchase of real estate through banks (Kalema & Kayiira, 2008).

Despite all these, the weak arrangement/infrastructure built by Ugandan financial institutions has only allowed them rather plenty in urban centers and a limited presence in rural areas. With the exception of the Kampala area, the average number of bank branches per district is 2, most of which are located at the district headquarters. Consequently, less than 10% of Uganda’s population has access to formal banking services and only 8% of the rural households have bank accounts. (Kalema & Kayiira, 2008)

In addition to that, Growth in Private sector credit (PSC) has slowed noticeably since October 2015. The supply of credit has however remained restrained, an indication that the restrained growth in PSC could be driven by tightening credit standards. In terms of sectorial distribution, credit growth to the dominant sectors of the economy slowed significantly as well as lending to other major sectors of the economy also weakened, save for household and personal loans. This is consistent with the findings of the Bank Lending Survey for Q1-2016/17 as shown in the table below. (BOU, 2016)

<table>
<thead>
<tr>
<th>Table 1.1. PSC annual growth rate</th>
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<tr>
<td>Source: Bank of Uganda, 2016</td>
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<table>
<thead>
<tr>
<th></th>
<th>2015 June</th>
<th>2015 October</th>
<th>2016 June</th>
<th>2016 October</th>
</tr>
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<tbody>
<tr>
<td>Weighted Average growth of PSC</td>
<td>8.9</td>
<td>7.9</td>
<td>3</td>
<td>3.3</td>
</tr>
<tr>
<td>Shs loans</td>
<td>13.4</td>
<td>14.7</td>
<td>6.9</td>
<td>5.4</td>
</tr>
<tr>
<td>Forex loans (Net of Revaluation)</td>
<td>3.1</td>
<td>-0.6</td>
<td>-2.1</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Sectoral PSC Growth</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Agriculture</td>
<td>22.6</td>
<td>17.7</td>
<td>10.4</td>
<td>8.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>40.4</td>
<td>45.3</td>
<td>-5.5</td>
<td>-11.6</td>
</tr>
<tr>
<td>Trade</td>
<td>13.8</td>
<td>16.2</td>
<td>-3.1</td>
<td>-2.5</td>
</tr>
<tr>
<td>Building, Mortgage, Construction &amp; Real Estate</td>
<td><strong>19.7</strong></td>
<td><strong>21.8</strong></td>
<td><strong>5.5</strong></td>
<td><strong>1.1</strong></td>
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<tr>
<td>Personal and Household Loans</td>
<td>5.6</td>
<td>6.3</td>
<td>9.2</td>
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1.1 Statement of Problem

Every Country worldwide Uganda inclusive depends on real estate say land for its survival. This has made everyone to fight tooth and nail to make sure that they can acquire as much as they can afford in the shortest period though it has made few to achieve their goals, as real estate is known to be one of the expensive commodities in Uganda. People who fail to accumulate enough funds to purchase it have resorted to mortgage financing through using the little they have as collateral to secure mortgage loans from commercial banks.

However mortgage financing institutions tend to offer mortgage loans to people after an agreement have been reached between the lender and borrower, a lot is done behind the curtains as most borrowers may bribe the Loan officers and bank managers in order to secure a mortgage loan. This makes the rich to always have the advantage over the poor despite the saleability of the collateral put against the loan.

In addition most Ugandans are unable to access housing finance to invest in real estate and this could be due to the fact that conditions set by commercial banks for accessing loans may not be achievable; for example, many Ugandans are not in salaried jobs while many may be earning below the required qualifying incomes for mortgage loans. In addition, collateral requirements by commercial banks may be a major challenge to many would-be borrowers/home developers.

Therefore this will continue making Access to finance through informal sources a common practice for both the rural and urban poor people e.g. borrowing from family members, rotating credit societies and saving clubs mainly to boost small scale businesses and in some cases they enable people build houses. Thus most people stay and will continue to stay in poor houses if no action is taken to end this.

1.2 Objectives of the Study

1.2.1 Main objective

The main objective of the study is to investigate the ease to access Mortgage Financing for Real Estate Development in Uganda.
1.2.2 Specific Objectives

1) To establish the procedures of obtaining mortgage financing for Real Estate Development in Uganda.
2) To establish places where mortgage financing can be obtained.
3) To establish the various alternative ways of obtaining housing finance.
4) To determine the challenges faced by Real Estate Developers in obtaining mortgage financing in Uganda.
5) To examine how Mortgage Financing institutions can make mortgage financing accessible for Real Estate Developers in Uganda.

1.3 Research Questions

1. What are the procedures of obtaining Mortgage financing real estate developers in Uganda?
2. Where can Mortgage financing for real estate development be obtained in Uganda?
3. What are the challenges faced by Real Estate Developers in obtaining mortgage financing in Uganda?
4. How can Mortgage Financing institutions make mortgage financing accessible for Real Estate Developers in Uganda?
5. What are the various alternative ways of obtaining housing finance?

1.4 Significance of the Study

- Investors

This study will be significant to individual investors, housing providers both private and public such as National Housing Construction Company (NHCC), National Social Security Fund (NSSF) and JOMAY among others and the government or real estate developers interested in seeking mortgage financing since it will provide the various places and procedures through which one can access the services. In addition, it will help the investors to know the laws and regulations that govern mortgage financing as well as real estate.

- Policy Makers

This study will be important to policymakers in that it will serve as a guide to them when making policies regarding extending mortgage financing to real estate developers in the country.
• **Academics**

This study will be significant to academicians in that it will add to the knowledge of the researchers in this field of study, as it will call for them to refer to this work when doing studies related to this study. This study will contain firsthand primary data and secondary data of which all this will be analysed to get best results out of it of which this will allow further knowledge to impart if any reference is made to it.

• **Mortgage Financing Institutions**

This study will further more help Mortgage Financing institutions such as Stanbic, Centenary and Bank of Baroda banks to come up with ways to make mortgage financing accessible for potential Real Estate Developers in all parts of Uganda. It also uncover the unlawful deals done behind the curtain between the manager and the borrower.

1.5 Scope of the study

1.5.1 Geographical Scope

The Study focused on Real Estate Developers in Mukono and financial institutions within Mukono Municipality. This is because Mukono is one of Municipalities in Uganda that is growing fast and more it’s near the City Centre of Uganda that is Kampala where massive real estate development is being experienced and where they exist financial institutions that are giving out mortgages to the entire population.

1.5.2 Content Scope

The Study focused only on the procedures, place of obtaining mortgage financing for Real Estate Development in Mukono municipality, the various alternative ways of obtaining housing finance, the challenges faced by Real Estate Developers in obtaining mortgage financing and examined how Mortgage Financing institutions can make mortgage financing accessible for Real Estate Developers in Uganda with Mukono municipality as the case study area.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This chapter presents a critical review of the research works that were done by various scholars in the field of Mortgage Financing and Real Estate Development as well as highlighting on some of the definitions of the key research terms and concepts of the study to give a clearer picture of the investigation underway.

2.1 Definition of Concepts

2.1.1 Mortgage
Xudong (2008), defines mortgage as a debt with income producing property such as retail space, office, hotel or multifamily building as collateral. In addition, (MC Donald & Thornton, 2008), defines a mortgage as a particular type of loan for real estate.

Furthermore, a mortgage can be both the instrument that pledges real estate as a security for an obligation that is to say a mortgage occurs when property owners pledge interest as security or collateral for a loan. This means that a mortgage can apply to any sort of property say a car, land or even a building. It is any encumbrance, charge, debenture or loan agreement, whether legal or equitable, that constitutes a charge over an estate or interest in Uganda and is registered under the Registration of Titles Act (Hassanein & Barkouky, 2008).

2.1.2 Mortgage Repayment
MC Donald & Thornton, (2008) explains Mortgage repayment is the same as amortization that derives from the Middle English for “Kill”. It refers not to the borrower’s murder, but to “killing off” the mortgage by paying it down over time. Repayment schedule is simply how the loan is to be repaid over a given period. The loan is repaid in fixed periodic payments usually monthly. The repayment period usually varies from country to country.
2.1.3 Mortgage Risks

In mortgage financing, there are different customers from different backgrounds, and this exposes a lot of risk to both the borrower and the lender (Scanlon & Whitehead, 2004). The major risks include Credit risk (default risk) to the lender that the borrower will default on loan obligations and investment risk where if the owner-occupier value of the home falls, the value of the owner-occupier’s equity falls too. (Lewis & Neave, 2008). (J. Lea, 1990) defines default risk as that risk brought about when the market value of the property falls below the market value of the mortgage.

2.1.4 Mortgage insurance

Feddie (2016), defines mortgage insurance as a specialist form of credit insurance that provides protection to the Lender. In the event of a borrower defaulting on their loan and the property is being taken into possession and sold but not at a price sufficient to cover the outstanding debt and costs then the insurance policy pays out to the lender. One form is for the “top slice” of the loan to be insured, that is, for example, any amount in excess of say 70 percent of the valuation. An alternative is for a proportion of the whole loss to be met by the insurance company. Mortgage insurance schemes can take various forms but a common feature of most schemes now, is an element of co-insurance whereby the lender assumes some of the risk.

2.1.5 Mortgage Interest Rates

The rate charged on the borrower each period for the loan granted, quoted on an annual basis. These to a great extent will determine affordability alongside the maturity. In Uganda, Interest rates range between 22% - 25% depending on the purpose of the mortgage (Knight Frank, 2016).

Other Mortgage Terms according to (Feddie, 2016) include;

- **Affordability.** A consumer’s ability to afford a house. It is usually expressed as the maximum price for which a consumer could be approved for a mortgage.
- **Amortization** The repayment of principal from scheduled mortgage payments that exceed the interest due. Amortization is the amount of principal paid as part of a scheduled mortgage payment. It equals the scheduled payment minus the interest.
- **Amortization schedule** A table showing the mortgage payment (broken down by interest and principal paid), the loan balance, any tax and insurance payments made by the lender, and the balance of the tax/insurance escrow account.

- **Amount financed** The amount financed is the loan amount, less any lender fees paid at closing, i.e. “prepaid finance charges” indicated on the Truth in Lending form.

- **Application** A request for a loan, it includes information about the potential borrower, the property and the type of loan requested from the lender.

- **Appraisal** A written estimate of a property’s current market value prepared by an appraiser

- **Approval** means that the borrower meets the lender’s qualification and underwriting requirements and the loan is accepted by the lender

- **Balance** The amount of the original loan remaining to be paid. It is equal to the loan amount less the sum of all prior payments of principal.

- **Buy-down** A permanent buy-down is the payment of points in exchange for a lower interest rate.

- **Closing** The final step in the loan process of where the seller transfers ownership to the buyer; funds are disbursed from the buyer and lender to the seller; and all documents associated with the sale and loan are executed.

- **Closing costs** Fees paid by the borrower at closing. These include charges for originating and processing the loan.

- **Conversion Clause** A provision in some ARMs that allows you to change the ARM to a fixed-rate loan at some point during the term, usually conversion is allowed at the end of the first adjustment period. At the time of the conversion, the new fixed rate is generally set at one of the rates then prevailing for fixed rate mortgages. The conversion feature may be available at extra cost.

- **Default Failure** of a borrower to honor the terms of the loan agreement. Lenders (and the law) usually view borrowers delinquent 90 days or more as in default.

- **Down payment.** The amount of cash which the home buyer pays towards the purchase price at closing. Down payment is the difference between the value of the property and the loan amount.

- **Foreclosure.** The legal process by which a lender acquires possession of the property securing a mortgage loan when the borrower defaults.
- **Lien.** The lender’s right to claim the borrower’s property in the event the borrower defaults.
- **Mortgage modification.** A change in the terms of a loan, usually the interest rate and/or term, in response to the borrower’s inability to make the payments under the existing contract.
- **Mortgage note.** It is written promise to pay off the loan amount on certain terms and conditions. It also mentions what the lender is likely to do if you default on your loan.

**Underwriting.** The process of examining all the data about a borrower’s property and transaction to determine whether the mortgage applied for by the borrower should be issued. The person who does this is called an underwriter.

### 2.2 Types of Mortgages

According to (Feddie Mac 2011), there are a number of different types of mortgages, but the most common are the fixed rate mortgages and the adjustable rate mortgages and he defined them as;

**Fixed-rate mortgages (FRMs)** are the most common mortgage type and its where interest rate never changes, the monthly principal and interest payment remains the same for the entire term of the loan whether it’s a 15-year, 20-year, or 30-year mortgage. Fixed-rate mortgages are the most stable type of mortgage.

**Adjustable-rate mortgages (ARMs)** may start with a lower interest rate, making initial monthly payments lower. However, unlike a fixed-rate mortgage, interest rate will adjust periodically, based on an index that reflects changing market interest rates thus if the interest rate adjusts upward, so will monthly payments.

**Balloon mortgage** A mortgage which is payable in full after a period that is shorter than the term. In most cases, the balance is refinanced with the current or another lender. Balloon mortgages are similar to ARMs in that the borrower trades off a lower rate in the early years against the risk of a higher rate later.

### 2.3 Mortgage Financing

Mortgage financing refers to a loan secured by collateral of some specified real estate property that the borrower is obliged to pay back with predetermined set of installments. (Bienert & Brunauer, 2006). The loan is usually for the purchase or construction of housing estates by
individuals or companies. Ugandans have realized that with the ever increasing rental costs, it would be more beneficial to take a mortgage and acquire property as one would be assured of invariable monthly payments due to fluctuations (Kievingi & Isagayita, 2008)

In mortgage financing, there is the transfer of a legal or equitable interest in a specific immovable property for the payment of a debt. The possession of the property may remain with the borrower with the lender getting the full legal title. The transferor of the interest (borrower) is called the mortgagor while the transferee (bank) is called the mortgagee. The instrument of transfer is called the mortgage deed Pandey (1995). Features of mortgage loans such as the size of the loan, maturity of the loans, interest rates, method of paying off the loan, and other characteristics can vary considerably (Thomas 2008).

2.3.1 Importance of Mortgage Financing

Lea & Loic, (2007) points out the benefits associated with mortgage financing as explained below:

- Mortgage finance improves the operation of the housing market and the economy in a number of ways, both directly by facilitating transactions and indirectly by improving the environment in which transactions take place.
- Mortgages can provide good collateral. Mortgages are usually the lowest-cost way for households to finance general borrowing for consumption, non-housing investment, or business formation. Housing investors (e.g., for rental housing) use leverage to increase the returns on investment, as well as to expand and diversify their investment opportunities.
- Mortgage financing has a stronger effect on consumption expenditures than do other forms of savings. House-price increases can lead to stronger increases in consumer demand than do rising stock markets, with the result that housing market trends may be more closely related to overall macroeconomic cycles. As mortgage markets deepen, there are greater opportunities for households to access this wealth. In particular, the ability to refinance allows families to spend the capital gains realized on rapid house-price increases.
- Furthermore, Mortgage finance makes it possible for people to acquire affordable housing as they have the option to own their homes and pay for them in affordable installments over time (Kibirige, 2006).
The mortgage finance sector creates employment directly and indirectly particularly to the construction industry and indirectly to other sectors (Kibirige, 2006).

2.4 Mortgage Payment

2.4.1 Components of a Mortgage Payment

According to (Feddie Mac 2011), the following costs are generally reflected in a borrower’s mortgage payment:

- **Principal.** The principal is the amount of money borrowed to buy a house or finance house construction.
- **Interest.** Interest is the cost a borrower pay to borrow money from the lender, usually expressed as a percentage of the amount borrowed.
- **Taxes.** A Lender will typically include 1/12th of the estimated annual real estate taxes on the home one purchased. They will put this 1/12th in an escrow account each time a borrower makes a payment so they can pay the borrower’s taxes when they’re due.
- **Homeowner’s Insurance.** A borrower’s payment will also include 1/12th of the annual homeowner’s insurance premium. A lender will put this money into an escrow account and pay the borrower’s homeowner’s insurance on his/her behalf when it is due to the insurance company.
- **Mortgage Insurance.** If down payment is less than 20 percent, the lender will require private or government mortgage insurance. Just like taxes and homeowner’s insurance, 1/12th of the annual premium will be included in the monthly payment and placed into an escrow account.
- **Homeowner’s Association Fees/Condominium Fees.** Most neighborhoods, and all condominiums, have a homeowner’s association (HOA) that maintains common areas, manages trash and snow removal, and helps enforce regulations set forth by the neighborhood or condominium developer. If there is a HOA, there is need to pay a regular fee to the association to help cover expenses.
- **Escrow.** The escrow is money or documents held by a neutral third party prior to closing. It can also be an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.
2.5 Factors that Affect Mortgage Financing

The most important factor affecting access to mortgage finance is the credit risk involved, which greatly affects access to mortgage finance. Most banks are reluctant in advancing credit to clients with a high credit risk than those with low credit risk. A low income level increases the chances of defaulting in repayment. For the cost of mortgage factor, majority of mortgage applicants require fixed rates that can be predetermined and do not vary irrespective of the level of inflation. Without a title deed, one cannot obtain a mortgage due to the insecurity of the property which is usually used as collateral for the mortgage. Finally, mortgage information has been scarcely presented to most applicants hence reducing access by those who have no information (IOSR-JBM, 2015).

According to (BOU, 2009), the BOU undertook a lending survey in 2007 and in 2008 the BOU published the results of The Lending Survey for the Second Half, 2006/2007. The survey was conducted by the BOU research department. The results of that survey indicated that the key constraints to the expansion of lending were;

(i) Insufficient information from customers.
(ii) Unviable business proposals.
(iii) Lack of adequate collateral.
(iv) Frauds and delays at the lands office.

Furthermore, The BOU survey identified some key constraints. These can be grouped into two main categories: legal and regulatory constraints, and information and capacity constraints. (BOU, 2009)

a) Information and Capacity Constraints

- **Obtaining land title information is difficult.** Improvements are starting to be made in the operations of the land registry, but banks still face delays in getting title information, particularly because of the centralization of the registry in Kampala and a requirement to value each transaction for tax purposes.

- **Credit information is unavailable.** The survey identified this as a major constraint. However, the financial institutions were hopeful that the opening of the Credit Reference Bureau (CRB) would help to solve this problem by collecting data on all bank lending.
Particularly for MSMEs and individuals, the banks highlighted the need to expand the CRB or a private sector alternative over time, to capture nonbank credit and payments data (such as utility payments) that could provide these types of individual borrowers with bankable credit histories, and thus improve their access to credit.

- **Financial literacy is limited.** Access to credit is limited by a severe lack of basic business skills on the part of entrepreneurs. Banks highlighted the need for extensive outreach programs to develop skills in the areas of bookkeeping, accounting, business plan preparation, and borrower education. Banks identified these issues as the driving force behind the high real rejection rate for loan applications

b) **Legal and Regulatory Constraints**

- **There is insufficient support for creditor rights.** The land and mortgage bills under consideration by parliament present a major threat to creditor rights and place burdens on the banks which, in combination, may result in a major reduction in lending.

- **The legal framework has not kept up to date with technological advancements.** The ability of banks to expand access to financial services using technology (for example, telephone and Internet) is limited by the lack of a legal framework for electronic transactions. Furthermore, the legal framework for advancements in branchless banking is missing.

- **Opening new branches is costly.** The BOU stipulates that banking facilities should provide security for cash and records as well as providing guidance on staffing of new branches. This results in the BOU’s Banking Supervision Department functioning, in effect, as a city building inspector (checking for the installation of sprinklers, alarms, and the like). This has resulted in very high costs for new branches. This is compounded by high operating costs as a result of BOU guidance on staffing and, increasingly, vigorous competition among banks for the limited supply of bank staff, which is driving up wages and consequently increasing the costs of staffing. One result of this is that banks face a significant barrier to entry in smaller towns and rural areas due to the imposition of high costs by this guidance.

- **Regulations discourage longer-term lending.** BOU regulations and supervisory practices encourage match-funded balance sheets. Given a system-wide lack of term deposits, this encourages banks to only lend short-term (many banks classified any lending
over 12 months as long term). This negatively impacts the availability of appropriately structured lending products for business investment, construction, and housing.

2.6 Places for obtaining mortgage financing and the services offered.
According to (Kalema & Kayira,), Presently, there are four major types of mortgages issued (residential, commercial, land purchase, and construction finance to property developers), compared to only one (residential) in 2002 and the banks providing mortgage financing in Uganda are;

- Housing Finance Bank Since the 1980s
- DFCU Bank Since 2002
- Stanbic Bank Since 2004
- Barclays Bank Since 2004
- Standard Chartered Bank Since 2004
- Centenary Bank Since 2007
- Kenya Commercial Bank1 since 2011.
- Bank of Africa (BOA) since 2011.

Some of the products offered by the five banks include:

- House construction.
- House completion.
- Home improvement.
- Purchasing of houses, among others.

2.7 Literature Review on Mortgage financing and Real Estate Development

Financing of real estate has unique characteristics of monthly repayment, long maturity and constant increasing in prices of properties. Due to these characteristics, the prices of houses keep on increasing which eventually leads to unaffordability by potential home owners. Sabri (2001) surveyed the theoretical framework of financing subsidized housing in a developing environment in Palestine and emphasized that private firms are used to subside the cost of houses. In support,
Thomson and Buckle (2005) argued that subprime mortgage loans are highly priced because they have high administrative costs. Lending firms register losses due to high default rate and long redemption duration. Existences of subprime markets enable people to acquire houses other than being in rental properties.

Mortgage financing enables acquisition of mortgage properties by able potential homeowners through scheduled repayment and to the lender, it is an avenue of revenue generation since there are interest charges. Saxton (2007) proved that due to default rate, mortgage institutions have resorted to help their clients to reduce the incidences of default. These include advancing capital payment holidays where clients are allowed to repay their interest alone for a specified period, moratorium which involves deferment of repayment of principle and interest for a specified period during shortfall or decline of income of homeowners, by extending the repayment period which enable clients to pay less or little monthly repayment.

CBK (2009) surveyed the housing supply in Kenya and documented that 1.5 percent of homeowners acquired their houses through mortgage financing credit while a third of homeowners acquired their houses through inheritance; half of Nairobi homeowners bought their houses while the percentage is negligible at 2 percent for other provisions. In Nairobi, 70.3 percent of real estate properties are permanent and 23.7 percent of homeowners are willing to use their property to access loans.

In their paper, Hilbers et al., (2001) concluded that real estate development markets should be regulated and monitored on various occasions since unbalanced prices of real estate property lead to economic financial distress. Due to the international financial crisis experienced, property market tends to be controversial since studies have shown that banks and mortgage institutions engage in predatory lending practices by providing loans to borrowers who are unable to service the loans. This eventually leads to high default rates and seizure of collateral assets. On the other hand, subprime mortgage institutions provide credits to borrowers who couldn’t have accessed the credit market due to high interest rates.

There are variety of ways from which one can secure loan. Loan can be secured on range of assets ranging from real estate, business stock, financial instruments, motor vehicle, equipment, or receivables (Chukwuma, et al., 2013). While movable properties are highly used as collateral in
developed countries, in developing and emerging countries of Africa real estate is pointed as highly preferred (Fleisig, 1996). The prevention of movable properties from the same countries have been contributed by three main barriers like the difficult, uncertainty and high cost of creating security interest, the slow and expensive process of enforcing security interest as well as the flaws in the perfection of security interest.

Binswanger & Rosenzweig (1986) provide that financial institutions frequently prefer land and other real estate as collaterals for credit operations because among other reasons, land is immobile and therefore is difficult to move or hide, its depreciation is small and its value is not eroded by inflation, the value of real estate reflects its location and attached investments and that; its physical properties are less amenable to destruction and abuse than other properties such as machinery and livestock.

Although real estate is highly preferred security by Banks and Non-banks financial institutions, the right to the same asset has to be adequately documented (Bruce-Trum & Adu-Darko, 2013; De Soto, 2001). Desoto referred undocumented assets as dead capital of which one to be able to benefit from it must revive by having a title deed once the same is registered.

Fader et al.,(1988) underlines that the registered land title as collateral reduce transaction costs because the property rights over it are clearly defined and guaranteed by the state. It also reduces information costs as it enables both lender and borrower to gain access to the same information in the land registry, and infact often with lender receiving guarantees about the aunftecity of the registered information on land. From the foregoing then banks’ preference of land titles as collateral is highly related to the reduced transaction and information cost and certainty of property rights associated with registered land titles.

Nevertheless, Dower and Potamites, (2005) added that Lenders needs for land titles is not only for their collateral value but also for the informational value. Having a land title provides information about unobservable circumstances such as ones degree of integration into the formal rules, business minded characteristics or condition of the property as it is regulated by building rules. Possessing land title signals credit-worthiness due to its lengthy and cost process of acquisition. This implies that, land titles are used because of what they signal to the bank about the loan.
Feder & Raparla, (1988) stresses that on any case where foreclosure is problematic due to political, social, legal or institutions reasons the practice of using the same assets as loan collaterals would vanish. The same has also been supported by Markowitz (1952) on his theory of investment which centered on the idea that “Individuals are utility maximizers, they will always switch from one investment to another which has the same expected return but less risk, or one which has the same risk but greater expected return or one which has both greater expected return and less risk”.

Having the same in mind, given the market constraints any property of which its disposition is difficult due to any reasons as pointed above, its use as loan collateral; is expected to vanish or else harsh conditions will be introduced by lenders to cover the market constraints.
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Research Methodology

It is defined as a way of systematically solving a research problem. This part presents the methodology that was used during the study. It presents the research design, research approaches, study population, sample size and selection, sampling techniques, data collection methods, data collection instruments, procedure of data collection, reliability and validity of instruments and data analysis (Kothari (2004, pg: 8)).

3.1 Research Approaches

Research may be approached in a variety of ways, but mainly there are three main approaches for collecting and analysing data in research, this is qualitative, quantitative approach and mixed approach, the selection of the approach depended on the methodology that was appropriate in collection and analysis of data in regarding to this study.

Qualitative research is a means for exploring and understanding the meaning individuals or groups assign to a social or human problem. The process of research involves developing questions and procedures. Data typically collected in the participant's setting. Data analysis is inductively building from particulars to general themes and the researcher making interpretations of the meaning of the data (Creswell, 2009). Qualitative research approach starts with more general questions, collecting extensive relevant verbal data from small sample and presenting the findings with words or descriptions that are intended to accurately reflect the situation under the study.

Quantitative research is a means for testing objective theories by examining the relationship among variables. These variables in turn, can be measured typically on instruments, so that numbered data can be analysed using statistical procedures (Creswell, 2009). Quantitative research approach tests the hypothesis or theory by collecting the standardize data from large number of participants, analyse data in a way that hypothesis or theory can be supported or not and end up generalising.

Mixed methods research is an approach to inquiry that combines or associates both qualitative and quantitative forms. It involves philosophical assumptions, the use of qualitative and quantitative
approaches, and the mixing of both approaches in a study. Thus it is more than simply collecting and analysing both kinds of data, it also involves the use of both approaches complementarily so that the overall strength of a study is greater than either qualitative or quantitative research (Creswell, 2009).

But under this study both qualitative and quantitative research approaches was used, this was due to the fact that in order to investigate the ease to access mortgage financing for real estate development in Uganda taking Mukono Municipality as the Case study, both words and verbal using small sample were done and presented the findings with words and illustrations such as figures and tables in reflecting the objectives of the study, also the understanding of the phenomena depended on the information collected from the respondents and not from the researcher. Quantitative approach was used in explaining the percentage, age rates and explaining how mortgage financing institutions can make mortgage financing accessible for real estate developers in the study area.

3.2 Research Design

In order to investigate the ease to access mortgage financing for real estate development in Mukono Municipality in central Uganda, case study method was used, by looking at the banking institutions and real estate developers in Mukono Municipality. This was carried out by making the residents of the study area part of the research to collect data concerning the challenges they face when obtaining housing finance, places where they obtain mortgage financing and the possible alternative ways of obtaining housing finance. A case study was used to investigate the ease of accessing mortgage financing for real estate development in Mukono Municipality.

3.3 Case Study Area Description

a) Geographical Location and Accessibility

Mukono is one of the districts in the Central Region of Uganda. Mukono District is bordered by Kayunga District to the north, Buikwe District to the east, Kalangala District to the south-west, Kira Town and Wakiso District to the west, and Luweero District to the north-west. The town of Mukono is about 21 kilometers by road, east of Kampala, the capital and largest city of Uganda. The geographical coordinates of Mukono District are 00°28'50.0"N, 32°46'14.0"E.
b) Administrative and Composition of Mukono district

Administratively, Mukono is divided into four wards: Ggulu, Nsuube, Namumira, and Ntaawo. The political head of the town is the mayor who is elected to a five-year term by universal adult suffrage using a secret ballot across all the four wards. The supreme policy-making organ in the town is the town council, composed of 28 elected councilors. The technical staff of the town council are headed by the town clerk under whom there are four municipal departments: The Management Department, the Treasury Department, the Public Health Department, and the Engineering Department.

c) Mukono Municipality

Mukono Town is a municipality in Mukono District in the Central Region of Uganda. The town is administered by the Mukono Town Council. The district headquarters are located in this town.

Mukono Municipal council is seated on 5 hills with numerous valleys and wetlands (swamps). It also still has vast land for real estate development especially on hillsides. Mukono Municipal Council is one of the first growing municipalities in Uganda located 21kms east of Kampala City in Mukono District along Kampala-Jinja highway that links Uganda to its neighbour Kenya. It is surrounded by Kiira Town Council, Nama, Nakisunga sub-county.

Mukono Municipal Council is composed of two divisions that is Mukono Central Division and Goma Division covering a total area of 210sqkms. Mukono Central Division covers 40sqkms with 4 parishes and 41 villages and partly planned.
3.4 Sampling Techniques

This study adopted non-random (non-probability) sampling and two types of this sampling techniques were used that is; purposive sampling and convenient sampling for selecting respondents for the study. In purposive or judgmental sampling, the sample units are selected subjectively (Diyamett & Mlowe, 2012). The primary consideration in purposive sampling is the judgment of the researcher as to who can provide the best information to achieve the objectives of the study. In this case, purposive sampling helped in collecting primary data from the Mortgage financing institutions such as banks which includes Centenary, Housing Finance Bank, Bank of Baroda, Stanbic Bank and Real estate developers such as JOMAY, NSSF and New Age property consultants among others involved in issuing mortgage loans and real estate development respectively. On the other hand, for the case of public that is mainly individual real estate developers say the people living in Mukono Municipality, convenient sampling was adopted for a sole reason that a sampling frame for this study could not easily be obtained. This is because; it was hard to locate residents in the selected study area as most of them would mostly be found at
their work places thus convenience sampling was used in this case, the study focused on available subjects. Convenient sampling was used to get sample from Individual residents of the study area.

3.5 Sample Size

The sample size was selected by considering time and easiness to collect back the questionnaires from the respondents. The study included a total sample of 80 respondents, of which fifteen (15) respondents were selected from real estate developers, fifty (50) respondents from the residents of Mukono Municipality were interviewed face to face as some would not understand English language therefore interpretation had to be done into the language that was easily understood by the respondents so as to reduce time and increase accuracy level of the answers given out by respondents, fifteen (15) questionnaires were distributed to respondents from Mortgage financing institutions focusing mostly on banks such as Housing Finance Bank, Stanbic Bank, Bank of Africa, Centenary, DFCU, Bank of Baroda and micro finance institutions such as pride micro finance, premier micro finance, FINCA and many others making a total of fifty (80) respondents. The following have been summarized in the table below.

Table 3.1. The number and type of respondents

<table>
<thead>
<tr>
<th>Type of Respondent</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate developers</td>
<td>15</td>
</tr>
<tr>
<td>Mukono Municipality Residents</td>
<td>50</td>
</tr>
<tr>
<td>Financial institutions e.g. Housing Finance Bank, Stanbic Bank, Bank of Africa, Centenary, DFCU and Bank of Baroda etc.</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
</tr>
</tbody>
</table>

Formula for Calculating Sample Size

\[
n = \frac{N}{1+N(e^*e)}
\]

Where;

\[
n = \text{Sample Size}
\]
N = Population Size
E = Error of the sample at 95% confidence interval

Population size (N) = 100, Error of the sample at 95% confidence interval (E) = 5%

\[ n = \frac{100}{1 + 100(0.05 \times 0.05)} \]

\[ n = 80 \text{ respondents from all the sampling frames} \]

3.6 Data Collection Techniques

There are mainly two types of data collection techniques and these include; primary and secondary data collection techniques;

3.6.1 Primary Data Collection Techniques

This refers to the collection of data straight from the field by the researcher. It is basically used to complement data that has been gathered from the literature. The following are the tools used to collect the primary data;

i. Questionnaire

Under this technique, questionnaires were prepared and delivered physically to the mortgage financing institutions such as banks in Mukono Municipality, real estate developers such as NSSF, New Age property consultants, JOMAY and many others especially in Mukono Municipality. The questionnaires mainly included structured and closed ended questions. The questions mostly concerned how easy do real estate development firms access mortgage loans whenever they need. And on the side of the bank, it mainly focused on the steps that are followed by these banks before giving out mortgage loans to borrowers and challenges faced by real estate developers while trying to acquire mortgage loans focusing on the study area.

ii. Interviews

This involved face-to-face interaction with the respondents. This was carried out with the Mukono municipality individuals of the area of study.
3.6.2 Secondary Data Collection Techniques

Secondary data was collected from the literature materials like already done researches on this study, Ugandan legislations, internet, Newsletters, newspapers, magazines and textbooks that contain the relevant information.

3.7 Reliability and Validity of Data

a) Reliability

Reliability is the extent to which a tool for data collection such as questionnaire, test observation or any other measurement procedure produces the same results on repeated trials. Reliability of data were tested according to Allen and Yen (1979). In the current study, different questions were constructed cutting across the designed objectives. Data collected was tested before the actual survey.

b) Validity

Validity is the extent in which the instruments measures what it intend to measure in the study. In this study, the validity of the data was tested according to Kimerlin and Winsterstein (2005). The validity of data collection tools was assured by accommodating comments from the supervisor, administration of tools by the researcher face to face and testing of some tool before the actual data collection.

3.8 Data presentation and analysis

Qualitative procedure involved factual and logical interpretation of the findings through interviews and observation. The quantitative procedure was involved by obtaining the findings through questionnaires and processed via statistical package. Data was edited, coded, classified and tabulated with a view of reducing it to manageable proportions. Microsoft excel computer software was employed to analyse data and interpretation in order to draw conclusions.

Analysis and presentation of data was done through data coding (thematic analysis) and Microsoft excel that enable the study to present quantitative data in a chart form as shown in chapter four. The qualitative data collected from the field was sorted and organized in a logical form and then summarized in a text, figures and tables as part of the final report.
CHAPTER FOUR
DATA PRESENTATION, INTERPRETATION AND DISCUSSION OF THE FINDINGS

4.0 Introduction
This chapter is a presentation, interpretation and analysis of the findings of the study whose objectives were; To establish the procedures of obtaining mortgage financing for Real Estate Development in Uganda, To establish places where mortgage financing can be obtained, To establish the various alternative ways of obtaining housing finance, To determine the challenges faced by Real Estate Developers in obtaining mortgage financing in Uganda and To examine how Mortgage Financing institutions can make mortgage financing accessible for Real Estate Developers in Uganda.

4.1 The Response Rate
The response rate of a research is a measure of how many people approached, (i.e. 'sampled') actually responded (expressed as a %age from 0% to 100%). It is usually assumed that the higher the response rate, the more likely the results are representative of the population, provided the sampling is appropriate in the first place and that people who don't respond are roughly the same in their opinions as the people who do respond (Am J Eval, 2008).

\[
\text{Response rate} = \frac{\text{total number of tools received} \times 100}{\text{Total number of tools given out}} = 88\%
\]

Where total number of tools received includes 13 from financial institutions, 12 from real estate developers and 45 from the general public totaling to 70.

4.2. Analysis from financial institutions data collected
Financial institutions comprised of banks and microfinance institutions with 8 and 5 responses respectively.

4.2.1. Sample Characteristics
The demographic features of respondents included in the study are the category/ positions of the respondents and length of service in the financial institution.
4.2.1.1. Positions of respondents within the financial institution

**Figure 4.1.** Positions of respondents within the financial institution

![Bar chart showing positions of respondents within the financial institution]

*Source: Primary data*

Figure 4.1. Shows that the majority of the respondents were loans/credit officers with (8) respondents followed by managers with (4) respondents while the least of the respondents were from others with (1) respondent each and (0) respondent from teller and accountants. This implies that because the research sampling technique was purposive, only respondents capable of providing reliable information were chosen hence loans officers being the greatest due to their wealth of knowledge in the study topic.

4.2.1.2 Length of Service of respondents

**Figure 4.2. Length of Service of the bank / micro finance Officer**

![Bar chart showing length of service of financial officers]

*Source: Primary data*
From figure 4.2 above, majority of the respondents have been working for 4 to 10 years represented by (8) respondents as compared to (3) who have been in the office for 1-3 years, (2) who have been in the office for 11-15 years and none who have been working for more than 16 years. This implies that since majority of the respondents have worked for over 4 years and above, they have enough knowledge and experience whose response can be relied on to produce reliable findings.

4.2.1.3 Financial institutions that offer mortgage financing to real estate developers

Figure 4.3. Financial institutions that offer mortgage financing to real estate developers

Source; Primary data

Figure 4.3 (a) above shows that most of the bank branches in Mukono such as centenary, Stanbic, bank of Africa, DFCU, bank of Baroda, Equity, Housing finance bank, Barclays, DTB, and many other banks offer mortgage financing to real estate developers as indicated by 87% and 13% that don’t offer such as Ecobank and finance trust bank. Those that offer mortgage loans do so continuously as long as the borrowers approach the bank.

In addition, majority of the microfinance institutions don’t offer mortgage financing as indicated by (4) out of five responses from microfinance institutions, example of such micro finance are; FINCA, Vision Fund, Tumaini micro finance, micro credit finance and many others and only a
few offer thus **only 1** respondent. The few that offer as well is done or provided by the head office branches that exist in Kampala for example premier micro finance.

**4.2.1.4 Percentage of borrowers who meet the requirements for obtaining mortgage loan**

**Figure 4.4. Percentage of borrowers who meet the requirements for obtaining mortgage loan.**

![Percentage of borrowers who meet the requirements for obtaining mortgage loan](image)

*Source: Primary data*

**Figure 4.4.** Above shows that majority of the borrowers fall below the average percentage of those who meet the requirements for obtaining mortgage loans as indicated by 25% of borrowers falling below 25% of those who meet the requirements and 50% of borrowers falling between 25% and 50% thus a total of 75% of borrowers falling below the average percentage. And only 25% of the borrowers fall above the average percentage of those who meet the requirements thus above 50%. This implies that most of the borrowers don’t access mortgage financing because they lack the banks’ requirements for obtaining mortgage financing for real estate development and these requirements are discussed in this chapter under sub section 4.4.3.
4.2.1.5 Banks that face challenges when processing mortgage loans

Figure 4.5. Banks that face challenges when processing mortgage loans

Source; Primary data

Figure 4.5. Above shows that all banks face challenges when processing mortgage loans as indicated by 100% and 0% of those who don’t face. Some of the challenges as pointed out by the respondents are; Ignorance and illiteracy of clients, High cost of professional fees such as valuation, High cost of consultation fees such as title search, Strict governing laws, Wrong information given by clients, Delays in providing all relevant documentation by clients, Existence of clients with customary land ownership and squatters, Customers find it hectic to provide approved plans as most of them do not make them etc. these challenges are discussed in this chapter under sub section 4.4.9.

4.3. Analysis from Real Estate Developers’ data collected

4.3.1. Sample Characteristics

The demographic features of respondents include the gender and age of the respondents.
4.3.1.1 The gender and age group of the respondents.

Figure 4.6. The gender and age group of the respondents

Source: Primary data

Figure 4.6 (a) above, indicates that majority of the respondents were male as shown by the higher percentage (75%) and few females with 25%. As per the age group, majority of the respondents were between 36-55 years old as shown by 8 respondents in the bar graph followed by 4 in the age group of 18-35 year and 0 respondent in the age group of 56-65 years and 66+ as shown in (b).

4.3.1.2 Respondents who have ever heard of mortgage financing and how they came to know.

Figure 4.7. Respondents who have ever heard of mortgage financing and how they came to know.

Source: Primary data
Figure 4.7 (a) above, indicates that all respondents have ever heard of mortgage financing for real estate development with 100% of the respondents who said yes and 0% No. This implies that all real estate development firms in Mukono know about mortgage financing and that those who don’t access it do so, not because of their ignorance about its existence. The figure as well shows that majority of the developers heard about mortgage financing from their fellow developers and friends and banks websites as indicated by 50%, 17% and 17% respectively. And a very few heard from news, read from newspapers, and none from others as indicated by 8%, 8%, and 0% respectively as indicated in (b). This implies that banks and financial institutions offering mortgage financing have to increase on their level of creating awareness to developers about the existence of their services since new developers who know few fellow developers may take time to know about their services because the chart shows that very developers go to the banks websites as well as pick from the adverts in news or newspapers.

4.3.1.3 Those who have ever used mortgage financing and the number of times they used

Figure 4.8. Those who have ever used mortgage financing and the number of times they used.

Source; Primary data

From Figure 4.8 (a) above, 67% of the respondents (real estate developers) have ever used mortgage financing and only 33% have never. It also shows that majority of those who have ever used mortgage financing have only obtained it once as indicated by 62% followed by those who have used it twice with 25% and lastly 13% have used it more than twice as shown in (b). The findings also pointed out that most of those who used it obtained in the beginning of the business thus when the initial capital was little and shift to the savings/profit/own income for financing real
estate development due to some challenges in mortgage financing which are also point out in this chapter.

4.3.1.4 Developers’ responses on information, mortgage authorization and approval, bank interest rates, mortgage repayment period and collateral security when accessing mortgage loan.

Figure 4.9. Developers’ responses on information, mortgage authorization and approval, bank interest rates, mortgage repayment period and collateral security when accessing mortgage loan.

Source; Primary data

From figure 4.9 above, majority of the respondents agreed that banks give adequate information while accessing mortgage loans as indicated by 7 respondents and only 5 of the respondents disagreed. This implies that inadequate information provided by the bank is not a bigger challenge in accessing mortgage financing for real estate development.

However it indicates that mortgage loan authorization and approval are not done appropriately and in time as shown by 10 of the respondents who said No and 2 who said yes. This implies that
untimely authorization and approval of mortgage loan is one of the major challenges faced by real estate developers when accessing mortgage financing.

The figure also indicates that majority of the respondents said that banks interest rates are unfavourable as indicated by 11 of the respondents who disagreed that interest rates are favourable and only 1 of the respondents agreed. This implies that high interest rates on mortgage loan is one of the major challenges faced by real estate developers when accessing mortgage financing.

It also indicates that mortgage loan repayment period is also one of the challenges faced in accessing and using mortgage financing for real estate development as shown by 7 of the respondents who said No to the statement that mortgage repayment period is favourable and 5 who said yes. Those who said it’s not favourable were over stressing the need to consider the fact that real estate development products take long to be supplied and consumed in the market before it generates returns yet loan repayment has to made. And banks should consider that i.e. increase the repayment period to cater for the time lag in the property market.

The figure as well shows that majority of the respondents agreed that mortgage loans collateral security is unfavourable as indicated by 7 and only 5 of the respondents agreed that it is favourable thus one of the challenge faced by developers when accessing mortgage financing for real estate development.

4.3.1.5 Developers’ responses on whether they face any challenges while accessing mortgage financing

Figure 4.10. Developers’ responses on whether they face any challenges while accessing mortgage financing.

Source; Primary data
From the figure above, 92% of respondents faced difficulties/problems in acquiring the Mortgage loan, while only 8% of the client did not face any problems during acquisition of the loan. This shows that it is not an easy task to acquire mortgage loan from the banks and these challenges are discussed in this chapter too in sub section (4.4.7).

4.4 Analysis from the general public data collected

4.4.1 Socio-economic Characteristics of Respondents

The Socio-economic characteristics of respondents were considered to have a direct relationship with the ease to mortgage financing for real estate development in Mukono Municipality in Mukono district Central Uganda region. Because of this, it was necessary to discuss variables-related to the respondents’ social characteristics which include age, gender, income level, and education level.

a) Age group

Different age groups have the different way of looking at mortgage financing, for example the youth that is of 18-35 years can’t reason in the same way as an elder that is 60 years and above while answering the questions asked by a researcher. For example, for the adults they answer in a way that can help people today and the future generations but the youth always answer anyhow so as to chase the researcher away quickly. As per the study the study conducted at Mukono Municipality, the old people of 46 to 60 were able to answer the questions in a right away and they would ask whenever they would not understand the question. They would even teach researcher more about the ease to access mortgage financing for real estate development in Mukono district in central Uganda, challenges and benefits of mortgage financing to every member of the society either directly or indirectly. They would give you more answers than what you had asked for. On the other hand, the youth of ≤35 years were very stubborn as they answer the questions in an unfriendly way as he/she would even tell the researcher that I don’t know anything about mortgage financing and that I am not interested in hearing it and that they don’t think of it as something useful to them but rather a disturbance to their life.

Table 3.3 shows the different age brackets of the Respondents where by ≤ 35 shows the youthful age, 36-55 middle age while 56-60 and above shows the aged.
Table 4.1 Age Structure of Respondents

<table>
<thead>
<tr>
<th>S/N</th>
<th>Age group in years</th>
<th>No of respondents</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>≤ 35 years</td>
<td>10</td>
<td>22%</td>
</tr>
<tr>
<td>2</td>
<td>36-55</td>
<td>31</td>
<td>69%</td>
</tr>
<tr>
<td>3</td>
<td>&gt;55</td>
<td>4</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>45</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source; Field survey, March 2018

b) Gender / Sex of the Respondents

Most of the respondents that were interviewed and given the questionnaires were men and few were female as the men are always the ones that invest most in real estate.

Table 4.2 Gender/Sex of the Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of respondents</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>25</td>
<td>56%</td>
</tr>
<tr>
<td>Female</td>
<td>20</td>
<td>44%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>45</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source; Field survey, March 2018

a) Level of Education of Respondents

Table 4.6 below describes the level of education of Mukono Municipality residents which was the largest sample size of the research. It has a mixture of uneducated, primary seven sitters, forms four and six and the university graduates and above. The way these respondents were reacting to the research was totally different. The researcher spent a lot of time while reading and explaining questionnaires to the people for example getting someone who can translate to those who had not reached form four in the languages that would be known by them such as Luganda and Runyakitara. Form 4 and form six leavers were of great help as they were many in numbers that is accounting for 65% followed by the uneducated that accounted for 22% of
the respondents and lastly the graduate and above that accounted for 13% of the total respondent that were few in number but provided quality information such as on challenges faced when accessing mortgage loans, what should be done to make mortgage financing easy to access by all willing and able citizens of Uganda, Making recommendations on mortgage financing to real estate developers in Mukono Municipality.

**Table 4.3 Level of Education of Respondents**

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uneducated and Standard 7</td>
<td>10</td>
<td>22%</td>
</tr>
<tr>
<td>Forms 4 and 6</td>
<td>29</td>
<td>65%</td>
</tr>
<tr>
<td>Graduate and above</td>
<td>6</td>
<td>13%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>45</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Source: Field survey, March 2018*

b) Occupation of the respondents

**Figure 4.11. Occupation of the respondents**

![Pie chart showing occupation of respondents](image)

*Source: Field survey, March 2018*
Figure 4.11 above, refers to what people do for a living. It was divided into four classes that is unemployed, employed (working class), peasants, and students. The largest percentage of the respondents which about 62% were found to be peasants of which these were the general residents of Mukono Municipality. This proves that they can’t manage to raise money to meet the requirements for obtaining mortgage financing such as the require income/equity as well as building housing units that can act as a security for mortgage loans thus finding it unnecessary to go or to know anything about mortgage financing, students accounted for 7% and these were in Universities and Institutes of which they can also barely manage, 11% were employed with high paying jobs meaning they can at least afford to build the housing units and have got an interest to know more about mortgage financing, 20% were unemployed meaning they are incapable of anything that concerns building the housing unit thus making it hard for them to have an interest in Mortgage financing hence occupation of the residents greatly influences their interest in mortgage financing.

a) Income Level of Respondents

Figure 4.12 Respondents’ Level of income.

![Income Level of Respondents](chart)

Source; Field survey, March 2018

From figure 4.12 above, the income level of the respondents determines the challenges to be faced when accessing mortgage financing and possible ways of turning the challenges into benefits for
everyone who is willing and able to acquire a mortgage loan in the study area. As one’s income increases, the more he/she would feel strong to start large investments and this may include real estate development among others and when this happens he/she may wish to go far and borrow from the banks to expand the investments the personal funds may not be enough for the planned budget. The same can happen when one’s income level reduces say he or she has run bankruptcy he/she would try to find a small business to invest the little funds available of which this may be done through using personal funds thus failing to know anything about mortgage loans as it may require more than what he/ she has in hands. Most of the respondent’s income level per month was Ugshs. 300, 000 and below that is 78 % of respondents, 15 % of respondents were earning between Ugshs. 300,000 and 400,000 and few earning Ugshs. 800,000 and above per month which accounts for 7 % of respondents in the study area of Mukono Municipality. This proves that a large number of people are incapable of building their own houses which makes it hard to access mortgage financing since they won’t be with the good collateral to secure for the mortgage loan as well as be able to meet the requirements for obtaining mortgage financing.

4.4.2 Residents who have ever had of mortgage financing and those who have ever used it

Figure 4.13. Residents who have ever had of mortgage financing and those who have ever used.

Source; Field survey, March 2018

Figure 4.13 above, indicates that majority of the residents in Mukono municipality have heard of mortgage financing as indicated by 67% and only 33% who have never. The figure as well shows
that only a few residents have ever used it as indicated by 27% of the respondents and 73% who have never used if due to either social, economic or financial challenges.

4.4.3 Residents responses on information, mortgage authorization and approval, bank interest rates, mortgage repayment period and collateral security when accessing mortgage loan.

Figure 4.14 Residents responses on information, mortgage authorization and approval, bank interest rates, mortgage repayment period and collateral security when accessing mortgage loan.

From figure 4.14 above, majority of the residents who know about mortgage financing agreed that banks give adequate information while accessing mortgage loans as indicated by 18 respondents and only 12 of the respondents disagreed.

However it also indicates that mortgage loan authorization and approval are not done appropriately and in time as shown by 25 of the respondents who said No and 5 who said yes.

Source; Field survey, March 2018
The figure as well indicates that majority of the respondents said that banks interest rates are unfavourable as indicated by 27 of the respondents who disagreed that interest rates are favourable and only 3 of the respondents agreed.

It also indicates that mortgage loan repayment period is also one of the challenges faced in accessing and using mortgage financing for real estate development as shown by 24 of the respondents who said No to the statement that mortgage repayment period is favourable and 6 who said yes.

The figure as well shows that majority of the respondents agreed that mortgage loans collateral security is unfavourable as indicated by 19 and only 11 of the respondents agreed that it is favourable thus one of the challenge faced by developers when accessing mortgage financing for real estate development.

4.5 General discussion of all the findings with respect to specific objectives of the study

4.5.1 Actors involved in real estate development in Mukono District

The parties involved in real estate development in Mukono Municipality includes;

- the landlords
- the private investment companies such as Converge Technologies, Construction and real estate development Company Limited, Wilz Property Consultants and Developers, New Age Property Consultants, Basemuko Property Consultants And Real Estate Developers, Team Real Estate Limited, W.B executive Property Consultants Mukono,
- individual investments
- public investments such as National Housing Construction Company
- Pension funds such as NSSF among others.

These actors have made sure that everything is done in a right way through the use of Mortgage loans and personal funds. As per the study it was found out that NSSF use their savings/ equity to develop real estate, other developers such as Converge Technologies, Construction and real estate development Company Limited use both equity funding and Mortgage finances to develop their housing units developed in Mukono district.
4.5.2 Mortgage financing In Mukono Municipality

As per the study, the researcher found out that large number of people living within Mukono Municipality including real estate developers have knowledge on Mortgage financing though they don’t use it occasionally and a few have never heard about it at all.

More so, the study revealed that challenges are faced when accessing mortgage loans as majority of the respondents have suffered these challenges, and a few of the respondents have not been disturbed by these challenges as well as those who have neither faced the challenges nor benefited from mortgage financing for real estate development because they have never used it.

Furthermore, the study shows that mortgage loan authorization and approval is always done in appropriately and time consuming as majority of the respondents revealed that the financial institutions always consider other things outside the box other than the actual requirements to be made and few respondents revealed that they don’t know because they have never gone for one.

4.5.3 Requirements for obtaining mortgage financing

According to the banks that provide mortgage loans, these requirements are;

- Land title
- Approved plans/ drawn plans(blue prints)
- Structural drawings for more than one floor
- NEMA certificate for commercial real estate
- Financial statements mostly for loans above 200 million and all businesses
- Financial card which is controlled by BOU.
- Proof of identity
- Comply with criteria based on to give out mortgage loans such as; good quality security, good credit history of the borrower, stable source of income, governing law in relation to usage of the loan (project objectives), Market value of the collateral.
- BOQs
- Initial income (equity) of 1.5 million and above. In addition.
4.5.3.1 Requirements for obtaining mortgage financing for purchase of a property

a) By Individuals in formal Employment
   - Letter from employer confirming employment status/Terms and retirement age
   - Bank statements for latest 6 months
   - Copy of Identification card or passport including signature and validity pages
   - Three passport colored passport size photographs
   - Copy of title deed to the property being purchased/charged (Minimum lease term should be at least four years above the loan tenure).
   - Valuation report plus photographs of property being financed or charged together with certificate of official search from land registry

b) By Self-Employed Individual/ Business men
   - Complete application proof of source of repayments supported by bank statement for the latest 6 months.
   - Copy of identification documents –Identification document, passport.
   - Sale agreement dully signed by both parties and witnessed by lawyer.
   - Valuation report plus photographs of property being financed and/charged, together with certificate of official search from Land registry.

4.5.3.2 Requirements for obtaining mortgage financing for House Construction.

General requirements are as follows but are not limited to:
   - Submission of approved building loans plans.
   - Submission of approved building permits.
   - Submission of approved structural and architectural drawings
   - Submission of priced bill of quantities (BOQ) dully signed
   - Proof of debt/Interest servicing ability
4.5.3.3 Requirements for obtaining mortgage financing by real estate development firms

The loan requirement required by respective banks to disburse these loans to the respective finance projects of the real estate developers includes:

b) **Proposal for a loan**: they are required by banks to prepare proposal/Business plan for the project so that the bank can be convinced to disburse the loan applied. The project plan shows the purpose of the loan, costs, where the project will be located, structural building from registered architectural must be presented.

c) **Supporting documents**: Audited Financial statement for three years which shows cash flow and corporation must be submitted as an evidence for the loan to be disbursed. Other banks needs bank statement of the corporation in order to observe known cash inflow and outflow of the firm and if the firm will be capable to pay the loan.

d) **Collateral securities**: The bank needs collateral securities from the corporation before loan disbursement. The security will be used to cover the loan in case the corporation fails to pay the loan. The collateral securities includes: Bond, Fixed deposits and title deeds. Submission of collateral security must be original tittles deed and must include the location of the house, physical address of the property, and market value of the property as at the date of last valuation, and plot number.

e) **The firms’ profile**: this must be attached as the supporting documents to apply for the loan. The following functions of the firm must be shown in the company’s profile and must be explained thoroughly in the profile.

- Construction of houses for sale.
- Construction of buildings as part of approved scheme.
- Suppliers of building materials, components, concrete article and other related articles.
- Business of building contractors, planners or consultants.
- Renting out and managing houses or properties built by the corporation
- Carrying out other activities related to construction of houses or other building built or acquired by the corporation.

f) **Loan covenant**: The loan covenant is the offer letter which shows the interest rate, tenure of the loan and appraisal fee. Simply this is the paper which shows all conditions of the
loan agreed between firm and the respective bank. In the loan covenant there are following contents:

**Interest rate:** The loan tenor shows the interest rate which will be charged by bank to the corporation. As per findings and observation interest rate charges by different banks to real estate development firms ranges from 15 to 25%.

**Tenor of the loan:** Tenor of the loan is loan repayment period, loan repayment period offered to repay the loan ranges from 5-20 years for almost all banks which disburses mortgage loan to developers.

**Other charges:** Other charges will be deducted soon after the loan has been disbursed. Other charges includes stamp duty, property valuation fees, and legal fees arising from preparation, review, execution and registration of legal charge. All these charges will be deducted immediately after disbursement of loan.

### 4.5.4 Procedures followed when obtaining Mortgage financing for real estate development

The following are the procedures followed when obtaining a mortgage loan for real estate development from the banks such as Barclays bank, Equity bank, Stanbic Bank, Centenary and Housing finance bank among others.

a) Loan Application by the Client  
b) Case / application is presented to the respective committee for approval  
c) Presentation of the required documents by the applicant such as the land title, approved plans, financial statements, financial cards, proof of identity and NEMA certificate among others  
d) Analysis of the documents to see if the applicant qualifies  
e) Inspection and appraisal of the property  
f) Offering letter having terms and conditions to a qualified applicant  
g) Approval and Registration of the Mortgage  
h) Disbursement of the funds to the borrower  
i) Credit administration and Monitoring
4.5.5 Places where mortgage financing is obtained

Banks such as centenary, Stanbic, BOA, DFCU, bank of Baroda, Equity, Housing finance bank, Barclays and DTB.

4.5.6 The criteria followed by the financial institutions when giving out mortgage loans

a) **Income of the applicant**: for Barclays bank the monthly income of the applicant should be one million five hundred thousand Uganda shillings only (1,500,000Ugx) and above for him/her to qualify for the mortgage loan.

b) **Age of the Applicant**: they should be above the age of minority that is 18 years and above and if not the guardian should be willing and able to stand for him or her as the minor is not allowed to sign any legal documents.

c) **Market Value of the collateral**: the higher the market value of the property the higher the saleability of the property and vice versa keeping other factors constant.

d) **Approved plans of the proposed or on-going project** such as the architectural and structural plans for the developments to be constructed on the land.

e) Credit history of the borrower also matters a lot to the lender before they decide to give you a mortgage loan. The borrower with the history of not paying loans in time will always find it hard to get a mortgage loan from the bank than the one that always pays in time.

f) Source of payment

g) Quality/saleability of the collateral/ security

h) Mortgage governing laws.

4.5.7 Alternative ways of obtaining housing finance

As per the study conducted from Mukono Municipality it was found out that housing finance can alternatively be raised through other ways other than mortgage loans includes Personal savings, Inheritance, Business savings, Family savings, Salary loans, Pension funds, Borrowing from Money Lenders and donations.
4.5.8 Challenges faced by both real estate developers and individuals residents in obtaining mortgage financing

Real Estate Development in Mukono district is at a very high speed of which this have called out a lot of researchers to come out so as to find what the sources of finances are for the investors. There are two ways of funding real estate development projects that is through equity and debt financing of which equity financing is referred to mostly to mean personal savings and is always considered first before opting for debt financing. This have left a lot of real estate developers to remain in business for a long period of time as they have decided to use the little they have to get the loans from the banks. Having a lot of people interested in debt financing for real estate development, the challenges have also increased that always hinder the mortgage loan accessing process in Uganda putting much emphasis on Mukono Municipality as explained below.

The following are the challenges that are faced by both real estate developers and the general public of Mukono Municipality.

a) Time consuming

In the study conducted in Mukono Municipality on an investigation on the ease of accessing mortgage financing for real estate development, it was found out that developers usually face the challenge of time consumption as they are applying for mortgage loans in financial institutions. This is as the result of the banks and other financial institutions taking a lot of time to process the approvals and when getting the approved plans from the Ministry of Lands, Housing and Urban Development (MLHUD). In addition, it requires a lot of time to follow up which always makes it one month or more depending on the financial institution. Therefore, this has made people of the study to always forget about mortgage financing whenever they want to develop housing units.

b) Bureaucracy.

This is as the result of the banks and the other financial institutions that provide mortgage loans to the real estate developers taking a lot of time to process the mortgage loans. As per the study conducted it was found out the number of officials have to pass through your
request before accepting or rejecting of which has made people to be too tiresome of the systems used in the banks and other financial institutions. This starts from the loans officer and as time passes more people has to get involved for example verification of the title deeds of the security that is acting as a collateral, valuation process among others. This has made it hard for people to easily acquire mortgage loans from the banks and this sometimes has made the people to find other ways of raising funds to housing finance other than waiting for the long chain to get a loan. More so, the responsible ministry is composed of many people that the proposed housing plan has to pass via their hands before the full process of approval is reached. All these have made it hard for the borrowers to go for mortgage loans.

c). A lot of paper work is involved when applying for mortgage loans. As per the study conducted, the researcher found out that most people are scared of the paper work that is involved when applying for a mortgage loan as sometimes it requires a lot of money to process them from the respective offices. This includes the filling of the forms, providing photocopies of national ID's, processing of financial cards, LC1 letters among others.

d) High interest rates

The interest rates charged on mortgage loans by the financial institutions (lenders) to borrowers. The study carried out in Mukono Municipality revealed that high interest rates of 15% and above are charged on the mortgage loans of which this have made people who fear losing their properties to lenders in case of defaulting to forget about mortgage loans or go for the small amounts they can afford.

e) Short repayment period

Repayment period is all about the time taken by the borrower to pay the principal plus the interest back to the bank or lender. The study conducted in Mukono Municipality revealed that people are given little or less time to repay the mortgage loans back for example a period of two years may be given to the borrower to pay back 500 million Uganda shillings on residential property which makes it hard for the borrower to meet the deadline thus becoming a challenge to the real estate developers in the study area as well as the whole Uganda.
f) Unfavourable terms and conditions

The terms and conditions that are issued by the financial institutions do not favour the borrower but rather favours the lender for example when the borrower defaults the property which acted as the collateral is taken over by the lender. The lender takes full possession of the property until the grace period is over and if you continue failing to pay the remaining installment the lender is allowed to sell the property and get back their money. This has made it a challenge to the borrower whenever they think about mortgage financing.

g) Unfavourable down payments made

The study conducted in Mukono municipality shows that the financial institutions always require the borrower to open up the bank account and then make the down payment of some amount of money say 1.5 million to his account as the startup amount and after that he/she will initially be qualifying for the loan. This has made it too hectic to the clients who wish to borrow as they always opt for mortgage loans when it is the last option and find it hard to raise the funds needed by the banks for them to qualify.

h) Corruption and Bribery

As per the study conducted, it was found out that it has become hard to obtain a mortgage loan from any financial institution if you cannot convince the bank manager and loans officer financially. This is done in a way the branch manager always wants to be given some money so as to make your request goes through and after the borrower gets the loan he has to also give some money to some of the bank officials that helped him to get it. This makes borrowers to pay more than what they get from the banks after deducting all the bribes which later makes the funds insufficient to the budget thus a challenge to every borrower.

i) Unfavourable professional fees

As per the study conducted in Mukono Municipality it was found out that a lot of professional fees is involved before getting any mortgage loan such as Valuation fees, Architectural drawings, Structural drawings among others have to be paid for before
getting a mortgage loan from financial institutions thus this has made it too hard for the borrowers with little money to access mortgage loans.

Other challenges faced by the borrowers when accessing mortgage financing includes the following;

- Segregation
- High penalty in case of failure
- Lack of Security
- Lack of clear sources of income
- Language barrier

4.5.9 Challenges faced by financial institutions when processing mortgage loans

a) Squatters

The study conducted in Mukono Municipality shows that banks always find it hard to give out a mortgage loan whenever the applicant is having a squatter on his or her land and this has made a lot of people to fail to get mortgage loans from the banks. This is due to the fact that once the borrower defaults it becomes hard for the lender to sale the collateral before compensating the squatter on that land.

b) Inappropriate Collateral

As per the study it was revealed by the banks that borrowers always bring in properties to act as collaterals or the security for the mortgage loan that cannot yield the sum of money they want to get from the bank for example a borrower can bring in a property worth 600 million as the market value expecting to get 500millions from the bank as the loan of which the property is incapable of raising.

In addition, some banks such as Barclays bank don’t allow vacant land to be used as a collateral to secure a mortgage loan, therefore it is always hard for them to explain to clients whenever they have come for the loan when the collateral is the bare land thus a challenge to Barclays bank.
c) Land tenure

As it is well known that most of the land in rural areas of Uganda is held under customary tenure, it has brought to people’s attention after failing to acquire mortgage loans from the bank when they have their large pieces of the land. This is due to the fact that most banks such as Barclays don’t like giving out mortgage loan secured by land held under customary tenure as the saleability of the property is always low when the land tenure is based on customs and traditions of a certain society, therefore this has been a challenge for the banks as many people usually come in with land held under the said tenure hence rejected.

d) Lack of enough information on customers

Information is always hard to get when it comes to developing countries like Uganda. As per the study carried out on easiness of real estate developers to access mortgage financing, it was found out that customers who are interested in getting mortgage loans for construction of housing units sometimes are found not having enough information about them and the properties they own or possess and this has made the banks and other financial institutions to stop the processing of loan requested for or wait for more information to come in thus a challenge to mortgage loans processing departments.

e) Lack of approved plans

For every person or borrower to acquire a mortgage loan from any financial institution, approved plans for the proposed structures are supposed to be submitted to the bank for further approval and someone without them disqualifies on spot for a mortgage loans. This study has found out that clients always come in with unapproved plans to the banks to acquire mortgage loans which at the end of the day are told to go and get the plans approved and come back hence a challenge.

f) Ignorance and low levels of education to potential clients

The study conducted in Mukono municipality shows that ignorance and low levels of education have been a challenging factor when it comes to borrowers that they always take a lot of time to understand when you explaining to them and this always calls for
some delays to process a mortgage loan as the borrower has first to understand what mortgage financing means and everything about. This is usually done through using the language that is well understood by the client thus leading to cancellation of some mortgage loans to be processed as the borrower may fail to understand more about the terms and conditions of mortgage financing for real estate development thus a challenge.

Other challenges faced by the bank when processing the mortgage loans includes;

- Corruption and bribery,
- High costs of legal consultation,
- High costs to process
- Un favourable government policies and laws that govern the mortgage financing such as the finance act,
- Delays in providing documentation by the clients
- Wrong information provided by clients
CHAPTER FIVE

CONCLUSIONS, RECOMMENDATIONS AND RESEARCH LIMITATIONS

5.0. Introduction

This section presents the conclusions, recommendations, limitations of the study and suggestions for further research. The conclusions and recommendations were made in accordance with the research objectives.

5.1. Conclusions

Uganda has housing deficit both in rural and urban areas. In order to improve this gap, Mortgage loan is the key elements which can enable the increase of construction of houses for all classes of income earners such as high class, low income earners and middle class. Real estate development firms and Individual clients face different challenges in acquisition of Mortgage loans for financing real estate development.

The findings shows different places of obtaining mortgage financing which includes financial institutions such as centenary bank, Stanbic bank, bank of Africa, DFCU, bank of Baroda, Equity, Housing finance bank, Barclays, DTB, and many other banks as indicated in chapter three. And other alternatives of financing real estate include; savings (equity funding), borrowing from money lenders and donations. In addition from the findings, the procedures followed when accessing mortgage loans include;

1) Loan application by the eligible customer.
2) Case/ application is presented to respective committee for approval.
3) Presentation of the required documents by the applicant such as land title, approved plans, financial statements, financial cards, proof of identity, NEMA certificate etc.
4) Analysis of the documents to see if the applicant qualifies.
5) Inspection and appraisal of the property
6) Offering of letters having terms and conditions to a qualified applicant.
7) Approval and registration of mortgage.
8) Disbursement of funds to the borrower.
9) Credit administration and monitoring.

The findings of the study also shows major challenges hindering the acquisition of mortgage loans in different financial institutions which includes High interest rates charged by financial institutions, weak collateral securities of the applicants, low income to Ugandans where by most of them have no enough ability to pay back the mortgage loans, strict and too long applications procedures from financial institutions, high Loan charges charged by the banks e.g. valuation fees, loan processing fees and many others.

Therefore financial institutions have to improve on the emphasis in the recommendations below so as to make mortgage financing easily accessible for potential real estate developers in Uganda.

5.2 Recommendations

5.2.1 Ways of making it easy to access mortgage financing for real estate development in Uganda

The discussed below are some of the ways provided by the real estate developers, the residents of Mukono Municipality, financial institutions as well as the researcher on how to make it easy for Ugandan citizens to access mortgage loans for real estate development in Uganda.

i. Reducing Interest rates

This is to be done by the financial institutions such as Barclays, Equity, Centenary and Housing Finance Banks with the help of the government to set the standard interest rates that is favourable to the citizen of Uganda who wishes to go for mortgage financing so as to raise funds to develop real estate in Uganda.

ii. Broadening Mortgage Department

The banks such as Centenary Bank has to come up and raise the number of the staff in the mortgage department so as to reduce on the congestion in the banks and reducing the time that is spent when processing Mortgage loans. The financial institution should go ahead and put a strong and capable expert in the department that will ease the process of mortgage loan processing.
iii. Easing the system of obtaining approved plans from the concerned offices

The government of Uganda should work in hand with the financial institutions to reduce on the chain that is passed through so as to get your plan approved and if it is done, it will provide confirmable situation for the borrowers to go for mortgage financing as it will reduce on bureaucracy thus an advantage to both parties.

iv. Putting up a way of allowing Bibanja holders to get mortgage loans from financial institutions

This has to be done by issuing the residential licenses to bibanja holders and putting up the system that can allow them obtain the mortgage loans.

v. Benefits of Owning a home

The government of Uganda together with the financial institutions should work together to set up seminars that will be focusing on the discussions concerning the importance of owning a home so as to attract more people to get mortgage loans from the banks and micro finances in the country and if this is done real estate development will be at its highest point.

vi. Simplifying the governing laws

This should be done by the government of which they should revise the laws that concerns the mortgage financing in the country so as to create easy and favourable situation for all the capable and will people to borrow from the banks and micro finances in the country.

vii. Increasing the repaying duration

The repayment period for the mortgage loans should be revised and made it favourable for the people who wish to go for mortgage loans so as to attract many people that have always feared of defaulting and their properties they used as a collateral be taken by the lenders.

viii. Teaching the community benefits of Mortgage financing

A committee of knowledgeable people on Mortgage loans should be set so as to provide proper and adequate information to the clients concerning the terms and conditions of the mortgage loans in the language they understand most before they sign the documents allowing
the banks to give those loans. This will call for many people to come in and get mortgages since they will be aware of all the terms and conditions thus development.

ix. **Reduce customer contribution**

The financial institutions should reduce the equity needed to be deposited into borrower’s bank account before requesting for the mortgage loans so as to ease the way to get mortgage loans, this can be done by the government as they will have to subsidize to reduce on the money needed before the mortgage loan is processed.

x. **Reducing segregation among the clients**

This will make it easy and affordable for every capable and willing person to go for the mortgage loan without having any bias that the color, gender and tribe among others will be considered before he / she is to be given mortgage loans.

xi. **Improve Communication**

Respondents suggested that staff should communicate more with clients. Institutions could schedule meetings at least once a quarter or twice a year to listen to clients’ needs and problems (complaints). Access to the higher officials (i.e. top management) should be encouraged in these meetings (e.g. Operations Manager). This would ensure greater client satisfaction, greater access to information and greater client confidence in the whole process. Related to this is the issue of training. Respondents were of the view that all banks should ensure that all clients receive appropriate training. Trainers should be willing to clarify issues when members do not understand. The training should be detailed and informative.

xii. **Reduce the number of different fees and charges when accessing mortgage loans**

Too many fees and charges serve only to increase the confusion clients suffer. Respondents suggested that in as far as it is possible, the number of different fees should be reduced. Multiplicity of fees makes the product seem very expensive in the mind of the client and could constitute an entry barrier.

Banks that offer mortgages should ensure promptness of the authorization and approval process of mortgage loans and appropriateness of the approval process.
xiii. **Improve Staff Attitude.**

It is important that financial institutions make investment in customer care training for their staff. Some institutions do not have staff that listen to clients and interact well with them and if this is not checked, it will erode the goodwill the institution has among clients.

5.3. **Research Limitations**

Many factors acted as limitations for this study and these includes the following:

- Some respondents were not willing to participate. Respondents thought that the data was going to be used against them.
- Limited access and scarcity of local primary and secondary data on mortgage finance beneficiaries in Mukono. The banks couldn’t release their information regarding customers who benefited from mortgage financing for customer protection. The researcher had to use purposive sampling in order to get the questionnaires filled by public who have ever benefited from mortgage financing.
- Lack of sufficient and detailed studies in the area, which led to lack of literatures related to this study.
- Time Constraints – the time within which the study must be accomplished proved to be inadequate.
- Financial Constraints – similarly, the proposed budget proved to be inadequate once the study was underway.
- Access to confidential information pertaining to the study also proved to be a challenge.

5.4. **Areas of Further Study**

1. It would be good if further research that involves mortgage terms within financial institutions in the whole country is carried out.
2. The other area for further study would be to find out the effect of attitude on mortgage financing in Uganda and how it affects the performance of real estate.
REFERENCES

Bank of Uganda BOU (2009), making finance work for Uganda.


Feddie Mac (2011), *choosing the mortgage options for you*.


Frank (2016), *Uganda market report*.


Knight Frank (2015), *Kampala market report*.


Lwanga, M., Musa, & Mawejje, J. (2014).


Dear respondent,

This instrument is designed to facilitate collection of data on the ease to access Mortgage Financing for Real Estate Development in Uganda case study of Mukono Municipality. I am a student at Makerere University pursuing Bachelor of Science in Land Economics fourth year. This is an academic study and all information collected shall be utilized purely for this purpose. You have been carefully selected to participate in this study because of your wealth of experience in this area and your response will be handled with utmost confidentiality.

For any clarification, contact the researcher on 0787165392

**Fill in the blank spaces and circle the best answer(s) where necessary**

1. Name of the bank/ microfinance………………………………………………………………………..
2. Which position do you hold in this bank/ microfinance?
   a) Manager  b) Loans officer  c) Teller  d) Accountant
   b) Others (specify)…………………………………………………………………………………………
3. How long have you worked in this bank/ microfinance? (In years).
   a) 1-3       b) 4-10     c) 11-15     d) 16+
4. Does this bank/ microfinance offer mortgage finance to real estate developers?
   a) Yes    b) No
5. What criteria do you base on to give out a mortgage loan to the borrowers?
   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………
6. How often do you offer Mortgage loans to real estate developers? (Give answers in periods).
   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………
7. What are the requirements for anyone in Uganda to access Mortgage financing?
   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………
8. What percentage of those who apply for the mortgage loan meet these requirements?
a) Less than 25%  b) 25% to 50%    c) Above 50%

9. What are the procedures followed to get a mortgage loan in this bank/ microfinance?

10. Do you face any challenges when processing Mortgage loans?
    a) Yes    b) No

11. If yes, what are the challenges faced when processing Mortgage loans?

12. What are the possible steps being taken to change these challenges into benefits?

13. In your own opinion, what are the possible ways of making mortgage financing easy to access for everyone in this country that needs it?


**Thanks for your time and Have a blessed day**
Appendix 2. Questionnaire to real estate developers

Dear respondent,

This instrument is designed to facilitate collection of data on the ease to access Mortgage Financing for Real Estate Development in Uganda case study of Mukono Municipality. I am a student at Makerere University pursuing Bachelor of Science in Land Economics fourth year. This is an academic study and all information collected shall be utilized purely for this purpose. You have been carefully selected to participate in this study because of your wealth of experience in this area and your response will be handled with utmost confidentiality.

For any clarification, contact the researcher on 0787165392

Fill in the blank spaces and circle the best answer(s) where necessary

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>What is your gender?</td>
</tr>
<tr>
<td></td>
<td>a) Male b) Female</td>
</tr>
<tr>
<td>2.</td>
<td>What is your age?</td>
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<tr>
<td></td>
<td>a) 18-35 b) 36-55 c) 56-65 d) 66+</td>
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<tr>
<td>3.</td>
<td>Have you ever heard of mortgage financing?</td>
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<td></td>
<td>a) Yes b) No</td>
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<td>4.</td>
<td>If yes, how did you come to know about it?</td>
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<td></td>
<td>Through;</td>
</tr>
<tr>
<td></td>
<td>a) Fellow Property developers</td>
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<td></td>
<td>b) Bank websites</td>
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<tr>
<td></td>
<td>c) Friends</td>
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<td></td>
<td>d) News</td>
</tr>
<tr>
<td></td>
<td>e) News papers</td>
</tr>
<tr>
<td></td>
<td>f) Others (specify) ...............................................................</td>
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<tr>
<td>5.</td>
<td>Have you ever used mortgage financing for real estate development?</td>
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<tr>
<td></td>
<td>a) Yes b) No</td>
</tr>
<tr>
<td>6.</td>
<td>If yes, how many times?</td>
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<td></td>
<td>a) Once b) Twice c) More than twice</td>
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<tr>
<td>7.</td>
<td>Where did you obtain from?</td>
</tr>
<tr>
<td></td>
<td>a) Banks b) Microfinance institutions c) others (specify)..................</td>
</tr>
<tr>
<td>8.</td>
<td>If (a), which bank(s)?</td>
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<td></td>
<td>..............................................................................................................</td>
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<tr>
<td>9.</td>
<td>If (b), which Microfinance institution(s)? ..................</td>
</tr>
</tbody>
</table>
10. What alternative sources of finance do you use in financing real estate?
   a) Savings
   b) Borrowing from friends and relatives
   c) Donations
   d) Others (specify) .................................................................

11. Do banks/ Microfinance institutions give adequate information while processing mortgage loans
   a) Yes        b) No

12. Is Mortgage loan authorization and approval done appropriately and in time?
   a) Yes        b) No

13. Are Mortgage loan prices/ collateral security in Uganda affordable/ favourable?
   a) Yes        b) No

14. Are banks/ Microfinance institutions interest rates for mortgage loans in Uganda affordable/ favourable?
   a) Yes        b) No

15. Is the repayment period given by lenders favourable?
   a) Yes        b) No

16. Are there any challenges faced when accessing Mortgage loans?
   a) Yes        b) No

17. If yes, what are the challenges faced when accessing Mortgage loans?

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18. What do you think should be done to make it easy for every willing citizen to access mortgage financing in Uganda?
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Thanks for your time and Have a blessed day

ACAN SUSAN   14/U/8   63
Appendix 3. Interview questions for the general public

Dear respondent,

This instrument is designed to facilitate collection of data on the ease to access Mortgage Financing for Real Estate Development in Uganda case study of Mukono Municipality. I am a student at Makerere University pursuing Bachelor of Science in Land Economics fourth year. This is an academic study and all information collected shall be utilized purely for this purpose. You have been carefully selected to participate in this study because of your wealth of experience in this area and your response will be handled with utmost confidentiality.

For any clarification, contact the researcher on 0787165392

Fill in the blank spaces and circle the best answer(s) where necessary

20. What is your gender?
   b) Male    b) Female
21. What is your age?
   b) Below 35  b) 36-55  c) above 55
22. What is your level of education?
   a) Below P.7  b) S.4 and S.6  c) graduate
23. What’s your occupation?
   a) peasant  b) employed  c) unemployed  d) student
24. What is your earnings per month?
   a) Less than 300,000  b) 300,000 -400,000  c) above 800,000
25. Have you ever heard of mortgage financing?
   b) Yes  b) No
26. If yes, how did you come to know about it?
   Through:
   g) Fellow Property developers
   h) Bank websites
   i) Friends
   j) News
   k) News papers
   l) Others (specify) .................................................................
27. Have you ever used mortgage financing for real estate development?
   b) Yes  b) No
28. Where did you obtain from?
b) Banks  b) Microfinance institutions  c) others (specify)………………………

29. If (a), which bank(s)?
...........................................................................................................................

30. If (b), which Microfinance institution(s)?
...........................................................................................................................
...........................................................................................................................

31. What alternative sources of finance do you use in financing real estate?
   e) Savings
   f) Borrowing from friends and relatives
   g) Donations
   h) Others (specify) .................................................................................................

32. Do banks/ Microfinance institutions give adequate information while processing mortgage loans
   b) Yes    b) No

33. Is Mortgage loan authorization and approval done appropriately and in time?
   b) Yes    b) No

34. Are Mortgage loan prices/ collateral security in Uganda affordable/ favourable?
   b) Yes    b) No

35. Are banks/ Microfinance institutions interest rates for mortgage loans in Uganda affordable/ favourable?
   b) Yes    b) No

36. Is the repayment period given by lenders favourable?
   b) Yes    b) No

37. Are there any challenges faced when accessing Mortgage loans?
   b) Yes    b) No

38. If yes, what are the challenges faced when accessing Mortgage loans?
...........................................................................................................................
...........................................................................................................................
...........................................................................................................................

39. What do you think should be done to make it easy for every willing citizen to access mortgage financing in Uganda?
...........................................................................................................................
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40. What recommendations do you make on Mortgage financing to real estate developers in Uganda putting much emphasis on Mukono Municipality.
...........................................................................................................................

Thanks for your time and Have a blessed day
### Appendix 4. ACTIVITY SCHEDULE

<table>
<thead>
<tr>
<th>Activity</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Proposal writing</td>
<td>Sept Nov Dec</td>
<td></td>
</tr>
<tr>
<td>Literature review</td>
<td>Oct Nov Dec</td>
<td></td>
</tr>
<tr>
<td>Design of Data collection tools</td>
<td></td>
<td></td>
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<tr>
<td>Data collection</td>
<td>Dec</td>
<td></td>
</tr>
<tr>
<td>Data analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identify Recommendations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submission of Draft report</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edit Draft Report</td>
<td></td>
<td></td>
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<tr>
<td>Submission of final report</td>
<td></td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Activity</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Proposal writing</td>
<td>Sept</td>
<td>Nov</td>
</tr>
<tr>
<td>2018</td>
<td>Literature review</td>
<td>Oct</td>
<td>Nov</td>
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<td>2017</td>
<td>Design of Data collection tools</td>
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<td>2018</td>
<td>Data collection</td>
<td>Dec</td>
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<td>2017</td>
<td>Data analysis</td>
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<td>2017</td>
<td>Identify Recommendations</td>
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<td>2017</td>
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<td>2018</td>
<td>Edit Draft Report</td>
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<tr>
<td>2018</td>
<td>Submission of final report</td>
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## Appendix 5. BUDGET USED

<table>
<thead>
<tr>
<th>No</th>
<th>Item</th>
<th>Description</th>
<th>Estimated Amount (Ug shillings)</th>
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<tbody>
<tr>
<td>1</td>
<td>Stationary</td>
<td>Pens, pencils, and notebook</td>
<td>5,000</td>
</tr>
<tr>
<td>2</td>
<td>Materials</td>
<td>Flash Disks (1GB)</td>
<td>20,000</td>
</tr>
<tr>
<td>3</td>
<td>Travel</td>
<td>Transport</td>
<td>40,000</td>
</tr>
<tr>
<td>4</td>
<td>Research Assistance</td>
<td>Data collection</td>
<td>80,000</td>
</tr>
<tr>
<td>5</td>
<td>Communication</td>
<td>Airtime</td>
<td>20,000</td>
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<tr>
<td>6</td>
<td>Secretarial services</td>
<td>Printing, photocopying, binding, etc.</td>
<td>120,000</td>
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<tr>
<td>7</td>
<td>Subtotal</td>
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<td>285,000</td>
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<tr>
<td>8</td>
<td>Emergency</td>
<td>10% of Sub-total</td>
<td>28,500</td>
</tr>
<tr>
<td>9</td>
<td>TOTAL</td>
<td></td>
<td><strong>313500</strong></td>
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