

Caleb M Fundanga: Broadening access to mortgage financing in Zambia

Opening speech by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the re-launch of the Pan African Building Society (PABS), Lusaka, 24 July 2007.

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- The Shareholders of PABS;
- The Board of Directors of PABS;
- Senior Government Officials present;
- The Deputy Governor-Operations and Registrar of Banks and Financial Institutions;
- The General Manager of PABS;
- Distinguished Ladies and Gentlemen.

It gives me great pleasure and gratitude for having been invited to speak on this occasion of the re-launch of the Pan African Building Society.

Ladies and Gentlemen: Today marks an important day in the calendar of Pan African Building Society which brings on board new shareholders. The Bank of Zambia is happy to note that this development has turned around the financial condition of Pan African Building Society.

Ladies and Gentlemen, as you are aware, there is shortage of housing in Zambia and therefore the demand for housing finance is increasing.

It follows therefore, that the primary challenge of housing finance institutions in Zambia is the broadening of access to mortgage finance particularly to many people in urban areas.

Due to the prevailing macro-economic stability that the country is experiencing, we have seen substantial growth in the housing finance industry in recent years. For instance, in the last four (4) years to December 2006, the mortgage portfolio of the building society industry has grown five fold.

Ladies and Gentlemen, in recognition of the need to provide a conducive regulatory environment which promotes sustainability, accountability, transparency and growth of the building society industry in Zambia, the Building Societies Act was amended in October 2005 to harmonise it with the Banking and Financial Services Act pending the modernization of the Building Societies Act under the Financial Sector Development Plan law reform programme.

Ladies and Gentlemen, Bank of Zambia is concerned about the levels of lending interest rates charged by most financial institutions in Zambia, building societies included. With the achievement of relative macroeconomic stability in the recent years as evidenced by a significant reduction in the inflation rate to 11.1 percent as at June 2007, it is the expectation of the Bank of Zambia that all prudent lending institutions would make downward adjustments to their lending interest rates to make financial services accessible and affordable. It is also important to note that high lending interest rates can lead to high levels of delinquency.

Ladies and Gentlemen, it is in this light that we anticipate that credit referencing services will help in reducing credit risk through the provision of widely accessible information on the loan repayment profile of borrowers. This should also provide another incentive for lowering of interest rates.

Ladies and Gentlemen, in conclusion I wish to state that the Bank of Zambia is committed to broadening and deepening the financial sector through effective implementation of the Financial Sector Development Plan. Bank of Zambia will endeavour to contribute towards the creation a stable macro-economic environment.

I would therefore like in this particular instance, to call upon the housing finance industry to play its role effectively so that Zambian people can have access to affordable housing finance.

Thank you and God bless you.