



**School of Business
Department of Business Administration**

The Role of the Egyptian Financial Supervisory Authority (EFSA) in Treating Mortgage Finance Companies Insolvency

A thesis submitted for attaining the master degree

in

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Abstract

Real estate market is one of the most important markets that has a direct impact on the economical activities due to its close relation with other supplementary industries , besides its impact on the social aspects because it is too related to the citizens' necessary needs regarding obtaining a suitable accommodation . Possessing real estates is however , a very difficult issue for Egyptians because of the abnormal rise of the real estates' prices that don't match with the abilities of citizens with low income. So, the People's Assembly promulgated the real estate finance Law No 148/2001 for facilitating this process. Despite the promulgation of this Law since 11 years , it didn't achieve its goals simply, because it faced challenges , among them are as follows :

- Difficulty in registering real estate assets.
- The rise of interest rates according to the period of finance.
- The abnormal rise of real estate and land prices.
- The quantitative and qualitative disequilibrium between supply and demand in the Egyptian market.
- High transaction costs (insurance premium , appraisal fees , registration fees).

These challenges caused the appearance of nonperforming loans problems and customers' disability of repayment , in addition to the bad economic and political circumstances after the 25th of January Revolution. All financial banking and non

banking institutions are really suffering from these bad loans that may have a negative impact on their net profitability and financial performance.

This thesis focused mainly on studying the role of the Egyptian Financial Supervisory Authority (EFSA) in treating nonperforming loans problem, in addition to studying the relationships between the independent variables (rise of interest rates , continuous rise of real estates' prices , quality of granting credit policies & current political risks) on the dependent variable (Mortgage Finance Companies' Customers Insolvency).

The work is composed of six chapters. First four chapters presented the theoretical frame of the study which involved the general frame of the study, Arab and foreign countries' experiences in the field of real estate field , evaluating the real estate finance system in Egypt, and the role of EFSA in treating nonperforming loans in MFCs. Last two chapters presented the field study , hypothesis testin , besides presenting the results and recommendations of this study.

For the purpose of testing hypothesis , researcher relied on secondary data , in addition to primary one collected through the survey forwarded to managers and employees in Credit and Operation departments in MFCs with a total number of 64 single. The researcher succeeded in collecting 49 surveys (76.6%) , and the non response rate reached (23.4%) because MFCs were non co-operative sufficiently as they showed their

non preference willingness to pass any confidential data related to the companies or their customers.

Then, it was proved the **correctness** of the first hypothesis that there is a significant statistical relationship between the rise of the interest rates and mortgage finance companies' customers insolvency.

It was also proved the **correctness** of the second hypothesis that there is a significant statistical relationship between the continuous rise of real estate prices and mortgage finance companies' customers insolvency.

It was also proved the **incorrectness** of the third hypothesis that there is a significant statistical relationship between the quality of granting credit policies and mortgage finance companies' customers insolvency.

Finally , it was proved the **correctness** of the fourth hypothesis that there is a significant statistical relationship between the current political risks and mortgage finance companies' customers insolvency.

The study presented a set of recommendations addressed to the State and the EFSA , to be taken into account as future orientations in treating the problem of nonperforming loans, making great benefits of Law no 148/2001, and activating the Egyptian Mortgage Market .

Finally, the study proposed some new areas of research to complete the march of scientific research in the field of real estate finance and nonperforming loans.