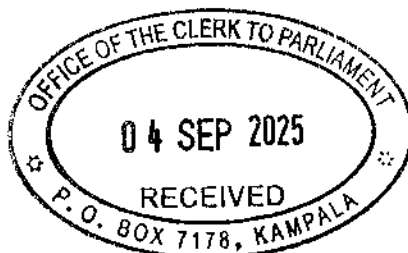


REPUBLIC OF UGANDA



PARLIAMENT OF UGANDA

**REPORT OF THE COMMITTEE ON FINANCE,
PLANNING AND ECONOMIC DEVELOPMENT ON THE
MORTGAGE REFINANCE INSTITUTIONS BILL, 2025**

Office of the Clerk to Parliament
11th Parliament
August, 2025

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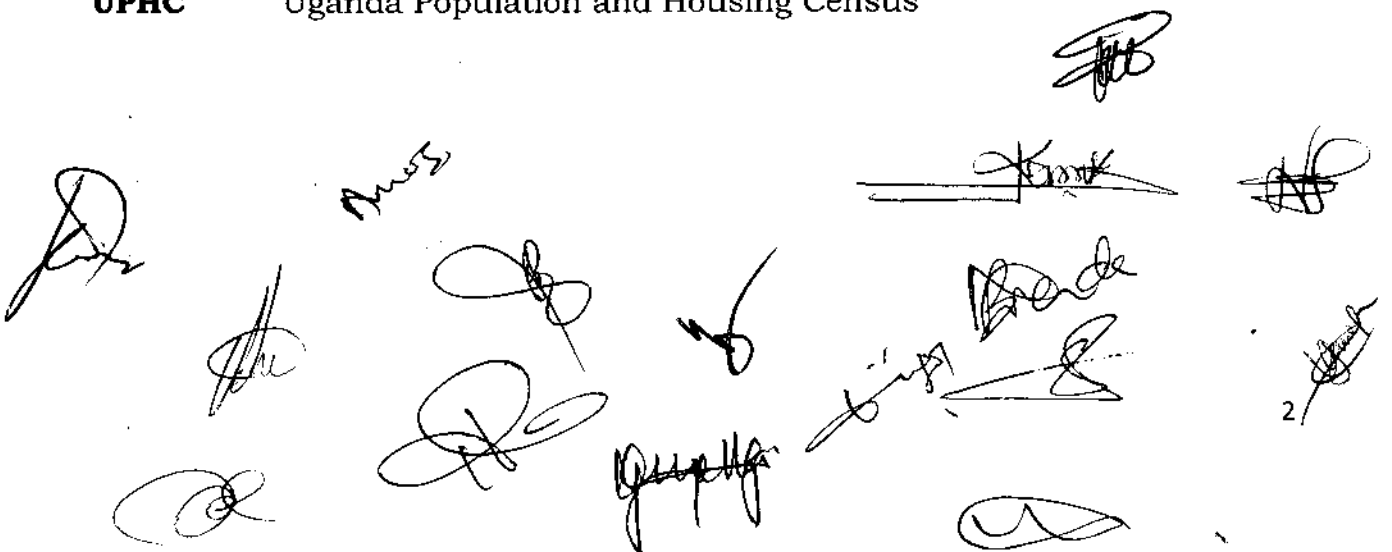
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LIST OF ACRONYMS

AFDB	African Development Bank
BoU	Bank of Uganda
CBN	Central Bank of Nigeria
CFI	Certificate of Financial Implication
FMLHUD	Federal Ministry of Lands, Housing & Urban Development
IFC	International Finance Corporation
KMRC	Kenya Mortgage Refinance Company
MoFPED	Ministry of Finance, Planning and Economic Development
MRI	Mortgage Refinance Institution
NDP IV	National Development Plan IV (2025/26 - 2029/30)
NH&CC	National Housing & Construction Company Limited
NMRC	Nigeria Mortgage Refinance Company
NPA	National Planning Authority
NSSF	National Social Security Fund
PML	Primary Mortgage Lender
PMB	Primary Mortgage Bank
PPP	Public Private Partnerships
PSFU	Private Sector Foundation Uganda
RIA	Regulatory Impact Assessment
SACCO	Savings and Credit Cooperative
TMRC	Tanzania Mortgage Refinance Company
UBOS	Uganda Bureau of Statistics
UPHC	Uganda Population and Housing Census



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1.0 INTRODUCTION

On 12th March 2025, The Mortgage Refinance Institutions Bill, 2025 was read for the First Time by the Minister of State for Tourism, Wildlife and Antiquities on behalf of the Minister of Finance, Planning and Economic Development.

The Speaker referred the Bill to the Committee on Finance, Planning and Economic Development for consideration.

2.0 OBJECTS OF THE BILL

The objects of the Bill are-

- (a) to provide for the licensing of mortgage refinance institutions to carry out mortgage refinance business;
- (b) to provide for the approval of mortgage refinance institutions to carry out Islamic mortgage refinance business through an Islamic window; and
- (c) to regulate mortgage refinance institutions.

3.0 BACKGROUND

According to a study by NPA on 'Addressing Uganda's Affordable Decent Housing Deficit: A meaningful Development Strategy (January, 2022);' the significant cost drivers for housing in Uganda are attributed by the following;

- i. Land costs;
- ii. Construction costs;
- iii. Property tax, financial costs and;
- iv. Non-compliance of building materials and building practices to available standards.

Uganda and Kampala in particular has the highest land costs for housing development (per square meter) in the whole of Africa. Land costs per square meter in Kampala is estimated at \$331 compared to \$7 in Maputo, \$16 Dar-es Salaam, \$16 in Lilongwe, \$26 in Kigali, \$38 in Pretoria, \$63 in Lusaka, \$69 in Accra, \$101 in Abuja and \$322 in Nairobi.

The drivers of land costs in Uganda include; the complex land tenure, complex and expensive land registration infested with cases of bribery, and plan approvals among others. The high construction costs at \$458 per square meter in Uganda are driven by construction materials at \$275 per square meter, indirect costs at \$106 per square meter and labour costs at \$78 per square meter and overdesigning tendencies to provide for substandard building materials. Further, the high financial costs are as a

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result of high mortgage interest rates and mismatches in mortgage tenures and sources of mortgage financing.

The housing deficit has persisted because 96% of Ugandans cannot afford the cheapest typical 2-bedroom house formally constructed by a private developer at about UGX 183 million. At a median income of UGX 220,000 per month for the urban folk and UGX 168,000 per month for the rural folk, majority 76% of Ugandans can only afford housing units the range of UGX 12-24 million. (NPA, 2022)

According to statistics from Bank of Uganda as of end June, 2025 on private sector credit, the category "Building, Mortgage, Construction and Real Estate" was the second highest recipient of the stock of private sector credit. Of the total private sector credit stock, 19% or UGX 4.5 trillion was in building, mortgage, construction and real estate. Only the personal loans category had a higher share of credit (25% or UGX 5.9 trillion). Since 2018, the stock of private sector credit to mortgages has averaged between 8-9% with commercial mortgages taking a slightly higher share of 5.5% compared to 4% for residential mortgages. With the average interest rates ranging between 17% to 19%, it is costly to acquire mortgage finance.

The creation of the Mortgage Refinancing Institution will partly address the challenges regarding financing since the Primary Mortgage Lenders will have access to cheaper capital leading to lengthening tenors and offering fixed rates by increasing long term funding at affordable rates.

3.1 JUSTIFICATION FOR THE BILL

Findings of the National Population and Housing Census 2024 revealed that 60% of Ugandans still live in informal settlements or inadequate housing conditions. The gap is driven by rapid urbanisation, population growth, and economic disparities. Closing this housing gap is a big investment opportunity under the tenfold growth strategy. Annually, over 1,000,000 Ugandans are born, putting pressure on the country's housing sector. With a population growth of 2.9%, coupled with urbanization growth rate of 5.4%, the country must build 300,000 housing units annually to bridge the 2.4 million housing deficit gap which is projected to reach 3 million units by 2030 if not addressed.

The Housing Sector contributes approximately 11% to Uganda's GDP. However, the mismatch between housing supply and demand hampers economic growth, limits employment opportunities, and exacerbates social inequalities. In the Sustainable Urbanization and Housing Programme in the

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NDPIV, Government will prioritize well-planned and productive urban centres with affordable housing.

Specific initiatives include the following:

- Capitalizing Housing Finance Bank and National Housing and Construction Company (NHCC) by extending credit lines targeting mortgage funding to low-income earners;
- Fast-tracking the establishment of a mortgage refinancing facility;
- Increasing access to non-bank housing financing such as Housing SACCOs; and Shelter microfinance facilities;
- Developing and implementing slum upgrading programmes in urban areas through Public-Private Partnerships (PPPs);

In addition, there is no law in Uganda regulating establishment of Mortgage Refinance Institutions. However, in the East African region, Kenya, Tanzania and Rwanda have laws on mortgage refinancing.

The proposal for the law emanates from the need to create Mortgage Refinance Institutions to provide liquidity to financial institutions and micro-finance deposit-taking institutions which will consequently benefit mortgagees by issuing to them long-term mortgages at better interest rates. This Bill also seeks to address existing mortgages that have not benefited from patient capital to give them an opportunity to renegotiate and avoid foreclosure.

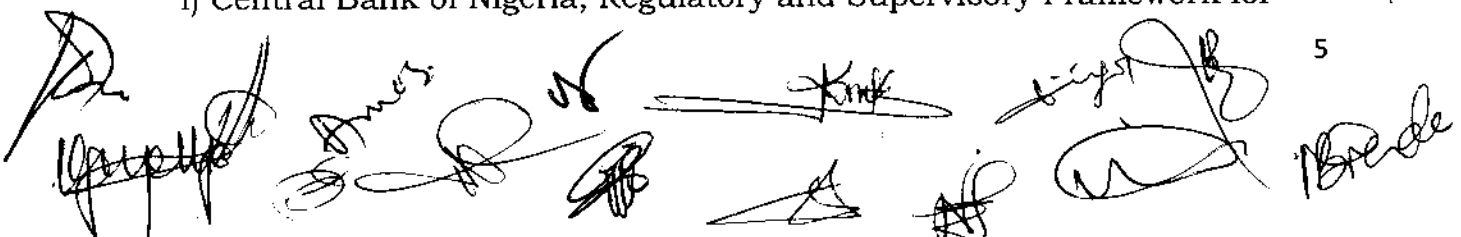
The enactment of the Bill into law will enable financial institutions and micro-finance deposit-taking institutions (Primary Mortgage Lenders) have more access to financing and as such, they will be able provide loans to clients at more affordable interest rates, manageable payment instalments and long-term payment durations. Borrowers will be able to get a grace period for repayment of the loans.

4.0 METHODOLOGY

4.1 Document review

The Committee reviewed and made reference to the following documents:

- a) The Constitution of the Republic of Uganda, 1995;
- b) The Mortgage Act Cap. 239;
- c) The Uganda National Housing Policy, 2016;
- d) National Development Plan IV (2025/26-2029/30);
- e) The Central Bank of Kenya Act, Cap. 491
- f) The (Mortgage Refinance Companies Regulations, 2019 (Kenya)
- f) Central Bank of Nigeria, Regulatory and Supervisory Framework for



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- the Operations of a Mortgage Refinance Company
- g) The Banking and Financial Institutions Act, Cap. 342 (Tanzania)
- h) The Banking and Financial Institutions (Mortgage Refinance Companies Regulations, 2022 (Tanzania)
- i) The National Population and Housing Census, 2024 Final Report

4.2 Meetings

The Committee held meetings and received memoranda from the following stakeholders:

- Ministry of Finance, Planning and Economic Development
- The Attorney General
- Bank of Uganda
- Uganda Bankers Association
- Private Sector Foundation Uganda
- National Housing & Construction Company Limited
- National Social Security Fund
- National Planning Authority
- Ortus Advocates (submitted memoranda)

5.0 LEGAL AND POLICY FRAMEWORK FOR THE BILL

5.1 LEGAL FRAMEWORK

The Constitution of Uganda, 1995

Article 26 of the Constitution provides that every person has the right to own property either individually or in association with others.

Objective XIV(b) of the National Objectives and Directive Principles of State Policy provides that the State shall endeavour to fulfil the fundamental rights of all Ugandans to social justice and economic development and shall, in particular, ensure that all Ugandans enjoy rights and opportunities and access to decent shelter.

The Bill intends to put the provision of the right to own property and access to decent shelter into effect.

The Mortgage Act Cap. 239

The Mortgage Act provides for creation of mortgages, for the duties of mortgagors and mortgagees regarding mortgages and the remedies of mortgagors and mortgagees in respect of mortgages. The parties under the Mortgage Act are a mortgagee (lender) and a mortgagor (borrower).

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On the other hand, the Mortgage Refinance Institutions Bill intends to regulate the relationship between Primary Mortgage Lenders (mortgagees under the Mortgage Act) and Mortgage Refinance Institutions (established under the Bill).

The Mortgage Refinance Institutions Bill does not affect the Mortgage Act in any way.

5.2 POLICY FRAMEWORK

The Uganda National Housing Policy, 2016

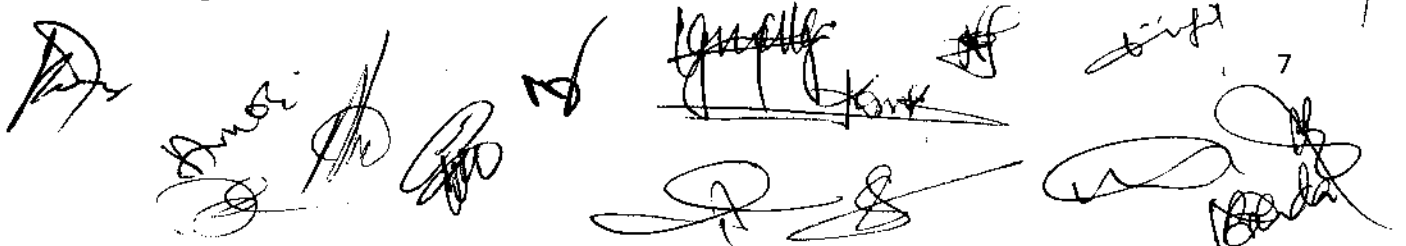
The Uganda National Housing Policy, 2016 provides for a number of issues affecting the housing sector in Uganda which include:

- Limited financial facilities appropriate for housing development;
- High interest rates on mortgages which are not favourable for housing development;
- Existing schemes are weak in terms of savings mobilisation and institutional capacity;
- Low affordability leading to increasing numbers of incomplete and abandoned housing units due to financial constraints; and
- Lack of financial incentives to build energy efficient houses and use of renewable energy such as solar lighting and improved cooking methods.

The Bill seeks to address the housing challenge in Uganda by introducing Mortgage Refinance Institutions into the country. This will enable MRIs extend credit to Primary Mortgage Lenders to enable them extend loans at lower interest rates and longer repayment durations for the people of Uganda to obtain affordable housing.

The National Development Plan IV (2025/26-2029/30)

The NDP IV highlights the housing deficit in the country as 2.4 million units. One of the eighteen (18) programmes under NDP IV is Sustainable Urbanisation and Housing. The NDP IV indicates that the situation at hand in Uganda is that the slow pace of affordable housing has led the majority of urban dwellers to live in unplanned neighbourhoods with poor road networks, drainage, waste disposal and other sanitation issues. Additionally, NDP IV reveals that due to the prevailing circumstances in the commercial banking sector, Housing Finance Bank has shifted its focus to commercial



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lending and the National Housing and Construction Company often provides housing units that are not affordable for many Ugandans.

The Sustainable Urbanisation and Housing Programme under NDP IV prioritises well-planned and productive urban centres with affordable housing. The specific initiatives include:

- Capitalising Housing Finance Bank and NH&CC by extending credit lines targeting mortgage funding to low-income earners;
- Fast-tracking establishment of a mortgage refinance facility;
- Increasing access to non-bank housing financing such as housing SACCOS, saving schemes and shelter micro-finance facilities;
- Developing and implementing slum upgrading programmes in urban areas through PPPs;

The Bill intends to foster the attainment of the targets under the programme on Sustainable Urbanisation and Housing. When Primary Mortgage Lenders are able to obtain credit from Mortgage Refinance Institutions, there will be a trickle-down effect to facilitate affordable and planned housing for Ugandans.

6.0 EXPERIENCES FROM OTHER JURISDICTIONS

6.1 KENYA

Regulation: The Central Bank of Kenya (Mortgage Refinance Companies) Regulations, 2019 provide for the authorised activities of mortgage refinance business in Kenya, licensing of mortgage refinance companies, governance of mortgage refinance companies, credit extensions, capital requirements and liquidity management, internal controls and reporting requirements for mortgage refinance companies.

Legal Status: The Kenya Mortgage Refinance Company (KMRC) is a non-deposit taking financial institution established in 2018 under the Companies Act, 2015.

Ownership: The commercial banks in Kenya are the majority shareholders with 47.78%. The Government is the second largest shareholder with 25.33%.

Mandate: It is mandated to provide long-term funds to primary mortgage lenders (PMLs) for purposes of increasing availability of affordable home loans to Kenyans.

Lending rate: Currently, primary mortgage lenders borrow from KMRC below 10%. KMRC does not lend to individual borrowers. KMRC provides

concessional, fixed, long-term finance to the primary lenders who include banks and SACCOs so that they can transfer the same benefits to citizens, making home loans more accessible to especially the moderate to low-income earners in the country.

Sources of financing: KMRC is funded through debt and equity. The World Bank approved an IBRD credit of USD 250 million (equivalent to about UGX 889 billion) to support the establishment and operationalisation of KMRC. Similarly, the African Development Bank (AfDB) also approved a sovereign loan of US\$ 100 million (equivalent to about UGX 355 billion) to support the company's lending operations.

Achievements:

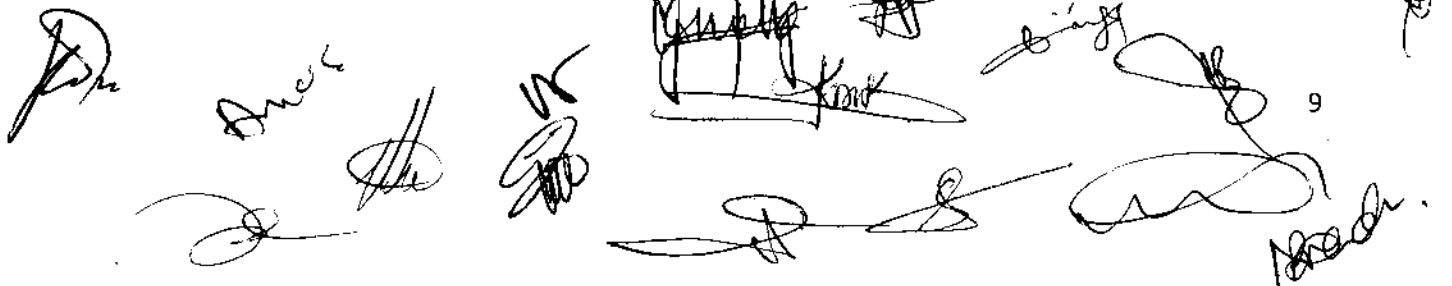
- Increased liquidity to primary mortgage lenders
- Increased mortgage uptake in the country (3,855 refinanced mortgages as of December 2024 from 3,128 in 2023)
- Promoted financial sector inclusion by standardising mortgage origination practices for participating SACCOs in 2021
- Number of beneficiaries provided with housing as at 31st December 2023 was 12,512.
- Improved standards of living, promoting home ownership in Kenya and has strengthened mortgage market infrastructure.

6.2 TANZANIA

Regulation: The Banking and Financial Institutions (Mortgage Refinance Companies) Regulations, 2022. The regulations provide for; powers of the Bank of Tanzania in regard to mortgage refinancing, licensing of mortgage refinance institutions, credit extension, qualified collateral, capital adequacy requirements, permissible investments, liquidity requirements, corporate governance requirements, internal and external auditors requirements and reporting requirements.

Legal Status: TMRC was established in 2010 as a limited liability company and commenced operations in November 2011. TMRC is a licensed non-deposit taking institution that is licensed by the Bank of Tanzania.

Ownership: TMRC is owned by banks, non-bank institutions and development finance institutions with the sole purpose of supporting banks to do mortgage lending by refinancing and pre-financing banks' mortgage portfolios. TMRC neither take deposits nor lend directly to individuals. TMRC refinances mortgage loan portfolios rather than individuals' mortgage loans and caters for banks and other PMLs rather than individual borrowers.



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Mandate: TMRC has the objective of supporting financial institutions to do mortgage lending by refinancing Primary Mortgage Lenders' (PMLs') mortgage portfolios (wholesale or secondary market lending). TMRC neither take deposits nor lend directly to individuals. TMRC refinance mortgage loan portfolios rather than individuals mortgage loans and cater to banks and other PMLs rather than individual borrowers.

Lending rate: The interest rate is fixed at 7.5% for member banks and at 8.5% for non-member banks.

Sources of financing: A \$100 million IDA credit to the Government of Tanzania was implemented by the Bank of Tanzania in strong partnerships with the Ministry of Finance and Planning, and the Ministry of Lands, Housing and Human Settlements Development. TMRC, the wholesale mortgage finance company created under the project, played the critical role in developing the mortgage market in Tanzania along with their shareholders (banks) and other partners.

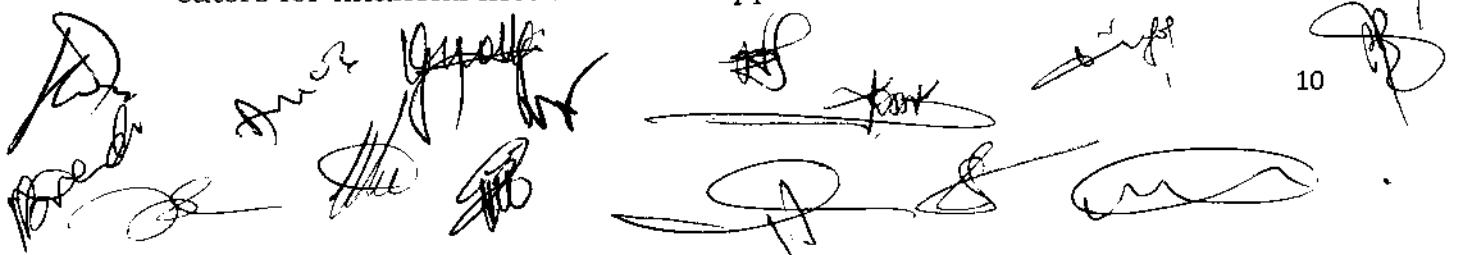
Achievements of TMRC:

- The number of mortgage lenders in the market increasing from 3 in 2009 to 31 by 31st December 2024 and the average mortgage interest rate falling from an average of 22 percent to average of 16 percent.
- During the project period (2010 – 2019), 5,000 mortgages and 2,000 housing micro-finance loans were provided. Nearly 34 percent of the beneficiaries were women (including joint ownership).
- The expanding market (along with favorable macroeconomic developments) has brought down interest rates from above 21 percent to 15 percent per year.
- Mortgage tenors have increased from a maximum of 10–15 years to 25–30 years and longer duration fixed-rate loans are now available.

6.3 NIGERIA

Regulation: Regulatory and Supervisory Framework for the Operations of a Mortgage Refinance Company (MRC)

Legal Status: The Nigeria Mortgage Refinance Company (NMRC) is a Public Private Partnership arrangement between the Federal Government of Nigeria and the private sector. NMRC is a wholesale second-tier financial institution which refinances portfolios of mortgage & commercial banks rather than originating individual mortgages which caters for financial institutions as opposed to individual borrowers.



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It is being implemented as a component of the Nigeria Housing Finance Programme initiated by the Federal Ministry of Finance, the Central Bank of Nigeria (CBN), Federal Ministry of Lands, Housing & Urban Development (FMLHUD) and the World Bank/IFC. The Nigeria Housing Programme seeks to address the key barrier to developing accessible and affordable housing in Nigeria.

Ownership: NMRC has 26 investors with the Ministry of Finance Incorporated (MoFI) and the Nigerian Sovereign Investment Authority (NSIA) holding 15.68% and 20.91% respectively. Five (5) commercial banks and nineteen (19) Primary Mortgage Banks (PMBs) represent 11.11% and 52.30% respectively of the paid-up shares of NMRC.

Mandate: The key role of NMRC is mortgage refinancing. This is done by raising long-term funds from the capital market to refinance conforming mortgage portfolios of mortgage and commercial banks in Nigeria.

Through mortgage refinancing, Nigerians will attain affordable housing through loans accessed from mortgage and commercial banks.

Lending rate: 9.5% to primary mortgage lenders.

Sources of financing: NMRC has so far managed to secure a USD 250 million loan (equivalent to about UGX 889 billion) from the World Bank. In July 2015, NMRC issued a 15-year bond backed by an unconditional Federal Government of Nigeria guarantee. In June 2018, NMRC again raised 11 billion Naira (equivalent to about UGX 25 billion) from the capital market bond issue. These funds have been deployed to the refinancing of the mortgage portfolio of NMRC member Primary Mortgage Banks (PMBs).

Achievements of NMRC:

- NMRC was the first mortgage refinance facility in Africa to issue bonds to finance its refinancing operations.
- NMRC's existence extended the repayment period for mortgage loans for as long as 20 years.
- NMRC's Housing Market System is Nigeria's first mortgage management technology infrastructure which enables the seamless integration of all stakeholders in the housing finance ecosystem, their business systems and processes.
- NMRC has also created a block-chain powered registry system which provides a single source of truth of ownership status to guarantee title authenticity and reliable online title verification.
- NMRC has developed and institutionalised the Uniform Underwriting Standards (UUS). This has widened the net of

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potential borrowers, enhanced financial inclusion and promoted uniformity, efficiency and mitigation of mortgage financing risk.

6.4 MALAYSIA

Regulation: Cagamas Berhad (Cagamas), the National Mortgage Corporation of Malaysia was established in 1986 to promote the broader spread of home ownership and growth of the secondary mortgage market in Malaysia.

Legal Status: Public-Private partnership.

Ownership: It is 20% owned by Bank Negara Malaysia (BNM) and 80% by commercial and investment banks.

Mandate: The major role of Cagamas is to support the national agenda of increasing home ownership and promoting the development of Malaysia's capital markets development and promotion of Islamic finance within Malaysia.

Lending rate: No single lending rate

Sources of financing: Cagamas issues corporate bonds and sukuk to finance the purchase of housing loans and receivables from financial institutions, selected corporations and the public sector. The provision of liquidity at a reasonable cost to the primary lenders of housing loans encourages further financing of houses at an affordable cost.

Cagamas issued and Paid-up Capital of 150 million ordinary shares of RM1 each.

Achievements of Cagamas:

- On average the available loan terms were extended up to 35 years from the 15-20 years prior to Cagamas entering the industry.
- Cagamas spearheaded the establishment of the capital markets for corporate bonds in the country.
- Cagamas is well-known for the world's first Sukuk transactions.
- Since 2014, Cagamas has established US\$5 billion Conventional and Sukuk Multicurrency Medium Term Note Programmes (EMTN and IMTN18) to tap into international markets by offering multicurrency issuance over a range of tenors.

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7.0 LIMITATIONS OF THE COMMITTEE WHILE PROCESSING THE

The Committee encountered the following limitations while processing the Mortgage Refinance Institutions Bill:

Failure to undertake benchmarking studies in the region

As stated earlier, Uganda is one of the few countries in the region which do not have a law on mortgage refinancing. Other countries like Rwanda, Kenya and Tanzania have legal frameworks on mortgage refinance business. Owing to the fact that the Bill will culminate into a new law; the Committee needed to carry out study tours to other countries so as to legislate from a more informed point of view.

Failure to undertake Regulatory Impact Assessments prior to drafting of the Bill

The Committee noted that a Regulatory Impact Assessment (RIA) was not conducted for the Bill. The Committee requested the MoFPED to provide reasons as to why the RIA was not carried out and the response received was that the Bill was urgent.

Inadequate Certificate of Financial Implications (CFI)

The Certificate of Financial Implications provided for the Bill was general in nature and did not indicate details of any financial estimates that will be incurred as a result of implementing the Bill or show the impact of the Bill on the economy clearly and precisely.

8.0 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

8.1 Attorney General Waiver of Cabinet approval

The Committee was informed by the Ministry of Finance that the Attorney General granted a waiver under Section (Q-B), paragraph 2(c) of the Uganda Public Service Standing Orders, 2021 for the requirement for Cabinet approval of principles for drafting of the Mortgage Refinance Institutions Bill, 2025. This was confirmed by the Attorney General when he appeared before the Committee. The principles of the Bill were therefore, not referred to Cabinet for approval.

The MoFPED informed the Committee that given the urgency of the Bill at the time, the Attorney General granted a waiver for Cabinet approval of the principles for drafting of the Bill.

The Attorney General during a meeting with the Committee presented a letter dated 18th March, 2024 addressed to the Deputy Head of Public Service/Deputy Secretary to Cabinet. The letter indicated his approval of the drafting of the Bill without prior reference to Cabinet for approval of the

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principles for drafting of the Bill. The letter also indicated the special circumstances as the urgent need to provide for licensing of MRIs to carry out mortgage refinance business for purposes of refinancing or pre-financing of portfolios of mortgages to enable primary mortgage lenders access long-term funding and be able to offer mortgages at lower interest rates.

The Committee observed that Section (Q-B), paragraph 2(c) of the Uganda Public Service Standing Orders, 2021 provides that the approval of the drafting of legislation without prior reference to Cabinet should only be given in special circumstances.

The Committee further observed that the MoFPED and the Attorney General did not provide an elaborate explanation of the urgency that warranted drafting of the legislation without prior approval of Cabinet.

The Committee recommends that MoFPED and other ministries should plan legislation ahead of time to ensure that the duly approved procedure before a Bill is tabled in Parliament is followed.

8.2 Absence of Regulatory Impact Assessment (RIA)

The Committee noted that a Regulatory Impact Assessment (RIA) was not conducted for the MRI Bill. The Committee requested the MoFPED to provide reasons as to why the RIA was not carried out. In response to the enquiry, MoFPED cited the urgency of the Bill then. The Committee noted that the letter granting a waiver of Cabinet approval of the principles for drafting of the Bill was dated 18th March, 2024 and received by Bank of Uganda on 20th March, 2024. The Bill was read for the First Time on the Floor of Parliament on 12th March, 2025.

The Committee observed that the need to provide for an RIA enables the Government to propose legislation guided by evidence, cost-benefit analysis and facilitates stakeholder consultations.

The Committee recommends that MoFPED should conduct a RIA for the Mortgage Refinance Institutions Bill, 2025 to guide scrutiny of the Bill by the Committee.

8.3 Provision for Islamic banking

Clause 2 provides that Islamic mortgage refinance business means mortgage refinance business conducted in accordance with shari-ah principles through an Islamic window. Clause 6 of the Bill provides for the licensing of an Islamic mortgage refinance business. An Islamic window is defined under the Bill to mean the part of a mortgage refinance institution which conducts Islamic mortgage refinance business/institution.

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The Committee observed that the Bill does not include fully-fledged Islamic mortgage refinance business/institutions. This was affirmed by Uganda Bankers Association.

The Committee inquired from MoFPED about the non-inclusion of fully-fledged Islamic MRIs. MoFPED informed the Committee that the Bill recognises the fact that some primary mortgage lenders may either be Islamic financial institutions or providers of shari-ah compliant mortgages as part of their portfolio. The Committee was concerned that maintenance of the provisions on Islamic finance as it is in the Bill would undermine the full operationalisation of a fully-fledged Islamic mortgage refinance business/institution.

The Committee recommends that a provision of a fully-fledged Islamic mortgage refinance institution/business should be included in the Bill.

8.4 Licensing of Mortgage Refinance Institutions

Suspension of licence

The Committee observed that Clause 10(3) of the Bill provides for revocation or suspension of a licence. The grounds for revocation are clearly spelt out under Clause 11, however, no grounds for suspension were indicated. In the interaction with the Committee, the sponsor of the Bill informed the Committee that the Bill did not intend to provide for suspension of licences of MRIs and the use of the word **suspended** was in error. The MoFPED explained to the Committee that given the sensitivity of the financial sector, they only intended to revoke licences as opposed to suspension.

Recommendation

The Committee recommends that the provision be amended to only provide for revocation.

Revocation of licence

Clause 11(2)(f) of the Bill provides that the central bank may revoke the licence of a mortgage refinance business within twelve months from the date of issue of the licence if satisfied that the licensee obtained the licence through unlawful means.

The Committee observed that the use of the word “unlawful means” is ambiguous. The clause should specifically provide for fraud and misrepresentation as some of the actions which it is intended to represent.

Recommendation

The Committee recommends that the provision should specify that the words “unlawful means” include fraud and misrepresentation.

8.5 Minimum Capital

Clause 14 of the Bill provides for minimum capital for a mortgage refinance institution. The minimum paid-up capital required for the establishment of a mortgage refinance institution shall be one million, seven hundred and fifty thousand currency points (equivalent to UGX 35 billion) invested initially in such liquid assets as the central bank may approve. The provision states that the minimum capital fund requirements for a mortgage refinance institution unimpaired by losses shall, at all times, not be less than the minimum paid-up capital prescribed in subsection (1). The provision also allows the central bank, by statutory instrument, to revise the minimum paid-up capital.

The Committee observed that the minimum paid up capital of UGX 35 billion compares well with other countries within the region - about UGX 27.7 billion, UGX 24.9 billion and UGX 41 billion for Kenya, Rwanda and Tanzania respectively.

Recommendation

The Committee recommends that the provision on minimum capital of one million, seven hundred and fifty thousand currency points be maintained as it is in the Bill.

8.6 Default on obligations to Mortgage Refinance Institutions

Clause 20 of the Bill provides that the collateral pledged by a primary mortgage lender to a mortgage refinance institution shall not be attached, assigned or transferred for purposes of satisfying any debt or claim.

The Committee interacted with the National Social Security Fund (NSSF) which also observed that the Bill does not provide for recovery of loans and default on loans by Primary Mortgage Lenders.

The Committee observes that there is no procedure outlined under this clause in the event of default by the Primary Mortgage Lenders. It cannot be expected that the Primary Mortgage Lender will never default on its obligations to the Mortgage Refinance Institutions.

Recommendation

The Committee recommends that a provision to remedy default by Primary Mortgage Lenders be included in the Bill.

8.7 Limit on shareholding in a Mortgage Refinance Institution

Clause 24 provides for a 25% limit on shareholding in an MRI. This limit applies to a person, body corporate controlled by one person, group of related persons or body corporate owned or controlled directly or indirectly

by a group of related persons. However, this limit shall not apply to the Government of Uganda, agency or parastatal of the Government of Uganda.

The Uganda Bankers Association informed the Committee that there is need to allow reputable institutions or strategic investors to hold beyond the 25% limit under this provision for the first 5 to 7 years subject to sunset clauses and central bank oversight.

The National Planning Authority also informed the Committee that Government should not be exempted from the 25% limit in order to catalyse private financiers. NPA further stated that there is need to provide for regulatory approval in the event of acquisition of a significant stake by an individual or institution.

The Committee observed that

- *The clause aims at preventing a single person or group from gaining undue influence or control from owning more than 25% stake and this will promote a more diversified and stable financial system.*
- *The provision does not provide for regulatory approval in the event of acquisition of a significant stake (for example 10% or more) by an individual or institution.*

The Committee recommends that the central bank should provide approval for an individual or institution to acquire more than 10% of the share capital of a MRI.

8.8 Cost of mortgages

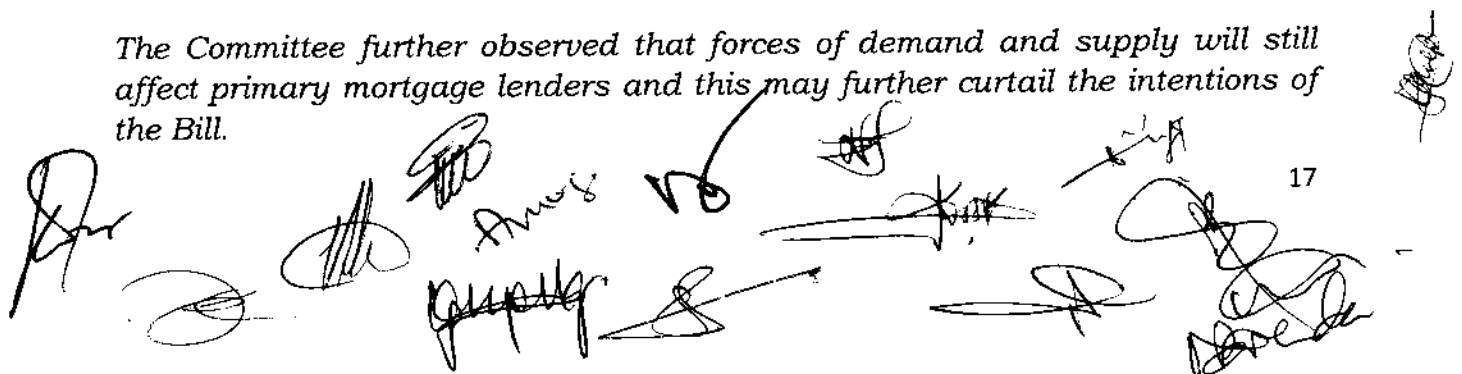
The MoFPED informed the Committee that the Mortgage Refinance Institutions Bill intends to address unfavourable mortgage terms, high default rate on repayment of mortgages by providing long-term funding to primary mortgage lenders in order for them to offer mortgages to the public at more affordable interest rates, manageable payment instalments and long-term payment durations.

The Committee was informed by NPA that there could be a possibility of the primary mortgage lender accessing favourable financing from MRIs and then channel it to expensive private capital or investment in Government paper and thereby leading to the limited growth in the mortgage sector.

The Committee observed that given that there is no direct relationship set out in the Bill between the MRI and persons with mortgage portfolios under the primary mortgage lenders; there is no guarantee that the intention of the Bill will be met.

The Committee further observed that forces of demand and supply will still affect primary mortgage lenders and this may further curtail the intentions of the Bill.

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Recommendation

The central bank in consultation with the Minister should cap interest rates on mortgages under the mortgage refinancing arrangement.

8.9 Affordable housing

The Committee was informed by MoFPED that the Bill will address the housing deficit in the country by providing financing for primary mortgage lenders which in the long term will have an effect of facilitating affordable housing in Uganda.

The Committee was informed by MoFPED that according to recent reports from the Ministry of Lands, Housing and Urban Development, the current housing deficit is 2.4 million housing units as at 2023, projected to reach 3 million units by 2030 if not addressed.

The Committee was informed by NPA that the Bill would benefit from more detailed provisions on consumer protection, affordable housing targets, market incentives and integration with broader housing frameworks.

The Committee observed that in the Sustainable Urbanisation and Housing Programme in NDP IV, Government prioritises well-planned and productive urban centres with affordable housing. The specific initiatives include:

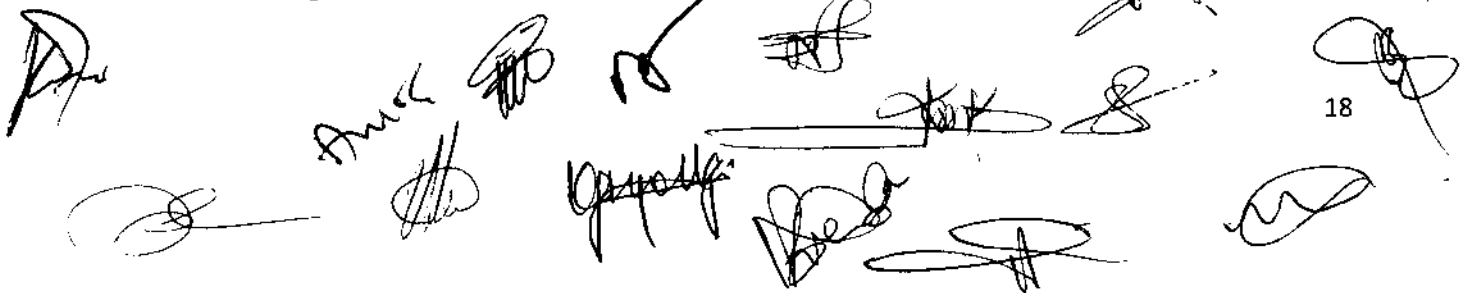
- Capitalising Housing Finance Bank and NH&CC by extending credit lines targeting mortgage funding to low-income earners;
- Fast-tracking establishment of a mortgage refinance facility;
- Increasing access to non-bank housing financing such as housing SACCOS, saving schemes and shelter micro-finance facilities;
- Developing and implementing slum upgrading programmes in urban areas through PPPs.

The Committee recommends that in order to attain affordable housing, the Government should expedite implementation of the measures under the Sustainable Urbanisation and Housing Programme (NDP IV).

9.0 CONCLUSION

The Mortgage Refinance Institutions Bill, 2025 will help solve the problem of loan mismatch where financial institutions use short-term deposits by customers to lend to mortgagors.

Rt. Hon. Speaker and Hon. Members, I beg to submit.



PROPOSED AMENDMENTS TO THE MORTGAGE REFINANCE INSTITUTIONS BILL, 2025

CLAUSE 2: INTERPRETATION

Clause 2 is amended—

(a) by substituting for the definition of the word “islamic mortgage refinance business”, the following—

“islamic mortgage refinance business” means mortgage refinance business conducted—

- (a) in accordance with shari’ah principles; or
- (b) through an islamic window;

(b) by inserting immediately after the definition of “mortgage”, the following—

“mortgage portfolio” means a collection or grouping of mortgages held by a primary mortgage lender each representing a loan made to a borrower to purchase or refinance a property and includes mortgages over land used for residential, commercial, industrial or agricultural purposes;

(c) in the definition of the word “mortgage refinance business” in paragraph (c), by inserting the words “for the purposes of mortgage refinance business” immediately after the words “financial instruments”;

(d) by inserting immediately after the definition of “mortgage refinance business”, the following—

“pre-financing” means the extension of credit by a mortgage refinance institution to a primary mortgage lender against qualifying collateral other than a mortgage portfolio to enable the primary mortgage lender to create a mortgage portfolio;

(e) by inserting immediately after the definition of “primary mortgage lender”, the following—

“re-financing” means the extension of credit by a mortgage refinance institution to a primary mortgage lender against a mortgage portfolio already created by the primary mortgage lender;

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Justification

1. To provide for the operation of a fully-fledged Islamic mortgage refinance business.
2. To provide a definition of the word “mortgage portfolio” as it is used in the bill severally but not defined.
3. To specify that the bonds, notes and other financial instruments are particularly for the purposes of mortgage refinance business.
4. The words “pre-financing” or “re-financing” as used in the definition of mortgage refinance business are technical terms and thus should be defined.

CLAUSE 3: OBJECTS OF ACT

Clause 3 is amended in paragraph (b), by deleting the words “through an islamic window.”

Justification

This is a consequential amendment since the definition of the word “islamic mortgage refinance business” has been defined to include a fully-fledged Islamic mortgage refinance business.

CLAUSE 6: ISLAMIC MORTGAGE REFINANCE BUSINESS

Clause 6 is amended in subclause (1) by deleting the words “through an islamic window.”

Justification

This is a consequential amendment since the definition of the word islamic mortgage refinance business has been defined to include a fully-fledged Islamic mortgage refinance business.

CLAUSE 10: GRANT OF LICENCE

Clause 10(3) is amended by deleting the words “or suspended”.

Justification

The Bill provides for grounds for revocation of licence but not the grounds for suspension of licence. Therefore, the word “suspended” was placed under this provision in error and should thus be deleted.

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CLAUSE 11: REVOCATION OF LICENCE

Clause 11 is amended—

- (a) in subclause (2)(c), by inserting immediately after the word “proceedings” the words “in accordance with the Insolvency Act”;
- (b) in subclause (2)(f), by inserting immediately after the words “unlawful means” the words “including fraud or misrepresentation”; and
- (c) by inserting immediately after subclause (2)(i), the following—
 - “(j) has conducted islamic mortgage refinance business in contravention of the shari’ah principles.

Justification

1. To provide clarity that the insolvency proceedings are as set out in the Insolvency Act Cap.108.
2. To specify that the word “unlawful means” as used under this provision includes fraud or misrepresentation.
3. To provide for revocation of licence where an MRI conducts islamic mortgage refinance business in contravention of the shari’ah principles.

CLAUSE 15: LIMIT ON INVESTMENTS

Clause 15 is amended—

- (a) in subclause (1)(b), by substituting for the word “and” the word “or”; and
- (b) by inserting immediately after subclause (1)(b), the following—
 - “(c) investments which comply with sharia’ah principles as approved by the central bank.”

Justification

1. The intention of the provision is for the mortgage refinance institution to invest in any of the investments but not in all the investments listed in the provision.
2. To provide for investments which comply with sharia’ah principles which were not provided for under the provision.

CLAUSE 17: PROHIBITED ACTIVITIES

Clause 17 is amended in subclause (1)(c), by inserting immediately after the words “central bank” the words “and in accordance with the Capital Markets Authority Act”.

Justification

The Capital Markets Authority was established under the Capital Markets Authority Act Cap. 64 to promote and facilitate the development of an orderly, fair and efficient capital markets industry in Uganda. As such, the mortgage refinance institutions should conform to the law on capital markets.

CLAUSE 18: LENDING TO PRIMARY MORTGAGE LENDERS

Clause 18 is amended—

- (a) in subclause (1), by deleting the word “credit accommodation or”; and
- (b) by substituting for subclause(3)(e), the following—
“(e) meets any other conditions set by the central bank and the underwriting standards set by the mortgage refinance institution under subsection (5).”

Justification

- 1. The word “credit accommodation” is used to define the word “credit facility” as such, the use of the word “credit facility” in the provision caters for the word “credit accommodation”.
- 2. To specify that the standards set by the mortgage refinance institution are the underwriting standards provided for under clause 4(2)(d) and clause 18(5) of the Bill.

CLAUSE 20: PROTECTION OF COLLATERAL PLEDGED TO MORTGAGE REFINANCE INSTITUTION

Clause 20 is amended by inserting immediately after subclause (3), the following—

“(4) Where a primary mortgage lender defaults on its obligations to a mortgage refinance institution, the mortgage refinance institution shall attach, assign or transfer the collateral pledged by the primary mortgage lender.

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(5) Subsection (4) shall apply where the collateral pledged is owned by the primary mortgage lender.

(6) The central bank shall prescribe, in regulations, the procedure for attachment, assignment or transfer under subsection(3).”

Justification

The Bill does not provide for the procedure of dealing with the collateral pledged where a primary mortgage lender defaults on its obligations.

CLAUSE 24: LIMIT ON SHAREHOLDING

Clause 24 is amended by inserting immediately after subclause (1), the following—

“(2) A person, body corporate controlled by one person, group of related persons or body corporate owned or controlled directly or indirectly by a group of related persons who intend to hold more than ten percent of the shares of a mortgage refinance institution, shall apply to the central bank for approval.

Justification

To require the approval of the central bank once a person intends to hold more than ten percent of the shares of a mortgage refinance institution.

CLAUSE 25: POWER OF CENTRAL BANK TO ISSUE DIRECTIVES

Clause 25 is amended by substituting for subclause 2(a)(ii), the following—

“(ii) to put a limit on the nature of the mortgage refinance business which a licenced mortgage refinance institution can offer;”

Justification

To provide clarity that a limit will be placed on the nature of the mortgage refinance business.

CLAUSE 27: CESSATION OF MORTGAGE REFINANCE BUSINESS

Clause 27 is amended by inserting immediately after subclause (1) the following—

“(2) A mortgage refinance institution which intends to cease to conduct mortgage refinance business or islamic mortgage refinance business shall, in writing, request for the approval of the central bank.

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Justification

To provide for the manner of request for approval of the central bank for cessation of mortgage refinance business by the mortgage refinance institution which was not provided for under clause 27.

CLAUSE 28: INSOLVENCY OF MORTGAGE REFINANCE INSTITUTION

Clause 28 is amended in subclause (2), by substituting for the words "its agent" the words "person appointed".

Justification

Clause 26(3) provides that the central bank may take over management of a mortgage refinance institution or appoint a person suitably qualified and competent and does not provide for an agent.

SCHEDULE 2: CRITERIA FOR DETERMINING WHETHER A PERSON IS A FIT AND PROPER PERSON TO MANAGE, CONTROL, BECOME A DIRECTOR OR SUBSTANTIAL SHEREHOLDER IN A MORTGAGE REFINANCE INSTITUTION

Delete Paragraph 1(d)

Justification

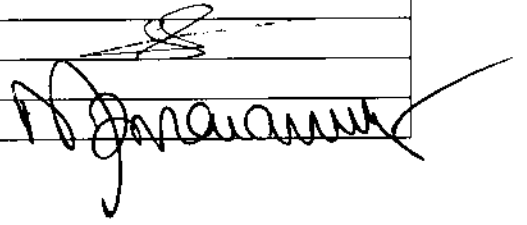
Mortgage Refinance Institutions are barred from taking deposits under Clause 17 (1) (a) as such, the provision is redundant.

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MEMBERS OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT.

S/N	NAME	SIGNATURE
1	HON. KANKUNDA AMOS K.	
2	HON. ALEPER MOSES	
3	HON. OGWAL MOSES GOLI	
4	HON. DR. KUGONZA EMELY	
5	HON. BATARINGANYA BASIL	
6	HON. TAYEBWA HERBERT	
7	HON. KYOOMA XAVCIER AKAMPURIRA	
8	HON. NANGOLI GERALD	
9	HON. WAMAKUYU IGNATIUS MUDIMI	
10	HON. ATIMA JACKSON LEE	
11	HON. KAMBALE FERIGO	
12	HON. OCHAI MAXIMUS	
13	HON. WANDA RICHARD	
14	HON. OKOT JOHN AMOS	
15	HON. ASIIMWE .K. ENOSI	
16	HON. OPOLOT PATRICK ISIAGI	
17	HON. KATWESIGYE OLIVER KOYEKYENGA	
18	HON. KATESHUMBWA DICKSON	
19	HON. LUBEGA BASHIR SSEMPA	
20	HON. KINSHEBA PATIENCE NKUNDA	
21	HON. NAKUT FAITH LORU	
22	HON. MBABAZI JENEPHER KYOMUHENDO	
23	HON. OCHWA DAVID	
24	HON. DR. KEEFA KIWANUKA	
25	HON. AVUR JANE PACUTO	
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27	HON. NABUKEERA HANIFA	
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29	HON. NABAGABE KALULE FLAVIA	
30	HON. DR. AGNES ATIM APEA	
31	HON. NABUKENYA BRENDA	
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37	HON. OCAN PATRICK	
38	HON. ADEKE ANN EBAJU	
39	HON. MPINDI BUMALI	
40	HON. MASABA KARIM	
41	HON. ACIRO PASKA MENYA	
42	HON. OMARA PAUL	

A handwritten signature in black ink, appearing to be 'D. J. ...', is written over the right side of the table, specifically overlapping the empty cells in rows 40, 41, and 42.