



**USAID**  
FROM THE AMERICAN PEOPLE

**EGYPT**



**Knowledge, Attitudes and Behaviors of Cairo  
Flat/House Owners and Potential Owners:  
A Baseline Survey**

**Technical Report No. 10  
May 26, 2005**

**Prepared by: Eric Abbott  
In cooperation with: Public Awareness Team**

This publication was produced for review by the United States for International Development. It was prepared by consultants and/or subcontractors in collaboration with Chemonics International Inc.

**Contractor: Chemonics International Inc.  
Contract No: 263-C-00-05-00003-00**

## **DATA PAGE**

---

Activity Title and Number: Egypt Financial Services (EFS) Project  
Contract No. 263-C-00-05-00003-00

Task: Crosscutting Activity/Public Awareness and  
Communication  
Task 1: Mortgage  
Task 2: Registration  
Task 4: Credit Bureau

KRA: KRA 1.1.9: Create a MFA Consumer  
Protection and Outreach Function  
KRA 2.1.7: Assess Customer Attitudes to  
registration  
KRA 4.1.1: Assist the CBE in Consolidating  
its role as a Credit bureau Regulator and  
Licensor

Activity: Public Awareness and Communication

Author: Eric Abbott

Date: May 26, 2005

### List of Key Words Contained in Report:

Attitudinal Survey

Information Seeking Behavior

Registration

Mortgage

Credit Bureau

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## Table of Contents

Purpose .....	1
Survey Methodology .....	2
Characteristics of Owners.....	4
Characteristics of Potential Buyers .....	6
Attitudes about Flats as Residence and Investments .....	7
Registration: Knowledge, Attitudes and Behaviors .....	8
Mortgages: Knowledge, Attitudes and Behaviors .....	11
Forced Decision: Prefer Leasing, Cash, or Mortgage? .....	15
Credit Bureau Attitude.....	17
Information Seeking Behavior .....	18
Analysis of Differences Across A, B and C1 Classes .....	19
Table: Information-Seeking Behavior and Preferences for A, B, and C class respondents. ....	22
Conclusions .....	23

## **Purpose**

The purpose of the survey was two-fold: (1) To provide baseline information about flat/house ownership that can be compared to project progress later in the project; (2) To help project staff, the Mortgage Finance Authority, and other partners involved in the Egypt Financial Services project to understand current knowledge, attitudes and practices of flat/house owners and potential buyers.

Specific areas included in the survey:

- Characteristics of flat/house owners. Documents used to confirm ownership, method of purchase (cash, loan, mortgage, etc.), interest rate paid and period of time.
- Characteristics of potential home buyers, current leasing or housing arrangements, length of time in current status.
- Registration: knowledge, information seeking, attitudes and behaviors with respect to the process of registration.
- Mortgages: knowledge, information seeking, attitudes and behaviors with respect to the process of mortgages.
- Credit bureaus: attitudes toward credit bureaus.
- Information sources used for flat/house buying and consideration of mortgages, interpersonal (family/friends and experts) and mass media.

## Survey Methodology

The survey conceptual themes and questions were developed by members of the EFS communications team (Sahar Nazmy, Noha Samir, and Dalia Wahba) in cooperation with project director Allen Decker and project task leaders. AMRB Egypt was hired to administer the survey, and translated the questions into appropriate Arabic for the target audience. The original plan was to attempt to utilize a standard random block-selection approach to locate interviewees. However, experience quickly demonstrated that subjects of the appropriate categories would be very difficult to locate in this way. For this reason, an approach utilizing a series of shopping malls was used. Subjects were recruited at these malls, and then a series of filter questions were utilized to identify whether or not they fit the needed categories described below. A total of 9,500 individuals were approached during the April survey period. Most who were not utilized did not meet mandatory criteria. However, 473 individuals (4.9%) refused to participate in the interview because they said they could not discuss this subject for religious reasons. A total of 505 interviews were completed.

The survey includes two groups:

- 309 Potential House/Flat buyers ages 25-55 whose income is at least 1000 LE/month, and who say that they expect to buy a flat/house in the next 3 years.
- 196 Owners of flats/houses.

AMRB conducted this survey during April, 2005, using the specific age, income, and home-buying selection criteria. Those interviewed were comparatively young – 21% were age 25; 50% were under the age of 30. Owners tended to be somewhat older (only 36% were under the age of 30 while 60% of the potential buyers are under age 30). In terms of income, 62% have a monthly income in the 1000-1500 LE range. Incomes are shown below. (Owners' income is not higher than potential buyers):

1000-1500 LE /month	62%
1501-2000 LE/month	17
2001-4000 LE/month	14
4001-6000 LE/month	4
6001+ LE/month	3

Social class was determined not only by monthly income, but by a series of questions about types of employment, frequency of international travel, car ownership, club memberships, and appliance ownership. Roughly speaking, A class would include those in the top two income groups. B class would include those in the 1501-4000 groups. C1

class would be 1000-1500. Numbers in each class are shown below. (The numbers in each class are almost exactly the same for house/flat buyers and potential buyers)

A class	15%
B class	25%
C1 class	60%

Respondents in all three class groups are well-educated. Two-thirds of all respondents have at least a bachelor's degree, and another 6% have an advanced degree. 'A' class respondents were most likely to have an advanced degree. Educational attainment for each social grouping is shown below.

#### Educational Attainment

	A class	B class	C1 class
Less than secondary	2%	2%	5%
Secondary	0%	10%	35%
Bachelor's	79%	77%	59%
Advanced degree	19%	11%	1%

Respondents all tended to be in white-collar occupations. However, there are sharp differences across the three groups. 'A' class were much more frequently classified as directors and owners of large companies. 'B' class are mainly senior managers and professionals, and C1 class predominate for middle and junior management positions. Employment characteristics by social class are shown below.

#### Employment Characteristics by Social Class

	All	A class	B class	C1 class
Supervisory, clerical staff, employees in office, bank employees, lower grade civil servants.	12%	0%	2%	19%
Middle and junior manager, junior army officer, middle grade civil servants, owners of small shops, technicians, teachers, etc.	41%	13%	26%	55%
Senior manager, professionals, merchants, senior civil servants, senior army officers, owners of small companies, etc.	39%	62%	62%	23%
Director, chief executive officer, owners of large companies, highly placed government officials, etc.	7%	25%	8%	2%

## Characteristics of Owners

Three-fourths of the 196 owners bought their flats in the past 5 years – 14% within the past year and another 26% in the last 2-3 years. They mainly paid cash (45%) to buy the property. Another 30% used credit or facilities provided by a developer/owner. In response to this question, 9% said they financed their purchase with a mortgage. However, in a subsequent question focusing exclusively on mortgage behavior, only 5% said they had taken out a mortgage. The table below shows other methods used to buy their flats or houses. Only two of the owners surveyed own a house or villa, so the data reflect ownership of flats.

**Table: Method Used to Purchase Flat**

	All	A class	B class	C1 class
Cash	45%	52%	31%	42%
Credit facilities of developer or owner	30%	28%	29%	31%
Short term credit with interest from a bank, a finance company or an individual	14%	10%	16%	10%
Mortgage from a bank or finance company	9%	10%	11%	8%
Loan from father without interest	2%	0	2%	3%

Almost half of owners say they registered their flats (49%). [Note: respondent understanding of the term “registration” will be discussed later, but it should be pointed out here that when respondents use the term it usually does not refer to a registered contract with the government]; another 25% say they considered registration but didn’t. And the rest never considered it.

A total of 55% of A class owners paid cash for their flat, compared to 33% for B class and 44% for C1 class. Among all those who are paying for their flat over time, half made

### Down Payment Percentages for Owners Paying over Time (114 cases)

<u>% Paid</u>	<u>Percent of Respondents Paying This Percentage Down</u>
10%	8.8%
15	21.1
20	10.5
25	18.4
30	9.6
33	.9
35	.9
37	.9
38	1.8
40	8.8

45	1.8
50	18.4
60	4.4
80	1.8
90	.9

a down payment of 25% or less. Thirty percent made a down payment of 15% or less. Down payment percentages are shown below. A class tended to pay off their loans in fewer years (usually 2) than B or C1 class, which often went up to 5 years or more. Thirteen percent of those who paid over time said they were paying off in 20 years. Another 7% said 30 years, and 10% said 40 years.

### **Interest Rate**

(only for those reporting paying interest: N=72 cases)

<u>% interest</u>	<u>Percent of the 72 cases who are paying this rate</u>
2%	1.4%
3	2.8
5	15.3
6	18.1
7	20.8
8	12.5
9	1.4
10	13.9
15	4.2
16	1.4
20	5.6
50	1.4
60	1.4

## Characteristics of Potential Buyers

A total of 53% of potential buyers are currently leasing a flat; the rest are living with in-laws or in property that does not have a lease (father owns it, for example). A total of 18% of leasers began their lease this year, and another 12% began in the past 2-3 years. A total of 70% have leased for more than 3 years. Of those with a lease, 61% are leasing under “old contract” law, while 39% are under the “new contract law 4/96.”

Potential buyers were asked if they considered whether it would be best to buy or lease before making their decision to lease. Those who said they did consider the options were asked why they chose leasing. Open-ended answers from the 85 persons who said they did consider it are summarized below. Responses indicate that a lack of cash and a lack of opportunities to buy were the two major constraints that led to selection of leasing. This is a strong indication that they might be receptive to approaches that allow them to buy a flat without the direct expenditure of a large amount of cash.

<u>Number</u>	<u>Response</u>
49	Lack of cash
25	Few opportunities to buy/poor availability of flats
6	Leasing had lower cost
5	Leasing was more available
2	I might move to another area soon
1	I wanted to get married quickly
1	Utilities were provided with my lease

## Attitudes about Flats as Residence and Investments

Five questions were shown to all 505 respondents, who then selected an answer from 1-10, with 1 being “strongly disagree” and a 10 being “strongly agree.” Mean scores, medians, and standard deviations are shown.

- An apartment or house is a permanent residence for me and possibly my children that I would have for many years. Mean: 8.38; Median: 9.0; SD: 2.3 – strong agreement.
- An apartment or house is an investment, something I would do because it would increase in value over time. Mean: 7.48; Median: 8.0; SD: 2.6 – fairly strong agreement.
- Owning an apartment or house is a way of building equity that I could then use to invest in other businesses or activities. Mean: 6.62; Median: 8.0; SD: 2.8 – some uncertainty and disagreement about this item.
- It is very important not to take any financial risks with your permanent residence where you live. Mean: 8.75; Median: 10; SD: 1.9 – Very strong agreement indicating strong risk aversion.
- In general, when buying a flat or house, it is best to start with a small one, and then sell it to get money for a larger one. Mean: 6.72; Median: 7.0; SD: 2.7 – some uncertainty about this.

These attitude item results indicate that respondents think very much in terms of a permanent residence that they would have for many years. There is less focus on the house as an investment, although there is support for this idea. Risk aversion is very strong. (Surprisingly, risk aversion is strongest among A class respondents)

## Registration: Knowledge, Attitudes and Behaviors

This section began with an open-ended question: “What does the term **registration** of real estate property mean to you? Respondents were asked to give the answer in their own words. Based upon their responses, 39 categories of answers were given, and these were further collapsed into three main groupings. A total of 15% said outright that they had no idea what registration was and could not answer the question. The remainder provided at least some answer. The three groupings are:

- Registration is a process to prove ownership in a flat or house. A total of 150, or 30% of respondents, mentioned this. (Examples: “To prove my right in the real estate registration,” “governmental documents to prove that the flat is owned by me only,” “to prove ownership by the flat owner,” “to confirm ownership of the person of the real estate”).
- Registration is a process to guarantee my right/ownership in a flat or house. A total of 134 respondents, or 27%, mentioned this. (Examples: “to guarantee my right/ownership of the building,” “a guarantee of my right in case of dispute,” “to guarantee the housing unit.”). The emphasis here is on the guarantee provided by registration.
- Registration is a process by which one registers one’s ownership. Some respondents explicitly mentioned government registration. A total of 148 respondents (29%) mentioned the term “register” in combination with property and rights. (Examples: “I have a contract and I will go to register it in the court or in the real estate,” “to register it in the court,” “a person purchases a flat and then registers it.”).

These responses indicate that the majority knew that it was something one would do that would guarantee or confirm ownership. It seems that respondents are familiar with the concept of getting some document that confirms ownership, but they may tend to confuse official government registration with other confirmation procedures.

For example, owners of a flat/house were asked, “What documents confirmed your purchase?” Their answers below usually did not involve an official government office visit to register their property officially. To respondents, “registration” is a special process that guarantees their rights, but they often say it is done through a bank or with a contract, suggesting that they are thinking of some other official act than the process of governmental registration in the formal sense. For example, almost half of those who said they “registered” their property in another question said their document proving ownership below was “a contract from the real estate office” or “a flat ownership contract.”

### **“What documents confirmed your purchase?”**

The 196 current owners were asked what documents confirmed their purchase.

- For 124, or 63%, the document mentioned was “primary contract,” “contract from real estate office,” “a flat ownership contract,” or some similar version using the word “contract.”
- A total of 43, or 22%, used the term “registration” to confirm their purchase. However, they used the term in three different ways. Official registration involves a government act, while some of these explanations suggest something else.
  - 33 referred to a “registered contract,” implying that some official process had occurred to ensure that the contract would be valid. All 33 of these individuals also confirmed later that they registered their property.
  - 8 referred to a contract from the bank that was officially registered. Only 3 of these individuals later confirmed that they registered their property.
  - 2 referred to “a registered contract with the government.” Only 1 of these individuals later confirmed that the property had been registered.
- Letter of allocation from a bank;
- New city contract
- A tripartite contract
- Electricity payment receipts.

Respondents were generally positive about the concept of registration – the idea of taking an official act to guarantee one’s rights to the flat or house. They tend to support the idea of registering their flat or house – in fact, 66% said they “would definitely register” a flat or house they would buy in the future.

Only 30% said they had heard or read anything about registration in the last 12 months. Of those who did read or hear something, 22% said they paid close attention, and another 19% said they carefully considered whether or not registration would be a good idea. Open-ended responses of current owners show that although half of them said they “registered” their flat/house, only 18% specifically mentioned registration when asked “What documents confirmed your purchase?” Most mentioned a contract. A series of attitudinal items about registration were asked of all respondents. Results indicate strong support for the idea that confirming ownership is important. Respondents saw each item, and then selected a score of 1-10, where 1 means “strongly disagree” and 10 means “strongly agree.”

- Registration is a process that would give me the clearest possible title to my real estate property. Mean: 9.09; Median: 10; SD: 1.0 – very strong agreement with this item

- Registration is the modern way to protect rights to my real estate property. Mean: 8.52; Median: 9.0; SD: 1.7.
- Registration of property is too expensive. Mean: 6.67; Median: 7; SD: 2.7 – Disagreement on this item, with answers scattered along the spectrum.
- Registration of real estate is a complicated process that takes a long time. Mean: 6.59; Median: 7; SD: 2.8 – Disagreement on this item, with answers also scattered along the spectrum.
- Registration of real estate property would make it easy to sell it in the future. Mean: 9.12; Median: 10; SD: 1.3. Very strong agreement with this item.
- Registration of real estate property would help me protect my rights in the event of a dispute: Mean: 9.24; Median: 10; SD: 1.8. Very strong agreement with this item.

## Mortgages: Knowledge, Attitudes and Behaviors

Respondents were less familiar with this concept than with registration. In an open-ended item asking them what the word “mortgage” meant to them, 117, or 23%, had no idea and could not provide any answer. Some others provided incorrect answers. However, the majority knew that in general (1) this involves going to a bank; (2) involves paying installments; (3) involves interest. A total of 80 different answers to the open-ended questions were coded. A summary of grouped items is presented below:

### Summary of Open-Ended Responses to Question, “What is a mortgage?”

Number	%	Definition
262	52	A <u>loan</u> , and often a loan with interest or a charge. (Examples: “loan with interest,” “loan with property as collateral,” “loan with a charge,” etc.)
128	25	Something you get from a <u>bank</u> . (Examples: “People go to own a flat through a bank,” “a loan from the bank,” “The bank is a party to the guarantee,” etc.)
120	24	Paying via <u>installments</u> . (Examples: “Payment on installments with interest,” “to pay money in installments,” “to take a flat and pay in installments over more than 1 yr.”)
48	10	<u>Down payment</u> small, and rest later. (Examples: “if I want to buy an expensive flat I pay only a portion,” “I pay a flat down payment,” “When you want to buy and lack financial liquidity).
22	4	To <u>finance</u> buying a flat.
117	23%	I HAVE NO IDEA WHAT A MORTGAGE IS: CAN’T ANSWER QUESTION.

A total of 15% said they knew someone who had taken out a mortgage. However, there is strong resistance to taking out a mortgage for most respondents. Potential flat/house buyers were asked, “Let’s consider your primary residence where you actually live. Would you consider buying this place by taking out a mortgage?” A total of 20% said yes; the rest said no. Current owners were asked if they would consider buying a second house or flat; 43% said yes. Those who said yes were then asked if they would consider taking out a mortgage to buy this second property. A total of 42% said they would. All respondents were asked “How confident are you that sometime in the next five years you will buy or take out a mortgage on a flat or house?” (A scale of 1-10 was used). A total of 20% selected a ‘10’ indicating they were very sure they would use a mortgage. Another 10% gave a ‘9’, the second-highest rating. However, 20% gave the lowest possible rating, a ‘1’, indicating there was no chance that they would use a mortgage in the next 5 years.

About half of the respondents said they had heard or read anything about mortgages in the past 12 months. Of those who said they had heard or read something, 10% said they “paid no attention to it,” 56% said they “glanced at it,” 25% said they paid close attention, and 9% said they paid close attention and carefully considered whether or not a mortgage would be good for them.

There were five questions designed to test knowledge about mortgages. Results indicate low levels of knowledge about details concerning mortgages at the present time. For example, 98% believe that it is NOT possible to take out more than one mortgage on a property (in fact, it is possible). Only 12% knew that the maximum amount of the mortgage could be 90% of the value of the flat (most thought it was about 50%). Only 10% knew that 40% of one's monthly household salary was the limit in terms of monthly mortgage payments. On the other hand, 55% knew that if you don't make your mortgage payments, you could lose your flat. And 97% knew that you cannot get a mortgage without officially registering your property.

Several attitude items were used to try to better understand how respondents feel about mortgages. They rated each item on a 1-10 scale, where a '1' indicates strong disagreement and a '10' indicates strong agreement.

- Most parents would not approve of a marriage of their daughter to a man who has a mortgage on the flat or house they will live in. Mean: 4.39; Median: 3; SD: 3.2. Results indicate that most people disagree with this, but 20% agree strongly.
- Some people use a mortgage to buy the biggest house they can, in hopes that the value of the house will increase substantially over time, permitting them to eventually sell the house and pay back the mortgage with the profit from the house. Would you agree or disagree that this is a wise thing to do? Mean: 5.94; Median: 6; SD:2.5. About 20% disagree with this idea. Results are mixed.
- A mortgage would enable me to buy a much larger apartment or house than I otherwise could with my current income. Mean: 8.29; Median: 9; SD:1.8. The great majority of respondents agree strongly with this.
- It is very important to me not to have a lot of debt over a long time. Mean: 8.92; Median: 10; SD:1.4. This is very strongly held by most respondents.
- Traditional ways of doing things are changing, and new ideas such buying a house by taking out a mortgage are becoming more accepted here in Egypt. Mean: 7.67; Median: 8; SD:1.6. There is strong agreement with this item.

After answering the basic questions about mortgages, respondents were given a sheet of paper listing 19 possible "questions you might take into account when deciding whether or not you would take out a mortgage." They were asked to select the three questions that would be most important to them from the list. Thirty respondents, 6%, said they had no idea what might be important and could not answer the question. A summary of the first, second and third rankings is shown in the table below. Results indicate that finding an acceptable interest rate is by far the most important question, followed by how many years it would take to pay off the mortgage, and what the monthly installment payment would be. Twenty-six percent were concerned about taking on long-term debt. Another 22% indicated that they were concerned about whether or not taking out a mortgage would be acceptable to their religion. One other common concern was about whether or

not their job would be secure enough to ensure that the monthly payments could be made over time.

### Ranking of Important Questions Concerning Mortgages

	1 <sup>st</sup> Rank	2 <sup>nd</sup> Rank	3 <sup>rd</sup> Rank	Total	%
Would the interest rate on the mortgage be low enough to be acceptable to me?	157	77	59	293	58
Could I afford the monthly installment payment I would need to make?	62	58	59	179	35
How many years could I use to pay back my mortgage?	57	66	53	176	35
Am I personally willing to take on long term debt?	41	52	36	129	26
Would taking out a mortgage be acceptable by my religion?	49	39	23	111	22
Is my job or income secure enough to ensure that I could make my mortgage payments over time?	23	26	44	93	18
Could I get the house I want officially registered so I could qualify for a mortgage?	7	26	22	55	11
Would my wife or members of her family approve of a mortgage?	11	24	10	45	9
Would this be a wise financial investment for me?	4	19	18	41	8
Could my mortgage paperwork be completed in a short time without a lot of delays?	7	15	15	37	7
Do I expect the value of my flat/house would increase over time?	10	13	12	35	7
Would members of my own extended family approve of a mortgage?	9	9	16	34	7
Would a mortgage enable me to buy the higher quality flat/house that I want?	0	7	22	29	6
What will happen to the Egyptian economy over the mortgage period?	5	7	17	29	6
Could I find a lender who is willing to give me the mortgage?	7	9	12	28	6
Could I get a mortgage without paying a sales tax?	4	5	17	26	5
Would there need to be a credit investigation of me, and if so, how would I do?	3	6	15	24	5
I KNOW I WOULD NEVER TAKE OUT A MORTGAGE	4			4	1
I HAVE NO IDEA. I CANNOT ANSWER THIS.	30			30	6

### Risk Aversion

Respondents say that it is very important not to take on long-term debt. This suggests an aversion to perceived risk. To better understand their feelings about risk, respondents were asked “In general, how willing are you to take economic risks?” They answered on a 1-10 scale, with 1 being “not willing at all” and 10 being “very willing.” Seven percent selected a ‘10’, and 60% were between 6 and 10. This indicates some willingness to take risk. On the other hand, 14% selected a ‘1’ indicating a strong aversion to risk.

## Forced Decision: Prefer Leasing, Cash, or Mortgage?

After going through the survey, respondents were asked: “When you compare leasing, buying outright, or buying with a mortgage, which of these methods seems best to you?”

Leasing	4%
Buying outright	67%
Mortgage	29%

Respondents were then asked to explain why they selected the choice they did. This was an open-ended item, so there was a wide range of responses. The most common ones are summarized below.

### For the 20 Respondents Who Selected LEASING

<u>Number</u>	<u>Reason</u>
6	To save money for other things, less costly
5	Lack of cash for the full payment; to pay a simple amount of money
3	The “new” rent is better
2	Interest rates are too high
2	I can buy at any time
2	Leases are easier to arrange and faster
1	Old lease; no rent

### For the 339 Respondents Who Selected BUYING OUTRIGHT

<u>Number</u>	<u>Reason</u>
142	Paying cash is better than having debt
41	Paying cash avoids trouble with banks, foreclosure and interest payments
34	Cash allows me to own the flat outright
33	Saves money; don’t have to pay interest
29	Cash guarantees my rights to the property
18	We can afford to pay cash
17	There are no installments to pay
11	Paying cash is <u>safe</u>
7	Avoids worry about my personal financial situation, and future economic uncertainties.
4	Paying cash forces me to live within my means
3	Interest rates are too high
1	By paying cash, I can modify flat anyway I want because I own it.

For the 146 Respondents Who Selected BUYING WITH MORTGAGE

<u>Number</u>	<u>Response</u>
52	Facilitates purchase; I can buy now and pay with installments
49	I don't have the cash to buy outright right now
18	I can purchase a good flat with a mortgage
18	Mortgage allows me to own the flat outright
13	A mortgage lets me save some money or invest in other things
12	Facilities (terms) are suitable for me
9	More comfortable, easier and faster
6	Only a small down payment is needed
6	Avoids having to pay the entire amount in a few installments
3	Mortgage helps young people buy a flat
3	The bank buys the flat
2	Allows payments over a long period
2	Simplifies payment; you pay each month

## Credit Bureau Attitude

Because very few Egyptians would understand the concept of a credit bureau right now, all respondents were read the following definition: “In many countries, before a mortgage is granted to someone to buy an apartment or house, a credit bureau checks their credit-worthiness by examining how they paid off past debts and how much debt they have. Those who have good credit ratings are more likely to be approved for a mortgage, have a mortgage that is larger in value, and a lower interest rate.”

After reading the definition, respondents were asked two questions:

1. Based upon this information, how would you feel about the establishment of a credit bureau in Egypt?

Strongly in favor	67%
Somewhat in favor	25%
Neither favor nor oppose	3%
Somewhat opposed	4%
Strongly opposed	2%

2. Would you be in favor of a credit bureau investigating your own personal finances if the result might be a greater chance for qualifying for a mortgage or one with a lower interest rate?

Strongly in favor	61%
Somewhat in favor	25%
Neither favor nor oppose	4%
Somewhat opposed	4%
Strongly opposed	6%

These results suggest that Egyptian potential buyers would be very positive about the creation of a credit bureau and an evaluation of their own personal finances if it would result in approval of a mortgage or lower interest rate for them.

## Information Seeking Behavior

Detailed questions at the end of the survey asked respondents to indicate if they have talked with anyone or used mass media in the last 12 months to learn about buying a flat or house, or taking out a mortgage. Multiple answers were permitted. Next, for both buying and mortgages, they were asked which of the sources they prefer to receive information from. Results indicate that the wife and family, other relatives and friends dominate current information-seeking about buying a flat or house. Newspapers dominate mass media sources in terms of actual use. A total of 29% of respondents said they did not talk to anyone during the last 12 months about buying a flat, and 20% said they didn't seek any information from the mass media in the past 12 months. For mortgage information seeking, the pattern was the same, except that 68% said they had not talked with anyone about getting a mortgage, and 50% said they had not seen anything in the mass media about this topic. In terms of what information sources they would prefer to receive information from, family, relatives, and friends continued to dominate for information about buying. Sellers or leasers, and lawyers also were mentioned by some as preferred sources. In terms of mass media, TV and newspapers were the top two preferred sources. For mortgage information, friends and bankers both were mentioned as preferred sources by about one-third of respondents. Wife and family, other relatives, and lawyers were also mentioned as preferred sources. In the area of mass media, TV was the most preferred as a potential source with 54%, followed by newspapers with 35%. Potential buyers and current owners did not differ very much in their answers to these questions.

**Information Seeking and Information Source Preferences**

Information Source	Buying		Mortgage	
	Actual %	Prefer %	Actual %	Prefer %
Wife and family	26	26	4	18
Other relatives	19	20	11	18
Friends	45	46	20	33
Seller or leaser	3	10	1	3
Banker or lender	1	4	2	30
Business associates or guild	1	3	1	7
Lawyer	2	13	1	14
Other	1	-	-	-
<b>Talked with NO ONE</b>	29	-	68	-
TV programs	25	40	22	52
Radio programs	9	11	5	5
Newspapers	54	45	27	37
Printed publications/newsletters	12	9	3	7

Advertisements	15	16	4	14
Other	1	-	1	-
<b>Used NO MASS MEDIA</b>	20	-	50	-

## Analysis of Differences Across A, B and C1 Classes

In terms of preference for leasing, buying with cash, or taking out a mortgage, C1 class respondents are most likely to select “mortgage,” probably because they know they will lack the cash to buy outright. B class are most likely (more than A class) to prefer buying with cash. This shows that they would like to emulate the A class in this respect.

**Table showing preference for leasing, buying with cash, or buying with mortgage for A, B, and C1 classes. Table shows PERCENTAGES selecting each response.**

Preference	A class	B class	C1 class
<b>Leasing</b>	8%	4%	3%
<b>Buy with cash</b>	65%	72%	66%
<b>Take out mortgage</b>	27%	24%	31%

However, when asked, “How confident are you that some time in the next 5 years you will buy or take out a mortgage on a flat or house?” A and B class respondents are slightly more confident than C1 class that they will in fact take out a mortgage. It should be noted that 29% of A class respondents say they are sure they WON’T take out a mortgage, probably because they don’t need to. For B and C1 classes, only 19% say they are sure they won’t take out a mortgage. On the other hand, 35% of A, 34% of B, and 27% of C1 classes checked either the ‘9’ or ‘10’ on the scale, indicating they feel very confident that they will buy using a mortgage in the next 5 years.

Potential buyers were asked how willing they would be to take out a mortgage to buy their current flat. About 20% said they would be willing to do this. B class respondents were most willing (24%), while A and C class respondents were slightly less willing (17% and 19%). Owners of a flat were asked if they were interested in buying a second property. If they were, they were asked how willing they would be to take out a mortgage on their second property. In general, they were much more willing to take out a mortgage on a second property than the potential buyers were for a primary residence. Results showed that C1 class owners were most willing (55%) to take out a mortgage, compared to B class owners with 45% willing. Only 33% of A class owners said they would be willing to do this. Of course, they may be thinking that they have the alternative of paying in cash.

A class respondents are more likely than B or C1 class respondents to say that they have heard or seen something about mortgages in the past 12 months. A total of 58% of A

class said they have heard or read something in the past 12 months, compared to 50% for B class and 47% for C class. This should not be surprising since A class people tend to have access to more information sources. In terms of attention to information about mortgages that were seen, B class people said they paid closest attention, followed by C1 class and A class. A class people encounter the information more, but B class people perceive that it might be more relevant to them. (See table below).

**Table showing PERCENTAGES of A, B and C1 class respondents who heard or saw something about mortgages in the past 12 months, and then levels of attention to mortgage information by those who did see or hear about it.**

	A class	B class	C class
<b>Saw or Heard about Mortgages in 12 mo.</b>	58%	50%	47%
<b>LEVEL OF ATTENTION PAID</b>			
<b>Didn't read it or listen</b>	18%	5%	11%
<b>"Glanced at it" or paid some attention</b>	53%	49%	59%
<b>Paid careful attention</b>	18%	<b>29%</b>	25%
<b>Paid careful attention and considered it carefully</b>	11%	<b>17%</b>	5%

To summarize, A class respondents are in a position to hear about mortgages, but they are paying relatively little attention to them since they have the alternative of paying cash. Only 17% of A class potential owners and 33% of owners said they were willing to take out a mortgage. However, they are more confident than other classes that in the future they might take out a mortgage to buy a property.

B class respondents would like to buy with cash, but realistically they know this might be difficult. Among potential buyers, B class respondents are the most interested in buying with a mortgage. Among owners, they are not as willing as C1 class respondents to take out a mortgage, but they are more willing than A class respondents. Because they perceive that they might not have enough cash to buy outright, they pay more attention to information about mortgages.

C1 class respondents have the least exposure currently to mortgage information, but they are interested in the possibility of having a mortgage because they lack the cash to make an outright purchase. Among the three classes, C1 class respondents were most likely to say that they preferred a mortgage (31% compared to 27% for A class and 24% for B class).

All three classes indicated that they currently are talking with interpersonal sources about buying a flat or house. Seventy-nine percent of A class respondents said they have done so in the past year, compared with 74% of B class and 68% of C1 class. While A class respondents tend to use interpersonal sources more, B and C1 class use mass media sources slightly more (82% of B class respondents said that they had used mass media

sources for information about buying a flat in the past year, compared with 80% of C1 class and 74% of A class). For interpersonal sources, all three classes tend to emphasize family or friendship networks as primary sources. There was little reported use of expert sources such as bankers, lawyers, sellers, and businesses over the past year. In terms of preferred sources for information about buying a house, family and friendship sources continue to predominate, although there was an increase in preference for using lawyers. For mass media sources, newspapers are the main current source, with twice as much use as TV. However, when asked what they preferred, TV was preferred more by C1 class respondents while newspapers were preferred more by A and B class.

For information about mortgages, the data suggest that little information-seeking is currently going on. A total of 52% of A class, 70% of B class, and 67% of C1 class respondents said they had not talked with anyone about buying a house with a mortgage in the past year. Those who had talked to someone almost exclusively had talked with family or friends rather than expert sources. For mass media sources, the majority of A class respondents (59%) had read or seen something about mortgages in the past 12 months, but 52% of both B and C1 classes said they had not seen or read anything. Newspapers and TV were the two top sources with about one-quarter of respondents saying they had seen or heard something from one of these sources in the past year. Overall, A class respondents were slightly more likely to have encountered information about mortgages in both interpersonal and mass media channels in the past year. In terms of preferences, respondents expressed a strong preference for bankers as a preferred source for information about mortgages. For A class, bankers were the most frequently mentioned single interpersonal source (33%). For B and C1 classes, bankers ranked second behind “friends” among interpersonal sources. Lawyers were also mentioned by 12% of A class, 17% of B class, and 13% of C1 class. Among mass media, C1 class respondents strongly prefer TV as a future source of information about mortgages, while A and B class respondents prefer both TV and newspapers. Few respondents expressed interest in receiving material in publications. A total of 11-18% said advertisements would be a preferred source for them. Radio is not currently used much for information about either buying or taking out a mortgage, and it is not a preferred source either.

Detailed results comparing the information –seeking behavior of A class, B class and C1 class respondents are shown in the table on the next page.

**Table: Information-Seeking Behavior and Preferences for A, B, and C class respondents.** “Actual” numbers are PERCENTAGES of those who actually talked about buying a flat with others during the last 12 months or saw material in the mass media. “Preferred” numbers indicate what sources respondents said they would prefer to use to get information about buying or taking out a mortgage.

Source	A class N=78				B class N=126				C class n=303			
	Buying		Mortgage		Buying		Mortgage		Buying		Mortgage	
	Actual	Prefer	Actual	Prefer	Actual	Prefer	Actual	Prefer	Actual	Prefer	Actual	Prefer
<b>Wife/family</b>	35	28	3	19	27	26	5	19	24	26	4	18
<b>Other relatives</b>	17	14	9	15	16	17	10	14	18	24	13	21
<b>Friends</b>	47	37	18	26	48	46	17	33	44	48	21	35
<b>Banker/lender</b>	0	0	5	33	3	3	2	25	1	5	1	31
<b>Seller/leaser</b>	4	10	0	3	5	7	2	2	2	1	1	2
<b>Business. Assoc.</b>	0	2	3	6	0	4	0	6	1	3	<1	7
<b>Lawyer</b>	6	15	0	12	4	16	1	17	1	11	1	13
<b>NO ONE</b>	<b>21</b>		<b>52</b>		<b>26</b>		<b>70</b>		<b>32</b>		<b>67</b>	
<b>Radio</b>	8	10	3	0	7	8	2	2	10	12	7	6
<b>TV</b>	26	40	26	50	27	35	24	48	24	42	21	54
<b>Newspapers</b>	54	47	33	40	57	57	25	44	53	41	26	33
<b>Printed Pubs.</b>	12	10	5	4	8	5	2	5	15	10	3	9
<b>Ads.</b>	14	17	8	18	13	14	3	11	16	17	3	15
<b>NO SOURCE</b>	<b>26</b>		<b>41</b>		<b>18</b>		<b>52</b>		<b>20</b>		<b>52</b>	

## Conclusions

This was a survey of a special target group, and not of the general population of Egypt. This target group tends to be young, well-educated, and financially able to consider buying a flat. Furthermore, the target group contains people who said they expect to purchase a home sometime in the next 3 years. Fifty percent are between 25-30 years old. Seventy percent of the Potential Buyers respondents have been leasing for more than 3 years. Thus, they are highly motivated. A total of 74% of B class and 68% of the C1 class respondents said they talked to someone in the past year about buying a flat. Eighty percent of both groups said they had read or seen something in the mass media about buying a flat.

Results show that they are also convinced that “registration” – by which they mean doing something to confirm or guarantee ownership – is a good idea. Two-thirds say they will do this when they buy. However, the results show that although they are in favor of confirming ownership, when they use the term “registration” they are not thinking in terms of an official government registered contract. Thus, while they are in favor of registration, many really don’t understand the official process now being recommended by the project and the Mortgage Finance Authority. For this reason, future communications about “registration” should distinguish between the official registration process and other practices now common in Egypt. To achieve this, it is recommended that the project and MFA “brand” the term “registration” by: (1) Using a special Logo or other device that would be associated with the official registration procedure; (2) In all communications about registration, stress that it is the official registration that is being discussed, and also point out its unique advantages (such as protection against future third party challenges).

The results also show that while the project and MFA have been very concerned about the cost of official registration and the time/bureaucracy involved in the process, most survey respondents are not concerned about this. This is because they don’t know much about the process. However, importantly for communication, it means that potential buyers do not have a negative idea about the process right now. This means that if the process can be simplified and streamlined, potential buyers will accept it, never knowing that at one time it was a cumbersome process.

The term “mortgage” in general is less understood by survey respondents. Almost one-fourth of them said they had no idea what the term meant. Of those who did try to offer a definition, the term is often associated with any loan, with interest, paid by installments, that is used to buy a flat. That would include some direct purchases from real estate companies and developers, and some other loan arrangements from banks. For this reason, the same recommendation – to “brand” the specific type of mortgage finance offered under the new mortgage law – is made. Again, a Logo, along with a clear

explanation of the special nature of this new mortgage, needs to be explained whenever communication about mortgages takes place.

Respondents understand that a mortgage might enable them to get a larger flat than they otherwise could afford. However, many are also concerned about avoiding long-term debt. They are also motivated to get a mortgage primarily as a way to acquire a permanent residence for themselves. They either don't know about or don't yet accept other potential advantages of a mortgage (to "leverage" one's money with a small down payment, and then let the value of the property rise, or "trading-up" by buying a small property, letting it increase in value, and using the profit from it to buy a larger flat). Since there is a high motivation to get a permanent residence, initial project efforts might wish to focus on this. The other advantages of mortgages can be brought in later.

One concern about mortgages has involved its acceptability for both cultural and religious reasons. Results show that there are some cultural and religious concerns about mortgages, but overall these concerns tend to be rated as lower in importance than the financial aspects, such as an acceptable interest rate and monthly payment. One cultural aspect that was examined concerns the idea that when a woman marries a man, the man should not have any debt on his flat. About 20% of respondents said they would oppose marriage to a man who had a mortgage on his flat. (These respondents were found more frequently among C1 respondents). The factor of religion also came up. As was mentioned earlier, 4.9% of those solicited for the survey refused to participate on religious grounds, saying that they could not even talk about the word "mortgage" because of their religion. Of those who did participate in the survey, 22% said one of their "top three" questions about mortgages concerned the acceptability of mortgages to their religion. This does not mean that all 22% would oppose a mortgage once they understand it, but it is an expression of concern.

Egyptians are accustomed to a cash economy, so it is no surprise that 67% of them, when given a choice between leasing, cash purchase, and a mortgage, chose cash. Twenty-nine percent chose taking out a mortgage. B class respondents especially desire to pay in cash, although realistically they know that this might not be possible. For this reason, B class respondents pay special attention to mortgage information when they see or hear about it. Three questions were used to try to get an understanding of how many respondents might be seriously interested in taking out a mortgage. The first question was only for potential buyers. It asked: "Let's consider your primary residence where you actually live. Would you consider buying this place by taking out a mortgage?" A total of 20% said they would; 80% said they would not. The second question was only for those who already own a flat. First, they were asked: "Would you consider buying a second home or summer home in the future?" A total of 43% said yes. Those individuals were then asked, "If YES, would you consider taking out a mortgage on this type of property?" A total of 42% said yes. Finally all respondents were asked to answer this question: "How confident would you say you are that some time in the next 5 years

you will buy or take out a mortgage on a flat or house?” Respondents were shown a grid allowing them to rate this item on a scale from ‘1’ to ‘10’. A ‘1’ means NOT confident at all, while a ‘10’ means “Very Confident.” Twenty percent selected a ‘10,’ indicating a very strong confidence that they would utilize a mortgage. A total of 58% selected an answer in the top half (from 6 to 10). However, 20% selected a ‘1,’ indicating they were very sure that they would NOT take out a mortgage in the next 5 years. Conservatively, it would appear that about 20% of respondents are very interested in taking out a mortgage, and another 30% have some positive feelings about this possibility but are less sure. B class and C1 class respondents are more positive about taking out a mortgage. A total of 24% of B class potential buyers said they would take out a mortgage. Both A and B class respondents were also slightly more confident (23% of both selected a ‘10’) that they would take out a mortgage. C1 class are interested in mortgages, but lack confidence that they will actually take one out in the next five years.

Respondents were surprisingly positive about the possibility of the creation of a credit bureau in Egypt. Even when they were told that it would mean there would be a credit check of their finances, they were strongly in favor if it would mean that they might qualify for a mortgage or one at a lower interest rate. This suggests that if respondents understand the potential benefit for themselves of a credit bureau, the great majority are in favor of it.

Family, other relatives, and friends are the predominant sources of information about both buying and taking out a mortgage on a home. When asked about preferred sources for mortgages, bankers were also a top source. For mass media, newspapers are already a major source of information, and TV rates second. These results indicate that when our respondents consider buying or taking out a mortgage, they will seek out family and friends. Since these types of individuals, and not “expert” or “official” sources, are mentioned, communication messages that offer the ideas and images of families and friends offering advice should be considered, rather than official pronouncements. A friend who has a successful mortgage would probably be very persuasive in the communication process. Mass media messages can take advantage of this by showing families, friends, and their successes with these new types of financial instruments.

The survey results indicate that while a substantial minority of respondents are highly interested in “registration” and “mortgage” issues, for most these topics are not yet of great importance. As baseline information, these results can be used to track progress over time, as laws are revised, new registration procedures are implemented, and banks increase their offerings. The ultimate indication of progress, of course, would be an increase in actual mortgages issued and properties officially registered. However, a strong indicator of intermediate progress would be an increase in information-seeking. Previous research shows that a strong increase in information seeking is often associated with actual changes in behavior within the following months.

