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DETERMINANTS OF MORTGAGE LOAN REPAYMENT IN GHANA

Justice Agyei Ampofo[1] & Isaac Mantey[2]

[1]University for Development Studies, Tamale (Ghana)
[2]Mendel University (Czech Republic)

*Corresponding Author: Justice Agyei Ampofo
Corresponding Author Email: papajusty@gmail.com

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ABSTRACT

The housing deficit in Ghana is an issue of concern for all. This study sought to analyse the determinants of the repayment of mortgage loans in Ghana. The study used both secondary and primary data. The mixed-method approach was used for the study. The data collection instruments were interviews, focus group discussions and questionnaires. The study revealed that socio-demographic characteristics of respondents, sex distribution of respondents, educational level of respondents, marital status of respondents, occupational status of respondents, household size of respondents, the income of respondents are some of the factors that affect the repayment of mortgage loans in Ghana. The study revealed that borrowers who earned higher income had a better repayment performance as compared to low income earning borrowers. In addition, higher household sizes have lower repayment capacity and lower household sizes have higher repayment capacity. The study recommends that the government of Ghana should institute state bodies responsible for providing liquidity to mortgages and mortgage properties and buying mortgages during periods of rising interest rates is a way of creating a secondary mortgage market for the Ghanaian mortgage industry.

Keywords: Determinants, Mortgage, Repayment, Ghana.

INTRODUCTION

A mortgage loan is not new in the developed world, but now showing a fast-growing development in developing economies. According to Ampofo (2020), a mortgage is a loan given out to individuals by a bank or other lending institution designed for the purchase, construction completion of homes. In Ghana, a mortgage is defined by the mortgage decree 1972 (NRCD 96) as a contract charging immovable as securities for the due repayment of debt and any interest accruing thereon or for the performance of some obligation. A mortgage is a security-backed loan, meaning that when a person goes into a bank to get a mortgage, the bank will use the mortgaged property as collateral for their loan. In the unfortunate event that a borrower should default on his or her loan, the bank has the right to repossess the house to recoup their investment. However, due to the savings habit of Ghanaians relative to such a complex nature of mortgage arrangement, there is a complex mismatch hence just a few banks in Ghana including Republic Bank, Absa Bank, Stanbic Bank, Cal Bank, Fidelity Bank, Data Bank, Prudential Bank and Ecobank are into mortgages.

Borrowing has become an inevitable part of human society, especially mortgage loans due to the unending demand for real estate space (Ampofo, 2020). However, there is also the tendency of defaulting in repaying these loans due to issues either from the borrowers' side or the lender's side. That is the terms and conditions that a mortgage product may go with, may have a direct impact on the borrower defaulting or on the side of the borrowers' inability to utilize the funds well to service the loan alongside making a profit (Ayiteh et al, 2010). In countries under which our literature review revolves around, there were no clear and straightforward reasons why mortgage loan repayment rates are at the levels that they are. Similarly, in Accra, the factors that determine mortgage loan repayments are not ascertained. It is for this reason that this research was designed to fill this gap in the Tamale Metropolis using Stanbic Bank as a case study. The main goal of this study is to find out the factors influencing mortgage loan repayment in Stanbic Bank precisely. The study was guided by the following specific objectives and questions;

Specific Research Objectives

i. Determine the effects of borrower's characteristics on mortgage loan repayment in Stanbic Bank.
ii. Discover the extent to which the characteristics of the borrower project/business determine repayment of mortgage loans in Stanbic Bank.
iii. To ascertain the effects of default in mortgage loans on both the borrower and the lender.
iv. Identify other claims associated with repayment of mortgage loans.

Specific Research Questions

i. To what extent does the characteristics of the borrower determine the repayment rate of mortgage loans given to clients in Stanbic Bank?
ii. To what extent does the characteristics of the project or business established by the borrower determines mortgage loan repayment in Stanbic Bank?
iii. What possible effects has default got on both borrowers and lenders perspective?
iv. What other claims are associated with repayment of mortgage loans?

REVIEW OF RELATED LITERATURE

Mortgage

In the beginning, a mortgage was just a conveyance of land for a fee. The buyer paid the seller a set rate, with no interest, and the seller would sign over the land to the buyer. According to Clayton (2007), the classical form of real estate debt is the mortgage, a loan secured by real property as collateral. The word mortgage Clayton added comes from two Middle English words (which are French in origin): "gage" meant an obligation or commitment, while "mort" referred to death or dying. Hence mortgage was a "dying commitment" that is, a commitment that was not permanent but had a finite lifetime.

During the medieval period, the land was the direct source of most wealth, as a pledge of real property was the guarantee to secure a mortgage. This old arrangement in the view of (Barker, 2006) was however very lopsided in that the seller of the property, or the lender who was holding the deed to the land, had absolute power over it and could do whatever they liked, which included selling it, not allowing payment, refusing payoff, and other issues which caused major problems for the buyer, who held no ground at all (Ampofo, 2020).

In the U.S.A, as mortgages evolved, some states have created their version of the mortgage, which is why they are referred to as "lien states". The mortgage market in the U.S. was not always so successful. Conferring to Taylor (2004), 70 years ago the mortgage market was virtually non-existent. For a prospective buyer, the options were very limited. The investor could either pay cash or if he was very lucky and had a good relationship with a local banker, could obtain a short or medium-term loan usually less than 10 years in duration.

Below is the typology of United States of America mortgage industry

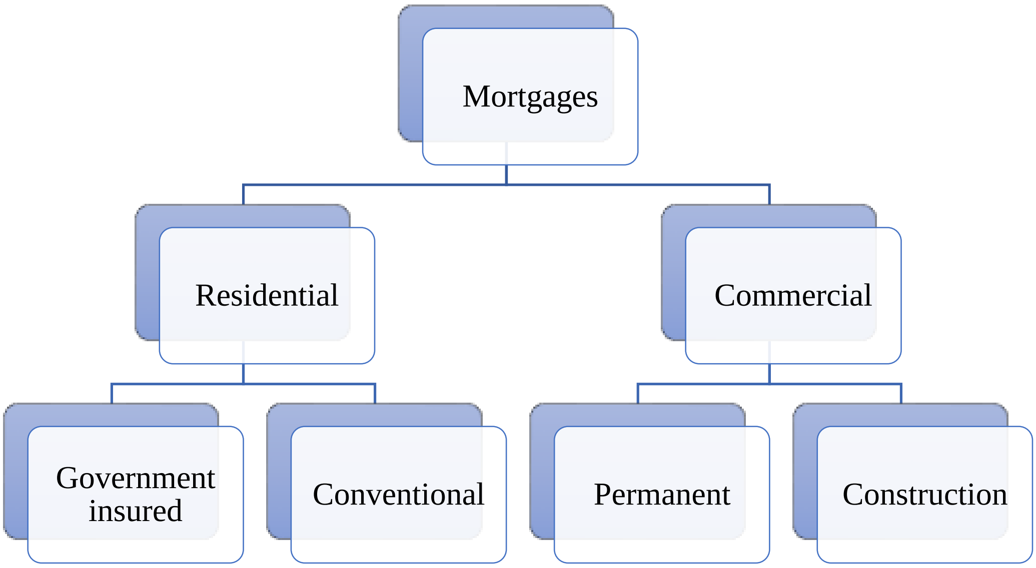

Figure 1: Mortgage Industry

Source: Geltner et al (Commercial Real Estate Analysis and Investment, 2007)

Broadly speaking, mortgages are divided into residential mortgages and commercial mortgages. The former are secured by owner-occupied single-family homes, the latter by income-producing property. Residential and commercial loans make up two distinct branches of the industry.

Mortgage Financing Products and their Characteristics

There exist a wide variety of mortgage instrument designs that have been created to meet the varying needs of borrowers and lenders. As indicated by Lea (2009), there is no one ideal mortgage instrument for a market. However, some instruments are not appropriate for some markets or types of lenders and borrowers. A robust mortgage market should therefore have a variety of instruments that can be tailored to the varying needs of borrowers and lenders (Lea, 2009).

Mortgages may be classified in many ways. A common classification is according to how the principal and interest are calculated and repaid. Interest may be fixed for the entire term of the loan with the loan being amortized by constant periodic payments. It may also vary over the life of the loan with resultant variations in the periodic payments and/or the term of the loan. There are also other types, which are essentially variants or combinations of these two major mortgage types. Concerning this, mortgages can be classified as either fixed-rate mortgages or adjustable-rate mortgages (Olagunju & Adeyemo, 2007). A fixed-rate mortgage (FRM) is a mortgage in which the interest rate is constant and does not change during the term of the mortgage. The interest rate is fixed at the time of origination. It requires regular payments during the life of the loan, of sufficient size and number to pay all interest due on the loan, and reduce the amount owed to zero by the end of the loan's maturity date (Jacobus, 2006).

There are two main models for repaying a fixed-rate mortgage. These are the Constant Payment Model (CPM) and the Constant Amortization Model (CAM). The CPM requires equal periodic payments throughout the life of the loan. A portion of this sum goes to pay the interest on the loan and the remaining portion also goes to repay the principal. Although the payment amount is constant over the life of the loan, the portion going to interest decreases with each payment as the outstanding balance falls. Under CAM, however, the periodic payments vary. It requires that there is the equal periodic payment of principal throughout the term of the loan as well as payment of interest at a fixed rate on the outstanding balance. There is therefore a diminishing monthly payment, a fixed portion of which goes to repay the principal whereas the portion going to pay the interest reduces over time as the outstanding loan balance reduces. Since the CAM ensures higher payments of principal at the early stages of the loan than the CPM, the total interest paid under CAM is lower than that of the CPM. The most prevalent instrument class in the world is undoubtedly the adjustable-rate mortgage (ARM) (Lea, 2009). Unlike FRMs, the interest charged on ARMs is subject to change as the general interest level in an economy changes. In an ARM, the interest rate is generally fixed for some time, after which it will periodically adjust up or down to some market index. ARMs, therefore, transfer part of the interest rate risk from the lender to the borrower and thus are widely used where fixed rate funding is difficult to obtain or prohibitively expensive.

The shifting of part of the interest rate risk to the borrower makes the mortgage more affordable at the initial stages as the starting interest rate is always lower when compared to an average fixed-rate mortgage. ARMs have two important characteristics. The first is the index used in the adjustment of the rate. In many countries, lenders are obliged to use a published index that is beyond their control and transparent to borrowers and the market, for example, the interest rates on government treasury bills. If the indexed rate moves up, so does the interest rate on the mortgage and vice versa. When rates are increased, borrowers are given the option of increasing their monthly payment to fully amortize the loan over the remaining maturity or maintaining the same payment by extending the maturity of the loan. In some extreme cases such as in the United Kingdom and other countries operating the building society system, the interest rate is not tied to any external reference rate, but it is set at the discretion of the lender (Cohen and Lessard, 1975).

The other important characteristic of ARMs is the CAP on the periodic rate or payment. Interest rate caps seek to protect the borrower by placing a limit on the interest rate increase or decrease. A periodic adjustment cap limits the amount by which the interest rate can adjust up or down from one adjustment period to the next after the first adjustment, and a lifetime cap limits provides a ceiling to the interest rate increase over the life of the loan. There can also be payment caps that also limit the maximum amount beyond which the periodic payments cannot be increased. Caps are more common in countries that require indexation of ARMs such as the United States, Spain, France and less common in countries with discretionary ARMs like Australia and the United Kingdom (Lea, 2009).

The Functioning of Mortgage Market

There are two notable mortgage markets, namely; the primary mortgage market and the secondary mortgage market. The primary mortgage market is where loans are originated or issued initially. In the primary market, the lending institution or Mortgage Company issuing the mortgage is the buyer of the loan, in the sense that it is providing the money upfront in return for the promised future cash flows. The borrower is the seller of the loan, in the sense it is receiving the money upfront. Broadly, mortgages are divided into residential mortgages and commercial mortgages. The former is secured by owner-occupied single-family homes, the latter by income-producing property. Residential and commercial loans makeup two distinct branches of the industry and are typically administered separately (Boamah, 2009: Ampofo, 2020).

The term Housing finance, according to Chiquier and Lea (2009), is a broad concept, which can vary across continents, regions and even countries, particularly in terms of the areas it covers. They explain housing finance as a system that brings together complex and multi-sector issues that are driven by constantly changing local features, such as a country’s legal environment or culture, economic makeup, regulatory environment, our political system. King (2001) describes housing finance as what allows for the production and consumption of housing. It thus refers not only to the money we use to build and maintain the nation’s housing stock but also includes the money we need to pay for it, in the form of rents, mortgage loans and repayments.

According to Boamah (2009), in Ghana, there is huge information asymmetry between lenders and borrowers; there is high volatility in the macro-economic environment; the foreclosure right of lenders was only guaranteed in 2008, and long-term sources of housing funds are unavailable in the country. The absence of credit bureaus or regularly updated databases on borrowers’ credit history in the country, has constrained the ability of lenders to properly appraise credit applications; they, therefore, prefer lending to reasonably known deposit account holders. There is an absence of the basic infrastructure required for the development of a well-functioning housing finance system. This represents a constraint on the expansion of the housing finance system in the country. Lenders in Ghana are more reluctant to lend for housing development due to a weak enabling environment.

RESEARCH METHODOLOGY

Introduction

This section describes how the research was conducted. It aims at explaining how the research procedure was used to arrive at our research findings. The chapter looks at the study area, target population, sampling size and procedures, sources of data collection instrument, data processing and analysis.

Research Design

Creswell (2013) outlined three approaches of research design comprising of qualitative, quantitative and mixed approaches designs. But the purpose of the study, the researcher relied on the mixed method of design which made use of quantitative and qualitative strategies in arriving at the research findings. It also involves the use of both approaches in tandem so that the overall strength of the study is greater than either qualitative or quantitative research (Ampofo, 2020). This approach has been giving greater weight by the researcher since there was the need for both figures and comprehensive explanation to effectively communicate the research findings.

Population

Population in research is all about the targeted number of items under consideration that are to be used for the purpose of a particular research (Ampofo, 2020). Also, the characteristics of the targeted population are very pertinent for the purpose of the research. Hence for the purpose of this study, the population will comprise of personnel of Stanbic Bank at the Tamale Metropolis and their clients who have acquired mortgages.

Sample and Sampling Techniques

The target population for this study is both the clients and the personnel of Stanbic Bank. The selection of Stanbic Bank for the purposes of this study was based on the purposive non-probabilistic sampling technique. This is justified by the fact that not all the financial institutions in the country are involved in mortgage lending. On the part of the borrowers, a total sample of sixty-eight (68) workers was interviewed. This mainly covered salaried workers with quantifiable monthly incomes within the Tamale Metropolis. A few non-salaried workers were included to make the sample more representative of the Ghanaian situation. However, the researchers selected one mortgage banking institution (Stanbic Bank).

Techniques of Data Collection

The techniques that were used for the collection of data include: semi structured interview guide, focus group discussion, and face to face interview with the use of questionnaires. A semi structured interview was conducted to obtain information on the determinants of mortgage loan repayment among clients and personnel in the Stanbic Bank at Tamale Metropolis. Also focus group discussion was conducted to generate effective communication between the researcher and the respondents. For the purpose of the analysis, data was collected from both primary and secondary sources. Primary source of data was obtained from the clients and Staff of Stanbic Bank in the Tamale Metropolis. Secondary sources of data were also obtained from existing literature relevant to the study such as books, journals, online articles and newspapers.

Data Analysis and Presentation

The process involves making sense out of the text and image data. It involves preparing the data for analysis, conducting different analysis, moving deeper into understanding the data which various researchers refers to as "peeling back the layers of an onion", representing the data and making an interpretation of the larger meaning of the data (Creswell, 2013; Ampofo, 2020). The first objectives which reflects the borrowers characteristics was analyzed with the use of descriptive statistical techniques such as mean, mode, median, percentages, correlation. The rest of the objectives were analyzed with the use of correlation to see the relationship and effects respectively of the characteristics of the project, loan characteristics as well as borrowers' characteristics on loan repayment at Stanbic Bank in the Tamale Metropolis.

DATA PRESENTATION, ANALYSIS AND DISCUSSION

Introduction

This chapter deals with the analysis and interpretation of responses from the data collected from mortgagors in Stanbic Bank in Tamale Metropolis. It focuses on determining the effects of borrowers' characteristics; borrowers' business characteristics, the effects of default in mortgage loans on both the borrower and the lender and other claims associated with repayment of loans in Stanbic Bank. Data gathered from the field comprised both quantitative and qualitative data and as such, analysis was descriptive, supported with tables and graphs. Moreover, due to some limitations set forth in the first chapter, the analyses had to blend the primary data gathered from the field with some secondary data obtained from published sources.

Effects of Borrowers' Characteristics on Loan Repayment

This section looks at the socio-demographic features of the respondents, including relevant information about their sex, age, marital status, household size, occupation and educational level

Table 1

Ages of Respondents

AGES	FREQUENCY	PERCENT
18 – 30	29	42.6
31 – 40	26	38.2
41 – 50	10	14.7
51 – 60	3	4.4
TOTAL	**68**	**100**

Source: Field Survey, 2021

From the research conducted by the researchers, it was revealed that the average age of respondents was 38 years, ranging between 18 to 60 years of age. As depicted in the table above, respondents between the ages of 18-30 constituted the majority of the respondents with 42.6%. 38.2% of the respondents were within the ages of 31-40. Whiles 14.7% and 4.4% of the respondents were between the ages of 41-50 and 51-60 respectively. It is evident that most of the active borrowers fall within the age range of 18-30.

A correlation analysis conducted to test the relationship between ages of respondents and their repayment of Mortgage loans depicted a co-efficient of 0.078 which depicts a positive but weak relationship between age of respondents and their repayment of Mortgage loans, it can be interpreted that, the weak relationship implies that, older borrowers have a better repayment capacity as compared to younger borrowers; however the relationship is not very strong or significant as a result of the very low correlation coefficient. Additionally, the research revealed that the ages of borrowers affected the loan repayment performance of clients positively. This is because it is usually expected that borrowers get more stability and experience on their business and therefore are able to generate income which lead to high repayment performance. However the correlation coefficient therefore indicates that it is not always the case that older borrowers have better repayment capacity than younger borrowers.

Sex Distribution of Respondents

On the basis of sex distribution, 76.5% were males whiles 23.5% were females, both in the defaulters and the non-defaulters group. With regards to the savings behaviour of clients, about 56% of the respondents save their money for future use. The research revealed that female borrowers have a better repayment performance as compared to male borrowers. This is because female borrowers are usually more organized as compared to their male counterparts.

Table 2

Sex of Respondent's

SEX	FREQUENCY	PERCENTAGE
MALE	52	76.5
FEMALE	16	23.5
TOTAL	**68**	**100**

Source: Field Survey, 2021

Educational Level of Respondents

From the research conducted by the researchers, it was revealed that out of 68 respondents, 27.9% comprising of 19 respondents had secondary education, 72.1% of the respondents had tertiary school education including respondents from both defaulters and non-defaulters group.

Table 3

Educational Level of Respondents

LEVEL OF EDUCATION	FREQUENCY	PERCENTAGE
PRIMARY	-	-
SECONDARY	19	27.9
TERTIARY	49	72.1
TOTAL	**68**	**100**

Source: Field Survey, 2021

Marital Status of Respondents

Table 4

Marital Status

MARITAL STATUS	FREQUENCY	PERCENTAGE
SINGLE	12	17.64
MARRIED	53	77.94
DIVORCED	3	4.42
TOTAL	**68**	**100**

Source: Field Survey, 2021

From the research conducted by the researchers, it was evident that 17.64% of the respondents comprising of 12 respondents were single, 77.94% comprising of 53 respondents were married, while 4.42% of the respondents were divorced. The percentage of married respondents was higher in the defaulters group than the non-defaulters group comprising of 81.8% as against 77.2% respectively. From the research conducted it was evident that clients who were single at the time the research was conducted had a better repayment capacity as compared to clients who were married, this can be attributed to the fact that single clients have less claims against the loans and therefore all the loan could be invested in the property to increase profitability and subsequently reduce default. However married respondents usually have a household that depends on them and therefore there is a high probability that not all the loans will be invested in the property, this on the contrary reduces profitability and subsequently increases the probability of default.

Occupation of Respondents

For the purpose of the research, the researchers classified the occupation of the respondents into five categories namely: Owners of Commercial Properties like shops and offices, Lecturers, Tutors and Teachers, Landlords of Residential Properties like hostels, Banks and Micro Credit Institution workers, Civil servants precisely Police Personnel, Prison Officers, Fire Service Personnel.

Table 5

Occupation of Respondents

OCCUPATION	FREQUENCY	PERCENTAGE
Owners of Commercial Properties like shops and offices	15	22.06
Lecturers, Tutors and Teachers	27	39.71
Landlords of Residential Properties	17	25.00
Banks and Micro Credit Institution workers	4	5.88
Civil servants precisely Police Personnel, Prison Officers, Fire Service Personnel.	5	7.35
TOTAL	**68**	**100**

Source: Field Survey, 2021

From Table 5 it is evident that Lecturers, Tutors and Teachers constitute most of the respondents with 39.71%, Landlords of Residential Properties like hostels, Owners of Commercial Properties like shops and offices, Civil servants precisely Police Personnel, Prison Officers, Fire Service Personnel, Banks and Micro Credit Institution workers constituted 25.00%, 22.06%, 7.35%, 5.88% respectively.

From the research conducted it was evident that the Lecturers, Tutors and Teachers group had a better repayment performance as compared to the other groups, this can be attributed to the fact that the group has a better social cohesion among themselves as compared to the other groups. From the literature reviewed, Zeller (1996) analyzed the determinants of repayment performance of mortgage loan in Madagascar. His finding was that groups with higher level of social cohesion have a better repayment rate; it therefore confirms why the Lecturers, Tutors and Teachers group has a better repayment performance as compared to the other groups.

Household Size of Respondents

From the research conducted by the researchers it was evident that 19 respondents had a household size of 1-3 constituting 27.9%, 30 respondents had a household size 4-6 constituting an overwhelming 44.1%, 16 respondents had a household size of 7-9 and 3 respondents had a household size of 10 and above constituting 23.5% and 4.4% respectively.

Table 6

Household Size of Respondents

HOUSEHOLD	FREQUENCY	PERCENT
1 – 3	19	27.94
4 – 6	30	44.12
7 – 9	16	23.53
10+	3	4.41
TOTAL	**68**	**100**

Source: Field Survey, 2021

From the correlation analysis conducted to test the relationship between the household size of respondents and repayment of mortgage loans, the researchers obtained a correlation co-efficient of -0.075 depicting a negative but weak relationship between household size and the repayment of Mortgage loans in Stanbic Bank. This implies that the higher the household size the lower the repayment of loan and the lower the household size the higher the repayment of mortgage loans. This can be attributed to the fact that respondents with higher household sizes have other claims associated with the loan and the regularity of their repayment, thereby hindering repayment performance. From the literature reviewed, Lea (2009) argues that, borrowers with lower number of household members would meet their repayment obligation better than those with high number of household members.

Income of Respondents

The research revealed that the average income of respondents is GHC 2490.19 whiles the minimum income recorded was GHC1000 and a maximum income of GHC5000. A correlation analysis conducted to test the relationship between the income of respondents and the amount of loan received depicted a correlation co-efficient of 0.277 indicating a positive but low relationship between the income of respondents and the loan amount received. The correlation coefficient thereby implies that the higher the income the higher the amount of loan received.

The literature reviewed also indicated a low relationship between the income of clients and their repayment of mortgage loans. The group went further to conduct a correlation analysis to test the relationship between mortgage loan repayment and income of respondents. From the analysis the researchers obtained a correlation co-efficient of 0.904 almost equal to one (1) indicating that the higher the income earned by borrowers the better their repayment capacity and the lower the income earned by borrowers the lower their repayment capacity, all other things being equal.

Income is a very strong determinant of repayment of Mortgage loans as indicated by the correlation coefficient. This implies that clients who earn higher incomes are less likely to default as compared to clients who earn low incomes. Boamah (2009), attest to the fact that income is a very important determinant of mortgage loan repayment. They argued that clients who earned lower incomes are more likely to default since other claims associated with the loan will hinder full repayment.

Period of Loan Repayment

Additionally, 65 respondents comprising of 95.6% had a twenty (20) year period within which they were expected to repay their loans in full, the other 3 representing 4.4% had a fifteen year period within which they were expected to repay their loans in full.

From the correlation analysis conducted to test the relationship between the period of repayment and the repayment performance of clients the researchers obtained a correlation co-efficient of 0.118 signifying a positive but weak relationship between the time period of repayment and loan repayment. This therefore implies that the longer the repayment period the better the repayment performance of Mortgage loans and vice versa.

Lea (2009) agrees on the fact that clients who have a longer repayment period have a better repayment capacity as compared to clients or borrowers who have shorter repayment periods. He argues that longer repayments ensures flexibility in loan repayments and also puts less stress on borrowers and clients who fall within this category.

Table 7

Reasons for Default

REASONS FOR DEFAULT	FREQUENCY	PERCENT
Weak legal enforcement	6	8.82
Falling real incomes	49	72.06
Low loan-to-value ratio	11	16.18
Strategic default	2	2.94
TOTAL	**68**	**100**

From the research conducted, 8.82% of the respondents said that the reason for default is as a result of weak legal enforcement, 72.06% of the clients said falling real incomes was the most common reason for default while 16.18% of the clients said that low loan to value ratio was the main cause of default in Stanbic Bank. Meanwhile, Lea (2009) identified four categories of clients in mortgage loan institutions which include:

(i) willing and able to repay
(ii) willing but unable to repay
(iii) unwilling but able to repay and
(iv) unwilling and unable to repay

Analysis of the Determinants of Mortgage Repayment from Stanbic Bank

From the survey conducted, it was revealed that Stanbic Bank advanced home completion mortgage to people nationwide at fixed interest rate using the constant payment structure for a maximum term of 20 years at 30%. They also give their mortgages at a 75% loan to value ratio due to conventional of the loan where there are no government guarantees and insurance. They also indicated that educational status is not a basic requirement for their loan eligibility. However, one must be a customer to be eligible for their mortgage provided they satisfy the other underwriting criteria of the bank.

In addition to the interest rate, the bank also charges legal fees at the origination level, hence monitoring borrowers immediately after origination to stimulate the loan repayment. The bank also indicated clearly that, they don’t grant mortgages to group borrowers apart from the individual borrowers of which the medium of payment is through their bank accounts. And penalties are charged on the outstanding loan balance as and when the borrower defaults.

However, they allow pre-payment at no cost hence it reduces their yield to maturity. Also, loans are only advanced when borrowers meet the underwriting requirement of the bank hence they experience an average demand for their mortgage products. The bank also arranges workouts with borrowers during serious defaults. To improve upon the repayment rate of borrowers the bank suggested that borrowers must always endeavour to respect repayment laws and schedules.

Effects of Default on both Borrowers and the Lenders

Default is a serious enemy as far as mortgages are concerned. This is because; it is always the main reason why most banks and other financial institutions that are into mortgages fold up in no time. And it was this same default that resulted in the U.S.A credit crunch in the 1930s. Therefore, most banks including Stanbic Bank which is under consideration are not interested in foreclosure proceedings during such defaults hence arranging for workouts to cushion the borrower to repay the loan at the barest minimum. This is simply because of the time–consuming, bureaucratic and expensive process of the foreclosure processes. Notwithstanding the considerable efforts by Stanbic Bank, to avoid defaults that leads to foreclosure, a reasonable number of mortgagors have defaulted which led to the sale of their properties in defraying their debts. Default has accounted for a reduction in the expected yield to maturity of their mortgage product in the bank.

Characteristics of the Mortgaged Project

The purpose for which the mortgage is granted is also one of the crucial factors that determine loan repayment. Thus, whether the mortgage is contracted for the purposes of residential or commercial establishment. The former is being secured by owner-occupied single family homes whiles the later by income-producing property. But this research indicated that out of the 68 respondents interviewed as mortgagors of Stanbic Bank, it was revealed that 45 respondents contracted residential loans constituting about 66.18% whilst the remaining 23 which also constituted about 33.82% were commercial mortgages.

In general, individual residential loans are smaller but numerous than commercial mortgages and the residential loans are serviced using the individual personal income whilst the commercial loans can be serviced through the income from the property. In a similar vein, residential borrowers are not financial or business professionals whilst commercial borrowers are mostly financial or business oriented. It was therefore clear to state that residential borrowers have a greater tendency of defaulting since the loan is being serviced from the borrower's personal income whilst commercial mortgages have lesser degree of defaulting since the income from the underlying asset is used to service the loan.

The table below depicts the number of residential and commercial loans paid and unpaid or has missed a payment period or defaulting and not defaulting.

Table 8

Defaulters and Non-Defaulters Group

TYPE	DEFAULTERS	NON-DEFAULTERS	NUMBER OF MORTGAGES	PERCENT
Residential	32	13	45	66.18
Commercial	8	15	23	33.82
TOTAL	**40**	**28**	**68**	**100**

Source: Field Survey, 2021

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This aspect deals with summary of major findings, conclusions and recommendations.

Summary of Major Findings

From the research conducted, the following findings were ascertained by the researchers:

1. Borrowers' characteristics affected the repayment of loans.
2. Lecturers, Tutors and Teachers group had a better repayment performance as compared to the other groups, this can be attributed to the fact that the group has a better social cohesion among themselves as compared to the other groups.
3. Literate clients have better repayment capacity than illiterate clients.
4. Higher household sizes have lower repayment capacity and lower household sizes have higher repayment capacity.
5. It was also observed that clients who earned higher incomes had a better repayment performance as compared to clients who earned a low income.
6. Stanbic Bank advances home completion loans to resident Ghanaians nationwide at fixed interest rates using the constant payment structure for a maximum term of 20 years.
7. Stanbic Bank gives 75% loan-to-value suggesting that borrowers require 25% down payment or commitment taking cognizance of insurance policies since there are no government insurance or guarantees of these mortgages.
8. It was also found out that, Stanbic Bank consider insurance policies as key during the underwriting processes.

CONCLUSION

The research conducted by the researchers brought several findings to light. The first part of the research which looked at the effects of borrowers' characteristics such as age, marital status, household size and level of education revealed that the age of borrowers is a significant determinant of mortgage loan repayment performance. This is because age had a positive relationship with mortgage loan repayment from the correlation analysis conducted, implying that older clients have a better repayment capacity as compared to younger clients. This can be attributed to the fact that older clients have gained more business experience.

Additionally, the research revealed a negative relationship between household size and repayment of mortgage loans; this, therefore, implies that borrowers with a higher household size are more likely to default as compared to borrowers with fewer household sizes.

Again it was evident that the borrowers who save their money in the institution have good repayment performance.

Although continuous follow-up and supervision are important for mortgage loan repayment to help prevent default, there is not enough supervision made by loan officers. This is due to the increasing number of clients in the institution.

Recommendations

Haven considered the findings from the research, the researchers recommended the following issues for consideration by mortgage loan institutions:

1. Mortgage lending institutions in Ghana should have strict selection criteria.
2. Also, it is recommended that mortgage lending institutions in Ghana should make the number of clients and loan officers comparable, this will ensure a regular visit to borrowers to ensure repayment.
3. Additionally, mortgage lending institutions in Ghana should motivate the saving habit of the clients by using different incentives like an increasing interest rate for saving and work more on promoting their services.
4. Furthermore, it is recommended that Stanbic Bank should standardize its loan underwriting processes.
5. Mortgage lending institutions in Ghana should identify those clients who are unwilling to repay their loans or deliberately abscond with the loan and pursue legal actions against them to serve as a deterrent to subsequent defaulters.
6. Stanbic Bank should also spell out some mortgage covenants with their clients to provide a strong legal standing for both parties.
7. Again, Stanbic Bank should focus on the repayment challenges which are stated by the borrowers and take corrective actions. To solve the internal and external problems of the institutions, the main thing might be to improve the financial capacity of the institution and its expansion.
8. Finally, it is recommended by the researchers that, the government of Ghana should institute state bodies responsible for providing liquidity to mortgages and mortgage properties and also buying mortgages during periods of rising interest rates which is also a way of creating a secondary market for the Ghanaian mortgage industry.

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