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Effect of Economic Factors on Mortgage Uptake in Housing Finance Corporation in Eldoret Town, Kenya

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Abstract
The purpose of the study was to investigate the effect of economic factors on mortgage uptake in Eldoret Kenya. Though the Kenya government through the constitution has recognized the right to accessible and adequate housing with reasonable sanitation, availability of housing still remains a major challenge in urban areas not excluding Eldoret town. The study sought to investigate the effect of economic factors on mortgage uptake in 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 was chosen for the study. Questionnaires were adopted as data collection instrument. The study established that there is a negative and significant relationship between economic factors and mortgage uptake in Housing Finance Corporation ($p=0.024<0.05$ $\beta=-0.497$). 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.

Keywords: *Economic factors, Mortgage uptake, housing finance, interest rates*

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 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 its citizens and also offering a strong institutional support (Chia and Tsui, 2015). In comparison to Japan, UK, France, Singapore has 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 and 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. 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).

In Africa, the uptake of mortgages has shown a lot of laxity by the public to take up mortgages. 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 is this shortage that the nation currently carries 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 and Tsui, 2015).

Over 80% of urban residents are tenants, living under a pro-landlord legislation that forces people to pay annual rent upfront in the wake of a limited supply of good houses and ever-increasing cost of living. The good news is Tanzania continues to rise from a centrally planned economy into a market driven economy registering on average above 6 percent growth consistently over the past five years. The Government through the Bank of Tanzania has begun the process of initiating the Housing Finance Project (HFP) that will see the development of a vibrant mortgage market accompanied by housing microfinance instruments that will allow the markets to cater for different segments of income distribution. Steps have already been made towards paving the way through legislation that support the planned initiatives with the passing of the Mortgage Finance (Special Provisions) Act 2008 that brought about key changes tothe Land Amendment Act 2004 the principal legislation that oversees the governance of mortgages. Duly supporting this move is the passing of the Unit Titles Act 2008, which effectively brought into existence the Condominium law for managing sectional properties etc. Deepening reforms towards better financial services are being carried out primarily through the National Strategy for Growth and Reduction of Poverty (NSGRP) to ensure security of tenure for land and property (Jama et al. 2009).

Egypt in comparison to other Northern African countries, Egypt's real estate sector has a fairly well-developed office, although its growth is not linked to mortgage financing but Egyptian and foreign companies operating in the country. Though expanding, it has not seen the spectacular growth witnessed by the residential housing segment. With the first mortgage being established in 2004, mortgage uptake remains low because of the widespread lack of property registration. This is because of high registration costs which despite of having been reduced still remains too costly for majority of the Egyptian citizens. This has led to deep –rooted culture of informal housing persisting (Emerging Egypt, 2007). 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. While some of the banks offer mortgage interest rates are the single critical factor that drives the mortgage market and access to more middle-income housing. 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, (Property Leo newspaper September-October issue, p.21). 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 and Warnock, 2008). 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 (2012), 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 2012 (Centre for Affordable Housing Finance, 2013). 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. In addition, the political violence of 2008 interfered with the mortgage industry whereby economy came to a standstill which affected the interest rates and also the prices of real property which is a major concern with the mortgage industry. Up to this day prices of real property and interest rates of mortgages have been on the raise. This has made it difficult for most people to access decent housing as they cannot afford the mortgage due to its cost (World Bank, 2011). Though there is an attempt to achieve decent housing for Kenyans, Kenya has, on the whole, failed to address the housing needs of her population. 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 Deepening 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).

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). When Kenya’s mortgage debt is compared to its GDP 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.

1.1. Statement of the Problem

Mortgage uptake as way of securing immovable properties is supposed to be doing quite well particularly among the property owners. This is because the concept of mortgage uptake has gained popularity due to adverse awareness among people. One of the ways of promoting home ownership in Kenya is by allowing members of retirement benefit schemes to use accumulated benefits as securities for financing their mortgages. The secured housing finance has to offer low interests. This move is necessary so as to act as incentive to the Kenyan citizens that they can acquire mortgages in order to improve their housing conditions through acquisition of formal settlements. Kenya's growing population and rapid rate of urbanization is placing substantial pressure on housing, especially amongst the lower income population. The challenges for lower income households to acquire their own home are two-fold; lack of affordable, good quality housing stock and the difficulty of obtaining housing finance (Ayenew, 2009). Though there have been efforts to improve the uptake of mortgages there is still low uptake of Mortgage in Kenya not leaving out Eldoret. For instance, in the year 2009, Retirement Benefit Authority Act was amended to allow members of pension schemes to attach up to 60 percent of their accumulated benefits to secure a mortgage. This was to enable members to acquire immovable property on which a house has been erected; erect a house on immovable property; carry out repairs to a house of which ownership was obtained through acquisition; secure financing or waiver for the deposits, stamp duty, valuation fees and legal fees and any other transaction costs required (Monica, 2012).

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 for 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 is noted that the industry was yet to reach its full potential. This shows low uptake of mortgage in the country (CBK, 2015). The problem was coupled by the 2007/2008 post-election violence Eldoret in Uasin Gishu County which led to massive destruction of property including houses. Various studies have been conducted to investigate different aspect of mortgage in Kenya for example, Njiriri and Wanyoike (2012) studied mortgage facility uptake among the bank staff within commercial banks at Nakuru town and found that employment status of clients affects mortgage financing among banks. Were (2012), evaluated factors affecting the uptake of pension secured mortgages in Kenya and found that high interest rates and high property prices are some of the main factors. Njiru and Moronge (2013) evaluated the factors affecting growth of mortgage industries in Kenya as a case study of National Housing Corporation and found that the main factors were interest rate volatility and poor access but from the above-mentioned studies no study have been conducted to investigate factors influencing mortgage uptake in Eldoret. It is in this light that this study aimed to close the existing knowledge gap by assessing factors influencing mortgage uptake in Eldoret Kenya.

1.2. Research Questions

The study was guided by the following research question;

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

1.3. Research Hypotheses

The study hypothesized the following:

- H_1 There is a relationship between economic factors and mortgage uptake in Housing Finance Corporation in Eldoret Town.

1.4. Theoretical Framework: Lien Theory

The study was anchored on lien theory advanced by Sean (2000). The theory postulates that the borrower owns title to his or her home despite the outstanding mortgage obligation. In addition, the borrower holds the deed while they're making the mortgage payments. They are considered homeowners even though the bank has a security interest in their property. Majority of states follow a lien theory approach. These states deem mortgages to merely create a lien on land. The legal consequences are such that the mortgagor remains the owner of the land. The mortgagee, in contrast, gains a security interest in the land. Because the mortgagor remains the owner of the land, he is entitled to possession up until the point of a foreclosure sale, at which point the mortgagee may take over possession of the land, Sean (2000)

Conversely, Sean went ahead to explain that states that adhere to the lien theory follow certain procedures in terms of whether a lender or a borrower holds the mortgage title and how foreclosure proceedings take place. The lien theory is one of three main theories used within the mortgage industry. The method through which lenders secure their stake in a property throughout the duration of a mortgage loan distinguishes the lien theory of mortgage from the other approaches. As the homeowner retains possession of the property title, the mortgage loan itself becomes the lender's stake in the property (Kang, 2010). In effect, the mortgage loan acts as a lien against the property until the homeowner fulfills the mortgage obligation. In title theory and deed of trust states, the lender holds the title as a form of collateral or security, which represents a stake in the property. States that follow intermediary theory enable the lender to take back the title in cases where the homeowner defaults on the loan. States that follow the lien theory of mortgages use a judicial foreclosure process. In lien theory states, the judicial foreclosure process requires lenders to take homeowners to court in order to foreclose on a property. A lender has to prove failure to pay on the part of the homeowner by providing documentation of missed payments (Sean, 2000).

Redemption periods take place after a property has gone through the foreclosure process and has been sold at auction. During this time, homeowners who have defaulted on their mortgages can still reclaim ownership of the properties by paying what is owed to the lender. Redemption periods can vary in duration depending on the state and can last anywhere from a couple days to a year or more. Redemption periods are mandatory in nature, meaning homeowners who have defaulted have the right to reclaim their property within a set period of time (Kang 2010). In relation to the study, the theory was significant to the financial institution and housing finance cooperation as it enabled them to learn on the progression and stages in handling mortgages principally concerning homeownership. The theory explains the step by step conditions of acquiring the property. In regards to property acquisition, the lender holds the title as a form of collateral or security, which represents a stake in the property. In a residential mortgage, a home buyer pledges his or her house to the bank. The bank has a claim on the house should the home buyer default on paying the mortgage. In the case of a foreclosure, the bank may evict the home's tenants and sell the house, using the income from the sale to clear the m mortgage debt.

2. Literature Review

Hoskins, Jones and Weiss (2013) conducted a study to investigate house finance system in USA. This was in light of concern that when making a decision about housing, a household must choose between renting and owning. The study highlighted multiple factors which influenced person decision to own a house which included household's financial status and expectations about the future. The study established that majority of the buyers that decided to purchase house had necessary savings or available financial resources. The study also established that majority of the buyers required a loan. The study highlighted that many different types of lenders were involved in house financing which included banks, credit unions, and finance companies. Majority of the house buyers indicated that when they were unable to pay back their loans the lender repossessed their property through a process known as foreclosure.

The study also established that the collateral requires of the loans was high since the lenders required additional assurance that, in the event that the borrower does not repay the mortgage as promised, it will be able to sell the home for enough to recoup the amount it was owed. The study concluded that the government needed to implement policies that protect the house buyers. The study also recommended that the government should work in ensuring the all the persons get access to affordable house. The different between the reviewed study and the current study was that the reviewed study was conducted in USA a developed country while the current study was conducted in Kenya a developing country. The reviewed study focused on housing and housing finance while the current study focused on the factors influencing mortgage uptake in House Finance Corporation. The reviewed study adopted cross sectional survey research design while the current study will adopt ex-post facto research design.

Gumbo (2015) conducted a study to investigate the challenges and prospects of Microfinance institutions on urban housing in Addis Ababa. The study focused on the performance of Micro Finance Institutions (MFIs) in sustainable housing poverty reduction for the majority urban poor in Addis Ababa, the capital city of Ethiopia. The study assessed the impact, challenges and prospects of MFIs in transforming the urban poor residents' livelihoods through the provision of Housing Microfinance (HMF) loan product. From available data, Addis Ababa Credit and Savings Institution (AdCSI), an MFI with a customer base of 120 000, diversified its product lines to include the HMF loan product in 2006.

The study established that though loan was popular among most urban poor residents, Micro Finance Institutions were failing to meet the demand mainly due to lack of loanable funds. The study recommended that the government through partnerships with the private sector needed to integrate MFIs into the broader financial system so as to address the financial needs of the low-income people who could not be covered by commercial banks, particularly in accessing the money to pay the 20% down payment for condominium houses. The study also recommended that MFIs operating in the city needed to diversify their loan products to include housing loans to tap into the profitable market by extending the HMF loan to their clients.

The reviewed study was conducted in Ethiopia while the current study was conducted in Kenya the reviewed study focused on the impact, challenges and prospects of micro financing institution in providing housing finance loans, while the current study focused on the factors influencing mortgage uptake in Housing Corporation. The reviewed study adopted explanatory research design while the current study adopted ex-post facto research design. The reviewed study targeted the Micro finance managers while the current study targeted the administrators, the employees and the customers in Housing Finance Corporation Eldoret branch.

An assessment was conducted by Ukwayi, Eja, Ojong and I (2012) on housing delivery in Nigeria federal mortgage bank scenario. This was in light of concern that the federal mortgage bank in spite of its role in housing delivery had recorded little success. This purpose of the study was to assess the level of housing delivery by the Federal mortgage bank of Nigeria during the post reform period from 2006 to 2010. The study obtained data from interviews conducted in the Federal Mortgage Bank across major cities and interviews with some Mortgage banks institutions across some selected location in Nigeria.

The study also employed spot assessment on the rate of housing delivery by the institutions to extract information from their administrative records proved useful in the study. The study established that since 2002 to 2005, the mortgage finance bank was able to mobilized N19.175 billion compared to 1992 to 2002 with a value of N11.451 billion showing a growth rate of 82%. It was discovered that the bank granted loan value of N4.531 billion to 4,151 national housing funds to contributors to either build or renovate their houses. The study also established that the mortgage finance bank has appreciably improved in terms of fund mobilization which has aided increase in housing delivery in Nigeria. The reviewed study was conducted in Nigeria and focused on the housing delivery in Nigeria federal mortgage bank while the current study was conducted in Kenya and focused on factors influencing mortgage uptake in Housing Finance Corporation.

However, the study did not explain how the respondents were selected to be involved in the study and how data was collected and analyzed. The study also didn't explain on the research design employed.

Agao (2012) conducted a study to investigate the effect of macroeconomic variables on mortgage uptake for mortgage industry in Kenya. This was in light of 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. Descriptive as well as multiple regressions were run using SPSS version 21.0. A multivariate regression model showing the relationship between mortgage uptake and various variables was tested. 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. The use of monthly data obtained from journal and government publication was considered adequate to provide reliable results that could be generalized in other regions. The study also adopted descriptive and inferential statistics which provided adequate results for the study. However, the reviewed study was conducted among all the housing finance in Kenya while the current study was conducted in Housing Finance Corporation in Eldoret. The reviewed study focused on effect of macro-economic factors on mortgage uptake while the current study focused on factors influencing mortgage uptake. The reviewed study adopted secondary data from government publication while the current study adopted primary data obtained using structured questionnaires.

Bett (2013) conducted a survey to determine the effects of inflation and interest rates on mortgage finance offered by commercial banks in Kenya. This was because mortgage finance was the provision of finance or capital for housing. The study adopted descriptive-correlation research design. Ten commercial banks offering mortgage finance in Kenya were considered. The study relied on secondary data obtained from commercial banks annual reports and financial statements and the Kenyan Economic Surveys over a period of five between the years 2008-2012. 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. The government should also enforce monetary and fiscal policies through the Central Bank of Kenya (CBK) so as to regulate money supply in the market. The reviewed study was conducted in commercial banks and focused on effect of inflation and interest rate on mortgage finance in Kenya while the current study was conducted in Eldoret and focused on factor affecting mortgage uptake in housing finance. The reviewed study adopted descriptive-correlational research design while the current study adopted ex-post facto research design. The reviewed study employed secondary data collection method while the current study employed primary data collection methods that is structured questionnaire.

Leornard and Owiti (2013) conducted a study to investigate the determinant 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 employed survey research design. Stratified and simple random sampling techniques were adopted to select a sample of 234 respondents. Data were collected by use of questionnaire. Data collected were analyzed and presented in form of frequencies, percentages, mean and standard deviation. Regression analysis was employed to test the hypothesis.

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. The knowledge gap was that the reviewed study was conducted in Nairobi and focused on determinant of mortgage uptake capital market approach while the current study was conducted in Eldoret and focused on factors influencing mortgage uptake in Eldoret House Finance Corporation. The reviewed study focused on mortgage uptake in Housing finance, Kenya Commercial Bank and the Standard Chartered Bank while the current study focused on the Housing Finance Corporation. The reviewed study adopted survey research design while the current study adopted ex-post facto research design. The reviewed study had a large population of 234 respondents as compared to 98 respondents who were selected in the current study.

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. The reviewed study was conducted in Nairobi ad focused on effect of flexible interest rates on mortgage financing while the current study was conducted in Eldoret and focused on factors influencing mortgage uptake. The reviewed study adopted secondary data while the current study adopted primary data.

Jumbale (2012) investigated 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 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 Brent, Kelly, Taliefero and Price (2011) examined the determinants of mortgage delinquency in the US from 2004 to 2009. During this period; there was a sharp rise in delinquency level by borrowers. From their research, they found out that economic health of a country, income of the borrower and the type of loan are among the critical factors that determine mortgage delinquency risks. Delinquency is expensive both to the borrower and lender. To the borrower, the costs include penalties, interest expense and poor credit rating of the borrower. To the lender, slow loan repayment is equivalent to defaulted loans thus increase in administrative and provision of bad and doubtful debts.

3. 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 was chosen 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.

4. Findings

4.1. Influence of Economic Factor on Mortgage Uptake in Housing Finance Corporation

The study sought to investigate the influence of economic factors on mortgage uptake in Housing Finance Corporation. The findings were analyzed and presented in table 4.3 below.

Statement	SA	A	UD	D	SD	Mean	SD
Interest rate affect mortgage uptake	37 37.9	40 40.5	5 5.6	11 11.3	5 4.6	4.1	1.32
High Land prices are key factors affecting mortgage uptake in Kenya	25 25.6	39 40.0	9 9.2	18 17.9	7 7.2	4.0	1.14
Complex and lengthy procedures in land acquisition	41 41.9	46 46.9	3 3.3	3 2.8	5 5.1	4.4	1.38
Return on saving and the returns on stocks has influence on the mortgage uptake	15 15.6	29 30.0	9 9.2	27 27.9	17 17.2	3.2	1.18
High Down payment for mortgage	23 23.1	50 50.8	2 2.1	13 13.3	11 10.8	3.6	1.39
Low income level reduce chance of accessing mortgage	16 15.9	45 45.6	4 3.6	23 23.1	12 11.8	3.3	1.30
High inflation rate has reduced uptake of mortgage	18 18.5	39 40.3	7 7.2	19 19.7	14 14.4	3.1	1.38
Low return on the investment	31 31.3	47 48.2	6 6.2	9 9.2	5 5.1	3.9	1.09
High incidental costs borrowing, stamp duty fees, advocate fees, valuation charges and insurance premiums	49 50.3	12 12.1	2 2.3	11 11.4	23 23.9	3.5	1.22
Requirement of high collateral for mortgage(title deed)	61 62.1	10 10.2	1 1.4	15 15.2	11 11.1	4.0	1.12

Table 1: Influence of Economic Factors on Mortgage Uptake in Housing Finance Corporation

The study sought to investigate whether interest rate affected mortgage uptake in Eldoret. The findings indicated that (78.4%) of the respondents agreed that that high interest rate on the mortgage affect mortgage uptake, (5.6%) were undecided while (15.9%) disagreed that interest rate affected mortgage uptake. The findings implied that the high interest rate charged on the mortgage has led to reduction in the uptake of housing finance. Incremental interest rate is due to micro and macro-economic factors and this affects the prices of mortgages thus discouraging potential homeowners to access the mortgage markets. The findings supported Dobson (2002), findings which highlighted that high inflation rate result into increase in the prices level.

The study also sought to investigate whether land prices had an effect on mortgage uptake. The findings indicated that the majority 66.6% of the respondents agreed that increased in the land prices has affected the mortgage uptake, (9.2%) were undecided while (25.1%) disagreed that the rise in the land prices had resulted into decrease in mortgage uptake. Majority of the respondents indicated that the increasingly rise of the land prices had made land inaccessible to majority of the person who would wish to develop house for personal or rental purposes and they could not access the mortgage since the title deed of the land is required as a collateral when applying for mortgage loan. The findings supported Jumbale (2012) study on relationship between house prices and real estate financing in Kenya which established that changes in housing prices were positively and significantly related to the long-term evolution of real estate financing. The study established that real estate market does not really affect housing price changes rather changes in housing prices do affect the amount of real estate financing.

The study also sought to investigate whether complex and lengthy mortgage acquisition process had affected mortgage uptake. The findings indicated that majority (88.8%) of the respondents agreed, (3.3%) were undecided while (7.9%) of the respondents disagreed that land acquisition process had affected mortgage uptake. Mortgage institutions follow various steps and procedures before they commit to advance mortgage loans. They must ensure that valuation is done to determine the mortgage loan amount, title deed is charged against the mortgaged property, access the ability of potential homeowner, ensure that payment of legal fees, stamp duty, arrangement fees and mortgage property policy premium. All these affect the duration of the loan to be approved and authorized.

The study sought to investigate whether high down payment for mortgage has an effect of mortgage uptake. The study established that 73.9% of the respondents agreed that high down payment required so as to acquire mortgage has a direct influence of the mortgage uptake. Majority highlighted that the high amount of the money they are required to pay discourage them to ever getting mortgage 2.1% of the respondents were undecided while 24.1% of the respondents disagreed that high down payment hindered them into accessing mortgage in housing finance.

The study also sought to investigate whether the level of income of the respondents affected the access to mortgage. The findings indicated that the majority of the respondents (68.7%) agreed that income level was determinant in the processing of the mortgage loan with applicant with low income level being disqualified for the fear of defaulting of the mortgage while person with high income being considered, (3.6%) were undecided while (34.9%) disagreed that income levels were a determinant to accessing mortgage in the housing finance.

Then study also sought to investigate whether high inflation rate had an effect of the mortgage uptake. The study established that majority of the respondents agreed that 58.8% high inflation rate had an effect on mortgage uptake, 7.2% of the respondents were undecided while 34.1% of the respondents disagreed that high inflation rate had an effect on mortgage uptake. The study also sought to investigate whether low return on asset investment has an effect on mortgage uptake. The findings indicated that majority of the respondents that low return on asset investment had affected mortgage uptake in housing finance, 6.2% of the respondents were undecided while 14.3% of the respondents disagreed that low return on asset investment.

The study also sought to investigate whether high incidental costs of borrowing, stamp duty fees, advocate fees, valuation charges and insurance premiums had an effect on mortgage uptake. Majority 62.4% of the respondents agreed, 2.3% were undecided while 35.3% of the respondents disagreed that high incidental costs of borrowing, stamp duty fees, valuation charges and insurance premium had an effect on mortgage uptake. The findings implied that majority of the respondents were discouraged by the high amount of money paid for stamp duty, advocate just to mention a few.

The study also sought to investigate whether requirement of high collateral for mortgage had an effect on mortgage uptake. The findings indicated that 72.3% of the respondents agreed that high collateral requirement had an effect on mortgage uptake, 1.4% of the respondents were undecided while 26.3% of the respondents disagreed that requirement of collateral was a requirement for mortgage uptake.

From the findings it was deduced that complex and lengthy procedures on land acquisition (mean = 4.4); high interest rate on mortgage uptake (mean = 4.1), high land prices (mean= 4.0); requirement of high collateral for mortgage uptake (mean= 4.0), low return on asset investment (mean = 3.9); and high down payment on asset investment (mean = 3.6) were the main factors that affected mortgage uptake in Eldoret branch.

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 economic report in Africa (2002) which highlighted that nominal interest rates ranging from 20-30% the private sector is unable to borrow to finance long term investments in the mortgage sector. In addition, the 11-18% point spread between lending and deposit rate is much higher than the 5-point spread common in other developing countries (Economic Report on Africa, 2002).

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 inflexible 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 study recommended that if banks charge a fixed rate of interest, it would be possible for investors to plan for a predictable amount of money to be repaid hence stability and increased level of borrowing. The study also established that high inflation rate had a negative effect on mortgage financing.

The study also supported Property rights and their registration thereof have also had their turn on housing finance. Most individuals described it as ineffective pointing out that most conventional financial institutions require collateral of some sort, to act as security for the loan. The traditional form of collateral has been landed hence, the need of title deeds for land ownership. The bottlenecks strain the process of land administration and consequently access of funds by households. Still on the land issue, the planning regulations and land use patterns dictate the rate at which land will be released for development. Land being fixed, its access provides incentives for the access of funds to develop it. Availability of collateral was ranked as the most difficult step that borrowers had to go through. Some forms of collateral such as title deeds take really a long duration before they are processed and issued to their rightful holders. The qualification procedures employed by lending institutions that render a household eligible for a loan was also an obstacle as it was too lengthy and technical.

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 it uptake.

The findings were also in support of Ngugi and Njori (2013) who found out that cost of capital, maturation 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

4.2. Test of Hypotheses

The study adopted multiple regression analysis to determine the influence of economic factors, environmental factors, and availability of information on mortgage and political environment on mortgage uptake in Housing Finance Corporation.

The regression equation $Y = \beta 0 + \beta 1X1 + \varepsilon$

Where: Y = financial Performance

$\beta 0$ = Constant

X1 = economic factors

ε =Error Term

Y= 3.235 + 0.255X1+ 0.193X4

A regression analysis was conducted with all the four components that is economic factors, environmental factors, availability of information and political environment being taken as independent variables and the mortgage uptake as the dependent variable. P value is the probability of rejection, the decision criteria is rejected H0 if the P value is less than 5%, otherwise accept and the results tabulated below.

Summary of ANOVA					
Source of difference	Sum of square	DF	Mean square	f_o	sig
Between groups	329.467	4	82.367	10.936	0.00
Within groups	708.052	94	7.532		
Total	1037.519	98			
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

Table 2: Multiple Regression Analysis

The ANOVA results of Table indicate that there was a significant difference between means factors influencing mortgage uptake in housing finance corporation in Eldoret ($Fo' = 10.936 > Fc = 2.37$; $\alpha < 0.05$; $df = 4, 94$; $p = 0.000$). The study therefore established that economic factors had an effect on mortgage uptake in the housing corporation. From table it can be deduced that economic factors (β=-0.467) had a negative and significant relationship with the mortgage uptake in the housing finance corporation.

- H_{01}: There is no significant relationship between economic factors and mortgage uptake in housing finance.

Since $P = 0.00 < \beta = -0.467$ 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 increased 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.

5. Conclusion and Recommendation

The study concluded that economic factors had a negative influence 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.

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