



## THE NATIONAL TREASURY AND PLANNING

### PRESS RELEASE

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#### **The National Treasury & Planning launches the Kenya Mortgage Refinance Company (KMRC)**

**Nairobi, Kenya-22<sup>nd</sup> May 2019-** The Government outlined four key development priorities (The BIG 4 Agenda) for implementation over a five-year period (2018- 2022). Key among this is Affordable Housing with a target to deliver at least 500,000 affordable housing units in major cities around the country.

The National Treasury is contributing to the Affordable Housing agenda through the establishment of a liquidity facility (The Kenya Mortgage Refinance Company) in order to address inherent financing challenges and unlock liquidity for affordable housing. Financing solutions can play a catalytic role in stimulating both supply and demand of affordable housing and can help create momentum for other underlying reforms outside the sector.

The Kenya Mortgage Refinance Company (“KMRC”) was incorporated in April 2018 as a Limited liability company under the Companies Act 2015, with the sole purpose of providing secure long-term funding to primary mortgage lenders (Banks & Saccos) in order to increase availability and affordability of housing loans to Kenyans. The company will be regulated by the Central Bank of Kenya as a non-deposit taking financial institution, with the Capital Markets Authority (CMA) providing oversight over its bond issuance operations.

KMRC was purposely established as a public private partnership arrangement with majority private sector owned in order to crowd in private sector funding to support affordable housing. The company recently closed a successful capital mobilization drive which resulted in eight (8) commercial banks, one (1) micro finance bank, and eleven (11) SACCO’s becoming shareholders of KMRC. In addition, two development finance institutions (Shelter Afrique & IFC) are keen to invest equity in KMRC and are currently finalizing their due diligence processes. The company is therefore owned 80% by private sector and 20% by Government.

On April 30<sup>th</sup>, 2019, the World Bank approved a \$250 million International Bank for Reconstruction and Development (IBRD) credit to support the Government Affordable Housing program. On May 15, 2019, African Development Bank (AfDB) approved a further \$100 million to support the program. These funds will be applied towards enhancing access to affordable housing finance, strengthening KMRC balance sheet, and providing requisite credit enhancements to support KMRC issuance of bonds.

As a wholesale financial institution, KMRC will extend long term loans at fixed rates to financial institutions secured against mortgages so that they can extend the maturity of their housing loans to end borrowers hence increasing affordability.

Given Kenya's growth and urbanization rates, there is critical need to deliver housing at the lower end of the income spectrum in order to improve housing conditions for the average Kenyan. Through its re-financing activities, KMRC will seek to catalyze growth of the mortgage market in Kenya by targeting households that fall within the mortgage gap and lower middle-income categories which represents about 95% of the formally employed population.

Kenyans will be able to access longer term housing loans and enjoy a wide choice of competitively priced mortgage offering in the market due to increased competition and product innovation amongst Primary mortgage Lenders. This will lead to an increase in home ownership and growth in household assets.

The primary mortgage lenders will also benefit by improving their asset liability risk management by matching long-term mortgage loans with long-term funds, improving their liquidity management by having access to the liquidity facility and reduce barriers that inhibit the small lenders active participation in the growth of the mortgage asset portfolio.

It is envisioned that in the medium term, KMRC will contribute to lowering of overall transaction costs by pooling issuance of bonds as compared to financial institutions accessing the market individually and spur development of the mortgage market. KMRC will be a regular issuer of long-term, high quality investments needed by institutions with long term liabilities thus crowding in pension funds, social security funds and insurance companies.

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MAY 22<sup>ND</sup>, 2019