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SOME ASPECTS OF THE HOUSING MORTGAGE MARKET IN AFRICAN COUNTRIES

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INTRODUCTION

Aim and objective of the paper

1. Considering the vast number of problems, which could be fitted under the heading: "Mortgage Market", it would appear useful to set out what this paper intends to cover. First, the aim is to characterize the mortgage market, as it operates in African countries and to make some qualitative statements in this respect. These statements are, of course, subject to discussion, but such is the nature of the paper. Secondly, the main objective of the paper is to suggest ways and means by which the mortgage market would be better able to serve its purpose which is, ultimately, to provide more and better houses.

2. It should also be made clear from the beginning that if the purpose of the mortgage market is to provide more and better houses, it may well be necessary to introduce unorthodox ways and means in order to achieve this goal. In fact, the extent to which we are prepared to discuss and adopt unconventional thinking is a measure of the importance and seriousness we attach to this goal. Only where it is relevant for the discussion on what potentials the mortgage market holds for future development will there be references to historv or particular national characteristics.

The conceptual framework and context

3. By definition MORTGAGE means security, and in this way it is most often thought of as security for a loan to build a house, where the property becomes the security. Thus the mortgage market is a market for such loans with its corresponding securities, and as such it becomes an integral part of the larger market for securities and therefore highly influenced by it.

4. As the prices of property directly relates to the value of the security, the property market will also influence the movements of the mortgage market. Reference to this fact will be made in the paper from time to time.

5. The fact that the paper is dealing specifically with the Mortgage Market in an African contect does not mean that it is different in principle from other Mortgage markets, it does mean however, that certain aspects of its future development may not necessarily follow those of the same markets in Europe and United States, because in Africa we are dealing with conditions somewhat different from the more sophisticated financial markets, and because there may be certain mistakes developing countries may avoid by studying the systems of mortgage financing such as they have developed elsewhere.

1/ Prepared by Mr. N. O. Jorgensen, Economist, Housing Research and Development Unit, University of Nairobi, Kenya.

6. Apart from the definition of the Mortgage market given above, other expressions which are used ambiguously even among professionals should be defined as they are used in this paper.

7. Low-cost housing means housing (family) units costing US$1,500 or less inclusive of technical services but exclusive of the price of land. Low-income groups means family units making between $50 and $150 per month. Those making $50 and below per month are referred to as very low or lower low income groups. A subsidy means anything which makes the official price of a commodity (dwelling unit) less than the free market price. An economic rent is used here as it is commonly - and wrongly - used as the rent which equals the amortization payments plus maintenance cost and not including the socalled "opportunity cost" which the same term does include as used in economic textbooks.

THE PUBLIC SECTOR AS A MORTGAGE HOLDER

Government Housing Schemes

8. The public sector deserves a mentioning in a paper on the Mortgage Market, to the extent it finances houses for private occupancy - even if the occupants are civil servants - and even though these houses may actually be constructed by the public sector and no formal mortgage registered. In cases where the occupier is eventually to own the house an arrangement known in the English terminology as "tenant-purchase agreement" is drawn up. For practical purposes this arrangement functions very similar to a regular mortgage loan, with the exception that the occupier does not receive his title deed until the purchase price has been paid in full. As opposed to houses and flats for rental the tenant-purchase arrangement is becoming more popular in many parts of Africa, because on the one hand it satisfies a growing demand for home-ownership, and on the other hand it relieves the public authority for continued maintenance responsibility at a time when this becomes a real economic burden.

9. The tenant-purchase agreement has an added advantage namely that the relatively high cost of registering the title deed on a low-cost house is postponed till the end of the payment period, so that it does not coincide with the down payment at the start of the agreement where also cost of furnishings fall due.

10. It is beyond this paper to discuss the issue of Government's responsibility or otherwise to house civil servants, but in terms of money and number of housing units this becomes a contribution to the housing market, which cannot be ignored. Suffice it to say that this carry-over from colonial times enjoys obvious support from civil servants, most of whom are in the better half of the income distribution and as such among those who are in a position to contribute to a house of their own provided a mortgage arrangement was available to them and provided their net remuneration was not reduced.

11. In some countries home-ownership among civil servants has been recognized as desirable and included in the practical implementation of the development plan for housing. The down-payment is reduced to 5 to 10 per cent and a housing allowance is paid in lieu of a house allocation. In such cases Government itself can be the mortgage holder or it can refer the individual to a financial institution towards which the Government has undertaken to guarantee the loan.

Local Council Housing Schemes

12. Because it is recognized that housing is partly a public responsibility the housing plan for most countries in Africa includes the actual construction of houses for the lower income groups. This can either be centrally organized by Government directly, or it can be left to local authorities, which then receive funds and technical assistance for this particular purpose from the central Government.

13. The typical council-built houses or flats are for rental and as such aimed at the low, but not the very low, income groups. This is so because the authority in allocating these dwellings to only a fraction of the many applicants, is anxious that the rent will be paid - even if only an economic rent is charged. Thus they usually apply the rule of thumb of the 25 per cent of income for "lodging" and will exclude initially all those with an income less than four times the rent. Because of being low-cost units and, perhaps more so, because of the rental basis of occupancy, the council houses soon require considerable more maintenance than envisaged. Apart from this it is the rule rather than the exception that these units are sublet in total or in part, because such is the shortage of decent housing. This is, of course, not allowed, but virtually impossible to prevent.

14. Fortunately, the tenant-purchase agreement referred to earlier is finding its way into Local Council Housing as well.

15. At this point it ought to be suggested, that even though this is a very encouraging step it is still not as beneficial to the occupier - and I would say to the local council and the country as such - as a regular mortgage arrangement would be. Granted there are the advantages mentioned earlier, but the legal fees, tax and other charges could certainly be either included in the loan to be obtained or waived in order to obtain the liberty to actually own, and thus alter or even sell the house. The latter privilege is important from a capital mobilization point of view in that a person should always be allowed to liquidate fixed assets in order to use them for something else of a higher preference or simply to realize a profit (by appreciation or alteration). The local as well as the central authorities, if they were the mortgage holder, would be in a position to set not only the percentage of the purchase price they would offer for loan, but they could also decide on an individual basis the monthly payments to be made. For instance the 25 per cent of income. At a given rate of interest it would only mean

a shorter or longer repayment period[1/]. This point should be emphasized because it shifts the subsidy in public housing from the housing unit to the individual. The advantages of this shift should be obvious as to social justice and mobility of families, who in the past were "tied" to a subsidised house, because they could not afford to move.

THE PRIVATE SECTOR MORTGAGE MARKET

Characteristics of the private housing sector

16. In view of the relatively large part the public sector plays in the provision of houses, it is tempting to ask whether this is intentional or accidental. There seems to be no intention of forcing the private sector out of housing - in fact it is the general policy in West Africa to encourage the private sector to build more. But as long as the private sector is not able to cope with the growing demand for housing, the public sector must do its part in the interest of social development and political stability.

17. This explanation, however, raises the question of why the private sector does not meet a greater part of demand, and if the public sector, rather than build its own houses could more effectively use its resources to encourage private enterprise to produce more, better and cheaper houses. This problem will be taken up later in the paper. The fact of the matter is, of course, that the private sector does meet the demand, namely by housing those with a strong enough need (effective demand) in overcrowded conditions in existing houses or by adding to the socalled uncontrolled settlements or 'shanty towns'. This is not an acceptable solution. But despite the dislike for this kind of development, indeed, in spite of the efforts and money spent to prevent and destroy these settlements they keep growing at a rate, which must impress any developer be he private or public. Why cannot this display of capital, entrepreneurship and skill be channelled into something bigger, better and cheaper (for the occupier)? The answer is that it can.

Mortgage market characteristics

18. Unfortunately the tradition of investors in Africa has been that of making quick and big returns, because uncertainty was the only sure thing, as the saying goes. This attitude has shown itself also in the field of financing of housing i.e. the mortgage market. It is typical that the oldest Building Societies and Insurance Companies concerning themselves with mortgage loans were very conservative in their lending policies. Conditions:

1/ Should the individual be able to increase his monthly payments, and wish to do so, he will of course be given the corresponding rebate in the interest element. (Example from Sudan).

My own research on the "Preference of alternative repayment arrangements of present and potential mortgage borrowers" shows an inverse linear correlation between income and length of repayment period.

Substantial houses, preferably a European owner, a 60 per cent of valuation loan and 10 years to repay. This would obviously not solve the housing problem for the majority of people. Later on, especially after independence, new societies and institutions came into being, which have a somewhat different outlook. These were institutions based either on a co-operative principle as the building societies or government assisted lending institutions, which were to concentrate on medium and low-cost housing.

19. The difference between the two is that in the case of the former, there is a strong obligation to safeguard the funds (deposits and shares) of the members, whereas the government sponsored institutions have only their budgets to consider, though it is the ambition of any manager to show that his organization is gaining not losing.

20. Loans for low-cost housing have always been considered to be administratively more expensive, because of the default rate and processing cost just as high as loans ten times the amount. This may be so, but it is difficult to see why this could not be taken care of by differentiating the interest rate for various types of loans, just as it is done for various kinds of deposits in the same institutions. The reason is more likely to be that as long as there is excess demand for money also for more expensive houses, these are favoured.

21. Another characteristic of the private mortgage market is its fear that the security may depreciate so rapidly that the value may fall below the balance of the loan. This is hard learned experience in some of the older mortgage institutions in times of unrest and political instability. Furthermore, such situations are usually accompanied by the extraordinary withdrawal of funds by the depositors, because they want to convert paper money into gold and other valuables. The result of this is that mortgage-loans for the private sector are usually around 60 per cent of valuation and a short repayment period as mentioned above. This represents a prohibitive barrier to many would-be home owners.

22. Fortunately there are many signs that this is changing. Loan offers are increased and repayment periods lengthened. Stability is the main factor in this process and one may close the circle by saying that home-ownership is one of the main factors in stability.

Mortgage market deficiencies

23. One would tend to think of a Mortgage market as an official trading centre, a bourse or clearing house where mortgage holders (lenders) would meet with buyers and sell their securities to interested investors, so that they may raise more money for additional loans (mortgages).

24. This is not how the mortgage market functions in Africa, and perhaps this is one of the major deficiencies. In other words, the institutions which lend cannot generate additional capital on the strength of their

securities. In the Scandinavian countries, private investors will buy "first class"1/ mortgages as a long term investment with a high yield, because they now obtain the same interest rate as the institutions was charging, which is most likely 2-3 per cent higher than the highest deposit rate of the same institution. Insurance companies are perhaps the major buyer in these markets, which makes some sense in that they are not really set-up as a financial mortgage institution but to do insurance business. Still they have a capacity and interest in making safe, high yielding long term investments.

25. It is also a deficiency that the institutions which lend to the production of houses do not often enjoy the same privilege as those institutions lending for the production of e.g. furniture, not to mention agricultural products of a great variety. The banks have access to a Central Bank as "the lender of last resort" or "the bankers bank" where they rediscount their bills and crop advances. Why not the mortgage institutions? One ready answer would be that mortgages are long term, bills are short. So........ this is not traditional business. This argument may hold for private commercial banks, but it does not hold for a Central Bank, which, fortunately, in most countries is a close relative of the Ministry of Finance or the Government as such. It could well be said that as long as the Central Bank is not actively influencing this important flow of funds which housing finance represents, it is without one of its major policy instruments.

Subsidiary Mortgage markets

26. By a subsidiary market we mean second, third etc. charges as opposed to the first charge we have been dealing with up till now. It may be considered a deficiency in the mortgage market that a market for a second charge against the security is not officially institutionalized. Such a market does, of course, ecist, but it is extremely difficult to get any information about its magnitude. The way it normally functions is either as a loan from the former to the new owner of the property changing hands (or from the contractor to the builder in the case of new construction), or it is the simple advance from a money-lender to the property owner. In this latter case the loans are usually not more than 20 per cent of the value (a first charge normally being 60 per cent) and the interest is 10 per cent added on to the advance from the start (giving a real interest of about 16 per cent when the loan is to be repaid in five years).

27. Legally the second charge does not normally enjoy the same kind of protection as the first, i.e. the granting of subsequent charge and the potential repossessing of the property can only be done with the consent of the first mortgage holder. This is an awkward system, which ought to be changed. In the most developed countries the first mortgage holder does not have to

1/ "first class" usually means a mortgage loan which has been reduced (by repayment) to less than 50 per cent of present valuation. Similarly there are 2nd and 3rd class mortgages with smaller differentials.

consent to the extending of a second and subsequent charges and leaves the right to repossess the property to any mortgagee who can prove default on the part of the mortgagor, of course, with the repossessor now being fully obligated to all other mortgage holders. If several mortgagees should experience defaults at the same time - which is often the case - then the right to repossess and/or sell by auction lies with the holder of the highest charge - again with the obligation vis-a-vis the lower charges. This system has worked well for a long time in the Scandinavian countries and has created a mortgage market consisting of both 1st, 2nd, and 3rd, and 4th charges which enjoy the confidence of even the most conservative investors.

28. It is unlikely, of course, that the property will be charged with more than 100 per cent loans, and there is no contradition in letting one and the same institution do all the lending on one charge.

29. The interest of the first mortgage-holder in subsequent charges is obvious. His mortgagor will be better off financially than before. The result has been a boom in housing and a very high degree of house-ownership. Needless to say that capital appreciation rather than depreciation on housing has been the rule.

The Non Mortgage Housing Market

30. Mention should be made about that part of the private market, which is the largest in terms of numbers, but not necessarily in value, namely the houses built entirely by privately financed operations whether by self-help or by contractor finance. It is estimated that in Kenya, 7,500 units have been built yearly in this category as compared with 1,900 units per year built by the public sector and 250 units by the private high-cost sector. All these figures refer to the urban areas.

31. It is generally agreed that the standard of the above mentioned 7,500 houses leaves much to be desired - many are decidely sub-standard. It is also a fact that none of the owners of these low-cost houses appear on the official mortgage market for the simple reason that there is no one catering to this market. 1/ This does not mean that all these units are built entirely by self-help. It is very common to find entrepreneurs (individuals or companies) putting up a series of units for rental purposes. The return is staggering: 50 per cent and upwards! At such returns it is not difficult to raise money even in the private market and this explains the boom in housig, which has taken place mostly in and around the large cities, referred to earlier as shanty towns. To prevent this development by destruction of houses can only add to the shortage thereby pushing prices of accommodation even higher, apart from the "developers" need to regain his investment that much sooner due to the increased risk.

32. Indignation has been displayed over the high returns but the methods employed to eliminate the "exploiters" have produced the exact opposite results of what was intended.

1/ Secretariat note: it has already been recommended to the Government of Kenya that there is room for a separate housing credit institution to cater for people in the lower-income groups, and for other similar organizations to orient their operations to include these persons.

33. The alternative is to make enough permanent land available for these lowest income groups, as explained earlier. In addition, but not nearly as important is it to provide them with small loans (say US$150.- per unit in kind rather than cash) in order to improve their standards. The terms of such loans could be well above the normal terms, and the recipients would still be vastly better off. The only way to lower prices and eliminate the exploiters is by increasing the supply of houses relative to the demand. Even rent control has not proven effective.

PROSPECTS FOR THE HOUSING AND MORTGAGE MARKETS IN AFRICA

Incentives - technical and financial

34. Going back again to the essence of the matter. What we are concerned with is demand and supply of housing. The scarcity of supply relative to the demand is our problem. We can dispense with demand, because there is very little we can do about it other than perhaps try to spread it to parts of the country designated as growth-areas, hoping that this will relieve the pressure on the large urban centres. Rural housing is therefore important, but that again takes us back to the supply side. It is generally recognized that the technical problems in producing houses is not the constraint, because there is a wealth of skill, tradition and desire to build. In addition there are local materials well suited for the purpose. Sophisticated technical solutions have so far not proven other than to be more expensive and less labour intensive and usually with a high import content.

35. It is financing which is generally advocated as the major constraint. That is why we who are concerned devote a great deal of our time in trying to solve this problem. I am of the opinion that the problem is not that there is not enough money around for housing, but that the organization and the incentives are not strong enough. We have already dealt with parts of the organization and explained some of the deficiencies in the mortgage market.

36. Incentives are traditionally offered by the public sector in terms of subsidies direct or indirect in order to reduce the rent of public housing. Unfortunately the effect of that is to increase the demand for these houses; it is not increasing the supply. Likewise with well known incentives such as cheap loans, housing allowances and housing privileges. All of these do not increase the net flow of funds into new houses; quite the opposite. It puts pressure of demand on existing houses, forcing up the rents and prices. What is obviously needed are incentives, which mobilize more capital both in terms of cash and self-help efforts for new houses, and, which is just as important, incentives in terms of serviced sites for these houses. 1/ There is, of

1/ A planned lay-out with serviceable sites may in many cases suffice initially but it is naturally a public responsibility just the same.

course, a very direct relationship between sites and self-help. This has been proven time and again in Africa and elsewhere. There are two main reasons why this particular incentive is effective. First, as a rule, the services cost only about 1/10 of the price of the finished structure[1/] which means that ten times as many houses will result with the same amount of public money spent.

37. That the houses will be built is quite certain provided the requirements as to standards and building time are liberal, i.e. will allow minimum standards and at least two years for compliance with these. Further incentives would be to make materials, type plans and technical assistance available on the site, even if it were for a price.

38. If site-and-service schemes are only allocated to the very poor they may never appear as borrowers on the mortgage market, but this may also hold true if these plots were allocated to the "not so poor". Those are the persons who would normally be considered for council houses.

39. They too are able to raise money privately as long as it is for a tangible asset, which not only gives shelter for oneself and for paying lodgers, but also tends to appreciate rather than depreciate in value. The same argument would hold true, even more so, the better off people were financially.

40. For all groups of income it would naturally be an advantage if mortgage loans were available. For the higher income groups they are. But for the person earning 30 dollars a month and who has a serviced plot on which he wants to erect a house costing 1000 dollars, there are no loan possibilities but friends and the money lender. He may well be a saver with one of the banks or Building Societies with a balance of the order of 100 dollars, but still they would not consider him for a mortgage. If this same man had a fair chance of obtaining a mortgage loan of say 80 per cent of the value of his proposed house from this same institution, then this would undoubtedly have been incentive enough for him to have saved twice as much, before he applied for his loan.

41. This incentive opens up some perspectives for increased savings. If the private institutions say these loans are too risky and administratively too expensive as long as there is other business to be had, then there are two alternatives. Either the public sector creates an institution to cater for these loans, and for these savings, or else the existing institutions reorientthemselves and take up this challenge. This reorientation could be helped along with moral and tangible support from the public sector. Moral support in the sense that they are permitted to charge higher interest rates for these loans. Tangible, not financial, support in that they receive Government funds on deposit for this particular purpose or even a Government guarantee, the cost of which may or may not be charged to the individual loans.

1/ This proportion emanates clearly from a survey of Site-and-service schemes recently carried out by the Housing Research Unit, University of Nairobi.

42. Other incentives would be to grant better loan terms for new than for existing houses. Likewise to give better terms for owner-occupation than for rental purposes. Tax incentives have often been advocated in this connexion.

43. This is a delicate policy instrument. If for instance, tax reductions are obtained by a rapid depreciation of the property value, then there is a tendency to build houses more expensive than necessary. In fact any tax incentives which increases the demand for houses without increasing the funds available for housing is defying the purpose. Two examples of tax incentives, which support the purpose could be the following:-

1. 10 year tax holiday on the notional rent of owner-occupied houses which are being constructed after today. (opt.: at a cost of and less).

2. A surtax imposed on all undeveloped land with easy access to water and sewer mains.

New trends and new institutions

44. If new trends are to be suggested for the increase of the supply of houses it would be towards an acceptance of smaller individual loans with the corresponding higher cost. Incentives to bring this about would be a higher rate of interest, which, even if it is not off-set by a lengthening of the repayment period would still be infinitely better than what people pay for rented accommodations on the free market at the moment. It should also be accepted that the small borrower, who must put up a part of the cost himself, would be allowed to do this by way of his own self-help efforts (such as digging the foundation or making blocks).

45. The trend towards owner-occupation is supported in housing policies of all countries in the region, yet there is still the practice of building public housing for rental purposes. At the same time many local authorities complain of the difficulties in collecting rent and of high maintenance cost. To raise the rent is difficult, but an alternative would be to offer these houses for sale. This could, in the circumstances, be done on very easy terms to the occupants, and it would seem to serve the double purpose of expanding owner-occupations and elimination of a liability, (overheads and maintenance costs), which would release money for new housing.

46. It is not the purpose of this paper to discuss new institutions to be set up. Partly because in some countries there may already be existing institutions which very easily could incorporate the suggested new features of housing finance, and partly because this is the subject of another paper.

47. Suffice it to say at this point that internationally there are trends which suggest that the World Bank is becoming increasingly aware of the need to support housing and that a special international housing finance corpo-

ration is contemplated for the purpose of supporting national institutions in this field. In some African countries Housing Co-operatives have shown some measure of success, particularly in connexion with site-and-service schemes. The collective responsibility of such groups makes it more encouraging for lenders to advance money, because the co-operative itself is capable of dealing with individual defaulters.

Effects on Policies and Planning

48. Many of the suggested incentives and new trends can be implemented without much change in existing policies and plans. However there are areas where the policy and planning are the major constraints on the housing development. If, for instance, the policy is to provide houses for the various parts of the country in relation to their expected growth rate and commensurate with the distribution of income groups, then the plan may be a constraint to development if it sets out to build a certain number of houses in each of the cost brackets instead of first laying out (and service) the total number of plots envisaged. This is so, because in the former case the targets may not be reached for a variety of reasons (technical, administrative and financial) whereas in the latter case it is not only likely that the private sector will finish these units faster, but also at a considerable saving to the public sector.

49. Likewise, if the policy is that the public sector should build what the private sector does not seem to be able to produce in order to fill the gap between demand and supply of decent houses (conforming to some defined standard) then the plan should emphasize the incentives vis-a-vis the private market, and not be preoccupied with filling the gap, before it is established.

50. If policy advocates owner occupation then there is enough reason for selling publicly owned houses which are not absolutely necessary for institutional purposes (hospitals, prisons, border guards, etc.).

51. In line with this is the policy on subsidies, which, as we have seen, in the majority of cases do not benefit the individuals, for which they were intended and defy the ultimate objective of providing more and better houses.

52. There is one effect of a changed policy with more emphasis on housing, which we have not dealt with, and that is the way other sectors of the economy are affected. If there is an increased flow of scarce resources into housing will not other sectors suffer? On balance, the answer is no. It is beyond this paper to analyse this problem in detail, but as far as labour, land and materials are concerned there is no better alternative use. The question is more potent, when it comes to the allocation of public and private funds. This need hardly be a major concern as long as we are limiting ourselves to speak about low-cost houses, because the income groups involved would not have many other investment possibilities open to them. Thus if they increase their savings for housing it would have to come from their consumption, and if they raise other private funds for their housing from mortgage institutions it may only be at the expense of more expensive housing. As pointed out

before, the public funds already allocated to housing need not be increased, but could be spent differently with a possible increase in the dwellings actually built in the order of ten times the present number.

53. In the market for securities there is a strong need for a greater variety of securities such as mortgages. Long and short term, little and more risk with corresponding low and high returns.[1]

SUMMARY

Recapitulation and conclusions

54. Even though the definition of mortgage market does not strictly include the houses built by the public sector, unless a charge is registered, this part of the housing sector is included to point out the way government and local authorities enter the market and influence it through subsidies and actual construction activity.

55. It is pointed out that the common practice of charging economic rents is a very expensive subsidy considering the opportunity cost which could have been used to build more houses. Further, subsidies tied to houses are less effective and more unfair than those given to individuals.

56. The private housing sector is characterised by most of the units built being outside the mortgage market, because low-cost housing is still considered a poor risk. Thus, even though rents and returns are high the lowest income groups have nowhere to obtain loans other than from friends and money lenders. This would still be attractive to them provided they had a place to build. The idea of site-and-service schemes is explained as a potentially much more effective way of generating private resources in the form of self-help and cash.

57. The mortgage market needs to be encouraged through various incentives spreading into the low-cost housing field, also to have access to public funds through a lender of last resort, namely the Central Bank.

58. Subsidiary mortgages ought to find their rightful place in an official and organized market as well, and a new institution would have to be set up if existing private institutions did not take up the challenge of the small saver-cum-borrower.

59. The effect on other sectors of the economy of a policy which puts more emphasis on chanelling resources into housing would not be felt to any appreciable extent, becuase land, labour and materials would have no better alternative use.

60. Altogether it is concluded that the actual amount at present spent by the the public sector on housing need not be increased as long as the plan and strategy of implementing the policy chooses the right technical and financial incentives as outlined. The history of incentives in housing policy has many

1/Edward Nevin: Central Funds in underdeveloped countries - McMillan and Co., London, 1961.

examples of how incentives defy the overall purpose of increasing the supply of houses relative to the demand.

Points for discussion

61. Any part of the paper is, of course, subject to discussion, even where it purports to state facts. But in order to show that it does not have all the answers, a few points, which in the opinion of the writer, are not sufficiently clear or have effects more far reaching than suggested are listed below:-

1. Is it feasable to suggest higher interest for more risky mortgage loans
   (a) will private institutions find it embarrasing ?
   (b) will the public institutions find it contrary to policy?

2. Why are so many incentives in the housing field geared to an increase in the demand rather than in supply?

3. If allocation of plots in a site-and-service scheme is not done on the basis of 'ability to develop' will it not end up by being a speculative exercise by the original allottees to the ultimate benefit of people in the higher income groups, who will buy off the plots from the poor people, before these start to develop?

4. The suggestion of a large scale sale of public housing is unrealistic on the grounds that there is a great need for rental accommodations, and this is the area where poor people are most subject to exploitation from the private sector, thus the public sector should try to meet the demands of these poor renters. True or False?