

Our legacy is excellence, respect,

The Housing Finance Bank was founded in 1967 as Housing Finance Company Uganda Limited to carry out business as a non-banking credit institution with a focus on providing mortgage finance for the construction of residential houses and also accepting savings deposits from the public. It later turned into a fully-fledged bank in 2007. Housing Finance Bank is now celebrating 50 years of dedicated service. *New Vision's* Owen Wagabaza talked to Michael K. Mugabi, the acting managing director of the Bank and below are the excerpts

What do 50 years mean for Housing Finance Bank?

Fifty years of service is a big milestone for us at Housing Finance Bank. It symbolises our unique heritage as an indigenous bank that has been dedicated to serving the public while growing in a profitable and sustainable manner. It also reaffirms our commitment to making it easy for Ugandans to own a home and achieve all their financial aspirations.

We are, therefore, delighted to be celebrating 50 years of our existence because these have been shaped by our tireless commitment to serving our customers. We are also excited

for the next 50 years because of the opportunity that we have been given to continue making a meaningful impact on the households across the country.

A number of indigenous banks have opened and closed after a few years, what has kept you going strong?

Indigenous banks opening and closing a few years later is not a Ugandan issue, but rather a global industry challenge. But if you are to check, the biggest concern that seems to run through the banks that have closed is mainly around governance.

I am confident that one of the key pillars that have kept us going is the presence of strong governance. Our leadership and governance, right from the board, through the management and staff has been rock solid. We have governance structures in place, and their tenets are upheld. Banks sell trust and once this trust is eroded, chances of collapsing are high.

Housing Finance Bank has built a legacy that is based on the core values of excellence, respect, integrity and customer-centricity. We are always willing and committed to service over and above the minimum standards, and we always uphold high moral and ethical principles in our actions towards customers and all other stakeholders.

We respect and recognise the



Michael Mugabi, the Housing Finance Bank acting managing director

ideas and opinions of our customers and are focused on the superior satisfaction of those we serve at all times. These are the guiding principles that have kept the bank strong for the last 50 years and will continue to guide all of the bank's actions in the future.

Uganda has a housing deficit of over two million housing units, what are you doing to solve the challenge?

As the flagship provider of mortgages and housing finance for Uganda since 1967, the bank hosts a dialogue that brings together stakeholders and key players along the housing value chain both in the public and private sector to chart a way for the betterment of the sector. This was the result of identifying that the majority of housing

WE SHALL ALSO STRENGTHEN OUR FOCUS IN THE HOUSING SPACE AS WE DRIVE AFFORDABILITY AND FLEXIBILITY IN OUR MORTGAGE AND HOUSING FINANCE OFFERINGS.

country.

We have actualised a number of initiatives as an institution; among these have been the vibrant engagements with the Government in terms of support for a housing policy, as well as developments and interventions from a policy perspective. We currently have a strong housing policy where housing is at the forefront.

We have also had interventions from the infrastructure perspective, and here, we look at the critical elements that make housing expensive and how they can be lowered, for example, utilities. We have also gone on to fund developers, and the off-takers of those housing units from the developers.

We have also introduced 100% financing. Ordinarily in a home loan, one contributes 20-30%, but because of the challenges in Uganda, we can now give one 100% financing to prospective homeowners. All these are interventions aimed at improving affordability of decent housing.

What are your views on the state of Uganda's banking industry?

Uganda's banking industry is robust and is in one of the most exciting times in terms of digital transformation, financial deepening and growth of the sector.

The amendment of the Financial Institutions Act in 2016 to allow

coming to the Ugandan market was targeting the high end, yet there is an acute housing deficit that is not being served by developers at the middle and bottom end of the income pyramid.

At the time of holding the first dialogue in 2015, the cheapest mortgage-able home on the market by a formal developer was sh135m but as a result of the advocacy for affordable housing, we are now seeing a steady supply of fairly priced units as low as sh70m. This is still a long way in combating the deficit all together. However, it is a major step towards creating affordability for housing across the



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Congratulations Housing Finance Bank





Housing Finance Bank

integrity, customer-centricity

Agent Banking, Bancassurance and other lines of business have created new opportunities to grow revenues outside of the traditional interest income to the non-funded income streams. This has created new opportunities for partnerships and collaboration. For example, banks are now able to offer insurance products in partnership with insurance companies.

From a digital perspective, banks are now partnering with Fintechs and telecoms to increase their reach, with many banking platforms now being interoperable with telecoms to conveniently push and pull funds across the mobile money and financial eco-systems.

Furthermore, the creation of the Agent Banking shared platform by the Uganda Bankers Association has increased collaboration within the sector, with banks now able to bring services closer to the masses in a cost effective way. All of these initiatives have put the sector on the right path for growth and will continue to transform the sector in the coming years.

We currently have a challenge of expensive loans, what measures can banks take to lower interest rates?

Interest rates are a function of market forces, but nevertheless, one of the ways to solve this challenge is to address the culture of saving. This is because savings would bring to the banking sector cheap and



Former MD, Mathias Katamba donating blood

affordable financing. Unfortunately, the saving culture is still very low in Uganda, but this can be improved through financial literacy and empowerment.

Interest rates are driven by market forces of supply and demand and therefore, the low supply of savings in the sector coupled with the high cost of other sources of financing, compounds the matter.

However, there are initiatives that are being undertaken by the sector such as the creating of a Mortgage Liquidity Facility. This is a pool of affordable funds for mortgage lenders and some proposed reforms in the pension sector such as allowing savers to use part of their retirement benefits to access mortgages that can help in alleviating some of these challenges when they materialise. In such

instances, people who have saved their money through their retirement benefit schemes including NSSF are able to use a portion of it as security for financing to get mortgages. This will lower risks and as such, push the interest rates down.

You are ranked the ninth largest bank in the country. How do you plan to improve on your performance in the market?

We are definitely aiming at improving our standing in the industry by positioning ourselves as the most preferred bank. We expect to achieve this by focusing on the delivery of a dynamic customer experience to drive our growth as an institution.

We will also continue to devise solutions and interventions that

speak to the customer value proposition of convenience, responsiveness, reliability and affordability.

We shall increase our footprint through agents and our digital channels that we have continuously rolled out such as internet banking, investment management, mobile banking and alerts.

We shall also strengthen our focus in the housing space as we drive affordability and flexibility in our mortgage and housing finance offerings. We will continue to strengthen our niche in the market, and this is mortgage and housing finance by introducing more flexibility and more friendly terms.

We believe that we have a very strong base to make this possible. We, therefore, want to increase the access points and digital channels through agents, and through our digital strategy and agenda, so that our offerings and solutions are closer to the people, but also leverage on the new avenues of technology, Bancassurance and Agent Banking to be able to exploit the opportunities in that space.

What are some of the challenges you have faced?

As highlighted earlier, the major challenge that we face is the lack of cheap long-term funds. Mortgages are long-term in nature yet the available funding is short-term in nature. The average mortgage ranges from 10 to 15 years and

it has been a challenge securing funding that can match that tenure.

Secondly, there are very few formal developers that are focusing on the delivery of affordable housing, which has forced many Ugandans to build their homes using savings and short term-loans. As a bank, we are partnering with developers to mitigate this challenge and increase access to affordable housing and financial services across the country.

What are your plans for the future?

As we look to the next 50 years, the bank will drive its vision which is "To be the preferred consumer and business bank with a focus on Housing Finance" and its mission which is "To provide efficient, innovative, customer-centric financial services, so as to maximise stakeholder value".

The bank will ensure the delivery of its services as guided by the customer value proposition which encompasses convenience, by making it easy and simple for customers to access our services whenever and wherever they are.

It also comprises responsiveness; by being proactive to customer needs, affordability; with solutions tailored within the customer's financial means and integrity; by guaranteeing that our customers can fully rely on us as their trusted partner who will ensure safety and confidentiality in all our dealings.

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