

# **MAKERERE UNIVERSITY**

**Factors affecting the performance of mortgages in Uganda**

**Case Study: of Housing Finance Bank Kampala**

**A Research Proposal Presented to The College of Business And Management Science,  
Department of Business in Partial Fulfillment of the Requirements For the award of A  
Master's Degree of Business Administration Of Makerere University Kampala**

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## **Abstract**

Mortgage financing has many challenges because of the inflation rate which is high causing commercial banks to increase their interest rate charged on the mortgages thus affecting the mortgage business in Uganda.

Housing finance bank is one of the banks providing mortgage loans to people in Uganda with purposes such as construction, purchase, extension or improvement of residential and commercial residential properties and purchase of plots in urban areas within and around Kampala and its suburbs.

The accomplishment of this study is based on objectives which are to be fulfilled in line with mortgage performance. This study examines factors behind the performance of mortgages in Housing Finance Bank; establishing challenges to mortgage finance in relation to mortgage management and suggesting strategies to improve the performance of mortgage in the bank.

In this study, both qualitative and quantitative designs were selected whereby interviews and questionnaires were distributed among clients at the bank branches in Nakasero, Ovino and Kikuubo all in Kampala. The data from the research was then computed using Statistical Package for Social Science (SPSS).

Under the factors behind the performance of mortgages in the bank, factors which were considered include the bank's ability to deliver mortgage services within the specified period which it commits to, the simplicity of the mortgage process, profitability of the mortgage to clients despite the interest rate which is charged, the clients' willingness to access the loans without fear of the consequences in case of failure to repay, level of satisfaction derived from the extension of mortgage products to clients, updates on mortgage application progress made to clients, securities required and the amount of income required by the bank.

The challenges to mortgage finance in relation to mortgage management comprise of factors such as level of favorability of bank policies to defaulters, how often the bank updates clients about the progress on their mortgage applications, the customer care given to mortgage

defaulters and discussions held by the bank and the clients about the time within which to service the mortgages.

The factors used to suggest strategies to improve the performance of mortgages in the bank consist of; variety of mortgage products provided by the bank, ability to access further mortgages before complete redemption of the previous mortgage, how often the bank should update clients about the progress of their mortgage applications and the customer care which should be rendered to borrowers.

Most of the factors behind the performance of mortgages show that the mortgage performance in the bank is poor. The challenges from the mortgages in relation to mortgage management show that the clients face many challenges while applying for the mortgage loans. Finally, most strategies to enhance mortgage performance in the bank were supported for the benefit of the bank and the clients.