FACTORS INFLUENCING OWNERSHIP OF HOUSING BY PUBLIC SECTOR STAFF IN URBAN CENTRES IN KENYA: CASE OF NATIONAL HOUSING CORPORATION OF KENYA

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MAY 2012
DECLARATION

I declare that this project is my original work and has not been presented for examination to any other University or an institution of higher learning.

Signature..................................Date ..........................


This research project has been presented for examination with our approval as the student’s supervisors.

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DEDICATION

This project is dedicated to my parents who have been supportive and source of inspiration throughout this period. Special dedication to my wife for her encouragement and the dual role she played when studies took most of my time.
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Sincere gratitude to my supervisors Mr Bett Shadrack and Mr.R. D.Nzulwa, lecturers Business Studies, Kenyatta University, School of Business for their guidance, advice and support without which this research project would not have been successfully completed.

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<td>Mortgage</td>
<td>Security instrument to a lender that protects the lenders Interest in your property</td>
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<tr>
<td>Home ownership</td>
<td>Owning the house in which you live</td>
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<tr>
<td>Interest</td>
<td>Fee charged by lender to a borrower for the use of borrowed funds</td>
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<td>Lending</td>
<td>Provide funds temporarily on condition that the same Will be returned usually with an interest</td>
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<td>Collateral</td>
<td>A security pledge for the repayment of a loan</td>
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ABBREVIATIONS AND ACRONYMS

ECOA  Equal Credit Opportunity Act
HMDA  Home Mortgage Disclosure Act
UN    United Nations
KENSUP  Kenya Slum Upgrading Program
NHC   National Housing Corporation
CMA   Census Metropolitan Areas
FHA   Federal Housing Administration
HUD   Housing and Urban Development
NAR   National Association of Realtors
FmHA  Farmers Home Administration
CSRC  Economic Social Research Council
ICESCR  International Covenant on Economic Social and Cultural Rights
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ABSTRACT

Mortgage industry has experienced tremendous growth in the recent years with the institutions in the industry having to increase their investment in order to take full advantage of the opportunities available. On the other hand many civil servants are unable to access these mortgages due to high costs in terms of interest rates, conditional ties, and many other factors related to homeownership. The study sought to establish and evaluate factors influencing home ownership by civil servants in urban centers and more specifically the study was to look at factors that influence home ownership in National Housing Corporation. This study will benefit various stakeholders which include Government, organizations, consumers, researchers, in respect to policy formulation, buying decisions and knowledge enhancement as regards the subject. The methodology adopted was systematic random sampling technique. The population of interest in the study was to consist of clients in six Estates of National Housing Corporation (Ayany, Olympic, Onyonka, Highrise, Kibera and Uhuru Garden). The sample population was 500 clients 50 were selected. Both primary and secondary data was used. Primary data was collected using self-administered questionnaires while secondary data was obtained from Company journals, web site, articles and brochures. The data was analyzed using descriptive statistical methods including measures of central tendencies and tables, graphs and pie charts. The end results were the determination of factors influencing home ownership and how best such factors will be managed. The limitations of the study include time constraints, unreturned questionnaires may lead to wrong conclusions and recommendations made. Findings indicated that home ownership is mainly influenced by the level of interest rates charged by firms in the housing industry in Kenyan market. In the case of NHC, in order to make homeownership affordable to many Kenyans they need to find a way of varying repayment periods in case of default or when difficulties arise for its customers. They should also adjust interest rates according prevailing conditions in the market without burdening their customers. It is therefore prudent for the organization to consider the plight of its customers as this is enable it increase its customer base and thus more profit.
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

A mortgage occurs when an owner usually of an interest in real property pledges his interest as security or collateral for a loan. Therefore, a mortgage is an encumbrance on property just as an easement would be, but because most mortgages occur as a condition for new loan money, the word mortgage has become the generic term for a loan secured by such urban housing, Jackson (2005).

According to Equal Credit Opportunity (ECOA) Act of 1974, United States has enacted a variety of laws making it illegal for lenders to discriminate against members of historically disadvantaged groups, particularly women and minorities. These laws include most notably the Fair Housing Act of 1968. ECOA also makes it illegal for lenders to use the racial composition of the neighborhood as a determinant of the lending decision.

In addition, policy concern about the viability of urban neighborhoods has generated laws such as the Community Reinvestment Act of 1977 that impose an affirmative obligation on lenders to help meet the credit needs of their entire communities. Starting in 1975, the Home Mortgage Disclosure Act (HMDA) (Ard Sheila D, and Samuel L Myers, Jr 2001) required lenders to report information on their mortgage lending by Census tract. The 1989 revisions to that act went much further and required lenders to report information on the disposition of individual applications. The availability of this information height-ened the debate about fair lending.
In developed countries, the cost of a dwelling can often be 2.5 to 6 times the average annual salary. However, the average cost of a decent low-income family house in Ghana is more than 10 times the average annual salary of most key workers in Ghana. In Algeria the cost can be as high as 12 times the annual salary. This has had considerable implications for the success of mortgage mechanisms and the desire for homeownership, (World Bank 2001)

Many factors have been seen to contribute to the low home ownership levels in Kenya and these include: high property prices / interest rates, lending policies/lack of collateral and finance/credit, Government policies, poor attitudes towards mortgage facilities. High property prices in Kenya are a direct result of the current supply-demand mismatch because of shortage in supply, the housing market is always tilted in favour of developers (Francis Ayieko Daily Nation 10th November, 2011)

1.1.1 An overview of housing sector in Kenya

Mortgage lending in Kenya is made possible by the Banking Act (Cap 488) of the laws of Kenya which allows mortgage finance companies to lend long term by way of mortgages. Before the banking act was amended in 1997 to allow banks to lend long term, only housing finance institutions like Housing Finance of Kenya Limited, Savings and Loans Kenya Limited and East African Building Society (Now ECOBANK) provided mortgages.

The Banking Act (Cap 488) of the laws of Kenya under section 15 allows a mortgage finance company to make loans for the purpose of the acquisition, construction, improvement, development, alteration or adaptation for a particular purpose of land in
Kenya; and the repayment of which, with interest and other charges, is secured by first mortgage or charge over land with or without additional security or personal or other guarantees. The act also provides that a mortgage finance company may grant other types of credit facilities against securities other than land and may engage in other prudent investment activities. The preparation and registration of mortgage instruments in Kenya is governed by the following statutes.

According to Vision (2030), 200,000 units are required yet only 35,000 units are produced. Low-income group shortage is more acute in urban centers where only an estimated 6000 units are produced annually. It is also estimated that more than 400,000 households (equivalent to 2 million people) living in the city of Nairobi alone need modern, decent and affordable housing.

According to a UN-Habitat (2008) study, some 60 to 80 percent of residents in Kenya’s largest urban centers, Kisumu, Mombasa and Nairobi, live in informal settlements. These informal settlements are crowded, with poor quality housing and lack basic services such as access roads, education facilities, and sanitation facilities, and suffer chronic insecurity. For example, 70 percent of informal settlement residents in Nairobi are compelled to buy water from water vendors. In fact, UN Habitat notes that while 60 percent of Nairobi’s population lives in informal settlements, their homes occupy only five percent of the total land area in the city and its environs.

Kenya Bureau of Statistics; Documents on file at Hakijamii and Ministry of Housing website). Years 2009/2010, Kenya’s housing development sector experienced high growth, in most major urban towns, there has been a construction boom particularly in
the middle and up-market sectors for which the private sector has been the main engine of growth. The estimated cost of residential buildings completed by the Kenya government and its agencies increased significantly from Ksh 210.2 million in 2008 to Ksh 938.5 million in 2009. Some 280 housing units were built for civil servants in the Shauri Moyo area of Nairobi on a public-private partnership basis. An additional 22 apartments for civil servants were completed in Kileleshwa in Nairobi. Redevelopment of houses for civil servants is on going in Ngong, Machakos, Athi River and Nyeri. Furthermore, some 1,000 housing units have been developed in Kibera (Nairobi) and Mavoko (Machakos County) under the Ministry of Housing’s Kenya Slum Upgrading Program (KENSUP).

Quality low cost housing remains unavailable for a majority of low income urban dwellers. A few development agencies have however emerged seeking to address the problem of poor urban dwellers. An example is the Jamii Bora Housing Program which sells high quality but Low cost housing to the poor at a cost of about Ksh 150,000 for a two-bedroom unit.

On its part, the state has largely focused on providing housing for its employees and setting up the policy and legal infrastructure for private market players. The state in partnership with development agencies such as the World Bank has also been involved in slum upgrading aimed at providing better housing for those living in informal settlements. There is however, no comprehensive policy or legislative framework to guide these slum upgrading projects. Lending to finance purchase and construction of houses is normally long-term in nature and takes the form of mortgage.
1.1.2 A brief background of Kenya National Housing Corporation

National Housing Corporation (NHC) is a state owned enterprise established by an Act of parliament Cap 117 as was amended in 1967. The primary mandate of NHC is to play a principal role in the implementation of the Governments housing policies and programs. It has its origin in 1953 when the colonial Government of Kenya created a Central Housing Board through the Housing Ordinance.

The Board was the principal medium through which the colonial Government could promote the Development of houses for Africans. Currently NHCs capital base stands at about Kshs.8 billion and is due for enhancement with additional equity injection of Kshs.4.58 billion by the Government. The corporation has turned round her profitability and between 2003-2009 had paid dividends of Ksh .122 million to Treasury and corporation Tax of Ksh 68.8 million.

The roles of the Corporation are: Development of decent and affordable housing, facilitating rural housing development. Mobilization of local and international capital for housing development, forging partnerships with local authorities, cooperatives, private sector and other stakeholders in housing development.

1.1.3 National Housing Corporations Products and services are

Houses for direct sale (mortgage), Rental houses to tenants, houses for sale by Tenant Purchase method, Site and Service schemes, rural and peri-urban housing loans, Project management, Sale of House Architectural Plans, development of Roof trusses, doors and frames, Estate management services, Building construction services
1.2 Statement of the problem

The report by Kenya integrated house hold budget survey (2006), asserts that in Kenya demand for residential and commercial houses reached 160,000 and 300,000 housing units in urban and rural areas respectively. Private sector and Government are only able to deliver about 50,000 housing units every year resulting in supply gap of 110,000 housing units.

Data released in Economic survey (2011) paints a different picture; it shows that loans and advances from commercial banks increased by 7.3 percent from kshs.30.4 billion in 2009 to ksh. 32.6 billion. In year 2010, private sector topped in delivering more houses in year 2010 though it only served a section of the market. Mortgage firms lowered lending rates to as low as below 12 per cent. For example Barclays is currently advancing mortgage at a rate of 11.99 per cent.

According to Central bank of Kenya the three factors high housing prices, high interest rates, and lack of long term financing are responsible for the small number of Kenyans who are eligible for mortgage. This is despite the huge potential that exists in the market (Daily Nation June 23, 2011 by Francis Ayieko)

According to Kenya Bureau of Statistics, the 2009 Population and Housing Census, there were 3.138 million people in Nairobi. Using the average national household size of 4.4 persons. This gives an estimated 0.71 million dwelling units in Nairobi areas ranging from high cost housing units to unplanned units. The Nairobi population of 3.138 million requires some 0.71 million housing units, giving a shortfall of about 270,000 housing units. In the whole country with population of 38.6 million people about 8.78 million
dwelling units are required, this is not the case as it is reported that there is a shortfall of 160,000 housing units required per year in Kenya (Kenya Bureau of Statistics 2011).

In spite of the fact that home ownership in Kenya is important to both rural and urban dwellers of major cities and towns, there are certain key issues that tend to affect this important development. It is against this background that the purpose of this study will be to investigate factors influencing ownership of housing by public sector staff and more so the clients of National housing Corporation (NHC).

1.3 Objectives of the research

The general objective

To investigate factors influencing ownership of housing by public servants in Kenya

Specific objectives

1. To find out if lending policies affect ownership of housing by civil servants (public sector staff) in urban centers.
2. To find out if high interest rates affect ownership of housing by public sector staff/civil servants in urban centers.
3. To find out if size of family affect ownership of housing or homes by Public sector staff in urban centers.
4. To find out if Government regulations affect ownership of housing in urban centers by public sector staff.
5. To find out if availability of funds affect ownership of housing by civil servants in urban centers.
1.4 Research questions

The following are the research questions

1. How does stringent lending conditions e.g. collaterals affect ownership of housing by public sector staff in urban centers?

2. How do interest rates influence ownership of housing by civil servants in urban centers?

3. How does size of family affect ownership of housing by civil servants in urban centers?

4. How do Government regulations affect ownership of housing by public sector staff in urban centers?

5. How does availability of funds affect ownership of housing by civil servants in urban centers?

1.5 Significance of the study

To the Government of Kenya: The study will lead to the understanding of the factors that influence home ownership in urban centers in the country and therefore assist in crafting of policies tailored towards making home ownership affordable to its citizens.

To the management of the Organizations: The study will be beneficial to them as it will assist in environmental scanning which involves analysis of both internal and external environmental factors which includes; strengths, weaknesses, opportunities and threats.

To the consumers Lenders: The study will enable them to have various options available in the market as it will enable them be aware of the opportunities available in the housing market. To researchers: The study will lead to establishment and examination of the root cause of the problem under investigation, its effects and the necessary
recommendations from the research findings while addressing problems of mortgage loans. It will also be used as a basis of future studies, act as authority and reference. They will have material for future research topics.

To other stakeholders:- The study will be useful in business decision making with the companies involved. It will enable other stakeholders to deliberate and make important decisions on their dealing with the organizations involved.

1.6 Limitations of the study

1. Some respondents were likely to avoid questions put to them and this may result in wrong conclusions or recommendations made.

2. Unreturned questionnaires could lead to inadequate data from respondents. This may affect the study by not giving the general view of lenders. However, a representative sample will be selected to ensure that the findings of research are not jeopardized.

3. Due to high confidentiality of some information, it was likely that access to some information which was of great importance to this study might be denied.

1.7 The scope of the study

The scope of this study was institutions offering mortgage facilities in Kenya. The main focus however was National Housing Corporation. The study was mainly focusing on mortgage facilities offered by this institution and the influence they had in home ownership by civil servants. The study was conducted using clients of the institution in Nairobi drawn from various estates loaned by the institution. Nairobi is chosen because it controls about 70% of the total customers servicing mortgage loans. Representative sample was taken from both internal including officials and external customers servicing these loans.
CHAPTER TWO

LITERATURE REVIEW

Introduction

This study dwelt on the factors influencing ownership of housing/homes by public sector staff in urban centers in Kenya. The chapter reviews some of the relevant literature regarding the various key aspects related to the variables employed in the study. The study adopted National Housing Corporation of Kenya as the unit of study. The review looked at previous research findings, publications and various papers on the subject.

2.1 Theoretical Review

In recent years, all over the world, considerable effort has been made to extend opportunities to mortgages so that ordinary people can own their own homes. Home ownership is an influential emotional pull as well as a financial tool that incites millions of people to make the move from renting to buying. However all these hopes, dreams and benefits come with a cost most of which is called a mortgage (Smith, 2007). Mortgage has also been defined to mean a loan secured by real property as collateral (Geltner et al. 2007).

An economist, Shiller (2008) suggested that the only way out to mortgage crisis is the democratization of finance which is the expansion of sound financial principles, products and services to the reach of the mass populace in the society using improved information infrastructure with the help of modern information technology. He argued that financial advisers should provide guidance on risk surrounding specific mortgages and securities.
In the developed world, mortgage lending is at an all time high. The aim has been to encourage increased homeownership. This has meant that in countries like Australia and the United States, the percentage of owner-occupiers with mortgages is 45 per cent and 63 per cent respectively. In the US, homeownership has become a significant measurement of economic health. Moreover, in 2002, despite the worrying increase in property values, 52 percent of the mortgages given out by an institution like Fannie Mae went to low and moderate income families, (UN Habitat 2005)

In many African and Asian countries, despite its recognized economic and social importance, housing finance often remains underdeveloped. The low levels of lending reflect the small numbers who can afford mortgages because of the high cost of houses in relation to incomes. It also includes the perceptions of risk that are based on, amongst other things, the informal nature of most title deeds and property, (Hassler O, 2003). The average cost of a decent low-income family house in Ghana is more than 10 times the average annual salary of most key workers in Ghana. In Algeria the cost can be as high as 12 times the annual salary. This has had considerable implications for the success of mortgage mechanisms and the desire for homeownership, (World Bank 2001)

2.2.1 Lending policies

Commercial banks and other formal institutions fail to cater for the credit needs of smallholders, however, mainly due to their lending terms and conditions. It is generally the rules and regulations of the formal financial institutions that have created the myth that the poor are not bankable, and since they cannot afford the required collateral, they are considered uncreditworthy (Adera, 1995). Hence despite efforts to overcome the
widespread lack of financial services, especially among smallholders in developing countries and the expansion of credit in the rural areas of these countries, the majority still have only limited access to bank services to support their private initiatives (Braver man and Guasch, 1986).

Access to financial services by smallholders is normally seen as one of the constraints limiting their benefits from credit facilities. However, in most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes (Schmidt and Kropp, 1987).

For small-scale enterprises, reliable access to short term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programs aimed at such enterprises. Schmidt and Kropp (1987) further argue that the type of financial institution and its policy will often determine the access problem. Where credit duration, terms of payment, required security and the provision of supplementary services do not fit the needs of the target group, potential borrowers will not apply for credit even where it exists and when they do, they will be denied access.

2.2.2 Interest rates

According to Jerome Dasso (1992), when the cost of debt financing (the interest rate) is lower than the return generated by the property, then positive leverage is created. In such situations, the percentage return to equity is greater using debt than it is with no debt. They highlight the following as the benefits of using debt; Jerome Dasso (1992) points
out that when the prior fixed claim of debt is placed on a property the variability of the cash flow to equity increases. The increased variability means more risk; adding risk reduces value. If the real estate owner falls behind in the repayments, a foreclosure becomes eminent. This is a very painful experience.

Financial institutions that aggregate saver’s funds and then lend them to equity investors charge fees for their services. These charges are generally paid by the borrower. As more debt is used to gain the advantages of using debt, the risk to equity is increased. The additional debt also increases the lender’s exposure, causing the lender to increase his or her return (which is a cost to equity).

Although housing markets are also liable to property cycles, it is clear that the proportion of land price as an element of house price has until recently been rising constantly over time (Gilg, 2005; Parkinson et al., 2009). This has resulted in a land cost which represents up to 40 per cent of house prices. With the collapse in house prices and a fixed level of construction costs, both land values and profit margins have been reduced, which has thrown the financial basis of volume house builders’ business models into doubt (GLA Economics, 2008; OFT, 2008).

Homeowners incur costs not borne directly by renters. The most prominent of these is maintenance costs. The early housing economics literature suggested that the quality differences between owner-occupied and rental units are attributable to better maintenance performed by owner occupants (Grigsby 1963, Petersen et al. 1973, Schafer 1977). Yet research since then has been inconclusive. Ozanne and Struyk (1976) showed...
that once controls for dwelling quality, neighborhood quality, and some occupant characteristics are introduced, the higher homeowner-maintenance effect disappears.

However, Galster (1983) responded by including additional controls for occupant characteristics and showed that owner-occupants not only purchase housing of initially higher quality, but also perform more intensive maintenance while they own. More recent work by Gatzlaff, Green, and Ling (1998) shows no significant difference in appreciation rates between owner- and renter-occupied dwellings. This finding suggests that landlords and homeowners maintain dwellings in a similar fashion regarding investment return. However, the measured quality differences between owner-occupied and rental units illustrated above suggest that unit maintenance does not fully explain the similarity of return on investment for the two tenure classes.

2.2.3 Family size

Family size and age composition are also major determinants of household consumption patterns (Pollak & Wale, 1981). As net overseas migration is a critical determinant of the rate of new household formation, it also can be a determinant of demand for housing. Bloch (1997) deemed that immigration can be a major factor in inducing wild property market swings and noted that between late 1993 and early 1996, an overseas immigration boom into Auckland attributed to Auckland’s housing price increase of up to 100 percent in some of its suburban areas.

Turning to the supply side, a review of housing supply in the UK, Barker (2003) noted that demand side factors alone could not explain the high rate of house price growth and that responsiveness of low house supply affected the rising trend in house prices.
According to Maclennan (1982), dwelling supply is the rate at which new supplies enter the market and this can vary according to the completion rate of new dwellings or by the raising or lowering of the rate of flow of dwelling services from existing stocks of housing. Complexity and change characterize residential ownership in the UK, and increasing numbers of people also own additional properties that are not for letting (Samter, 2008).

Home ownership is strongly related to a household’s demographic and socio-economic characteristics and owner-occupation is much higher amongst older people (ESRC, 2007). In 2001, 81 per cent of pensioner households were owner-occupiers, whereas lone parents with dependent children were far more likely to rent their property than any other type of household.

Affordability is one of the problems faced by housing finance institution in Africa. In Kenya, it is estimated that during 2004 the banks and mortgage institutions only offered 9000 loans. The Tanzanian Housing Bank, established in 1973 and which collapsed in 1995, only issued 36,000 loans over a 22-year period. Even in South Africa, 75% of households earn too little to be considered for mortgage loans, (UN Habitat, 2005).

2.2.4 Government policies

The government has come under pressure to reduce the cost to developers of developing on land currently in public sector ownership. This has led to the development, through the Homes and Communities Agency, of local housing companies which aim to help develop surplus public sector land, together with the promotion of joint ventures or private
public partnerships to develop such land (Communities and Local Government Committee, 2009)

The government has responded to the affordability issue by attempting to increase housing supply and by providing support for subsidized access to home ownership through the expansion of the low-cost home-ownership sector. This led to an increase in shared ownership and shared equity homes of 18 per cent from 2003 to 2006 (Stephens et al., 2008). However, the UK residential property market, like those of other countries, has now experienced a substantial downturn following the dramatic and sustained growth of the past 15 years (Barker, 2004; Gilg, 2005; Muellbauer and Murphy, 2008).

The Federal Housing Administration (FHA) insurance program, authorized in the 1934 National Housing Act, encouraged home mortgage lending by adding a government guarantee to the security of a lien against the property. Ultimately, FHA mortgage insurance supported expanded homeownership, but the motivation for the FHA program was primarily to stimulate residential construction. Harry Hopkins (1934), testifying on behalf of the Roosevelt administration, argued that a third of the massive unemployment in the nation was identified in some way with the building trades and that the proposed program was an effort to put the unemployed back to work. Miles Colean (1975), one of the pioneers in the FHA, said the proposal "had grown from the President's stated desire to have at least one stimulative agency that did not require spending by the government but would instead rely on private endeavor. The 1934 act provided for insurance of home improvement loans and of mortgages on rental housing, as well as insurance of mortgages for homeowners."
The U.S. Department of Housing and Urban Development (HUD) Section 235 and Farmers Home Administration (FmHA) 4 Section 502 programs, providing low-rate mortgages to lower-income households to purchase homes, were the most ambitious efforts to date by the federal government to explicitly subsidize homeownership.

2.2.5 Availability of funds

The affordability issue which has been generated through the existence of liquidity and wealth constraints of household imposes barriers for individuals as well as households to access home ownership. This is because households who opt for owner occupation would have to pay an initial outlay larger than what the tenants pay (Artie and Variya (1978). This issue of budget constraint during different stages of life has been widely recognized as one of the most important in identifying household ability to achieve one type of housing tenure over another. In terms of empirical studies of borrowing constraints on the choice of housing tenure, Linneman Wachter (1989) found that the presence of borrowing constraints of households adversely affects homeownership propensity in the United States.

Young and elderly households are particular prone to the affordability issue and they will be limited to access to only one type of tenure, which is renting or resort to social provision of housing. Haurin et al (1997) analyze the borrowing constraints on tenure choice of young households in America. They found that ownership tendencies were especially sensitive to borrowing constraints and the constraints tend to reduce the probability of home ownership by 10 to 20 percentage points.
Asberg (1999) studied the housing decision of young cohorts in Sweden. He focused on the impact of economic and demographic factors on young Swedish adults' discrete choices on whether to own or to rent given they had formed a household. Asberg concludes that both household formation and tenure decision were highly sensitive to demographic factors such as age and number of children.

The most cited life-cycle studied is the one presented by Artle and Varaiya (1978). Artle and Varaiya analyze the tenure decision through life-cycle consumption and saving model with their main focus on the effect of taxation on tenure decision. The divergence of the household members' consumption and saving patterns will depend on extent of both the liquidity and wealth constraints that they are experiencing. The role of saving is to serve the household members as a buffer to provide for emergencies or fluctuation of incomes.

In the presence of liquidity constraint, household will be unable to obtain down payment to fulfill the initial outlay of achieving home ownership. Artle and Varaiya's model concludes that renters are fallen into two different types. They are most likely to be either newly formed households who are in their early part of their life cycle and have the preference for dissuading or elderly households who would be required to consume their equities. Their findings are in line with the U.S. empirical studies at that time and there is a weak linkage between homeownership and current income.

Although Artle and Varaiya provide a comprehensive life cycle model to explain housing tenure choice of individual, it has been criticized that the theory is formulated based on some restrictive assumptions. One of the restrictive assumptions identified by Henderson
and loonies (1983) is that it assumes that the opportunity cost of ownership is less than the cost of renting. Contrary to other researchers which place great emphasis on the concept of permanent income and that permanent income constitutes a significant part of the utility function of household, Jones (1989) examines the tenurial decision model developed by Rosen but incorporates current non-human wealth into his analysis.

Based on data available in Canada and the United States, he found current non-human wealth has significant effect on the probability of household decision towards home ownership. He even finds that the effect of wealth on the determination of home ownership is bigger than those of permanent income. Apart from wealth effect, Jones (1995) also finds current liquefiable resources highly important in choosing one form of tenure against another.

Follain Ling (1988) studied the effect of taxation and inflation on tenure decision. They extended Taman's (1982) argument that inflation might reduce the user cost of rental housing. This reduction might therefore cause reduction in home ownership rate. Based on their simulation model, Follain and Ling reexamined this premise. They found that the escalating effects of inflation did reduce the aggregate home ownership rate but this decrease is more than offset by an increase in the quantity demanded by those households who opt for owner occupation. Hence, the increase in inflation has also associated with the increase in home ownership.

Recent researchers tend to focus on the uncertainty that households face which during the decision making process. Robst, Deitz and McGoldrick (1999) analyze the housing tenure choice model based on the analysis of income variability and uncertainty and find
that income uncertainty reduces the probability of home ownership and increase the level of rental arrangement.

2.3 Critical Review main issues

This section concentrates on other factors influencing home ownership

2.3.1 Home ownership and income of households

The relationship between household income and dwelling demand has long been of interest to economists and policymakers and accordingly, there is a vast amount of literature addressing this field. It is generally accepted that a higher level of economic growth and higher employment rate will result in a higher level of household income (Keynes, 1936). This in turn results in a higher demand, as Goodman (1989) indicated that an increase in income implies an increase in demand for housing. Further research by Goodman (2002) found that income and value-rent measures in different years have separable and significant impacts on housing demand. Tse and Love (2000) also concluded that rising income increased the demand for higher quality accommodation and environmental amenities.

However, Gallin (2003) tested the long term relationship between income and house prices in USA and found that the data did no support the view of co-interaction between house prices and income. Millington (1994) and Grimes et al (2004) expressed that economic growth is a significant factor in contributing to the rising house values. A study of the regional economics in California by Macurdy (2005) found that employment growth is an important factor in determining housing demand. Osborne (2006) also found that the current increase in UK housing prices was due to the strong economy and high
employment activity. Barker (2003) in his UK study also noted that a stable macroeconomic environment is one of the key factors that affect the housing demand changes.

Housing purchases are large relative to most households' income and asset stocks. Most households must choose between investment and consumption goods and subsequently purchase housing to meet their consumption desires. In most cases they purchase more housing than is optimal with regard to investment (Flavin and Yamashita 1998). The downside of these housing choices, however, is that more frequent maintenance may be required to protect the homeowner's investment. More housing-intensive preferences might be revealed in more frequent maintenance of dwellings by homeowners, as well (Rothenberg et al. 1991, Galster 1987). While homes are immobile in space, they have some mobility among markets.

2.3.2 Homeownership and Consumer behavior

Most homeownership research finds that an individual's housing tenure choice depends on that individual's personal preferences and his/her own economic characteristics. Some researchers propose that an individual employs a state-dependent value function, which is determined by preference, income and market conditions, and determines whether to own or rent a house (e.g., Henderson and Ioannides, 1983).

Other researchers argue that the housing tenure status may be a consequence determined by the relative needs of "housing investment" and "housing consumption" of a family, rather than a choice made by that family (e.g., Henderson and Ioannides, 1983; Fu, 1991; and Ioannides and Rosenthal, 1994).
Expectations can also play an important role in the demand for property. Expectations determine current market prices (Ganesan, 1984), with the housing demand curve being dependant on price expectations (Dusansky & Wilson, 1993). In a study of UK house prices, Muellbauer and Murphy (1997) identified real interest rates and income by its nature, higher expectations induces speculation. Speculation has been considered as a possible determinant of housing prices by a number of authors, including Case and Shiller (1990), Ito and Hirono (1993), and Levin and Wright (1997a). Speculation occurs when over a short period of time, prices are increasing more rapidly than the expected rate.

2.3.3 Home ownership and Shelter

Shelter is one of the most basic human needs, but a home is much more than the place where we hang our hat: it gives our lives stability and permanence and contributes materially to our physical and social wellbeing.

Even as housing authorities were encountering difficulties in making housing programs work, Social science researchers were publishing studies shedding some light on why their policies were failing. In Peru, Turner (1967) and Mangin (1970) observed the organizational capabilities of squatters and proposed that these could be harnessed for development of their communities rather than being turned against the authorities. In India, Van Huyck (1971) and Rosser (1971) noticed the adequacy of even the worst slum dwellings and cautioned against policies that would destroy existing housing stock. In Venezuela, Peattie (1968) witnessed mutual assistance patterns in low-income neighborhoods that were found to be useful in housing and services provision.
The early literature on slums and squatter areas was condemnatory and almost alarmist. Fears were expressed about the breakdown of morals, disorganization of family and community life, and the revolutionary threat of an expanding proletariat in the slums. Invasion and capture of public land were seen as violations of law and order. Authorities feared that repeated legal transgressions would become habitual and that the rules of society would no longer be enforced.

In the 1960s, squatter eradication and resettlement programs gave way to programs that respected the existence of squatter communities, albeit grudgingly. Existing slum/squatter areas were even improved in Chile, India, and Iraq by extending basic services to such places. A review of "sites-and-services" projects (Gridley and Merrill 1971) revealed that such projects were being used in some 32 countries. A number of the projects were more than 10 years old and were fairly successful in improving the living conditions of the urban poor.

2.3.4 Home ownership and Financial Security

In its 1995 study, Fannie Mae reports that 83 percent of all adults believe that owning a home is a good investment. The 1992 Survey of Homeowners and Renters by the National Association of Realtors (NAR) reports that 87 percent of homeowners and 72 percent of renters consider homeownership a good investment. Only 6 percent of owners and 16 percent of renters considered housing a bad or risky investment. The NAR notes that there are no significant differences in responses across age, race, or income of households.
Elmer and Seelig (1998) cite higher household risk postures to explain the recent rise in mortgage default and foreclosure rates. They point out that the recent upward trend in mortgage default has been matched by an increase in personal bankruptcy. Indeed, 53 percent of households that file for bankruptcy are homeowners. However, controlling for various categories of debt, the amount of debt, household demographics, and bankruptcy alternatives, homeowners are still less likely to file for bankruptcy than renters (Domowitz and Sartain 1999).

2.3.5 Homeownership and Financial Markets

The larger-than-optimal share of housing in investment portfolios leads households to choose less risky assets to balance their portfolio. This process, referred to as "temperance," can have widespread effects on returns of other assets. Fratantoni (1998) shows that when households commit a higher proportion of their income to housing expenditures, expressed in payment to income ratios, they hold a smaller share of their non housing assets in stocks. Higher rent to income ratios for non owners did not have the same effect. Similarly, households that hold larger shares of their wealth in housing equity are more likely to hold bonds and Treasury bills rather than stocks. Flavin and Yamashita (1998) note that as the baby boomers age and the housing constraint becomes less binding because of life-cycle effects, one would expect to see homeowners move toward riskier investments.

Summaries and Gap Analysis

This research is necessary in that despite the fact that a number of research having been done in other organizations, there is no particular variable which can be claimed to be the
cause of the problem. A gain non of those studies have been done in National Housing Corporation (NHC)

2.5 Conceptual Framework

Home ownership is the dependent variable which will be the primary interest in this study. Five independent variables namely lending policies, interest rates, family size, Government regulations, and availability of funds are going to be used to determine their effect on ownership of housing.

Figure 2.1 Conceptual Framework

The conceptual framework

Independent variables

- Lending policies
- Interest rates
- Family size
- Government regulations
- Availability of funds

Dependent variable

Home ownership

Source (Author 2011)
CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This section focused on the researchers scope of methodological procedures employed in the study. It covered the research design, target population, sampling design, techniques and sample size. Other details include data collection instruments and procedures, data presentation and analysis techniques.

3.1 Research Design

The research design for the study was a descriptive research design which involved conducting a survey of Home mortgage loan holders case study of National Housing Corporation clients in order to find the factors influencing home ownership by the target group. Questionnaires were used for gathering information.

3.2 Target Population and Sample Size

The target population was the recipients of National housing Corporation Home owner ship program or clients as at 31st December 2011. From the records of NHC there were many recipients of such program and those that were targeted were those who own houses in major six estates of Ayany, Olympic, Onyonka, Hghrise, Kibera and Uhuru Gardens. They total to five hundred (500) in number as per the attached list in the proposal.
Table 3.1: Target population

<table>
<thead>
<tr>
<th>Estate</th>
<th>Number of clients</th>
<th>Proportion of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayany</td>
<td>250</td>
<td>50%</td>
</tr>
<tr>
<td>Olympic</td>
<td>100</td>
<td>20%</td>
</tr>
<tr>
<td>Onyonka</td>
<td>60</td>
<td>12%</td>
</tr>
<tr>
<td>Highrise</td>
<td>50</td>
<td>10%</td>
</tr>
<tr>
<td>Kibera</td>
<td>30</td>
<td>6%</td>
</tr>
<tr>
<td>Uhuru Garden</td>
<td>10</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source (NHC Records December 2011)

3.3 Sample Design

From the above population of five hundred (500), a sample of only fifty (50) of them was taken using systematic sampling. The sample includes home owners who were officials of NHC. They were picked from the 2\textsuperscript{nd} home owner as the starting point and one skipped until the target number of 50 was reached.

Systematic sampling technique is one of the probabilistic techniques that give every one a chance to be included in the final sample that is drawn (Kothari, 2002):
Table 3.2: Determination of sample size

<table>
<thead>
<tr>
<th>Estate</th>
<th>Number of clients</th>
<th>Percentage Frequency</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayany</td>
<td>250</td>
<td>0.1</td>
<td>25</td>
</tr>
<tr>
<td>Olympic</td>
<td>100</td>
<td>0.1</td>
<td>10</td>
</tr>
<tr>
<td>Onyonka</td>
<td>60</td>
<td>0.1</td>
<td>6</td>
</tr>
<tr>
<td>Highrise</td>
<td>50</td>
<td>0.1</td>
<td>5</td>
</tr>
<tr>
<td>Kibera</td>
<td>30</td>
<td>0.1</td>
<td>3</td>
</tr>
<tr>
<td>Uhuru Garden</td>
<td>10</td>
<td>0.1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
<td><strong>0.1</strong></td>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>

3.4 Data collection /Procedures, Instruments and work Plan

The study used primary data. The data was collected through self administered questionnaires. Structured questionnaires were used to collect data. A questionnaire is a useful tool for collecting data from respondents because of the need to provide a means of expressing their views more openly and clearly. The structured questionnaire consisted of both open ended and closed ended questions designed to elicit specific responses for qualitative and quantitative analysis respectively. Secondary data was used to supplement primary data.

Instructions on how to answer the questionnaire was attached as a covering letter. A statement to the effect that information in questionnaire was to be treated with confidentiality was also included.

Permission to conduct the study at National Housing Corporation was sought from relevant personnel, giving reasons why the information was needed. Questionnaires were administered to target samples from which the opinions were needed. The questionnaires
were followed up after three days. Those who did not fill the questionnaire were given three more days to complete filling them. After one week, the researcher collected all the questionnaires, filled and unfilled.

3.5 Data Analysis

The data was collected and then edited for accuracy and completeness before final analysis. Data analysis was done using descriptive statistical methods including measures of central tendencies and dispersion, frequency tables and percentages. Data then was presented using pie charts and graphs. The analyzed data was then summarized and inferences made, and necessary recommendations of the findings were made.

3.6 Expected results

The study was expected to find out the factors influencing home ownership in urban centers in Kenya and how those factors can be managed to enable civil servants acquire these homes comfortably.
CHAPTER FOUR

RESEARCH FINDINGS

4.0 Introduction
This chapter presents the analysis and findings with regard to the objective and discussion of the same. The findings are presented in percentages and frequency distributions, bar graphs and pie charts.

4.1.1. Response rate
A sample of 50 home owners from six estates who includes officials of National housing Corporation were chosen from a population of 500 using systematic sampling method. Out of these, 39 responded which represents 78 percent of the sample.

Table 4.1 Response rate

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>39</td>
</tr>
<tr>
<td>Not responded</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

4.1.2. Gender
The search was to find out the gender of respondents and the findings were that 64% were male and 36% were female. This showed that majority of home owners in NHC are male. This is shown in table 4.2 and figure 4.2 below.
Table 4.2 Gender of the Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>25</td>
<td>64%</td>
</tr>
<tr>
<td>Female</td>
<td>14</td>
<td>36%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

4.1.3. Age distribution of respondents

The search was to find out the age distribution of respondents and the findings were that those who were between ages 41-50 years were the majority with 38%, 31-40 were 23%, 51 and above were 26% and those between 20-30 years were 13%. This showed that age could not be a major factor influencing home ownership as the range of difference in percentages of all respondents (group) did not have a large margin with the highest percentage being 38%, this is shown on table 4.3 and figure 4.3 below.
Table 4.3 Age Distribution of the Respondents

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-30</td>
<td>5</td>
<td>13%</td>
</tr>
<tr>
<td>31-40</td>
<td>9</td>
<td>23%</td>
</tr>
<tr>
<td>41-50</td>
<td>15</td>
<td>38%</td>
</tr>
<tr>
<td>above-51</td>
<td>10</td>
<td>26%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 4.3: Age Distribution of Respondents

4.1.4. Marital status

The study was to find out the effects of marital status on housing ownership. The findings were that from the 39 respondents, 46% were single and 54% were married. The finding showed that marital status did not have a major influence on home ownership. This is shown in table 4.4 and figure 4.4.
Table 4.0 Marital Status

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>18</td>
<td>46%</td>
</tr>
<tr>
<td>Married</td>
<td>21</td>
<td>54%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 4.4 Marital status

4.1.5 Number of years as home owner (years)

The research was to find out the period respondents had been homeowners. The findings were that the number of years of home ownership by respondents varied from period less than 1 year, to over 5 years. 38% of respondents' had owned their houses for less than 5 years, 33% for over 5 years and 28% for less than 1 year. The results showed that there is no big variance of period of home ownership in years, thus years of ownership may not influence NHC homeownership. This is shown on table 4.5 and figure 4.5
Table 4.5 Number of years stayed in the house

<table>
<thead>
<tr>
<th>Less than 1Yr</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11</td>
<td>28%</td>
</tr>
<tr>
<td>less than 5 Yrs</td>
<td>15</td>
<td>38%</td>
</tr>
<tr>
<td>Over 5yrs</td>
<td>13</td>
<td>33%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 4.5 Number of years stay in the house (frequency)

4.1.6 Living with whole family

The research was to find out the number of home owners in NHC living with their families. The findings below on table 4.6 showed that 54% of the respondents lived with their families and 46% did not live with their families. This indicates that there is no big influence living with families could have on home ownership as the variance is not large.
Table 4.6 Stay in the house with Family

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>54%</td>
</tr>
<tr>
<td>No</td>
<td>18</td>
<td>46%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 4.6 Stay in the house with Family

4.1.7 Challenges Encountered During the Processing of the loan

A good proportion of the respondents thought that meeting the initial cost as well as getting a adequate collateral was a big challenge to them, while others thought that the procedures followed were cumbersome.
4.2 Home ownership

4.2.1 Preference to own homes or houses in Nairobi

The research was to find out whether Nairobians prefer to own their homes. The result on table 4.7 showed that 51% of the respondents preferred to own their houses while 49% were of the negative opinion. This variance is very small and thus preference on home ownership could not have much influence on homeownership.

Table 4.7 Preference to own houses

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>20</td>
</tr>
<tr>
<td>No</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 4.7 Preference to own houses

Source: (survey data, 2012)
4.2.2 Reasons for preference of home ownership

The study revealed that a good proportion of respondents would like to own their homes because paying rent is expensive, save for retirement, and provide their family with shelter.

4.2.3 Demand for NHC houses

The study revealed that 77% of respondents gave preference to NHC products (houses) and only 23% did not even though they own them. This showed that demand for NHC houses are very high which meant the qualities of the houses are up to standard. This is shown on table 4.8 and figure 4.8 below

Table 4.8 Demand for NHC houses

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>30</td>
<td>77%</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 4.8 Demand for NHC house

Source: (survey data, 2012)
4.2.4 The extent of demand of NHC houses

The study revealed that majority of respondents 72% rated demand for NHC to be very high, 21% high, and only 8% as moderate. This showed that majority of Nairobians could own NHC houses if they had ability to do so. This is shown on table 4.9 and figure 4.9 below.

Table 4.9 Demand for NHC Houses

<table>
<thead>
<tr>
<th>Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>28</td>
<td>72%</td>
</tr>
<tr>
<td>High</td>
<td>8</td>
<td>21%</td>
</tr>
<tr>
<td>Moderate</td>
<td>3</td>
<td>8%</td>
</tr>
<tr>
<td>Low</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Very low</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 4.9 Demand for NHC houses

Source: (survey data, 2012)
4.2.5 Factors affecting the ability of Kenyans to own homes

The study revealed that most of the respondents were of the opinion that interest charges and lack of incentives do hinder homeownership.

4.2.6 What can be done by the Organization to improve ownership of homes by Nairobi residents?

Majority of the respondents suggested that there should be reduction on interest rate while others thought that residents should be educated on the advantages of investing in home ownership.

4.3 lending Policies

4.3.1 Lending policies of NHC clear and helpful towards home ownership

The research was to find out if NHC lending policies were clear and helpful to words home ownership. The result on table 5.0 and figure 5.0 showed that 54% of the respondents gave positive opinion on the issue and 46% were of the negative opinion. This indicated that information regarding lending policies could not have much influence on home ownership as the variance is too small.

Table 5.0 Lending policies information clear and helpful

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>54%</td>
</tr>
<tr>
<td>No</td>
<td>18</td>
<td>46%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)
4.3.2 Lending policies influence on home ownership

The study was to find out the effect of lending policies on home ownership. The findings were that 64% of the home owners including NHC officials thought that it had influence and 36% thought that it was not. This showed that lending policies could not have a major influence in housing ownership. This is shown on table 5.1 and figure 5.1.

Table 5.1 Lending Policies

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>25</td>
<td>64%</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>36%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>
4.3.3. The ways lending policies influence home ownership

The study revealed that most of the respondents were of the opinion that lending policies are used by the organizations to safeguard their resources from future eventualities and to ensure that only qualified individual’s access mortgage loans.

4.3.4 Rating of lending policies of NHC on ability of Kenyans to own homes

The research was to find out how lending policies influence NHC homeownership. The findings were 28% of the respondents thought lending polices were very important, 33% thought that they were important, 26% fairly important, 10% not important and 3% completely unimportant. This implied that lending policies could not have much influence on NHC home ownership. This is shown on table 5.2 and figure 5.2 below.
Table 5.2 Rate of Influence

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>11</td>
<td>28%</td>
</tr>
<tr>
<td>Important</td>
<td>13</td>
<td>33%</td>
</tr>
<tr>
<td>Fairly Important</td>
<td>10</td>
<td>26%</td>
</tr>
<tr>
<td>Not important</td>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td>Completely unimportant</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 5.2 rate of influence

4.3.5 What the Organization can do to improve on its lending policies?

The research findings showed that a good proportion of respondents were of the opinion that the organization should reduce the cost of lending to meet the interest of low income earners, Identify and make changes in some policies which do affect low income earners.
4.4 Interest rates

4.4.1 Influence of interest rates

The research was to find out the influence of interest rates on NHC homeownership. The findings were that majority of the respondents 87% were of the opinion that NHC housing ownership was influenced by interest rates and only 13% were of the different opinion. This was a very large variance and thus interest rates could have major influence on NHC housing ownership. This is shown on table 5.3 and figure 5.3 below. This means that further investigation may be required in this area.

Table 5.3 Interest Rates Influence

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>34</td>
<td>87%</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 5.3 interest rates influence

Source: (survey data, 2012)
4.4.2 How Interest rates Influence Housing Ownership in NHC loan scheme

The study was to investigate how interest rates influence homeownership; the findings were that majority of respondents were of the opinion that the higher the interest rates, the more costly it becomes to access mortgage loans, the repayment period also is directly related to the interest charges.

4.4.3 NHC interest rate level

The study was to establish how homeowners rate pricing of interest rates of NHC and how it could influence homeownership in the Organization. Majority of the respondents 72% of the respondents were of the opinion that NHC interest rates were very high, 21% thought they were high, and only 8% thought that they were fairly high, none of the respondents were for the opinion of them being low or very low. This showed that interest rates charged by NHC could have major influence on housing ownership. This is shown on table 5.4 and figure 5.4 below.

### Table 5.4 Rating of interest rates

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>28</td>
</tr>
<tr>
<td>High</td>
<td>8</td>
</tr>
<tr>
<td>Fairly high</td>
<td>3</td>
</tr>
<tr>
<td>Low</td>
<td>0</td>
</tr>
<tr>
<td>Very low</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)
Figure 5.4 rating of Interest Rates

![Rating of influence of NHC interest rates Frequency](image)

Source: (survey data, 2012)

4.4.4 The Organization could do the following to improve on its interest rate level

The study was to recommend ways the Organization could improve on its Interest rates, the findings were that majority of the respondents suggested that the Organization should fixed its interest rate without increasing it after the agreement has been made, this will help potential homeowners plan.

4.5. Family size

4.5.1 Family size influence

The study was to find out how family size could influence housing ownership in NHC. The findings were that 54% of the respondents were of the opinion that family size had influence on home ownership and 62% did not think so. This shows that family size could not have much influence on home ownership as majority were of the negative opinion as shown on table 5.5 and figure 5.5 below.
Table 5.5 Family size influence

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>54%</td>
</tr>
<tr>
<td>No</td>
<td>24</td>
<td>62%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 5.5 Influence of size of family in homeownership

Source: (survey data, 2012)

4.5.2 How family size influence housing ownership

The research was to find out how size of family influence homeownership, the study revealed that most of NHC homeowners thought that the larger the family size the higher the demand a bigger shelter, but the cost involved could not makes it impossible.
4.5.3 Rating of influence of family size in NHC housing ownership

The research was to investigate how family size could influence homeownership in NHC. The findings revealed that 21% thought family size influence was very important, 33% thought it was important, 31% thought it was fairly important, 10% thought it was not important and 5% completely not important as shown on table 5.6 and figure 5.6. This variance being very small therefore meant that family size could not have much influence on NHC home ownership.

<table>
<thead>
<tr>
<th>Table 5.6 Influence of Size of Family</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Very important</td>
</tr>
<tr>
<td>Important</td>
</tr>
<tr>
<td>Fairly Important</td>
</tr>
<tr>
<td>Not important</td>
</tr>
<tr>
<td>Completely unimportant</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)
4.5.4 What NHC can do to encourage housing ownership?

Most of the respondents suggested that NHC should consider giving incentives to those with families to encourage them to own home, that they should introduce schemes favoring those with large families to invest in homes.

4.6 Government regulations

4.6.1 Influence of Government regulations on housing ownership

The research finding on table 5.7 and figure 5.7 show that 54% of respondents thought that Government regulations influence home ownership while 62% were of the negative opinion. This therefore suggested that Government regulation could not have much influence in homeownership as the variance was very small.
Table 5.7 Government Regulations

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>54%</td>
</tr>
<tr>
<td>No</td>
<td>24</td>
<td>62%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 5.7 Influence of Government Regulations

Source: (survey data, 2012)

4.6.2 How Government Regulations Influence on Housing Ownership

On the influence of Government regulations on homeownership, majority of the respondents were of the opinion that more stringent and complex government regulations scare away both local and international investors who want to invest in housing industry.

4.6.3 Rating influence of Government regulations in NHC housing ownership

The research was to determine the rating of Government regulations on home ownership. The research findings on table 5.7 and figure 5.7 showed that 33% of respondents
considered Government regulations very important in influencing NHC homeownership, 31% important, 21% fairly important, 10% not important and 5% completely unimportant. The small variance therefore showed that Government regulation could not have much influence NHC homeownership.

Table 5.8 Rating Government Regulations

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>13</td>
<td>33%</td>
</tr>
<tr>
<td>Important</td>
<td>12</td>
<td>31%</td>
</tr>
<tr>
<td>Fairly Important</td>
<td>8</td>
<td>21%</td>
</tr>
<tr>
<td>Not important</td>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td>Completely unimportant</td>
<td>2</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 5.7 Rating of Government regulations

Source: (survey data, 2012)
4.6.4 What the Government can do to Improve Housing Ownership in Nairobi

On the issue of what the Government could do to encourage housing ownership in Nairobi, most respondents were of the opinion that the Government should offer incentive like loans without interest, tax incentives to enable Nairobians own houses in Nairobi.

4.7 Availability of funds

4.7.1 Influence of funding on NHC homeownership

The research was to investigate the influence of availability of funds on NHC home ownership. Research findings on table 5.8 and figure 5.8 below showed that 54% of the respondents were of the opinion that funding had influence on home ownership while 62% were of the negative opinion. This therefore implied that funding may not have much influence on NHC home ownership.

Table 5.9 Funding

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>54%</td>
</tr>
<tr>
<td>No</td>
<td>24</td>
<td>62%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)
4.7.2 Reasons why availability funds influence homeownership

A number of respondents thought that if funds are available with low cost, many people would invest in houses but since such funds are normally very costly, that discourages most people in investing in homes.

4.7.3 Rating of availability of funds as a factor influencing home ownership

The research was to investigate how funding could influence NHC home ownership. According to research findings 21% respondents thought availability of funds was very important, 33% important, 31% fairly important, 10% not important and 5% completely unimportant. The variation in findings was very small which there could mean that funding could not have much influence in NHC homeownership.
Table 6.0 Rating Funding

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>8</td>
</tr>
<tr>
<td>Important</td>
<td>13</td>
</tr>
<tr>
<td>Fairly Important</td>
<td>12</td>
</tr>
<tr>
<td>Not important</td>
<td>4</td>
</tr>
<tr>
<td>Completely unimportant</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
</tr>
</tbody>
</table>

Source: (survey data, 2012)

Figure 5.9 Rating of Funding

4.7.4 What the Organization can do to improve on the funding of its loans

On how to improve on funding, most of the respondents suggested that the Organization should make its lending terms flexible, should vary the repayment period accordingly incase the borrower has difficulties.
4.7.5 Additional information relevant for the case

Most of the respondents thought that the organization should increase the repayment period of loans to make low level income earners be able to buy and service the loans. This in the long run will make majority of people in Nairobi to own houses.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The aim of this study was to investigate factors influencing housing ownership by civil servants in urban towns in Kenya, with a case study of National Housing Corporation (NHC). The chapter contains a summary of the results from the study, conclusions, recommendations and limitations of the study and suggestions for further research.

5.2 Summary

The study showed that majority of the home owners were male and that majority of the respondents were in the age distribution between ages 41-50 years, on marital status, majority of the respondents were married. The findings indicate that a large proportion of the respondents have been home owners with NHC for a period between 1-4 years and understands challenges facing those aspiring to own houses in the Organization. The study also revealed that most home owners lived with their families.

On preference of homeownership in Nairobi, majority of respondents preferred to own their homes. This the respondents said would enable them accumulate capital in the long run and thus long investment. The study also revealed that most of the respondent’s preferred NHC houses. The study also revealed that the demand for NHC houses is very high which means that Nairobians could own NHC products (houses) if they had ability to do so. Most of the respondents were of the opinion that they could not own homes due to high cost involved including interest charges.
Most respondents suggested that for Organization to improve on its services, it should make its interest rates flexible, introduce incentives to encourage home ownership. This in the long run results in many people owning homes.

What the organization can do to improve home ownership in Nairobi are, change and reduce interest rates on mortgages, educate residents on the merits of investing in homes.

On information on lending policies of NHC being clear and help full, a good proportion of respondents gave it approval. This indicates that it could not have much influence on home ownership. On lending policies, the study revealed that a good proportion of respondents gave it approval while certain proportion did not, this means that it could not have much influence. Most of the respondents were of the opinion that lending policies affects home ownership in that they are used by the Organizations to safeguard their resources from future eventualities, ensure only qualified customers’ access loans.

The study also revealed that majority of respondents thought lending policies were important while the rest were of varying opinions. Majority of the respondents felt that the organization should reduce the cost of lending to meet the interest of low income earners, vary repayment periods and make the lending terms flexible. On interest rates, the study revealed that majority of the respondents agreed that interest rates had influence in homeownership and this is fact that required further scrutiny.

The study showed that majority of the respondents felt that interest rates influences housing ownership in NHC by being very high, not flexible, and being beyond control of the customers as adjustments are done upwards without reference to them. The study also revealed that majority of the respondents agreed that interest rates charged by the
Organization were very high. They suggested that the Organization should find way of varying their interest rates and making the flexible depending on the conditions prevailing at any time.

On family size majority of the respondents disagreed that it influences home ownership, most of them did not give reasons how family size could influence homeownership.

Majority of the respondents rated family size not being very important.

On the issue of Government regulations, the study revealed that majority of the respondents disagreed that it influences home ownership. A good proportion thought that Government regulations could influence home ownership in NHC by provision of affordable land for construction, giving NHC subsidies to make them charge affordable interest rates. A good proportion rated Government regulations very important. They suggested that Government should give subsidies to developers and provision of land for construction.

On the issue of funding in NHC homeownership, the respondents disagreed on its influence on home ownership, this is an indication funds could be there but the cost is beyond reach of the majority.

They suggested that availability of funding could influence home ownership if there is a flexible rate of interest rates being charged by NHC. The study also revealed that a good proportion rated funding to be important and the rest gave different pinion.
They suggested that for organization to improve on funding of housing, they should provide flexible interest rates and should also consider varying repayment periods in cases of difficulties without additional charges.

5.3 Conclusion

From the research findings and answers to the research questions, some conclusions can be made about the study.

Home ownership is mainly influenced by the level of interest rates charged by firms in the housing industry in Kenyan market. The study showed that majority of the respondents agreed that home ownership is beyond reach of many Kenyans because of the inflexibility of interest rates prevailing in the market which creates additional costs and thus makes them unaffordable to many Kenyans.

In the case of NHC, in order to make homeownership affordable to many Kenyans they need to find a way of varying repayment periods in case of default or when difficulties arise for its customers.

They should also adjust their interest rates according prevailing conditions in the market without burdening their customers.

It is therefore prudent for the organization to consider the plight of its customers as this is enable it increase its customer base and thus more profit.
5.4 Recommendations

Arising from the study I can make the following recommendations

The management of National Housing Corporation should handle the issue of interest rates by finding ways how they can make it affordable to many civil servants and in Kenyans in general. This is because despite the demand for their products being very high majority of Kenyans can not acquire them.

The Organization should also continuously improve on its lending policies in order to compete effectively in the industry as this will attract many of its potential customers and thus out do its competitors.

The Organization should also exploit the female gender to increase as it appeared that they are potential unexploited gender us regards homeownership the rigid interest rates charged by the organization should be reviewed in order to enable many potential NHC customers acquire homes with them and I would recommend further study to be carried on this.

5.4.1 Recommendations for further research

The study confined itself to National Housing Corporation which is only one Organization in housing industry. This research therefore should be replicated in all institutions in the housing industry and the results compared so as to establish whether there is consistency among the institutions.
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APPENDICES

APPENDIX I: QUESTIONNAIRE

FACTORS INFLUENCING HOUSING OWNERSHIP BY CIVIL SERVANTS IN URBAN TOWNS IN KENYA

This survey is designed to understand the factors that distinctively affects provision of housing in urban Kenya. The results will be used to evaluate what enablers in our housing sector we should encourage, and what restrainers are standing in the way of success, and why those obstacles exist so that we can work on improvement.

Your confidentiality

All survey responses will be treated with absolute confidentiality. All responses will be compiled into a database that will be operated by me alone. The results presented will be as a result based on collective sorted answers but not individual responses.

The organization of survey

The survey is organized in the following sections:

The General section (A) asks you some personal information

Section B asks you some information on Homeownership.

Section C Lending policies

Section D Interest rates

Section E Family size

Section F. Government Regulations

Section G. Availability of funds

The final comments section, urged you to share any information you have on this subject matter.
PART A: GENERAL

1. Name.............................................................................................................. (Optional)

2. Gender: (please tick only one option)? Male ☐ Female ☐

3. Age bracket between (20-30) years ☐
   Between (31-40) years ☐
   Between (41-50) years ☐
   Above 51 years ☐

4. Marital Status: (please tick only one option)? Single ☐ Married ☐

5. How long have you stayed in this house?
   Less than 1 yrs ☐ Over 2 yrs ☐ Over 3 yrs ☐

6. Do you stay in the house with your whole family Yes ☐ No ☐

7. What challenges did you encounter during the process of obtaining a loan?
   .................................................................................................................................

PART B: HOME OWNERSHIP

8. In Nairobi do you think people prefer to own their houses or homes?
   Yes ☐ NO ☐

9. If yes why?
   .................................................................................................................................

10. Would you say the demand for home ownership developed by NHC is high?
    Yes ☐ No ☐

11. If yes to what extent?
    Very high ☐ High ☐ Moderate ☐ low ☐ Very low ☐
12 If the mandate of NHC is to help Kenyans own their homes. In your opinion what affects the ability of Kenyans to own homes?

...............................................................................................................................................  
...............................................................................................................................................  
...............................................................................................................................................  

13. Suggest what can be done by the organization to improve ownership of homes by Nairobi residents.

...............................................................................................................................................  
...............................................................................................................................................  
...............................................................................................................................................  

PART C: LENDING POLICIES

14. As a beneficiary of NHC house do you find the lending policies of NHC clear and helpful towards home ownership Yes □ No □

15. Do you think lending policies influence home ownership? Yes □ No □

16. If yes in what ways

...............................................................................................................................................  
...............................................................................................................................................  

17. Rate the influence of lending policies of NHC on ability of Kenyans to own houses

    Very important □ important □ Fairly important □ Not important □ Completely un important □

18. Suggest what can be done by the Organization to improve on its lending policies

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PART D: INTEREST RATES

19. As one of the home owners of NHC do you think interest rates influences home ownership? Yes □  No □

20. If yes how?

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21. How do you rate the interest rates charged by NHC on ability of Kenyans to own houses

Very High □  High □  Fairly high □  low □  Very low □

22. Suggest what the organization can do to improve on its interest rates level

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PART E: FAMILY SIZE

23. Do you think family size influence home ownership? Yes □  No □

24. If yes how?

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25. Rate how the size of a family of a Kenyan influences housing ownership in NHC housing scheme

Very important □  important □  fairly important □  Not important
completely unimportant □

26. Suggest what the organization can do to encourage home ownership by families

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PART F: GOVERNMENT REGULATIONS

27. Do you think Government Regulations influence home ownership? Yes □ No □
28. If yes in what ways?

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29. Rate the influence of Government regulations on ability of Kenyans to own homes
   Very important □ important □ fairly important □ Not important
   completely unimportant □

30. Suggest what the Government can do to improve home ownership in the organization

PART G: AVAILABILITY OF FUNDS

31. Do you think funding influence home ownership? Yes □ No □
32. If yes explain.................................................................
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33. How would you rate availability of funds as a factor influencing home ownership
   Very High □ High □ Fairly high □ low □ Very low □

34. Suggest what can be done to improve
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35. Any other additional information relevant for the case
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