



REPUBLIC OF KENYA

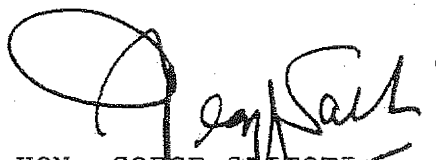
MINISTRY OF FINANCE

SESSIONAL PAPER NO. 1 of 1989

GOVERNMENT GUARANTEE OF A LOAN TO HOUSING FINANCE COMPANY OF KENYA FROM COMMONWEALTH DEVELOPMENT CORPORATION

1. In accordance with the provision of the guarantee (Loan) Act (Cap.461) the following information is laid before the National Assembly for consideration and approval.
2. The Housing Finance Company of Kenya Limited has a fully paid up capital of Kshs.20 million subscribed for equally by the two shareholders that is the Government of Kenya and the Commonwealth Development Corporation (CDC), with each one holding 50% of the shares.
3. Housing Finance Company of Kenya Limited started way back in 1965 as a Mortgage Company with the main objective of implementing and supplementing Government policy of promoting thrift and home ownership by providing savings and mortgage facilities to the Kenya public. The company has financed many housing projects among them the Woodley Estate, Ngei Estate, Burubur Phase I to V, and various other Estates in all towns across the country, e.g. Kisumu, Kakamega, Eldoret, Kericho, Nakuru, Thika and Mombasa to mention a few.
4. The Housing Finance Company of Kenya has secured a loan of Stg.5,000,000 (five million) equivalent to K£8,250,000 from the Commonwealth Development Corporation conditional on a Government guarantee. The loan bears an Interest rate of 8.5% per annum; 5 years Grace period, 10 years maturity period with repayments semi annually. The loan carries a commitment fee of 0.75% per annum based on the unwithdrawn balances. The current borrowing from CDC will be utilised to facilitate Mortgage financing at Koma Rock Housing Scheme (popularly known as Kayole Housing Estate) being developed by Kenya Building Limited a wholly owned subsidiary of Housing Finance Company of Kenya Limited.

5. The Government will enter into a Exchange Risk Assumption agreement with the Housing Finance Company of Kenya. The Housing Finance Company of Kenya will pay a fee to the Government of 2.50% per annum on the principal amount outstanding under the loan agreement on 30th June and 31st December in each year to fluctuation in foreign exchange rates. The rate at which such fee is payable may be adjusted with mutual agreement of the Government and HFCK with effect from the three years after the date on which the first advance under the loan agreement is made.
6. As at 31st December 1988, the Housing Finance Company of Kenya had outstanding foreign loans of Stg£.3,768,500 equivalent to Kshs.125,499,340 (at the ruling exchange rate).
7. The National Assembly is requested to approve the Government may guarantee a loan of Stg£.5,00,000 equivalent to K£8,250,000 from the Commonwealth Development Corporation to the Housing Finance Company of Kenya.
8. The current contingent liability of the Government in respect of Guarantee (loan) Act (other than those specified in the schedule to the act) amount K£718,930,113 and with the guarantee of (Stg£.5 million) equivalent to K£8,250,000 proposed in this Sessional paper, the aggregate amount will be increased to K£727,180,113 of which K£83,489,497 falls within paragraph (a) and K£643,790,516 within paragraph (b) of Section 3(3) of the Act.



HON. GORGE SAITOTI
MINISTER FOR FINANCE