The Nyumba Smart Micro-Loans are flexible, short-term housing microfinance loans to support the incremental building and home improvement process of low-income households.

The loans are issued through women's groups or individually by the micro-finance bank, Kenya Women Finance Trust, the biggest micro-finance bank of Kenya. This novel financial product was developed with the support of The Building Assets, Unlocking Access project of Habitat for Humanity and the Terwilliger Center for Innovation in Shelter.

Private Partners
Kenya Women Finance Trust (KWFT), Mastercard Foundation.

Civil Society Partners
Habitat for Humanity Canada, Habitat for Humanity International, Terwilliger Center for Innovation in Shelter.

I used to fear taking loans as I heard people saying that if you borrowed money you could lose everything. Now when I sit here in my home and look around, I am so very proud [...] I am just so happy.

Monica Mbeke Mbuvi, beneficiary
In Kenya, traditional housing finance products are inaccessible for the vast majority of the population. Microfinance institutions are increasingly developing housing construction and home improvement related products more suited to the incremental building process through which low-income households respond to their housing needs and with more flexible loan terms. Because these microfinance products are relatively new and require specific skill sets, Habitat for Humanity and the Terwilliger Center for Innovation in Shelter have implemented a six-year project to provide technical assistance to six financial institutions in Kenya and Uganda with the aim to develop housing microfinance products and non-financial services (construction advice) to low-income households.

In collaboration with the Kenya Women Finance Trust (KWFT) - a Kenyan bank founded in 1981 with the mission to improve the access of women to banking services - and the Mastercard Foundation, the project developed the “Nyumba Smart” (translates to “beautiful home”) loan.

The microloans are issued to women’s groups who approve the loan request of their individual members. Less than 10% of the loans are issued directly to individuals. The average amount of loans is 580 EUR (ranging from 40 to 8,300 EUR) with terms of up to 60 months (average 18 months). The loans are guaranteed up to 4,100 EUR by the group (social collateral), while loans above this amount are secured with collateral, such as registered land. Annual interest rates range from 37% to 42% (24% flat rate); application fees (2%) and insurance rates (2.25%) are applied.

The Nyumba Smart Loans allow families to make small renovations (painting, tiling a floor, roof and wall improvements), install improved energy and sanitation facilities, and develop commercial business properties for rental or for income-generating purposes.
RESULTS

KWFT has around 200 branches across the country and issued on average 1,600 Nyumba Smart Loans per month. An impact evaluation (2018) found that there was “a significant increase in the overall quality of housing conditions, specifically the quality of the walls and roofs, the number of rooms, and the quality of building materials (...) and further benefits of investing in water and sanitation (leading) to better (self-reported) health outcomes in families.” (page 41, impact evaluation report, 2018).

LESSONS LEARNT

» One of the key lessons of the project “Building Assets, Unlocking Access” is the need to regard housing as a process and to consider the entire housing value chain (not only the access to finance but also the access to labour, affordable and sustainable building material, utilities and services and capacity building). A systemic approach is taken to strengthen institutional capacities at the supply side of affordable housing and to scale existing solutions through market facilitation.

» At the same time, Habitat for Humanity and its partners focus on behaviour change through counseling, as well as information-sharing to facilitate housing related decision-making at the household level (e.g. through sms-based services). Addressing the entire housing market (supply and demand side, private, public and community actors) is the main strategy adopted to increase sustainability.