**ECONOMIC FACTORS AS DETERMINANTS OF MORTGAGE**

**UPTAKE IN HOUSING FINANCE CORPORATION IN UASIN GISHU COUNTY, KENYA**

**Mr. Dickson Kipchumba Singoei**

**PhD student at Kabarak University**

**Abstract**

In the wake of Corona Virus, there has been economic disruptions which has led to tightened lending conditions. There has also been an abrupt change in economic conditions of majority of Kenyan as majority have either been laid off or their salaries have been reduced. This has made majority of tenants moving into small houses or moved to relatives to help reduce cost of living. Therefore, the purpose of the study was to investigate the effect of economic factors on mortgage uptake in Uasin Gishu County, Kenya. The study adopted ex-post facto research design. This study targeted 130 staff members in selected departments in Housing finance Corporation and customers to housing finance in Eldoret branch. Simple random sampling technique was adopted to select a sample of 98 respondents. Questionnaire was adopted as data collection instrument. The study established that there was a negative and significant relationship between economic factors and mortgage uptake in Housing Finance Corporation (p=0.024<0.05 β=-0.497). The study concluded that economic factors had an effect on mortgage uptake in Housing Finance Corporation in Eldoret. The study recommended that the government should enact legislation which regulates the inflation and interest rates in the banking industry so as to protect the interests of both consumers and lenders in mortgage financing.

Key Words: Economic factors, Mortgage uptake, Housing Finance Corporation.

**1.1 Introduction**

Mortgage financing is the process of underwriting and extending a home loan or mortgage on commercial property to a qualified applicant. The aim or focus of mortgage financing normally centers around two specific goals (Dolde, 2016). First, the financing seeks to create revenue for the lender and secondly the extension of mortgages allows qualified individuals and business entities to secure properties that can be repaid in terms that are within the ability of the recipient of the loan to pay off in a timely manner (Okwir, 2012). Mortgage loans are secured by the real property, and provide a schedule of payments of interest and repayment of the principal to a bank. Most mortgage contracts arrange for loans to be fully amortized with adjustable mortgage interest rates and either payment or maturity is fixed for the term of the loan.

According to the World Bank report on developing countries’ market, the demand for housing in such countries have grown rapidly in recent years, in both value of loans and number of loans (World Bank, 2011). According to the report, majority of the nations always formulate policies which promote self-house ownership. Through its efforts, the governments have come up with projects aimed at building modern houses which can be easily afforded by its citizens. This is depicted by the great strides undertaken by the Kenyan government to upgrade the slum areas through construction of modern housing in the slum area which commenced in 2004.

Globally, mortgage uptake has increased tremendously due to awareness and improved government policies, good international relationships among many nations. For instance, in Singapore, in 1955, The Singaporean Government instituted a fully funded defined contribution fund to take care of employees in retirement (Hoskins, Jones and Weiss, 2013). Every employer and employee were required to contribute a certain proportion to the Central Provident Fund (CPF). In 1968, the fund was enhanced to allow members to withdraw their savings to finance the purchase of public houses. The funds can also be used for down payments, mortgage payments, interest on loans and stamp duty. The Government of Singapore played a major role by offering incentives to make the product attractive to its citizens and also offering a strong institutional support (Chia and Tsui, 2015).

In comparison to Japan, UK and France, Singapore had the highest ratio of household residential property. The recent statistics from the department of statistics of Singapore indicates that the house ownership stood at 88.6% (Government of Singapore, 2011). This leaves Singapore as one of the countries with the highest house ownership among its citizens. In the United Kingdom (UK), pension mortgage is an interest only mortgage with an additional investment plan in the form of a personal pension. This implies that members of schemes utilizing this facility pay off the interest component every month, and rely on a portion of the remaining accumulated benefits at the point of retirement to pay off the capital debt of the mortgage. The personal pension is a stock market-based investment that has taxation benefits.

However, despite the pros, the mortgage debt remains constant throughout the mortgage period (Chia & Tsui, 2015). There is no guarantee that one will have sufficient funds to pay off the mortgage at the end of the repayment period, as the pension fund could perform below expectations. This implies that the lump sum benefit at retirement cannot be used for other purposes (Garcia, 2017).

In the United States of America (U.S.A), mortgage interest rates are sensitive to developments in the economy and financial marketplace. Economic factors in both spheres influence whether mortgage interest rates increase, decrease or stay the same. These changes in mortgage rates are important for current and prospective homeowners who want to time their investment in a house or other property to secure the lowest possible financing costs. Mortgage lenders base interest rates partly on a prospective homeowner’s credit history profile. For lenders, a home buyer’s credit history is a common basis to measure default risk. For example, a credit history that contains unpaid obligations, excessive credit applications and similar negative information signals a potential for increased risk of default or other mismanagement on the part of the borrower (Hoskins, Jones & Weiss, 2013).

Lenders react to this increased risk by charging higher interest rates to higher risk mortgage borrowers. Prevailing economic conditions also influence mortgage interest rates. During periods of economic growth, there is generally an increase in economic activity including mortgage borrowing. In turn, an increase in demand for mortgage borrowing pressures interest rates upward. Individuals perceive their long-term employment and financial prospects to be positive. Conversely, the opposite tends to be true during periods of slow economic growth where borrowers may be reluctant to purchase a house. This decrease in demand for mortgage borrowing places downward pressure on mortgage interest rates (Fuentes, 2011).

Chiumenti (2020) investigated the impact of the COVID-19 Pandemic on New England Homeowners and Renters. The study was conducted in light of concern that job losses and likely layoffs related to the COVID-19 pandemic had put many New England residents at risk of not being able to pay their mortgage or rent and needing financial assistance and state-government safeguards to remain in their homes. Though, there were economic interventions from Congress, primarily through the federal CARES Act, there was an increased likelihood that majority of the households were unable to pay their mortgage or rents because of the effects Corona Virus. Chiumenti (2020) observed that even with the efforts, 2 to 3 percent of New England homeowners and 9 to 13 percent of New England renters were unable to make their housing payments. Many stated to have temporarily halted evictions, foreclosures, or both to protect people from losing their homes, at least in the short term. However, once the economy begins to recover, these households will remain responsible for their unpaid rents and mortgages. This report’s findings represent the immediate, three- to four-month impact that the coronavirus outbreak and resulting legislation are likely having on New England households. The ultimate economic consequences of the pandemic, along with the adequacy of economic-policy responses, will be determined largely by how long it takes to stop the spread of the virus.

In Africa, the uptake of mortgages has shown a lot of laxity. This is attributed by the lack of awareness among the people. However, most countries have taken measures to improve on housing finance in order to ease the uptake of mortgage by the public. In South Africa for instance, pension secured loans have predominantly been applied to home improvement projects as opposed to acquisition of new homes (Ling, 2009). The Pension Fund Act in South Africa allows a retirement fund to grant a direct loan to members or furnish a guarantee from a member’s loan (Pension Fund Act). The loan, which should not exceed 90% of the value of the property or the accumulated benefits of the member, can be used to purchase land and erect a building on it, purchase a house, home improvement and to repay a third-party loan secured by a mortgage bond. In addition, the loan can be increased to 100% only if the employer offers an additional guarantee for the difference (Pension Fund Act, 2016).

Tanzania suffers from a terrible shortage of good, quality and affordable housing. So dire was the shortage that the nation carried a 3 million housing deficit coupled with a 200,000-unit annual demand (Fuenntes & Gilberto, 2011). Over seventy percent of its urban residents live in unplanned and subserviced informal settlements. Only 15 percent of household in Tanzania have electricity, with a very large disparity between urban and rural households in Mainland Tanzania (45 percent and 3 percent respectively). Two in three households in Tanzania (67%) live in dwelling with earth, sand or dung flooring. Cement flooring only accounts for 30 percent of households. With an ever increasing urban population, 5.7% to 22.6% over the period 1967-2002, based on 2002 census data, it is inevitable that this shortage, which is compounded by lack of long-term housing finance and a lack of a formal residential housing construction sector, needs to be addressed in a timely manner (Chia & Tsui, 2015). In Egypt, the real estate sector has a fairly well-developed house as compared to other northern countries. Despite increase in house development in the country, mortgage uptake remains low. This is because of the widespread lack of property registration. This has led to deep rooted culture of informal housing persisting (Emerging Egypt, 2017).

In Kenya, mortgage lending is predominantly done by commercial banks. There are 43 banks and one Mortgage Finance Company in the Kenyan banking system. Majority of the banks have mortgage portfolios of different sizes. However, the mortgage market can be viewed as a larger capital market where investors can assess the risk and returns of alternative investment relative to the mortgage market to determine their uptake (Monica, 2012).

Kenya has recognized the right to housing in her constitution which is the supreme law of the land (Section 43(1) (b)) (RoK, 2010). “That every person has the right to accessible and adequate housing and reasonable standard of sanitation”. Yet, housing remains a major problem especially in urban areas. Millions of the citizenry are living in the sprawling slums and also in other informal settlements around Nairobi. The informal settlements are sometimes referred to as “unplanned” or “spontaneous” settlements, which are misleading, since many informal settlements are planned, albeit not in a conventional way, and are not spontaneous (WB, 2003).

Kenya’s mortgage industry has been on a growth path and is becoming even more competitive. Although growing, mortgage lending is still low, as of December 2012, it stood at 3.7% of Kenya’s GDP compared to 70% and 50% in the US and UK respectively. A number of factors have been identified as retarding the growth of mortgage accounts, they include; affordability and insufficient housing supply plus a lack of understanding about mortgage among Kenyans. An efficient mortgage market relies on a number of fundamental legal underpinnings. Among advanced economies, the key determinants of the market depth of housing finance are collateral and bankruptcy laws that define the legal rights of borrowers and lenders (Warnock & Warnock, 2018). The efficiency of the legal system may have an impact on borrowing costs and on the costs of financing for capital market products backed by mortgages. One important element relates to the costs, duration, and effectiveness of the enforcement and foreclosure process in the event a borrower default.

Kenya’s mortgage market has been described as dynamic; it is growing rapidly and becoming increasingly competitive. Out of the 44 commercial banks only 30 offer mortgage loans to customers, however, it is a common practice for banks to advance mortgages to their employees. According to the Central Bank Economic Report (2019), 71% of mortgage lending in Kenya is done by five institutions: Kenya Commercial Bank (KCB) is the market leader with 30% of the market share, Housing Finance Company of Kenya with 19% of market share, Standard Chartered Bank, CFC Stanbic Ltd and the Cooperative Bank of Kenya take on the remaining share. There has been tremendous growth in the mortgage market with every passing year; the Central Bank puts forward that this may be partly attributed to an increase in property prices.

Nevertheless, mortgage lending is still accessible to only a small number of the population; mortgage lending as a percentage of GDP stood at 3.7% in December 2018 (Centre for Affordable Housing Finance, 2019). New entrants and aggressive marketing have resulted in development of some newer products. For example, fixed rate mortgages have been made available for between 10-year and 20-year terms. Some banks have recently introduced 100% financing for the full value of a house. The HFCK with its ingenuity and innovativeness has introduced a mortgage that covers 105% of the costs including professional fees, for those unable to access mortgage finance, a rent –to-buy initiative has curbed this problem.

When asked to rank the obstacles to the growth of the mortgage market in a Central Bank survey, 34 lenders cited access to long term funds as the primary obstacle. Other constraints listed include; high interest rates, low income of borrowers, credit risk and lack of financial literacy in respect to mortgage lending. The risk of foreclosures, difficulties in the land titling process, financial regulatory burdens and lack of new housing supply were some of the impeding factors mentioned by households.

According to Monica, (2012), mortgage finance sector has become more competitive and innovative. However, the sector only serves those who are at the top of income pyramid. Qualification requirements for mortgages cut off a large number of low-income earners. As it stands, only 2.4% of the total Kenyan population can afford a mortgage. Furthermore, only 11% of the urban population can afford to take up a mortgage (Leonard, 2013). This inadvertently locks out a large number of potential home owners and thus leaving the majority of the Kenyan population residing in informal settlements. The situation has been partially alleviated through the activities of the private sector housing developers, who have been a key supplier of housing, particularly in Nairobi (Hassanali, 2015). But the attempt has been slowed down as the Government expenditure for housing has been on a consistent decline, stemming from activities on price controls, inappropriate building regulations and codes as well as lack of basic planning and provision of services (Otiso, 2013). This in turn frustrates mortgage dealers eventually hampering the goal of decent house provision.

On the other hand, there has been a great appreciation of property prices and volatility across the different property markets in Kenya since the year 2006. According to Hass property consultants, in their first property index in Kenya, the prices for high end residential properties doubled between the years 2005 and 2009 (Hass property index, 2009). The nationwide survey which was conducted by Financial Sector and Central Bank of Kenya on financial access, (2009) showed that 68.5% of people sampled owned the houses they lived in. However, when this is segregated further, only 17.7% own housing in the urban area while 82.2% own housing in the rural area. From the survey, it was also established that 1/3 of the house owners acquired their houses through inheritance; only 1.5% of the respondents acquired their houses through formal process or other credit facilities available. Further, it was established that only 23.7% of the respondents were willing to use their house as a security to borrow money (Kariuki, 2013).

Agao (2015) conducted a study to investigate the effect of macroeconomic variables on mortgage uptake for mortgage industry in Kenya. This was in light of the concern that the mortgage market has experienced significant growth in the last decade with many countries experiencing mortgage boom. Monthly secondary data for a period of ten years spanning from 2004 to 2013 was collected from publications in government and financial institutions. The study established that there is significant negative relationship between mortgage uptake and inflation rates, and positive relationships with interest rate and level of money supply. Interest rates have the most significant effect on mortgage uptake followed by GDP and level of money supply. Therefore, the rise in mortgage uptake is well explained by macroeconomic variables. Although the study established a positive relationship between mortgage uptake and interest rates, the relationship was found to be insignificant.

Bett (2013) conducted a survey to determine the effects of inflation and interest rates on mortgage finance offered by commercial banks in Kenya. The study established that there was a strong positive relationship (R=0.717) between the inflation and interest rates on mortgage financing. The study also revealed that 51.4% of mortgage financing in Kenya could be explained by inflation and interest rates. The study recommended that the management of commercial banks should ensure that interests charged on mortgage facilities are competitive in the market so as to attract consumers of this product. The government should enact legislation which regulates the inflation and interest rates in the banking industry so as to protect the interests of both consumers and lenders in the market.

Leornard and Owiti (2013) conducted a study to investigate the determinants of mortgage uptake using the capital market approach. The purpose of the study was to investigate the uptake of housing loan in Housing Finance, Kenya Commercial Bank and Standard Chartered Bank in Kenya. The study established that there was a steady growth of the mortgage in Kenya. The results also indicated that the mortgage uptake had grown from Kshs. 19 million in 2006 to Kshs. 61 billion in 2010. However, the study established that there was still a low level of home ownership which was at 16% and the demand of low-income residential housing outstrips. The study also established that lenders rate was inversely related to mortgage uptake in Kenya.

Muguchia (2012) conducted a study to investigate effect of flexible interest rates on mortgage financing. The study relied on secondary data from annual reports of the banks and regression analysis was mainly used to analyze the data. The study established that there was a negative relationship between inflexible interest rates and mortgage financing. The study also sought to investigate effect of inflation rate, non-performing loans, and liquidity ratio on mortgage financing. The study established that the above mention factors had a negative effect on mortgage financing while money supply, GDP, customer deposits, bank capitalization and bank size had positive effect on mortgage financing. The study recommended that banks should charge fixed rate of interest since it would be possible for investors to plan for a predictable amount of money to be repaid hence stability and increased level of mortgage uptake.

Jumbale (2012) investigated the relationship between house prices and real estate financing in Kenya. The objective of the study was to determine the relationship between house prices and real estate financing in Kenya. The study adopted Causal study research design. Purposive sampling technique was used to select the sample. The study purposively selected a total of 20 respondents who formed the sample size of this study. Questionnaire was adopted as data collection instrument. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS latest version (20.0). Regression analysis was done to establish the relationship between growth in Real Estate financing and house prices. The study found that the changes in housing prices are positively and significantly related to the long-term evolution of real estate financing.

This result suggests that the evolution of housing prices is not triggered by bank real estate lending and that banks just accommodate real estate financing to the evolution of house prices. Though the study shows a bidirectional causality it concludes that the real estate market does not really affect housing price changes, rather changes in housing prices do affect the amount of real estate financing. The reviewed study focused on the relationship between house prices and real estate financing in Kenya while the current study was conducted in Eldoret and focused on factors influencing mortgage uptake in HFC.

Through a survey on mortgage financing it showed that Kenya’s mortgage had tripled from Kshs. 19 Billion in 2006 to Kshs. 61 Billion in May, 2010 (Central Bank and World Bank, 2010). The study also showed that the number of new loans over the period was increasing, although the mortgage market remained relatively small with only 13,803 outstanding loans in 2010 amounting to Kshs. 61 Billion, compared to 7,834 loans amounting to 19.4 Billion in 2006 (Central Bank and World Bank, 2010). Kenya’s mortgage debt is high compared to its GDP which is at 2.48%, better than that of its East African neighbors Tanzania and Uganda which are 0.2% and 1% respectively. When you compare the ratio to other developing countries like India, Colombia and South Africa, Kenya is still lagging behind. It is against this backdrop that the study was conducted to investigate factors influencing mortgage uptake in Kenya.

**1.2 Statement of the Problem**

Mortgage penetration in Kenyan Market remains low. The uptake of mortgage is at 4.3% of the GDP compared to developed countries which account for 50%. The demand for mortgage is relatively low, because there are low income levels that cannot service a mortgage, soaring property prices and high interest rates which discourage potential homeowners from borrowing (Cytonn, 2016). According to Theuri (2020), as Corona Virus started as a health crisis, it fast spiraled into financial crisis and threatening the property market. There has been an increased need by real estate agents need to dispose off properties worth billions of shillings. But there are no takers to an already depressed economy. There is a vicious cycle as mortgagees are laid off from their workplaces as a result of debilitating economic conditions, and they are forced out of their houses by lenders.

According to Theuri (2020), measures should be put in place to regulate the property market as majority are overvalued which discourage majority of investors in the mortgage uptake in Kenya. According to Ngugi, (2019) the mortgage defaults hit Kshs 38bn shillings pointing to a widespread distress in the real estate sector. According to central bank of Kenya, mortgages recorded the highest growth in Non-Performing Loans since 2017. This was a clear indication of the struggles by investors to find buyers for their houses among dwindling returns. As the sale of property decreases, banks were stepping up debt recovery efforts to clean up their loan books, leading to a spike in property seizures by aggressive lenders. The sector has suffered slow growth in sales and rental prices due to huge stock of unsold units. The depressed property market was worsened by the onset of Corona Virus which greatly affected the Kenyan Disposable income. Financial uncertainty is expected to dampen uptake of houses in the real estate sector in 2020. Given that real estate buying is often characterized by speculation, most investors are already counting losses as the COVID-19 pandemic impedes access to credit. Housing being part of Kenya’s Big Four Agenda, the government is expected to extend critical intervention to the sector throughout the pandemic.

Job losses and likely layoffs related to the COVID-19 pandemic has put many Kenyan residents at risk of not being able to pay their mortgage or rent and needing financial assistance and state-government safeguards to remain in their homes. More than 2 to 3 percent of homeowners and 9 to 13 percent of renters may be unable to make their housing payments. Many states have temporarily halted evictions, foreclosures, or both to protect people from losing their homes, at least in the short term. However, once the economy begins to recover, these households will remain responsible for their unpaid rents and mortgages. This report’s findings represent the immediate, three- to four-month impact that the coronavirus outbreak and resulting legislation are likely to have on Kenyan households. The ultimate economic consequences of the pandemic, along with the adequacy of economic-policy responses, will be determined largely by how long it takes to stop the spread of the virus.

According to Wanja (2015), 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. This in turn hinders accessibility to mortgage funding. Reports obtained from the Central Bank of Kenya (2015) indicated that; in May 2011 the mortgage holders stood at 15,049, in December 2011 they were 16,135 mortgage holders, while by end of 2012 there were 17,000 holders. In April 2015, the number of mortgage accounts in the country had risen to 20,000 holders although it was noted that the industry was yet to reach its full potential. This shows low uptake of mortgage in the country (CBK, 2015). It is against this backdrop that the study was conducted to investigate the effect of economic factors on mortgage uptake in Housing Finance Corporation in Uasin Gishu County, Kenya.

**1.3 Research Questions**

The study was guided by the following research question;

1. What is the effect of economic factors and mortgage uptake in Housing Finance Corporation in Eldoret Town Kenya?

**1.4 Research Hypotheses**

The study hypothesized the following:

H1 There is no significant relationship between economic factors and mortgage uptake in Housing Finance Corporation in Eldoret Town.

**Research Design and Methodology**

The study adopted *ex-post facto* research design. This study targeted 130 staff members in selected departments in Housing finance Corporation and customers to housing finance in Eldoret branch. Simple random sampling technique was adopted to select a sample of 98 respondents for the study. Questionnaires and interview schedules were adopted as data collection instrument. Content and construct validity were employed to validate the research instruments. Test re-test was used to test the reliability of the research instrument. Data collected was analyzed using descriptive and inferential statistics. Descriptive statistics were presented in form of percentages, means and standard deviation. Multiple regression analysis was adopted to test the hypotheses.

**3.0 Findings**

The study adopted multiple regression analysis to determine the influence of economic factors, on mortgage in Housing Finance Corporation in Uasin Gishu County, Kenya.

The regression equation Y = β0 + β1X1 + ε

Where: Y = Uptake of mortgage

β0 = Constant

X1 = economic factors

ε =Error Term

Y= 3.235- 0.255X1+ 1.126

A regression analysis was conducted with economic factors being taken as independent variables and the mortgage uptake as the dependent variable. P value is the probability of rejection, the decision criteria is to reject H0 if the P value is less than 5%, otherwise accept and the results were as tabulated below.

**Table 1.1 Multiple Regression Analysis**

**Summary of ANOVA**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Source of difference | Sum of square | DF | Mean square | fo | Sig |
| Between groups | 329.467 | 4 | 82.367 | 10.936 | 0.00 |
| Within groups | 708.052 | 94 | 7.532 |  |  |
| Total | 1037.519 | 98 |  |  |  |

**Multiple Regression results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | B | Std. error | Beta | T | Sig. |
| Constant | 3.235 | 1.126 |  | 2.874 | 0.005 |
| Economic factors | - 0.255 | 0.06 | -0.467 | 4.27 | 0.00 |

**Source: Survey Data, 2020**

The ANOVA results of Table indicate that there was a significant difference between means of economic factors and mortgage uptake in Housing Finance Corporation in Uasin Gishu County (Fo’ =10.936 >Fc = 2.37; α < 0.05; df = 4, 94; p = 0.000). The study established that economic factors had a negative and significant effect of mortgage uptake in the housing corporation. The study established that economic factors (β=-0.467) had a negative and significant relationship with the mortgage uptake in the housing finance corporation. The findings indicated that as the economic factors increased the mortgage uptake decreases, that is economic factors are inversely proportional to mortgage uptake in Housing Finance Corporation in Uasin Gishu County, Kenya

HO1: There is no significant relationship between economic factors and mortgage uptake in housing finance.

Since P = 0.00 < β = -0.467 the null hypothesis was rejected.

The findings revealed that there was a negative and significant relationship between economic factors and mortgage uptake in Housing Finance Corporation. The findings indicated that an increase in economic factors led to a decrease in the mortgage uptake while increase in economic factors such as interest rate, inflation rates just to mention a few had a positive effect on mortgage uptake in housing corporation.

The findings supported Agao (2015) study on effect on macroeconomic variables on mortgage uptake which established that excessive high interest rates in Kenya Finance sector have strongly discouraged long-term investment and constrained Kenyan investor’s ability to take up mortgage finance. The findings also supported Muguchia (2012) study on the effect of flexible interest rates on mortgage uptake which established that flexible interest rates had a negative effect on mortgage financing. This was attributed to the fact that flexible interest rate increased the uncertainty to the borrower on the amount of money to be paid for the mortgage financing thus discouraging the borrower. The findings also concurred with Waithaka (2013) who established that Kenya had lagged behind her counterparts in Sub – Saharan Africa in the mortgage market due to high interest rates charged by the banks. The study highlighted that the Kenyan mortgage market was dominated by five main participants that control 71 percent of the real estate lending who charged very high interest rate on mortgage thus affecting its uptake.

The findings were also in support of Ngugi and Njori (2013) who found out that cost of capital, maturity period of loans, tax incentives and land registration system were key determinants to access of mortgage financing. They found out that there is strong positive correlation between access to mortgage finance and the land registration process with complexity of land processing affecting access to mortgage negatively. For mortgage institutions to advance mortgage loans, they require collateral as a security because in case of default, they can be able to dispose of the property and clear the mortgage outstanding amount. The study revealed that 72.8% of respondents indicated that mortgage institutions require title deed as collateral because they have first charge against the mortgage property. In Kenya, mortgage property prices keep on increasing each day thus the amount charged will be less than the mortgage property prices at time of default. This covers the mortgage institutions thus the level of default rate is minimized. The findings supported Chepsiror (2013) study on challenges of housing development for the low income population in Kenya in Eldoret town which established that the main challenges encountered by housing developers in venturing into low income markets in Eldoret include Low return on investment, rising cost of land, complex land acquisition process, high interest on capital finance, scarcity of land with Infrastructure and outdated planning regulations

**Conclusion and Recommendation**

The study concluded that economic factors had a negative effect on mortgage uptake, that is increase and inflexibility of the interest rates, increase in inflation rates and complexity and lengthy procedures for land acquisitions and skyrocketing prices of land has discouraged mortgage uptake in Housing Finance Corporation. The study recommended that the government should enact legislation which regulates the inflation and interest rates in the banking industry so as to protect the interests of both consumers and lenders in the market.

**REFERENCES**

Agao, A. E. (2015). The effect of macroeconomic variables on the mortgage industry of Kenya. Nairobi. University of Nairobi repository.

Akenga, M. G., Oland, A. M. and Galo, M. N. (2015). Effect of mortgage market risk on mortgage uptake. A case study of Mortgage lenders in Kenya. *Journal Of Investment And Management, 4*(6), 334-347.

Bett, M. (2013). Effects of inflation and interest rates on mortgage finance offered by commercial banks in Kenya. Nairobi. University of Nairobi repository.

Central Bank and World Bank. (2010). Mortgage Finance in Kenya: Survey analysis. Survey analysis.

Central Bank of Kenya. (2019). Financial Access National Survey Centre for affordable housing finance in Africa (2012)

Central Bank of Kenya (2018). Mortgage Finance in Kenya: A Baseline Survey.

Chia, C. and Tsui, A. (2005).Reverse mortgages as retirement financing. Oxford press, Nairobi Kenya.

Fuentes, G. (2011). Factor of Mortgage Interest Rates. London, Demand Media U.SA.

Garcia, F. (2017): *Macroeconomic Determinants of Stock Market Development*. New York, U.S.A

Hoskins, J. A., Jones, A. S. and Weiss, A. D. (2013). An Overview Of The Housing Finance System In The United States. Congressional Research Service. London

Jumbale, D.K. (2012). *The Relationship between House Prices and Real Estate Financing in Kenya.* Unpublished MBA Project, University of Nairobi.

Kariuki, C. (2013). *The Factors Affecting Residential Property Values in Kenya*. Nairobi University Press, Nairobi. Kenya

Leonard, M. (2013). *Determinants of Mortgage Uptake in Kenya: The Capital Market Perspective*. Applied Research and Training Services Press, Nairobi

Leonard, G. M. & Owiti, K. (2013). *The Determinants of Mortgage Uptake in Kenya using Capital Market indicators.* Unpublished MBA Project, Jomo Kenyatta University of Agriculture and Technology.

Leonard, G., Mburu, and Owiti, Ka’kumu, (2013). *Determinants of Mortgage Uptake in Kenya using the Capital Market Approach.* Applied Research and Training Services Press Nairobi, Kenya

Ling, L. (2009). *Pension-Secured Loans. Facilitating Access to Housing in South Africa*. Pretoria, South Africa

Monica, W. (2012). Factors Affecting the Uptake of Pension Secured Mortgage in Kenya. Research and Development Department. RBA.

Muguchia. L., (2011). *Effect of flexible interest rates on mortgage financing in Kenya*. Nairobi: University of Nairobi.

Muguchia, L. (2012). *The Effect of Flexible Interest Rates on the Growth of Mortgage Financing in Kenya*. Unpublished MBA Project, University of Nairobi.

Otiso, K. M. (2013). *Forced eviction in Kenya cities*, Singapore Journal of tropical geography

Wanja, K. L. (2015). Determinants of Mortgage Uptake. Nairobi. University of Nairobi Repository.

World Bank, (2011).Developing Kenya’s Mortgage Market. World Bank. Developing Kenya’s Mortgage Market.