

**MORTGAGE FINANCE AND URBAN RESIDENTIAL REAL ESTATE
DEVELOPMENT
A CASE STUDY OF MIDDLE INCOME EARNERS OF KIGALI CITY COUNCIL
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ABSTRACT

The purpose of this study was to assess mortgage finance and urban residential real estate development in Rwanda. It was also an opportunity to gauge the efforts made towards providing low cost houses to middle income earners. Because the government of Rwanda through Rwanda Housing Bank (BHR) and local financial institutions has increased the provision of accommodation over the last decade but it benefits high income earners. The research was conducted to find out the impact of interest rate on mortgage performance, the effect of a down payment on real estate development, the impact of mortgage borrowing on residential real estate and the challenges mortgage borrowers face on collateral securities. This study examined mortgage financing challenges and the extent to which middle income in urban residential real estate fail to borrow mortgage loans. The study used both qualitative and quantitative analysis. Quantitative analysis was collected through observation; interviews and 65 questionnaires sampled using Slovin's formula and analyzed using descriptive analysis. The findings revealed that housing finance problems are made more difficult by threatening environment characterized by high interest rate about 85% of our respondents agreed on this, recession or economic crisis, high exchange rate compared to foreign exchange rate, devaluation of the currency vis- as-vis of foreign currencies. From the findings the researcher recommended that a well-defined housing finance should be established whereby the government should regulate interest rate, inflation rate and settlement period. Moreover, the government, financial institutions, government bodies and other capital market (stock and security investors) should create a viable environment to facilitate middle income earners to obtain mortgage loans at low cost possible towards urban residential real estate development.