



Home improvement loans improve lives and futures

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The Habitat for Humanity Malawi home improvement loan pilot project started to take shape in 2001, when HFH Malawi began to examine its credit and housing practices in light of a long history of poor repayment and lack of client ownership and responsibility for their Habitat homes. HFH Malawi studied the rural environment for housing loans with Kadale Consultants in late 2001 and developed the home improvement loan concept in early 2002.

Home Improvement Loan Pilot

The home improvement loan pilot was launched at the Mpherembe Habitat affiliate in Mzimba District with the objective of serving low-income rural families with small housing loans. The pilot follows seasonal income patterns and focuses on people living in houses with grass-thatched roofs. The home improvement loan program was a radical development for Habitat, because the idea was simply to improve the living conditions rather than fully renovate or completing a house. Subsequent loans could be obtained later to further improve one's house.

The home improvement loan pilot went through a cycle of planning, implementation, evaluation and re-planning. Each season of loan disbursements was considered a phase of the pilot and closed with an evaluation.

In Phase One, the evaluation focused on why certain aspects of the home improvement loan program did not go well and adjustments were made accordingly. The Phase Two evaluation found that more loans had been disbursed, but that loan disbursement procedure was deliberately breached. The result was loans disbursed to non-qualifying structures, and "the combined loan problem," in which two or more individuals would receive separate loans but place them on one house. The recommendations from the Phase Two evaluation focused on loan disbursement procedure, correcting the combined loan problem and adjusting the loan product. Habitat had hoped to expand the home improvement loan model after the Phase Two evaluation, but decided that another year of piloting would be necessary due to the anomalies experienced.

Delays in the tobacco market were thought to have influenced Phase Three of the pilot, as most people in the area rely on tobacco for their primary source of cash income. Despite a lower level of disbursements than expected (especially early in the season), Phase Three successfully eliminated and rectified the problems identified in Phase Two. The evaluation

focused on issues related to repayment and the target group. It was found that the primary factor resulting in poor repayment rates was not the tobacco problem, but people deliberately not paying when they had access to money. More effort toward recovering loans was needed.

Project Evaluation and Recommendations

The evaluations found that the home improvement loan has been successful overall. Many people who were previously living in grass-thatched houses are now living under durable roofs that do not leak thanks to the home improvement loan. It also appears that the home improvement loan program has had a positive influence on the way people build houses in the area. In a short time, the construction of durable houses (burnt bricks with foundations) has greatly increased.

HFH Malawi still is concerned that it is not fully achieving what it intended at the outset of the home improvement loan program. It appears that the program has been serving the relatively wealthy, by community standards, and the evaluation recommendations include bringing the lower-income families of the community into the program. The evaluation recommendations also address barriers in terms of fears and local attitudes toward improved housing that must be addressed. Nonetheless, HFH Malawi is making progress toward improved and healthier houses.



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