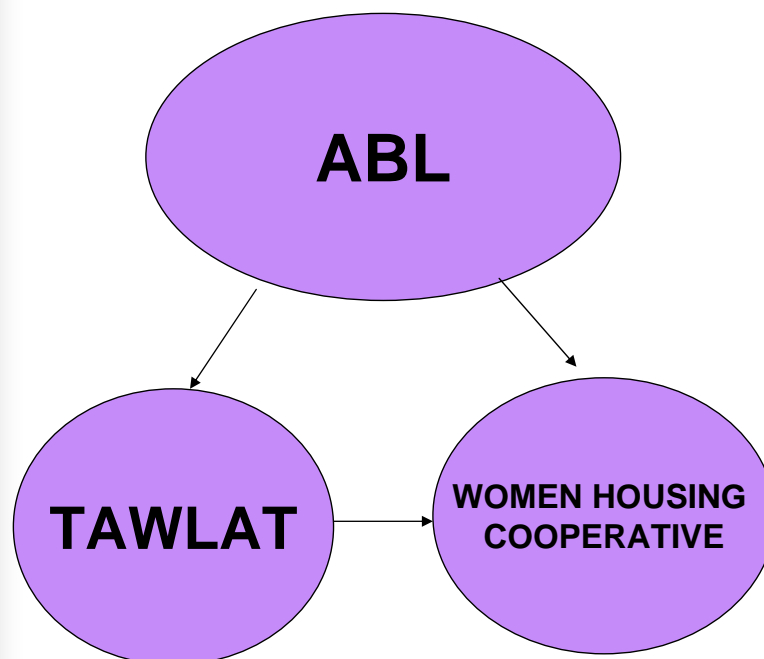


PARTENERSHIP BETWEEN MORTGAGE LENDERS AND HOUSING COOPERATIVES

AZANIA BANK LTD &
TAWLAT INITIATIVE





PURPOSE AND OBJECTIVES

- To assist low-income women, through their housing cooperative societies, to acquire land in urban areas and access credit to develop the same, thereby promote affordable housing and home ownership.



PURPOSE AND OBJECTIVES

- To serve as a model for developing sustainable financing mechanism to assist low income women in accessing institutional credit for housing development in a low income country context.



THE CHALLENGE

- **Address home ownership issues in light of increasing urban congestion and mushrooming of slums close to the city center where the poor find their livelihoods at stake.**



THE CHALLENGE

- **To demonstrate how low income families could be assisted to access affordable housing in an organized manner (on commercial sense) close to the city center**

THE CHALLENGE

- Instead of customers looking for institutions that can agree to support them, the financial institutions have to carefully study the lives of the customers, their activities and design financial products that meets their special circumstances, condition and needs

THE DOCUMENTATION GOVERNING THE RELATIONSHIP

- MOU- General understanding of the parties.
- LOAN GUARANTEE AGREEMENT- The formal agreement to operationalize the programme
- Project operation manual



THE PARTIES

- **AZANIA BANK LIMITED** a private limited liability company established under **The Companies Ordinance (CAP 212)**, licensed to carry on the business of banking under **The Banking and Financial Institutions Act, 1991** .
 - The **Bank** is a commercial bank carrying on banking business purely on commercial terms;

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- **TANZANIA WOMEN LAND ACCESS TRUST (TAWLAT)** a body corporate established under the **Trustees Incorporation Ordinance (Cap 375)**



- **TAWLAT** is an officially registered, not-for-profit organization whose main objective is to assist low-income women, through their own housing cooperative societies, to access land as a basis for affordable and secure home ownership.



- In this initiative **TAWLAT** is the **Guarantor** and represents affiliated housing cooperative societies which have been formed by women with a common interest in home ownership. The business of **Guarantor** is to promote affordable housing and home ownership for women;



- **TAWLAT** secured support (Cash guarantee) from the United Nations Human Settlements Programme -UN-HABITAT to assist it in accessing credit facilities for its member cooperative societies and their respective members;



THE PROGRAMME

- Upon a request of the **TAWLAT**, the **Bank** agreed to extend to the eligible borrowers housing finance loans on the terms and conditions agreed between the **Bank** and the **TAWLAT** and eligible borrowers;



■ DEFINITIONS:-

- **Cooperatives:** Women Housing Cooperative Societies that are affiliates of **TAWLAT**.
- **Designated Cooperative Society (D/CoopSo):** A Women Housing Cooperative Society selected by **TAWLAT** to benefit from the loan programme.



- **Eligible Borrowers:** Low income, urban Tanzanian women who belong to a housing cooperative society affiliated to **TAWLAT** and who, desirous of homeownership, are willing and undertake to abide by the loan conditions stipulated in the Offer Letter.



- **Loans:** Credit made available by **Bank** to eligible borrowers under the terms and conditions agreed between the parties and as specified in the offer letter.
- **Offer Letter:** Agreement between **Guarantor** and **Bank** on the one hand and Eligible Borrowers on the other hand, that governs the terms and conditions of the Loan.



- **Loan Applications:** Applications completed by an eligible borrower in order to request a Loan.



- **Loan Guarantee:** A deposit of TSH/USD XXXX plus any accrued interest provided by **Guarantor** as part of security for the Loans to eligible borrowers.



- **Remedial Measures:** Measures stipulated in the operations manual, to be taken, as appropriate, by either **Bank** or **Guarantor** or both, in the event of delinquencies and/or defaults, in fulfillment of loan agreement by the Borrower.



- **Designated Architect:** An architect appointed by **Guarantor** to oversee all building planning and construction activities as stipulated in the operations manual on behalf of **Guarantor**.
- **Clerk of Works:** A supervisor to exercise appropriate oversight on all construction activities undertaken under this agreement on behalf of **Guarantor** and independent of the designated architect and his professional team.



- **Development Phase:** Period when **Guarantor** on behalf of its affiliated cooperative societies takes a loan from ABL for acquiring a plot of land and construction of apartments to full completion. **Guarantor** bears full responsibility for the loan on behalf of its members.



- **Occupation Phase:** Successful eligible borrowers, Assumes the requisite loan from **Guarantor**. **The loan comprises the full cost** of construction plus accrued interest during development phase.



■ **COVENANT TO PAY AND EVENTS OF DEFAULT**

- The **Guarantor** guarantees up to maximum of 25% of the original housing finance loans to be provided to eligible borrowers



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- **The Bank's** right to demand from the **Guarantor** shall be exercisable only upon the happening of any one of the following events:-



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- If at any time the eligible borrowers defaults in the payment of the credit facilities, interest or any other moneys due thereon, or fails to discharge any obligations or liability payable by them to the **Bank** .



- Any other event or any circumstances which in the opinion of the **Bank** are likely to materially or adversely affect the liability of the eligible borrowers or the **Guarantor** to perform all or any of their obligations or otherwise to comply with the terms of this Guarantee or the Offer Letter



ENFORCEMENT OF THE BANK'S RIGHTS- THE PROCESS

- **On the occurrence of any one of the events of default spelt out above, the Bank shall proceed to enforce its right against the Guarantor in the following manner:-**
 - **The Bank shall immediately serve notice upon both the eligible borrowers and the Guarantor in a period of 30 days. HOWEVER:**



- The following procedure will be taken into consideration when realizing the securities pledged by eligible borrowers:



- i) The savings of the non performing borrower will be used to set off arrears
- ii) The ability to transfer a non-performing Loan from one Eligible Borrower to another Eligible Borrower within the respective HOUSING COOPERATIVE SOCIETY;



- iii) Deposits of each Cooperative held in the **Bank** and pledged as security for the Loans to Eligible Borrowers who are members of each respective Cooperative;



- iv) Disposition of Certificate of Title to the property in the custody of the **Bank**;



- iv) Loan Guarantee by the **Guarantor** held by the **Bank**. The Loan Guarantee shall cover the residual balance of a Loan but only up to a maximum of 25% of the original principal amount of the Loan.




- The interest on the loan is divided among the **Bank**, **Guarantor** and D/CoopSo along the following formula: $x+4+1$ where x is the market based interest rate for ABL, 4% is the service charge due to the **Guarantor** and 1% is the service charge for the Housing cooperative society.



ROLE OF ERSO

■ CREDIT ENHANCEMENT

- Improve institutional capacity of the women housing cooperatives in terms of:
 - Saving mobilization
 - Estate management
 - Financial management
 - Credit counseling

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- Strengthen administrative capacity of Apex organization (TAWLAT) to make it sustainable
 - Cash deposit guarantee to cater for loan to value ratio for low income women who cannot raise these funds upfront but could do so after accumulating savings over a longer period



■ LIQUIDITY ENHANCEMENT

- provision of loans to local financial institutions if interest for the same is considerably lower than what could be obtained in the market for on lending to the retail market, housing cooperatives and developers



- to address asset/liability mismatch
- diffuse interest incidence to the ultimate borrower by reducing the overall basket cost funds for local financial institutions



■ MORTGAGE INSURANCE SCHEMES

- Support development of mortgage insurance schemes for low income households



Other challenges

- Capacity of the government to provide serviced land
- Capacity of the financial institutions to design and develop sustainable financial products for incremental house building



But why?

- Wide spread availability of affordable mortgages may enhance savings, promote financial markets development and stimulate investment in the housing sector



But why?

- Other Positive externalities:
 - Stimulates upgrading of existing properties and investment in other ventures such as shops, recreational facilities
 - Housing construction is labour intensive hence can potentially increase employment in the construction sector and other related service sector.