FACTORS INFLUENCING DEMAND FOR FINANCING OF MORTGAGE PROJECTS IN MOMBASA COUNTY, KENYA

BY

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2014

DECLARATION

I declare that this research project report is my original work and has not been presented for a degree or any diploma award in any other university.

Signature: ………………….……… Date: …..…………………………

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L50/83967/2012

This research project report has been submitted for examination with my approval as the University Supervisor

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DEDICATION

This research project is dedicated to my wife Martha Welime, and our two children Christopher Lewis and Daniela Welime all of whom have given me the will to work hard and strive for the best in life.

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LIST OF ABBREVIATIONS AND ACRONYMS

ALP	American Life Panel
ARBS	Association of Retirement Benefits Schemes
AVC	Additional Voluntary Contribution
CAPM	Capital Asset Pricing Model
CBK	Central Bank of Kenya
CBMFI	Commercial Banks and Mortgage Finance Institutions
CDO	Collateralized Debt Obligation
DFID	Department for International Development
FinEd	Financial Education
FHA	Federal Housing Administration
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
GOK	Government of Kenya
HUD	Housing and Urban Development
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
NHCC	National Housing and Construction Corporation
NSSF	National Social Security Fund
SPSS	Statistical packages for Social Sciences
U.K	United Kingdom
USD	U.S dollar

ABSTRACT

The study sought to establish factors affecting the demand for Mortgage financing in Mombasa County Kenya. The objectives of the study are: to establish how mortgage interest rates influences demand for financing Mortgage Projects in Mombasa County, to establish how availability of credit influences demand for financing Mortgage Projects in Mombasa County, to examine how demographic trends influences demand for mortgage financing in Mombasa County and to establish the extent to which property prices influences demand for mortgage financing in Mombasa County. Target population of in the study comprised of all the registered mortgage finance institutions, real estate firms and a mortgage brokerage company. The Researcher selected a sample of 50 respondents from a target of population of 105 firms. Data was analyzed qualitatively through content analysis. Quantitative data was first coded then analyzed using SPSS (Statistical Package for Social sciences). A Kothari' formula was used to come up with a sample size of 50 respondents. The Researcher purposefully interviewed 14` key informants from real estate/motgage firm and 23 respondents from banking sector managed to fill out the questionnaire. Stratified sampling was used to select 50 respondents using Kothari (2003) formula. Primary data was obtained from the copies of self-administered questionnaires and the secondary data was obtained from reviews of Mortgage investment surveys, CBK reports and Vision 2030 document Data was analyzed qualitatively through content analysis. Quantitative data was first coded then analyzed using SPSS (Statistical Package for Social Sciences) Version 20.0. After interpretation, the findings were presented in tables using frequencies and percentages. Both primary and secondary data were be used. Both null and alternative hypothesis were tested using the Chi-square formula and it was found that the alternative hypothesis in each objective significant relationship with financing of mortgage projects in Mombasa County. The study found out that mortgage interest rates, credit availability, demographic trends and property prices have influence on demand for financing of mortgage projects in Mombasa County. To the Government and policy makers, the study gives insight on long term financial planning. To the academicians the study contributes to the existing body of knowledge of financial literacy in Kenya. The study suggested the following areas for further research: Establishment of an acceptable property Index in Kenya which is key to development of the mortgage finance market, the role of pension schemes in encouraging the development of mortgage projects and Factors influencing Policy implementation towards mortgage interest rates.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

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, 2011). Financial literacy has been defined as the ability to make informed judgments and effective decisions regarding the use and management of money. Mortgage financing is a systematic way of setting aside resources (funds), business projects and time for the purpose of providing finances by financial institutions to those who want to invest in property mainly houses for residential or commercial purposes. A home buyer or builder can obtain financing (a loan) either to purchase or secure against the property from a financial institution, such as a bank or credit union, either directly or indirectly through intermediaries. Features of mortgage loans such as the size of the loan, maturity of the loan, interest rate, method of paying off the loan, and other characteristics can vary considerably. In many jurisdictions, though not all (Bali, Indonesia being one exception' it is normal for home purchases to be funded by a mortgage loan. Few individuals have enough savings or liquid funds to enable them to purchase property outright. In countries where the demand for home ownership is highest, strong domestic markets for mortgages have developed.

In USA, it wasn't until 1934 that modern mortgages came into being. The Federal Housing Administration (FHA) played a critical role. In order to help pull the country out of the Great Depression, the FHA initiated a new type of mortgage aimed at the folks who couldn't get mortgages under the existing programs. At that time, only four in 10 households owned homes. Mortgage loan terms were limited to 50 percent of the property's market value, and the repayment schedule was spread over three to five years and ended with a balloon payment. An 80 percent loan at that time meant your down payment was 80 percent -- not the amount you financed! With loan terms like that, it's no wonder that most Americans were renters. (Obringer A.L and Dave Roos, 2014).

In the early 1980's interest rates on real estate loans in the United States of America were at double-digit levels. This effectively eliminated a major portion of participants in the Real Estate sector. (Mutero, 2007) shows that the housing finance market in Kenya went through a transformation from being predominantly public-sector oriented, to a more market-driven enterprise. He argues that the interest rate decontrol and privatization exposed institutions previously controlled and sheltered by government to market forces. In view of these changes, the government reduced public sector borrowing substantially in early 2003, a policy which saw the yield on treasury bills fall to less than 3% in 2004 from over 22% in 1996 (Mutero, 2007). This drastic drop in yield provided the impetus for banks to turn to mortgage lending, a more profitable investment avenue. Interest rates on mortgage loans thereafter fell substantially, from 31% in 1996 to between 12.5% and 14% in 2007 (CBK, 2007). The new developments introduced stiff competition and innovation in a market formerly dominated by a few players and little creativity in the design of mortgage products. New innovations included the choice of fixed-rate mortgages, the introduction of 100% financing by one of the banks for loans exceeding Kshs.7 million, and growth of home equity loans secured by mortgaged properties.

Financing of real estate in East Africa is predominantly through mortgage financing. The loan is usually for the purchase or construction of housing estates by individuals or companies. Individuals 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 (Isagayita& Kiyingi,2012).

For one to access a mortgage easily and cheaply there is need for bonding capital, bridging capital and social networks. According to Pittman, (2012), 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 which facilitates the achievement of goals that couldn't be achieved in its absence or could be achieved only at a higher cost (Durlauf & Fatchamps, 2013).

Family and friends in have been instrumental in educating consumers about the mortgage options and what to expect throughout the process. They instruct borrowers on how to negotiate for a better terms and what questions to ask their lenders. If borrowers are quoted an interest rate, they often ask others to verify whether the interest rate is good. Furthermore, Commercial real estate is one of the most important asset classes in institutional investment portfolios. Institutional investors typically hold it through co-mingled investment funds, real estate investment trusts or in separate accounts (Dauglus, 2012).

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. Despite of all the above, the residential, commercial and office buildings that the real estate developers have Built remain with a 50-70% occupancy,(Agaba *et al*, 2013). For example Kizito Towers, Kalungi Plaza, Kurimira Towers, Ivory Plaza and King Fahad Plaza havemost of their top most floors unoccupied. (Dauglus, 2012)

According to the Agaba *et al*, (2011), Uganda's prime rents have declined by up to 20% from a decade ago on the back of increased supply which caused the half occupancy of these buildings. Rugasira (2012) states that prime office rents averaged $16 a square meter while yields remained at 11%. The retail segment continued to attract the highest rents at 25$ a square meter but yields were lower 10%. In2008, Rugasira reports that commercial office space was going for $10-$15 per square meter per month, while retail shop space was $12-$20 per square meter per month. In Buziga, one of the suburbs in Kampala, building on an 11 decimal stand on sale asking price is 600millionshillings', currently a four bedroom house in a prime location brings $5000 in rent per month3and a return on investment of 8% from the $1000-2000 of rent for 2008.

Commercial Banks in Kenya have impressed mortgage financing as one of their main revenues. They offer lending activities long term financing in form of providing construction loans, mortgage financing, residential or owner occupier loans and equity release loans. Mombasa County just like other major County's within the country has grown in both infrastructure and population. Demand for housing units continues to outstrip the supply. (Masika, 2010). Housing therefore plays an important role in a country's economy. It has a huge impact in revitalizing economic growth in any country especially as a key indicator of housing development (Ireri 2010). Increase in construction activities was reflected in cement consumption which grew by 7.0 per cent from 2,061.4 thousand tones in 2007 to 2,205.8 thousand tones in 2008 (Republic of Kenya, 2009). It's in this line that investment in mortgages housing by banking institutions and Housing finance is key to the economic growth of the country. This study will examine the factors influencing financing mortgage projects, the statement of the problem, objectives of the study, research questions, scope of the study, justification and the limitations of this study.

Mortgage finance has grown up to meet the demand of housing in Mombasa County. According to World Bank Research 2010, to address housing shortage, the annual construction of new housing should be five times the number of housing units currently being supplied. The Retirement Benefits Authority's 2009 move to allow pension contributors to use up to 60 per cent of their contributions to secure mortgages is a great innovation that can leverage assets worth Sh290 billion and increase access for lower-earning individuals who have accumulated substantial pensions.

The investments in the housing sector since the 1966/67 Policy (Gok,2004) have been minimal and sporadic. The demand for housing still far outstrips supply. With the high rate of urbanization in Kenya, increasing poverty and escalation of housing costs and prices, the provision of housing, infrastructure and community facilities have emerged as major daunting challenges in Kenya's socio-economic development. Moreover, stringent planning regulations and high infrastructural standards have been an impediment in the housing delivery system. The housing finance in Kenya is faced with the challenges of a complicated three-tier market. At the top of the hierarchy are households that can afford housing of high quality. In the middle category fall the middle-income groups, which are predominantly composed of wage and salaried workers as well as the self-employed, who are not adequately catered for in the provision of housing. The third category which forms the majority of households is the low-income earners, a group most affected by the housing problems arising from inadequate housing and the displacement brought about by insufficient housing facilities for the middle-income earners.

Financing for housing in Kenya just like in many developing countries is segmented primarily between formal lending mortgage similar to those in industrialized countries and micro lending that supports the incremental construction and improvement of dwellings for occupancy by households who either cannot qualify for or cannot access formal mortgage loans. Houses under Mortgages experience prices fluctuations over time depending on the changing market conditions. Most buyers do not have the money required to purchase these properties and for them to acquire these properties they must borrow to complete transactions (Mutero et al., 2007).The building and construction sector recorded a growth of 4.8 per cent in 2012 compared to growth of 4.3 per cent in 2011. Loans and advances to the sector increased by 36.2 per cent from KSh 50.8 billion in 2011, to KSh 69.2 billion in 2012 (Kenya Bureau of Statistics, 2013)

The potential size of the mortgage market in Kenya is currently around Kshs. 800 billion, around 13 times the current actual level. The Central Bank of Kenya and the World Bank report (CBK 2011 and World Bank, 2011) indicates that only 1 in every 10 Kenyans can afford to buy the home they live in, even if they get a mortgage. The report expounds that only eight per cent of Kenyans can afford a mortgage, explaining that A mortgage loan of Sh6.6 million – just enough to buy an entry-level house – demands a monthly repayment of about Sh90, 000.00 for 20 years. According to the report, the total mortgage loan book in the country is only 16,000 accounts, while the total value of mortgage loans, as at the end of December 2010 was Kshs. 133.6 billion. (Dauglus, 2012)

Commercial Banks and Mortgage Finance Institutions are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued there under.

They are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations. Currently there are43 licensed commercial banks and 1 mortgage finance company. This study explored the contributing factors to the lending levels of financing mortgage projects and how they have impacted on the uptake of mortgage finance and effective mortgage flow in Mombasa County. The commercial real estate market worldwide is increasingly dominated by institutional investors. This presents a challenge to private real estate investments because individual properties are not bought and sold on a regular basis like stocks and bonds (Kohnstamm, 2010).

1.2. Statement of the Problem

Generally in Kenya and Specifically in Mombasa County for a long time, lending by Financial Institutions (Commercial Banks and Mortgage Financial Institution) to the Building, Construction Industry and Real Estate sector has been comparatively low, standing at a mere 15% of the total credit (CBK and World Bank, 2011).In addition, growth in the mortgage finance market has been constrained by several factors leading to a poor growth rate of less than 3 %. Housing finance is therefore arguably through household savings and micro credit organizations. This problem is further compounded with the strict qualifying conditions set by mortgage firms, which make even a larger proportion of the population inaccessible to credit.In addition, there exist inappropriate fiscal policies on financing mortgage projects that work to further exclude the poor to access the finance. Mortgage Projects are also faced with a number of problems including; massive availability of land without titles, inability to finance house loans to groups, low affordability by the needy due to poverty, high interest rates and absence of graduated payments.

It has been observed that currently, mortgage lending by formal financial institutions only benefit the high-income households and individuals. This leads to several problems including over concentration in poor houses in small areas. It’s estimated that the country has an annual shortfall of about 210,000 housing units and a population increment of 1 million people annually added to its 38.6 million strong populations. This accounts for the rapid urbanization which has seen its urban population grow from 23% of the population in 1999 to 39.7% in 2009 and is projected to continue and reach 50% by 2030 (British American Fund Managers, 2011). The changing demographics present serious challenges in terms of housing shortages in Mombasa County. The issue is further compounded by constrained low incomes relative to housing costs, and the limited financing options especially with uncertain mortgage interest rates. The essence of this study is therefore to examine factors influencing demand for Mortgage Projects in Mombasa County, Kenya.

1.3 Purpose of the Study

The purpose of this project was to examine the factors influencing demand for financing mortgage projects in Mombasa County, Kenya.

1.4 The Objectives of the Study

The study was guided by the following objectives:

i) To establish how mortgage interest rates influences the demand for financing mortgage projects in Mombasa County
ii) To establish how availability of credit influences demand for financing mortgage projects in Mombasa County.
iii) To examine how demographic trends influences demand for financing mortgage projects in Mombasa County.
iv) To establish the extent to which property prices influences demand for financing mortgage projects in Mombasa County.

1.5 Research Questions

The study was guided by the following research questions:

i) How does mortgage interest rate influence the demand for financing of mortgage projects in Mombasa County?
ii) How does the availability of credit influence demand for financing mortgage projects in Mombasa County?

iii) How does the changing demographic trend affect the demand for financing mortgage projects in Mombasa County?

iv) How does the changing property price influence demand for financing mortgage projects in Mombasa County?

1.6 Research Hypothesis

The study tested the following research hypothesis:

i) **Ho –** Mortgage interest rates does not influence the demand for financing Mortgage Projects in Mombasa County

H1 - Mortgage interest rates influences the demand for financing Mortgage Projects in Mombasa County.

ii) **Ho** -Availability of credit does not influence demand for financing Mortgage Projects in Mombasa County.

H1 -Availability of credit influencesthe demand for financing Mortgage Projects in Mombasa County.

iii) **Ho** -Changing demographic trends does not affect the demand for financing Mortgage Projects in Mombasa County

H1- Changing demographic trends affect the demand for financing Mortgage Projects in Mombasa County.

iv) **Ho** -The changing property prices does not influence demand for mortgage financing in Mombasa County.

H1 – The changing property prices influences demand for mortgage financing in Mombasa County

1.7 Significance of the study

The findings of the study will make the following contributions:

It will provide relevant information and knowledge that will help financial institutions; real estate developers and real estate investors identify factors that may affect mortgage financing and performance of real estate and obtain knowledge on binding and bonding social capital and social networks that are influential in obtaining mortgage finance.

The study will provide an understanding of the implications and impact of mortgage financing on the performance of mortgage projects and real estate in Mombasa County, Kenya.

Through the study relevant information will be provided to financial institutions in Kenya regarding whether people are dissatisfied with the mortgage terms and interest rates and how to go about it.

The study will also provide the Government of Kenya and in particular Ministry of Lands, Housing and Development with factors that are hindering real estate development in Mombasa County, Kenya.

1.8Basic assumptions of the study

The research assumed that the sample size of 50 respondents will give adequate and representative information for the research. The research assumes that all the respondents will give true information to the best level of their knowledge. The research assumes that all the respondents are literate and have knowledge on Mortgage financing.

1.9 Limitations of the study

The researcher experienced a number of constraints while undertaking the research. The major limitation is the limited literature available on similar work done in Kenya. Most of the literature references are from western countries such as, United States and European countries that had carried out various studies related to this one. The Researcher had to rely on CBK and World Bank annual publication reports. Time constraints and availability of funds might make it difficult also to obtain a much wider sample.Although the questionnaire was short, it took longer to collect them because most of the respondents were busy with their routine activities. The Researcher had to book appointment through phone as well as make email follow ups.Though the methodology conceived earlier at the proposal stage was largely unchanged, some adjustments related to context and to a small extent the content was have to be done on the final document. Content adjustments include the more deliberate inclination towards qualitative data than quantitative without necessarily diluting role of the quantitative data. Context adjustments on the other hand were to do with the knowledge on matters to do with mortgage financing. The last limitation was that only 37 questionnaires out 50 expected were returned fully completed which was 73%of the total questionnaires rolled out.

1.10 Delimitations of the study

In as much as the research was limited in some areas, the researcher tried as much as possible to put matters related to quality control in order to obtain quality results of the research. The researcheremployed the informed consent of the respondents to enhance the ethical consideration. Questionnaires were designed in such a way that all the research questions and objectives were adequately addressed to enhance accuracy in results. The study was designed in such a way that the experts onmattersrelating to mortgage financing interviewed as respondents in order to come up with information that covers all those involved in the subject. Necessary measures were put in place to enable the researcher come up with quality results. The purpose of the research was adequately explained to the respondents to enable them give information freely however sensitive and private they considered such information. Thisultimately improved the quality of the outcomes of the research. The ethical issues were put in place by explaining the voluntarism in participating in the research so that the respondents will not in any way be coerced to participate in the research. The respondents were assured that the information obtained from them will be used for the purpose of the research only and would not be exposed to any third party.

1.11 Definitions of significant terms

For the purpose of this study, the following meanings were used for each term as shown below:-

Project Temporary endeavor undertaken to create unique Product or service that is beneficial to the community and is self-sustainable.

Interest Rate	Is the rate at which interest is paid by a borrower (debtor) for the use of money that they borrow from a lender (creditor). Specifically, the interest rate (I/m) is a percent of principal (P) paid a certain amount of times (m) per period usually quoted per annum (Homer and Richard, 1996).
Credit	Is the trust which allows one party to provide resources to another party where that second party does not reimburse the first party immediately (thereby generating a debt), but instead arranges either to repay or return those resources (or other materials of equal value) at a later date (Finlay, 2009).
Demographic trends	Studying local and national population distribution, as well as economic and social patterns, is becoming crucial for many sectors who serve rapidly changing communities. Most significantly, across the country people are facing the challenge of living as multicultural citizens(Klauke, 1989).
Property prices	Refers to the quantity of payment requested by a seller of goods or services, rather than the eventual payment amount. This requested amount is often called the asking price or selling price, while the actual payment may be called the transaction price or traded price. Likewise, the bid price or buying price is the quantity of payment offered by a buyer of goods or services, although this meaning is more common in asset or financial markets than in consumer markets (Disney, Richard, John and Andrew, 2007).

1.12 Organization of the study

Chapter one of this study consists of the introduction of the study in which the study background, statement of the problem, purpose of the study, objectives of the study, research questions, research hypothesis, significances of the study, limitations of the study and delimitations of the study is discussed. Chapter two of the study contains literature review which incorporates all the research objectives and conceptual framework. Chapter three contains the research methodology including the research design, population of the study, sampling techniques and sample size, data collection and analysis, qualitative control and ethical issues. Chapter four of the study contains data analysis, presentation and implementation while chapter five contains summary of findings, discussions, conclusions and recommendations.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section summarizes the literature that was already in existence regarding Financing of Mortgage Projects and demand for the same. It presents an overview of previous work on related topics that provide the necessary background for the purpose of this research.

2.2 Overview of Mortgage Financing

According to Xudong, (2008) Mortgage is a debt with income producing property such as retail space, office, hotel or multifamily building as collateral. Similar to the former, MC Donald & Thornton, (2008), define 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 and the process of pledging real estate as security.

Tuma, (2005) generally defines a mortgage as it occurs when 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. The mortgage market comprises of primary mortgage market and secondary mortgage market. Primary mortgage market is the market which involves origination and servicing of mortgage loans secured by real estate.

Mortgage secondary market on the other hand allows mortgage originators to sell mortgages that they do not wish to hold in their portfolio and allows ultimate investors to hold mortgages assets without becoming involved in the mortgage origination and servicing. (Hassanein et al, 2008)
There are a number of different types of mortgages, but the most common are the fixed rate mortgages and the adjustable rate mortgages. Fixed rate mortgages are those where the Creditor/investor assumes the interest risk while there is typically no prepayment penalty for the borrower (Yuying An, 2004); adjustable rate mortgages, hybrid mortgages or interest only mortgages. Fixed rate mortgages are advantageous because the monthly repayment is constant

for the term of the mortgage and regardless of the behavior of the market interest rates, the interest rate paid by the borrower is the same for the life of the loan (MC Donald & Thornton, 2008).

According to (Loic and Lea, 2007), the following are the benefits associated with mortgage financing. They include: - 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 affordablehousing as they have the option to own their homes and pay for them in affordableinstallments over time. Willingness of financial institutions to make mortgage loans is of course not sufficient. They must also have access to the necessary funding. Retail deposits are being used to fund long term mortgage loans. While at first sight it might not seem prudent for short term deposits to be lent over say ten or fifteen years, in practice most housing finance systems work on this basis and do so safely.

According to (Jay-sa-Aadu, 2007), Mortgage Bonds are another promising way of attracting capital into the housing sector. Non-bank institutions issue bonds which are sold to investors including long term institutional investors for the express purpose of financing housing. The bonds are backed by the full faith and credit of the lending institution, its assets and or in some cases the government. He further emphasized the use of Secondary Mortgage Market and

Securitization. The globalization of financial intermediation relies on a wide range of new products such as securitization and other synthetic assets to allocate risks of financial instruments to those better able to handle them. An alternative way to increase resources available for housing finance is to securitize the originated mortgages and sell them to long term investors.

2.3 Mortgage Terminologies

This section highlights on the terminologies used in mortgage and they are significant as far as the establishments of the research objectives are concern. The section contains mortgage repayment mode, mortgage risks, mortgage pricing, and mortgage insurance among others.

2.3.1 Mortgage Repayment

According to MC Donald & Thornton, (2008) Mortgage repayment is the same as amortization which 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 of time .The loan is repaid in fixed periodic payments usually monthly. The repayment period usually varies from country to country. For example in the USA; it could be between 15-30 years, (Scanlon & Whitehead,2004) UK can be between 15-20 years. The mode of paying back the mortgage can be scheduled mortgage payment, prepaying through refinancing or resale, delinquency, and foreclosure (Liu *et al*, 2007). In Uganda one of the most important factors considered inappraising viability of a mortgage application is the capability of the borrower to repay theirmortgage. Currently monthly repayments range between 30% - 40% of one's ascertainablemonthly net income. (Kibirige, 2006)

2.3.2 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 the owner-occupier that the value of the home will fall, and with it the value of the owner-occupier's equity (Lewis & Neave, 2008).

Default risk is that risk brought about when the market value of the property falls below the market value of the mortgage. Further there is Interest-rate risk to either party to a loan that the interest rate will move against them and finally prepayment risk to the lender that the borrower will repay a loan (particularly a fixed-rate loan) before the end of its term. In Uganda, real estate is also faced with the risk of un occupancy. (Agaba *et al*, 2009)

2.3.3 Pricing and demand for mortgage financing

Mortgage prices are principally determined by real interest rates and risk factors specific to mortgage instruments. Different from the above, Mortgages prices are determined basing on the inflation rates, nominal rates on one hand and housing prices on the other hand (Tsatsaronis & Zhu, 2004).But however from the two scholars, it's important to note that they both bring out the possibility of risk as being a determinant of mortgage prices. There are two basic methods for pricing mortgages namely cost-based and market – driven approach (Meidan, 1995).

Cost-based is widely used in the general financial services sector. It involves calculating both direct and indirect costs for a mortgage, and then a profit element is added to the total costs (Avlonitis & Indounas, 2005).The main advantage of this method is that, if cost structures are known, the pricing task becomes simplified. Market-driven pricing is based on the market price for the service, which is the overriding factor. This type of pricing is generally used in highly competitive environments where many players are offering similar services like mortgage lending (Meidan, 2005). There are two methods in this category: competitive pricing and differential pricing. Competitive pricing describes a situation in which the price is set according to what the market leader is charging. Differential pricing takes into account the ability and willingness of the market segments to pay.

2.3.4 Insurance and its influence on mortgage financing

Mortgage insurance is a specialist form of credit insurance which provides protection to the lender. In the event of a borrower defaulting on their loan and the property 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, particularly after substantial losses were incurred on mortgage insurance business in the 1990s, is an element of co-insurance whereby the lender assumes some of the risk. Most mortgage insurance, even in industrialized countries with sophisticated financial systems, is provided by specialist government agencies. These were often established in difficult and different circumstances when an element of government "pump priming" was needed to help a mortgage market develop. It proves very difficult in practice for such institutions to divest themselves of their business even when they are able to do so. In a few countries, notably the United Kingdom, mortgage insurance is provided by the major insurance companies. In the past this insurance has often been tied in with other forms of insurance, for example insurance of the houses being mortgaged. In America, in particular, there are a number of specialist private insurance companies, which are now seeking to operate internationally (Avlonitis & Indounas, 2005).

2.4 Prices of property and performance of Real Estate

A price of property is the price at which a property is purchased by the holder of the mortgage finance. Performance of real estate is a measure of how a property bought or constructed performs in terms of its financial returns. Real Estate investors have long been aware of the challenges of translating the returns of property investment into reliable time- series data. This has been overcome by developing statistical risk and return inputs to allocation models through the construction of indices that reflect broad trends in diversified portfolio of investable properties. (Fisher et al, 2005).

Fisher, (2005), argues that stock and bond portions of the portfolio are re-balanced to accommodate the positive and negative cash flows required by real estate investing. This simulated IRR approach helps to examine the cross sectional distribution of real estate returns over the time period. He argues that inflation protection is one of the main reasons that institutions invest in real estate. Apart from risk, inflation and rate of return as measures of real estate performance, rental income has been the most preferred measure by investors.

2.4.1 Rental Income

At the end of lease, the entire deposit is returned to the tenant. In the meantime, the landlord invests the deposit and keeps the return. Chonsei is an ingenious but financially inefficient system. It essentially forces the landlords to serve as a financial intermediary at their own risk, even though they may not have the required skills or information. Tenants may not be able to assemble a large amount of money to make the deposit for the dwelling unit they desire and settle for a smaller unit, i.e., lower their housing consumption. Rental income is usually determined by a number of variables over time for example the Gross Domestic Product (GDP), output, Employment for financial and business services, unemployment, interest rates and operating expenses in office space (Matysiak & Tsolacos, 2003).In retail sector, expenditure, retail sales and the GDP seem to be the most successful demand side indicators. In industrial market, the GDP and manufacturing output seem to be the most significant variables. In general demand and supply and the economic variables will determine the rental income in real estate.

Housing also might indirectly affect GDP via consumption spending. When we think about the health of the housing market, it is important to remember that the houses that individuals and families own are a major asset on their balance sheets. It has been noted that changes in housing prices are correlated with changes in consumption in a number of developed countries(Disney, Richard, John and Andrew 2007).

2.4.2 Return and Risk of the mortgage property

Risk is expressed as an increase in the (mean preserving) spread of the probability distribution of future outcomes, whether the outcome is that of a space market (e.g., rent levels) or an asset market (e.g. return) (Wheaton *et al* 1999). Risk management in Real Estates has become a cornerstone of prudent mortgage financing efficiency in Real Estates (Hussein et al, 2010). For this reason, efficient, risk management are absolutely required (Hussein et al (2010). Investors need to consider the risk/return characteristics of the investments available to them before investing in real estate (Considine, 2007). CAPM states that the total expected return for an asset is equal to the risk-free rate (10-year Treasury yield), plus beta times the market return net of the risk free rate. Specifically, the expected return for an asset is determined by the covariance of its return with the return of the market portfolio (beta), the expected return of the market portfolio, and the risk-free rate of return (10-year Treasury). This means that CAPM attempts to quantify an asset's total expected return, adjusting for the risk of that asset relative to the market and the risk-free rate.

2.4.3 Relationship between Mortgage Financing and Performance of Real Estate

Banks play a crucial role in the financing of real estate through mortgage financing. They lend for the purchase of land for development and existing buildings; they finance construction projects; they lend to non-bank and they finance companies that they may finance real estate; and they lend to non-financial firms based on real estate collateral (David & Zhu, 2004).

2.4.4 Interest rates and inflation

Interest rate is the monthly effective rate payment on borrowed money. It is expressed as the percentage of the borrowed sum. Interest rate is the price of money quantified as the amount of interest paid per unit of time expressed as a percentage of the amount borrowed. Interest rates differ mainly in term/maturity that is the length of time for repayment and liquidity that is quick conversion of assets to funds. When maturity and liquidity together with other factors are considered, many different financial instruments and so many different interest rates will emerge (Anyanwu,1997). Interest rates can either be nominal or real. Nominal interest rate can be measured in currency terms, not in terms of goods. In Kenya the nominal interest rate measures the yield in Kenya shillings per year, per Kenya shillings invested while the real interest rate is corrected for inflation and is calculated as the nominal interest rate minus the rate of inflation (Pandey, 1999).

During the financial crisis of 2008, the U.S economy documented that new loans to large borrowers fell by 47% during the peak period of the financial crisis (fourth quarter of 2008) relative to the prior quarter, and by 79% relative to the peak of the credit boom (second quarter of 2007). In addition, new lending for real investment (such as working capital and capital expenditures) fell by only 14% in the last quarter of 2008, but contracted nearly as much as new lending for restructuring, relative to the peak of the credit boom (Ivashina and Scharfstein, 2009).

Interest rates are mainly determined by the rate of inflation in the market.Inflation is the continued (sustained)general increase in the prices of items and services that the people of a given country use over a given time(CBK Newsletter, March 2011).Inflation therefore occurs when financial and economic changes, actual or expected, cause demand for goods and services to go above the existing supply at existing prices. The real interest rates are calculated in response to supply and demand in the financial market. They are independent of inflation. The bank will charge you the nominal interest rate for your mortgage and this will add on the annualized percentage rate of inflation.

2.5 Demographic trends and its influence on Mortgage Financing

Demographic trends refer to the data that describes the composition of a population, such as age, race, gender, income, migration patterns and population growth. Demographics influence almost every facet of life, from business to healthcare, from education to style. Age, income, ethnicity, gender, mobility, employment and other demographic factors actually determine the shape of our society.

A major shift in the demographics of a nation can have a large impact on real estate trends for several decades. For instance, in the U.S, the baby boomers that were born between 1945 and 1964 are an example of a demographic trend with the potential to significantly influence the real estate market. The transition of these baby boomers to retirement is one of the most interesting generational trends in the last century, and the retirement of these baby boomers, which began back in 2010, is bound to be noticed in the market for decades to come

The resulting changes in the age structure of the population include a reduction in the youth dependency ratio and eventually population aging. The population structure becomes less triangular and more like an elongated balloon. During the period between the decline in youth dependency and rise in old age dependency there is a demographic window of opportunity that can potentially produce economic growth through an increase in the ratio of working age to dependent population; the demographic dividend. (John C. Caldwell, 2006). Like many other countries, Kenya's population is ageing. This means more people, and a higher proportion of the population, will be in the older ages. An ageing population will dampen population growth, but there will be more households, partly because of the trend to fewer people in each household. This will be driven by more one-person and couple-only households. Real house prices are directly determined by the willingness of households to pay for (and willingness of builders to supply) a constant-quality house. Changes in the quantity of housing demanded will affect mortgage prices only to the extent that the long-run housing supply schedule is positively sloped. In this paper we use 1980 census data to measure the impact of the age structure, education and income on the willingness of households to pay for a constant-quality house.We compute total and partial derivatives for the effect of age on housing demand.. It therefore a notable fact that the population growth can affect the demand for housing thus impact on the need for mortgage financing.

2.5.1 Age andmortgage demand.

Like many other countries, Kenya's population is ageing. This means more people, and a higher proportion of the population, will be in the older ages. An ageing population will dampen population growth, but there will be more households, partly because of the trend to fewer people in each household. This will be driven by more one-person and couple-only households. Real house prices are directly determined by the willingness of households to pay for (and willingness of builders to supply) a constant-quality house. Changes in the quantity of housing demanded will affect real prices only to the extent that the long-run housing supply schedule is positively sloped.

2.5.2Gender and mortgage demand.

Studies have suggested that gender of an individual mortgagee is a factor in mortgage demand. In Southern America and parts of Brazil, it was established by the survey conducted between July and August1992 that males were more likely to engage in mortgage property purchase than their female counterparts, in fact of all the 200 mortgagee who were sampled 131(66%) were males as compared with only 69(34%) who were females. On further exploratory interviews and as data analysis, it was established that most of the women were reluctant in engaging in mortgage property business because of the financial risks involved and the notion that mortgage properties is more of a male business venture. (Zhu et al, 2004)

2.5.3 Educational level and mortgage demand.

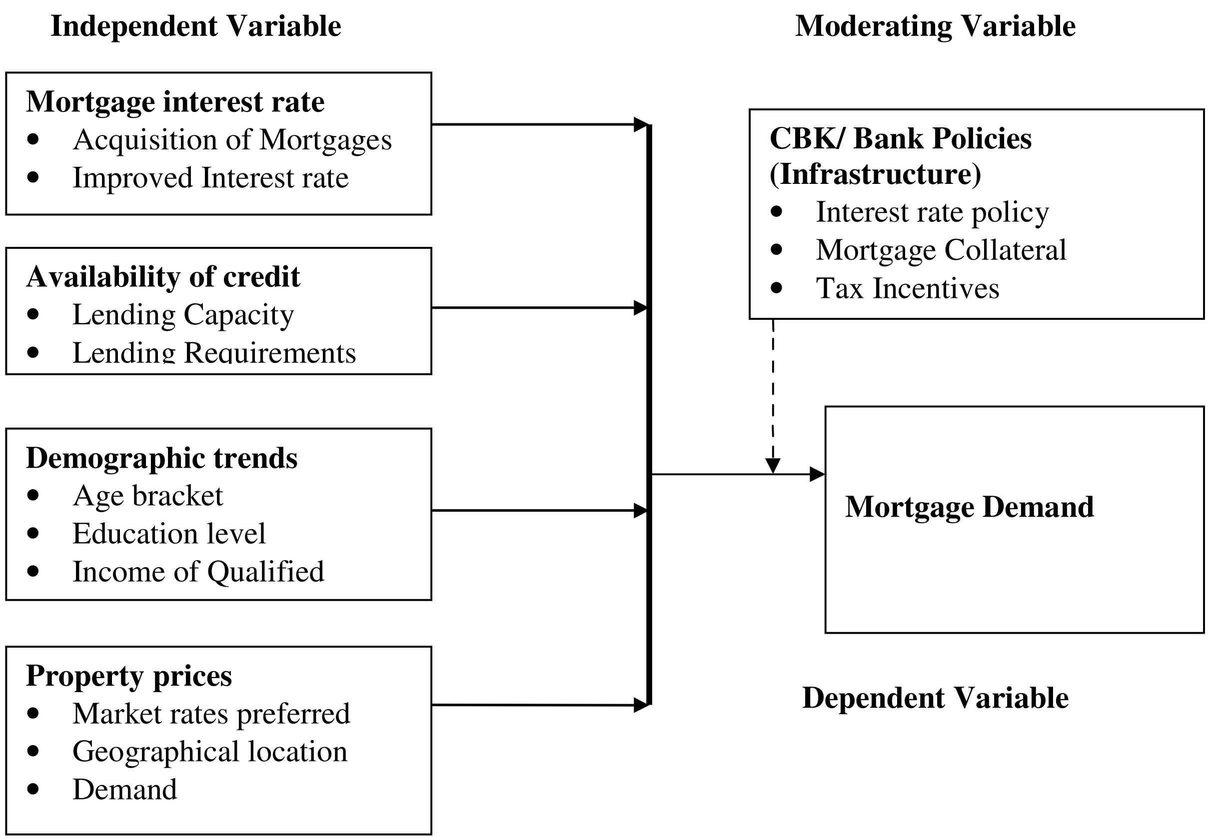
Financial literacy has been defined as the ability to make informed judgments and to take effective decisions regarding the use and management of money Financial Sector Deepening (FSD, 2002) on the other hand defined it as an individual's ability to make financial decisions and judgments that contribute to his or her immediate and long-term financial security. A financially literate population is able to make informed decisions and take appropriate actions on matters affecting their financial wealth and wellbeing. (Zhu et al, 2004)

According to FSD (2002), in practice, financial capability eludes most people. Bringing about behavior change, in any development related area from reproductive health to promoting responsible environmental practices is an immense challenge for governments to achieve on a large scale and at a reasonable cost. Research repeatedly confirms that many people – across countries, income and education levels -- find it very difficult to consistently take sound financial decisions, understand the terms and conditions of financial products and act in their own self-interest. For governments there is a potentially significant payoff from increasing the financial literacy and capability of consumers. Research suggests that the returns on financial literacy and capability training and outreach are greater for the least sophisticated or experienced financial consumers, who are less likely to have the resources to privately purchase these trainings, creating another rationale for public involvement. (Zhu et al, 2004)

2.6 Conceptual Framework

The study was guided by the following conceptual framework relating both independent variables like mortgage interest rates, profitability of mortgage project, commodity/property price and other demographic factors like educational level, economic status, and sex among others.

Figure 1: Conceptual framework chart



Source: Author, 2014

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlined the methodology used in the research; it talks about the research design, population of the study, sample size and sampling method, data collection instruments,pilot testing of the instruments, validity of the instrument, reliability of the instrument, datacollection procedures**,** Data analysis and presentations and Ethical considerations.

3.2 Research Design

The research design constitutes the blue print for the collection, measurement and analysis of data (Cooper and Schindler, 2006). The research study used simple descriptive survey to gather information on relationship between Mortgage financing and the independent factors including the interest rate, profit and other demographic factors. Kraemer (2011) identified three distinguishing characteristics of survey research. First, survey research is used to quantitatively describe specific aspects of a given population. These aspects often involve examining the relationships among variables. Second, the data required for survey research are collected from people and are, therefore, subjective. Finally, survey research uses a selected portion of the population from which the findings can later be generalized back to the population.Surveys are capable of obtaining information from large samples of the population. They are also well suited to gathering demographic data that describe the composition of the sample (McIntyre, 1999). Surveys are inclusive in the types and number of variables that can be studied, require minimal investment to develop and administer, and are relatively easy for making generalizations (Bell, 1996).

3.3 Target Population

Welman and Mitchelle (2005) define target population as the full set of cases from which a sample is taken. The target population for this study comprise of all the firms involved in mortgage financing in Kenya. These includes Finance Institutions and Commercial banks in Kenya that provide mortgage financing and are registered by the Central Bank of Kenya, Mortgage brokerage firms and real estate firms in Kenya. In terms of geographical location, the study will be restricted to Mombasa County. Mombasa County covers an area of 229.7 Km2 excluding 65 Km2 of water mass. The county borders Kilifi County to the North, Kwale County to the South West and the Indian Ocean to the East. Administratively, the county is segregated into seven divisions, eighteen locations and thirty sub-location and hosts six constituencies namely Mvita, Changamwe, Jomvu Kuu, Likoni, Kisauni and Nyali. According to the 2009 Census Report Mombasa county population stood at 939,370 and was projected to increase to 1,041,928 by sunset of 2012. The target population should have some observable characteristics, to which the researcher intends to generalize the results of the study (Gray, 2004).

The study population comprised of all the registered mortgage finance institutions, real estate firms and mortgage brokerage companies in Kenya. The researcher selected a sample of 46 respondents from the target population of the 105 firms. This represented about 43.9% of the total number of targeted Firms in Mortgage Finance Industry. This was believed to be reliable as it was above 10 percent. Kerlinger (2009), states that 10 percent of a sample allows for reliable data analysis.

Table 3.1 Target population

Variable	**Frequency**	**Percentage**
Banking Sector	43	41
Real Estate Firms	61	58
Mortgage Brokerage	1	1
Total	105	100

3.4 Sample size and Sampling procedure

A sample in research study is a group on which information is gathered (Frankel, 2000). The idea of sampling is that by selecting some of the elements in a population we can draw a conclusion about the entire population (Cooper 2006). The sample size was derived proportionately and the sample selected systematically from the banks and housing finance institutions with above 50% control of the mortgage market in Kenya The size was limited to a minimum of 50 respondents since this was believed to be representative enough, within constraints of limited time and financial resources.

The Researcher used Simple random sampling to administer the questionnaire. According to Zikmund (2003) a simple random sample is one in which each member of the population has an equal and independent chance of being selected. The study also employed the advances made by Cooper and Schindler (2006) which indicate that a good sample contains the elements of precision and accuracy. Precision calls for a sampling error that is within acceptable limits for the study's purposes while accuracy is obtained in a case in which there is little or no bias.

Table 3.2 Sample Size

SECTOR	POPULATION SIZE	PROPOSED	SAMPLE SIZE
Banking Sector	43	30	23
Real Estate Firms	61	19	13
Mortgage Brokerage	1	1	1
Total	**105**	**50**	**37**

3.4.1 Sample size

According to Cooper and Schindler (2006), a sample of at least 30 elements (respondents) must exist for generalization purposes. From the target population of 43 banking instititions, 61 Real estate firms and a mortgage brokerage firm respondents were subjected to the study.

Table 3.3 Sampling frame

Variable	Frequency	Population Proportion to Size(PPS)	Sample Size
Banking Sector	43		30
Real Estate Firms	61		19
Mortgage Brokerage	1		1
Total	105		50

3.4.2 Sampling procedures.

The participating respondents were purposively selected from banks, the real estate firms and brokerage firms. Simple random sampling was then used to select the respondents from the banking sector and mortgage/brokerage firms. Questionnaires in Banks were narrowed down to Mortgage Finance Managers who directly deal with Mortgage Clients while those to Brokerage/Mortgage firms were directed towards Project Managers. Pilot testing of the instruments, Reliability of the research instruments and validity of the research instrument were also considered.

3.5 Data Collection Instruments

The data used by the Researcher was collected from the selected Mortgage finance providers, Real Estate Companies and the Mortgage brokerage company in Mombasa County, Kenya.Questionnaire was used to collect data from the employees of financial intuitions engaged in mortgage financing and the real estate developers and a mortgage brokerage firm. Questionnaire was used because of its convenience in facilitating quick and easy derivation of information (Oso and Onen, 2009).The target population was considered literate due to the nature of industry they are working thus minimized the time taken for interpreting questions.

The questionnaires for mortgage beneficiaries (Real estate/brokerage firms) had 5 sections that were sub-divided based on the research objectives except the first sub-section (section A) that was meant to capture the background information of the participants like gender, marital status, age and level of education. Section B had 3 items and it sought to assess the influence of interest rates on demand for financing of mortgage rates. Section C had 3 items and it involved questions around credit availability affect the demand for mortgage financing. Section D had 3 items which sought to examine the influence of changing demographic trends on demand for mortgage financing. Finally, section E had 3 questions which sought to ascertain the influence of property prices on demand for mortgage financing. Likert scale was used in questions which were testing on the degree of the respondents' agreement with particular variables of the study.

The informant guide was summarized in two sections that were subdivided into general information and research based questions. The researcher made preliminary arrangements prior to the interview by booking appointments. This guarded against any weaknesses associated with this method.

3.6 Reliability & Validity of Data Collection Instruments

3.6.1 Reliability of the research instruments

According to Mugenda and Mugenda (2003), reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability issynonymous with repeatability or stability, where a measurement that yields consistent results over time is said to be reliable. Reliability therefore is the degree to which measures are free from error yielding consistent results (Cooper and Schindler, 2003). One way to address the issue of reliability is to use the split half method defined as a method of measuring the degree of internal consistency of a set of scaled items against the other half. The results will be numbered as the surveys are sent out and then grouped into two groups where one will be odd numbered surveys and the other even. From the two groups the results will be evaluated for internal consistency.

The Research employed the services of 4 Research Assistants who were carefully selected on the basis of their ability to interact well with the respondents and their ability to understand mortgage industry. They were taken through each question systematically on the questionnaire to enable administer the questionnaires on behalf of the Researcher.

3.6.2 Validity of the research Instruments

Validity refers to the accuracy or truthfulness of measurement. According to Mugenda and Mugenda (2003), validity is the measure of relevance and correctness. It is the accuracy and meaningful of influences which are based on research results. There are three issues to address when evaluating the validity of a study. These include face, content and construct validity. Face validity refers to the likelihood that a question will be misunderstood or misinterpreted. To counter this, a pre-test of the survey was carried out. Counter validity refers to whether an instrument provides adequate coverage of a topic. An expert opinion was sought to verify the validity of the content.

3.6.3 Pilot testing of the Instruments

Pilot testing to the research instruments was done to check for reliability of the research instruments. The data collection questionnaire and the interview guide was pilot tested with a total of 5 questionnaires to check for its accuracy. This was done to a total of 5 key informant guides and was pilot tested with the key informants.In some instancesthe researcher conducted face to face interviews with professionals in Mortgage Brokerage Firms, Mortgage finance managers in banks and project managers in Real Estate Firms. Secondary data was also reviewed from the annual CBK annual publication reports, publications from real Estate firms and relevant Ministries

3.7 Data Collection Procedures

Data collection started with the researcher obtaining a letter of introduction from the University of Nairobi Extra-Mural Department. A self-administered questionnaire was used to collect data. The objective of the questions was to establish the relationship Mortgage financing and other independent effects. Data was collected by the help of 4 Research Assistants from Banks, Real estate and mortgage firm upon visits to various firms selected for the study.

3.8 Data analysis and Presentations

Descriptive and inferential statistics will be used for data analysis. The analysis used appropriate measures of central tendency and was carried out by use of statistical package for social scientists (SPSS version 20.0). Analysis of data was important in explaining the variables of study. Data from the interview schedule was analyzed using content analysis. Durrheim and Painter (2006) points out that the purpose of analysis is to generate meaning from the raw data collected.

3.9 Ethical considerations

According to the Social Research Association (2003) ethical guidelines enable researchers to make individual ethical judgments and decisions that comply with principles of research. The basic ethical principles are autonomy, beneficence, justice, informed consent, privacy, confidentiality and respect for persons. While research may well be intentioned, there is always a possibility that an interaction with the respondents may inadvertently cause psychological, financial or social harm. Singer (2008) notes that, in survey research, the breach of confidentiality and loss of privacy and the effect of such breaches are the most serious risk of harm to respondents. Such a breach may cause loss of employment, reputation, or civil or criminal suits.

In this study, all participants will grant their consent during the sampling stage whereupon limited personal information will be requested by the researcher to guide the administration of questionnaires. The researcher will ensure that the information provided is safeguarded and not revealed to any third party unless with the informed consent of the member and the participating company.

3.10 Operational Definition of the Variables

The variables shall constitute, the dependent variable known as Mortgage financing, and several independent variables including interest rate, price of the property and other demographic trends including age, sex, economic status and educational level of the investor.

Table 3.4 Types of variables, their indicates and they will be measured

Variable	Indicators	Measurement	Scale	Type of research	Data collection method
Independent variable Mortgage interest rate	• Acquisition of Mortgages • Improved interest rate	The influence of mortgage interest rates in financing of mortgage projects	Norminal	Survey	Interview Questionnaire
Availability of credit	• Lending capacity • Requirement of lending	The number of banks investing/ offering mortgage loans	Norminal	Survey	Interview Questionnaire
Demographic trends	• Age bracket of people taking mortgages • Education level • Income of people qualified to take mortgages	Income and age bracket of mortgage beneficiaries	Norminal	Survey	Interview Questionnaire
Property prices	• Market rates for houses • Demand • Geographical location	Preferred prices by mortgage investors	Norminal	Survey	Interview Questionnaire
Moderating variable CBK/ Bank policies	• Land ownership bill • Mortgage collateral – use of pension schemes • Tax incentives given to pension schemes	Knowledge existing policies both on land ownership, pension schemes and retirement age	Norminal	Survey	Interview Questionnaire

Dependent variable Mortgage Demand	• Mortgage interest rate • Credit availability • Property prices • Demographic trends	Factors influencing demand of mortgage projects in Mombasa county, Kenya	Norminal	Survey	Interview Questionnaire

CHAPTER 4

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

Chapter four presents the responses from target banking institutions; Mortgage Company and real estate firms formed the sample of the study. This chapter presents the summary of the analyzed data. The results are presented based on the objectives of the study, which aimed at finding out the factors influencing financing of Mortgage projects in Mombasa County.The data was analyzed using descriptive statistics with the help of statistical package for social sciences (SPSS). The data was analyzed and presented using frequency tables.

4.2 Questionnaire rate return

This study targeted a sample of 43 banking institutions and 20 real estate firms and a mortgage company.Out of the 5 questionnaires used for pilot testing 4 of them were returned and have been analyzed together with the final questionnaires returned. It was important to establish the return rate so as to know the exact number of questionnaires that would be valid for analysis.

Table 4.1Questionnaire return rate

Department Sample sector	Expected sample	Observed Frequency	Percent of field total	Response rate within sector
Banking institutions	30	23	54%	76%
Mortgage and real estate firms	20	14	46%	70%
Total	50	37	100%	73%

It's evident from table 4.1 that banking institutions had the higher number of respondents at 76%, while mortgage and real estate firms had 70% response rate. This response rate has followed the population distribution trend in two sectors. Of the 50 questionnaires issued, 37 were returned giving a response rate of 77%. This was a good response rate considering that the researcher.In descriptive studies, 10% of accessible population is sufficient (Mugenda & Mugenda 2003).

4.3. Interest rates

The researcher explored the univariate nature of the independent variable interest rates. Interest rates were responded to by mortgage lending institutions in a 4-likert scale of different levels of its importance as a factor in influencing their lending.

Table 4.2 Frequency table for Interest rates

	Frequency	Percent	Factor weight	Total Weighted Score
Important	3	13	3	9
Most important	20	87	4	80
Total	23	100		89

From table 4.2 above the respondents showed how interest rate affects demand for financing of mortgage projects in Mombasa County. All the respondents only considered interest rates as either an important or a most important factor influencing their lending. None of the respondents considered it a less important or not important factor. Three of the respondents said interest rate was an important factor influencing demand for Mortgage Financing accounting for 13% of the respondents. Twenty of the respondents quoted interest rate as the most important factor affecting demand for Mortgage Financing in Mombasa County accounting for 87% of the respondents.

4.4 Credit Availability

The researcher further explored the univariate nature of the independent variable credit availability. Credit availability was responded to by mortgage lending institutions in a 4-likert scale of different levels of its importance as a factor in influencing their lending.

Table 4.3 Frequency table for Credit availability

	Frequency	Percent	Factor weight	Total Weighted Score
Less important	12	52	2	24
Important	11	48	3	33
Total	23	100		57

From table 4.3 above, the respondents showed how credit availability influences demand of mortgage projects in Mombasa County. All the respondents only considered credit availability as either an important or a less importantinfluence on the demand of mortgage projects in Mombasa County. None of the respondents considered it a most important or a not important factor.Twelve of the respondents said credit availability was less important factor influencing demand of mortgage projects in Mombasa County which accounted for 52 % of the respondents. Eleven of the respondents quoted credit availability as an important factor influencing demand of mortgage projects in Mombasa accounting for 48% of the respondents. It’s clear now that credit availability does not greatly influence demand for Mortgage projects in Mombasa County.

4.5 Demographic Characteristics of the Respondents

4.5.1 Gender

As part of the general information, the respondents were requested to indicate their gender, age bracket, marital status, education level and period for servicing mortgage taken. This was necessary in shedding light on the characteristics of the respondents. There were more male respondents than women thus 73% and 27% respectively

Table 4.4 Gender of Respondents

Gender	Frequency	Proportion
Male	26	73%
Female	11	27%
Total	37	100%

4.5.2 Age of respondents

The sample population was composed of mainly people in age class 31-40 years. This was the modal class making a proportion of 72% comprised of the most productive age with employees. This was followed by the age class of 41-50 making 12% then followed by age class of 20-30 years which was mainly the newly recruits(young people).

Table 4.5 Age of Respondents

Age class	Frequency	Percentage	Cumulative Percentage
Below 20 years	0	0.00	0.00
20-30 years	6	16.22%	16.22%
31-40 years	21	56.75%	72.97%
41-50 years	10	27.03%	100%
Over 50 years	0	0.00%	
Total	37	100	

4.5.3 Education background

The respondents were mainly literature people since all of them were graduates hence qualified for their respective jobs. None of the respondents had ended at primary or secondary education. Thus 58% of the respondents were university graduates while 17 were had attained post graduate education. Those with Diploma/certificates formed 17% of the respondents.

Table 4.6 Education Background of the Respondents

Education level	Frequency	Percentage	Cumulative Percentage
Primary Education	0	0.00%	0.00%
Secondary Education	0	0.00%	0.00%
Diploma/ Certificate	6	16.22%	16.22%
Graduate	22	59.46%	75.68%
Post Graduate	9	24.32%	100%
Total	37	100%	

4.5.4 Demographic trends influence on financing of mortgage projects

The researcher also explored the univariate nature of the independent variable demographic trends. Demographic trends were responded to by mortgage lending institutions in a 4-likert scale of different levels of its importance as a factor in influencing their lending.

Table 4.7 Frequency table for Demographic trends

	Frequency	Percent	Factor weight	Total Weighted Score
Not Important	19	83	1	19
Less Important	4	17	2	8
Total	23	100		27

From table 4.4, the respondents showed how demographic trends influences demandinfluencing demand of mortgage projects in Mombasa County. Demographic trends was a factor that was considered as either a less important or a not important factor influencing lending by all the mortgage lending institutions. None of the respondents considered it a most important or just an important factor. Nineteen of the respondents responded that demographic trend was not an importantfactor influencing demand of mortgage projects in accounting for 91 % of the respondents. Fourof the respondents quoted demographic trends as a less important factor affecting demand of loans in the up-market accounting for 17% of the respondents. It’s clear now that demographic trends do not greatly influence demand for mortgage projects in Mombasa County

4.6. Property Prices

The researcher explored the univariate nature of the independent variable property prices. Property prices were responded to by mortgage lending institutions in a 4-likert scale of different levels of its importance as a factor in influencing demand for financing of mortgage projects in Mombasa County.

Table 4.8 Frequency table for Property prices

	Frequency	Percent	Factor weight	Total Weighted Score
Less important	3	13	2	6
Important	11	48	3	33
Most important	9	39	4	36

Total	23	100	75

From table 4.5, the respondents showed how real estate property prices affect demand for financing of mortgage projects in Mombasa County. None of the respondents considered property prices as a not being an important factor. Three of the respondents said that property was less important factor influencing demand of mortgage projects in Mombasa County accounting for 13 % of the respondents. Eleven of the respondents quoted property prices as an important factorinfluencing demand of mortgage projects in Mombasa County loans accounting for 48% of the respondents and nine of the respondents said that property prices is the most important factors influencing demand of mortgage projects in Mombasa County accounting for 39% of the respondents.

4.6.1 Geographical location influence on property prices

The measure intended to indicate the influence of geographical location on property prices thus influencing the financing of mortgage projects in Mombasa County. None of the respondent viewed location as not important or undecided. Table 4.9 shows the results of the findings on this measure.

Table 4.9 Influence of Geographical location on property prices

Variable	Frequency	Percentage
Not important	0	00
Less important	2	9%
Uncertain	0	00
Important	9	39%
Most important	12	52%
Total	23	100

None of the respondents Two of the respondents viewed geographical locations as less important which 8.7%. Those who viewed it as important and most important were 9 and 12 respondents making 39 % and 52% respectively

4.6.2Demand of housing and influence on property prices

The measure intended to indicate the influence of geographical location on property prices thus influencing the financing of mortgage projects in Mombasa County. Table 4.10 shows the results of the findings on this measure.

Table 4.10. Influence of demand on property prices

Variable	Frequency	Percentage
Not important	0	00
Less important	0	00
Uncertain	0	00
Important	10	43%
Most important	13	57%
Total	23	100

The respondents viewed it as important formed 43% while those who viewed it as the most important were 57%. None of the respondent viewed housing demand as not impotant nor less important. It is also worth noting that no respondent was uncertain on the influence of housing demand on property prices

4.7Weighted Scores

In this section of the study a rating of the importance of the different factors (interest rates, property prices, credit availability and demographic trends) ininfluencing demand of mortgage projects in Mombasa County was done. Below table portrays a disparity on comparison for mortgage lending institutions and Real estate firms that do not carry out actual lending of loans in Mombasa County between the major players in the industry that is banking sector and real estate firms and a mortgage company

Table 4.11 Weighted scores

Variable	Total Weighted Score Banking Sector	Total Weighted Score Mortgage firms
Interest rates	89	78
Property prices	75	81
Credit availability	57	53
Demographic trends	27	29

From table 4.6,interest rates and property prices emerged as the factors that are considered most importantly influencing lending by both sectors, however in the banking sector interest rates are the highest factor importantly influencing lending with a total weighted score of 89 while in the real Mortgage firms property prices is most important factor influencing lending with a total weighted score of 81. Property prices is the second in the banking sector with a total weighted score of 75 and the Mortgage firms have interest rates as the second most important factor influencing lending with a total weight of 78. Credit availability and demographic trends appeared as the least important factors influencing lending with credit availability being considered more important than demographic trends in both sectors.

4.8 Testing of Hypothesis using Chi-square

In this study the researcher tested only the alternative hypothesis for each dependent variable as shown below.

4.8.1 First hypothesis on influence of interest rates on financing of mortgage projects

(i) **Ho –** Mortgage interest rates does not influence the demand for financing Mortgage Projects in Mombasa County

H1 - Mortgage interest rates influences the demand for financing Mortgage Projects in Mombasa County.

Likert Scale	1	2	3	4	5
Observed (O)	0	0	0	3	20

Table 4.12 showing Chi-Square testing for the first hypothesis

O	E	(O-E)	$(O-E)^2$	$(O-E)^2/E$
0	23	-23	529	23
0	23	-23	529	23
0	23	-23	529	23
3	23	-20	400	17.39
20	23	-3	9	0.39
				$\sum(O-E)^2/E=86.78$

Since:

$\chi^2_C = 86.78 > \chi^2_{\alpha\,0.05} = 7.1$: degrees of freedom and 5% level of confidence

Therefore we accept the alternative hypothesis and reject the null hypothesis in that there is a significant relationship between mortgage interest rates and the demand for financing mortgage Projects in Mombasa County.

4.8.2 Second hypothesis on influence of availability of credit on financing of mortgage projects.

(ii)**Ho** -Availability of credit does not influence demand for financing Mortgage Projects in Mombasa County.

H1 -Availability of credit influences the demand for financing Mortgage Projects in Mombasa County.

Likert Scale	1	2	3	4	5
Observed (O)	0	0	12	11	0

Table 4.13 showing Chi-Square testing for the second hypothesis

O	E	(O-E)	$(O-E)^2$	$(O-E)^2/E$
0	23	-23	529	23
12	23	-11	121	5.26
0	23	-23	529	23
11	23	-12	144	6.26
0	23	-23	529	23
				$\sum(O-E)^2/E=103.52$

Since:

$\chi^2_C=103.52 > \chi^2_{\propto\ 0.05}$ = 7.815 at 3 degrees of freedom and 5% level of confidence.

Therefore we accept the alternative hypothesis and reject the null hypothesis in that there is a significant relationship between availability of credit facility andthe demand for financing Mortgage Projects in Mombasa County.

4.8.3 Third hypothesis on influence of demographic trends on financing of mortgage projects.

i) **Ho** -Changing demographic trends does not affect the demand for financing Mortgage Projects in Mombasa County

H1- Changing demographic trends affect the demand for financing Mortgage Projects in Mombasa County.

Likert Scale	1	2	3	4	5
Observed (O)	19	4	0	0	0

Table 4.14 showing Chi-Square testing for the third hypothesis

O	E	(O-E)	$(O-E)^2$	$(O-E)^2/E$
19	23	-4	16	0.70
4	23	-19	361	15.70
0	23	-23	529	23
0	23	-23	529	23
0	23	-23	529	23
				$\sum(O-E)^2/E=85.4$

Since:

$\chi^2_C = 85.4 >= \chi^2_{\alpha\,0.05} = 7.81$ at 3 degrees of freedom and 5% level of confidence.

Therefore we accept the alternative hypothesis and reject the null hypothesis in that there is a significant relationship between availability of demographic trends andthe demand for financing Mortgage Projects in Mombasa County.

4.8.4 Forth hypothesis on influence of property prices on financing of mortgage projects.

i) **Ho** -The changing property prices does not influence demand for mortgage financing in Mombasa County.

H1 – The changing property prices influences demand for mortgage financing in Mombasa County

Likert Scale	1	2	3	4	5
Observed (O)	0	3	0	11	9

Table 4.15 showing Chi-Square testing for the first hypothesis

O	E	(O-E)	$(O-E)^2$	$(O-E)^2/E$
0	23	-23	529	23
3	23	-20	400	23
0	23	-23	529	23
11	23	-12	144	6.26
9	23	-14	196	8.52
				$\sum(O-E)^2/E=83.78$

Since:

$\chi^2_C = 83.78 > \chi^2_{\alpha\ 0.05}$ = 7.815 at 3 degrees of freedom and 5% level of confidence.

Therefore we accept the alternative hypothesis and reject the null hypothesis in that there is a significant relationship between mortgage property prices and the demand for financing mortgage Projects in Mombasa County.

4.9 Conclusion.

With 95 percent confidence level, the researcher concluded that each of the independent variables has a positive influence on the dependent variable and thus rightly concludes that each of the variables to some extent positively affects demand for financing of mortgage projects in Mombasa in Mombasa County.

CHAPTER FIVE
SUMMARYOF FINDINGS, DISCUSSIONS,CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the major findings that are presented in chapter four, summary, conclusion and recommendations suggested by the researcher. All findings are summarized in line with the objectives and shows how the objectives have been achieved.

5.2 Summary of findings

From analysis, a number of findings emerged as per each objective of the study. Twoinstitutions in the property market picked for purposes of this study weremortgage firms and banking institutions. The banking sector had a higher response rate of 54% while the real estate firms and mortgage firms had a response rate of 46%.

The study sought to establish how interest rate influences the demand for financing mortgage projects in Mombasa County. It was found out that most banking institutions consider interest rates as the most important factor influencing demand Mortgage Financing in Mombasa County. For Brokerage/Mortgage firms interest rates were the second most important factor influencing financing of mortgage projects in Mombasa County.

The second objective of the study was to establish how credit influences demand for financing mortgage projects in Mombasa County. From the analysis,twelve of the respondents said credit availability was less important factor influencing demand of mortgage projects in Mombasa County which accounted for 52 % of the respondents. Eleven of the respondents quoted credit availability as an important factor influencing demand of mortgage projects in Mombasa accounting for 48% of the respondents.Both the banking sector and mortgage firms considered availability of credit as the a third most important factor that influences financing of mortgage projects in Mombasa County.

The third objective of the study was to examine how demographic influences demand for mortgage financing in Mombasa County trends.None of the respondents considered it a most important or just an important factor. Nineteen of the respondents responded that demographic trend was not an importantfactor influencing demand of mortgage projects in accounting for 91 % of the respondents.Four of the respondents quoted demographic trends as a less important factor affecting demand of loans in the up-market accounting for 17% of the respondents. This therefore clearly deduce the fact that although demographic trends influences the financing of mortgage that the respondents did not consider it as having more influence than other objectives.

Lastly, the study sought to establish the extent to which property prices influences the demand for mortgage financing in Mombasa County. Eleven of the respondents quoted property prices as an important factorinfluencing demand of mortgage projects in Mombasa County loans accounting for 48% of the respondents and nine of the respondents said that property prices is the most important factors influencing demand of mortgage projects in Mombasa County accounting for 39% of the respondents.

5.3 Discussions

As per objectives, the study found that demand for loans in Mombasa County is positively correlated to all the independent variables; interest rates, property prices, credit availability and demographic trends. The study found out that interest rates were strongly correlated to loan demand as compared to all the other independent variables. Property prices was moderately related to demand of loans.Credit availability and demographic had slight positive correlations with interest rate having a higher correlation than property prices.The study also found that all the independent variables (interest rates, property prices credit availability and demographic trends) influence the demand for mortgage financing in Mombasa County.

In reference to the findings it can be deduced that interest rates predetermines mortgage prices thus plays key role on the financing of mortgages. Interest rates are mainly determined by the rate of inflation in the market.Inflation is the continued (sustained)general increase in the prices of items and services that the people of a given country use over a given time(CBK Newsletter, March 2011)The study thus concurs with Brueggeman and Fisher, 2011 that, when mortgage demand is high, mortgage interest rates rises, and when it’s low, mortgage interest rates fall.

Regarding availability of credit as influencing the demand of mortgage financing, study agrees with Loic and Lea ,2007 who states that mortgage finance improves the operation of 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. Availability of credit from the lender to borrower is vital in mortgage financing. Lewis & Neave 2004, says that the major risks include credit risk to lender that the borrower will default on loan obligations and investment risk where the owner- occupier that the value of the home will fall, and with it the value of the owner-occupier is equity.

In reference to the objective three, the study also agrees to the fact that demographic trends such as age, gender and population growth will have a bigger impact on the financing of mortgage projects in Mombasa County. As noted in the literature review, the baby boomers that born in US between 1945 and 1964 are example of a demographic trend with the potential to significantly influence the estate market (Ivashina and Scharfstein, 2009).

Finally, in reference to objective four which sought to ascertain the extent to which property prices influences demand of mortgage financing in Mombasa County, Fisher (2005) argues that performance of real estate is a measure of how a property bought or constructed performs in terms of its financial returns. He further indicates that real estate investors have long been aware of the challenges of translating the returns of property investment into reliable time-series data. The study therefore agrees to the fact that property price has influence on the mortgage financing.

5.4 Conclusions

The first objective of this study was to establish how changing mortgage interest rates have influenced demand for mortgage Mombasa County. The findings indicate that interest rates charged on mortgages would have influence on demand for the same. The more important a bank considers interest rates before lending, the more the demand for mortgage uptake in Mombasa County. This implies that the level of importance that the lenders give to interest rates has a positive influence on the demand for mortgage financing.

The second objective of this study was to establish how credit availability has influenced demand for mortgage financing in Mombasa County. The findings also found that the change in credit availability would also have influence on demand for financing of mortgage projects. The more important a bank considers credit availability before lending, the more the demand for loans. This implies that the level of importance that the lenders give to credit availability has a positive influence on the demand for mortgage project financing

The third objective of this study was to establish how demographic trends have influenced demand for mortgage financing in Mombasa County. The findings also found that the change in demographic trends would also have influence on demand for loans. The more important a bank considers demographic trends before lending, the more the demand for mortgage financing. This implies that the level of importance that the lenders give to demographic trends has a positive influence on the demand for loans

The fourth objective was to establish how property prices influences the demand for mortgage financing in Mombasa County. The findings also found that the change in property prices would also have influence on demand for mortgage financing. The more important a bank considers property prices before lending, the more the demand for mortgage uptake in Mombasa County. This implies that the level of importance that the lenders give to property prices has a positive influence on the demand for loans.

5.5Recommendations

The study would like to recommend that an acceptable property Index in Kenya be established, as it would be key to the development of the mortgage finance market as well as expand the extent to which the pension schemes play in encouraging the development of mortgage projects. Studies should also be done to establish the factors, which influence the policy implementation towards mortgage interest rates. Banks ought to be open and willing to help researchers in the study of such crucial topics as well as aid in data collection as they will benefit from the findings of such involving studies. From the study, banks or real estate financiers should also be willing to find an avenue to encourage citizens to undertake mortgage either by lowering the rates and offering user friendly rates and promotions towards people intending to acquire such mortgages. Banks and real estate financiers should also undertake social responsibility activities to enlighten the society on the mortgage facilities available and which facilities would be suitable to mortgage beneficiaries.

Financial institutions must examine all the four factors and strive towards making their money affordable to homeowners. The government can strive to ensure invetors in housing enjoy mortgage relief and proper market information dissemination especially on interest rates and property prices. This may be achieved through development of a property price index to provide the investors with knowledge on anticipated returns on investment and interest rate capture mechanism in the market.

5.6 Contribution to knowledge

This study contributes immensely to mortgage finance and how it can be utilized to enhance growth of the citizens become home owners thus assist in development counties. Little research has been done in regards to mortgage financing in Mombasa County and hence leading to its decline thus making it difficult for both the County Government and private Sector meet the high rising demand of proper housing. This research has identified interest rates as the most important factor influencing financing of mortgage projects in Mombasa County. The research forms the basis from which the financial institutions can expand and specifically narrow down on importance of the variables based on market dynamics and how the changes influence the growth of the mortgage finance market in order of priority to enhance growth of the same.

5.6 Suggestions for Future Research

The study suggested the following areas for further research:

1. Establishment of an acceptable property Index in Kenya which is key to development of the mortgage finance market.
2. Extent the Pension schemes plays in encouraging the development of mortgage projects.
3. Factors influencing Policy implementation towards mortgage interest rates.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Dear respondent, this instrument is designed to facilitate collection of data on **Factors influencing demand for financing Mortgage projects in Mombasa County, Kenya.** This is an academic study and all information collected shall be utilized purely forthis purpose.You have been carefully selected to participate in this study because of yourwealth of experience in this area and your response will be handled with utmostconfidentiality. Thank you for taking time to record your insight on the subject. (Tick whereappropriate)

PART A: BACKGROUND INFORMATION

1. Gender

Male	**Female**

2. Age in years

Below 20 years	20-30 years	31-40 years	41-50 years	Over 50 years

3. Highest Educational level

Post Graduate	Graduate	Diploma/Cert.	Secondary	Primary

4. How long is your Mortgage?

Less than 5 years	5-10 years	11-15 years	Over 16 years

PART B: INTEREST RATE OF MORTGAGES

Answer the following questions allocated various scores as shown in your sincere opinion.

		Strongly Agree = 5	Agree = 4	Uncertain = 3	Disagree = 2	Strongly Disagree = 1
1	Higher Mortgage interest repayment rates discourage you from mortgages					
2.	Banks interest rates for mortgages in Kenya are affordable					
3.	Banks interest rate remain constant for					

	the whole period of the mortgage					

PART C: AVAILABILITY OF CREDIT

		Strongly Agree = 5	Agree = 4	Uncertain = 3	Disagree = 2	Strongly Disagree = 1
4.	Easily available credit facilities encourages one to take mortgage financing					
5.	Easily available credit discourages one to take mortgage financing					

PART D: DEMOGRAPHIC TRENDS

		Strongly Agree = 5	Agree = 4	Uncertain = 3	Disagree = 2	Strongly Disagree = 1
6.	Age is a determining factor in mortgage investment					
7.	The older I am the more likely I am willing to invest in mortgage					
8.	My level of education is a determining factor in					

	mortgage investment					
9.	The more educated I am the more likely I will be convinced to invest in mortgage					
10.	Economic status is a determining factor in mortgage investment					
11.	Those in higher economic status are more likely to demand mortgage financing					

PART E: COMMODITY PRICE

		Strongly Agree = 5	Agree = 4	Uncertain = 3	Disagree = 2	Strongly Disagree = 1
12.	Higher prices of mortgage commodity can discourage you from investing in such commodities					
13.	If the price of mortgage commodity is low then you are likely					

	to invest on it					
14	Geographical location determines the mortgage prices					

APPENDIX 2: KEY INFORMANT GUIDE

Dear respondent, this instrument is designed to facilitate collection of data on **Factors influencing demand for financing Mortgage projects in Mombasa County, Kenya.** This is an academic study and all information collected shall be utilized purely forthis purpose.You have been carefully selected to participate in this study because of yourwealth of experience in this area and your response will be handled with utmostconfidentiality.
Thank you for taking time to record your insight on the subject.

SECTION A: GENERAL INFORMATION

1. Gender Male ( ) female ( )

2. What is the name of your organization________________________________
3. What is your designation in the organization____________________________

SECTION B: RESEARCH BASED QUESTIONS

4. (a) Is interest rate a consideration when one is investing in mortgages? If Yes explain briefly____

   (b) If you do not agree with question (a) above explain briefly

5. (b) In most cases are mortgage investments profitable?

Explain____

(b) Is the profitability of a mortgage investment a factor to be considered when investing in this venture?

Explain____

6. Explain how the following demographic characteristics affect individual's demand for mortgage financing:

(a) Gender

(b) Level of education

(c) Economic status

APPENDIX 3: LETTER OF TRANSMITTAL

Wesutsa Nambiro Louis
P.O Box 34117 -80100
Mombasa
Cell Phone 0722-258078

To………………………………………………..
…………………………………………………….

…………………………………………………………..

Dear Sir/Madam,

REF: ACADEMIC RESEARCH

I am a Masters student at the University of Nairobi currently pursuing a Master's Degree in Project Planning Management. In accordance with the requirement of the course we are supposed to carry out a research in any area of interest. I am therefore conducting a Research on Factors influencing demand for financing of mortgage projects in Mombasa County, Kenya.

I am kindly requesting for your participation by responding to the questionnaire since your views will be very important in this study. You are free to ask any questions and not to respond to any question that you may feel uncomfortable with. The information given by you will be kept strictly confidential and used solely for the purpose of the research.

Thank you for your cooperation.

Wesutsa Nambiro Louis

UNIVERSITY OF NAIROBI
COLLEGE OF EDUCATION AND EXTERNAL STUDIES
SCHOOL OF CONTINUING AND DISTANCE EDUCATION
DEPARTMENT OF EXTRA-MURAL STUDIES

Your Ref:

Our Ref: **UON/CEES/MEC/5/1**

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Off Moi Avenue
Uni Plaza Building
Mombasa Campus
P.O. Box 83732-80100
MOMBASA, KENYA

03TH JUNE, 2014.

TO WHOM IT MAY CONCERN

RE: DATA COLLECTION

This is to introduce **LOUIS NAMBIRO WESUTSA;** student Registration Number **L50/83967/2012** is pursuing a **MASTERS OF ARTS COURSE IN PROJECT PLANNING AND MANAGEMENT** at the School of Continuing and Distance Education of the University of Nairobi.

As part of his course, he is required to prepare a research project. He is therefore collecting data which is related to his research topic: **FACTORS INFLUENCING DEMAND FOR FINANCING OF MORTGAGE PROJECTS IN MOMBASA COUNTY, KENYA**
The information he is gathering is purely for academic purposes and will be treated with utmost confidentiality.

Any assistance extended to him will be highly appreciated.

Regards,

UNIVERSITY OF NAIROBI
RESIDENT LECTURER
03 JUN 2014
Tel: 020 2649890
MOMBASA CAMPUS

JOHNBOSCO M. KISIMBII
RESIDENT LECTURER – EXTRA MURAL CENTRE
MOMBASA CAMPUS