

HOUSING FINANCE IN SOUTH AFRICA (1994-2004)

Dr Luxien Ariyan

University of Pretoria

Thursday, 14 October 2004



CONTENT



- Introduction
- Policies & programmes
- Initiatives
- Institutions
- Products
- Instruments
- Aspirations
- Conclusion

INTRODUCTION



- New thinking
 - (See adjacent table)
- Old thinking that persist
 - Steering
 - Loading
 - Redlining

| First Generation (1994-2004) | Second Generation (2004-2014) |
|--|--|
| Social framework (e.g. RDP) | Financial framework (e.g. GEAR) |
| Poverty alleviation (e.g. free unit, non market) | Wealth creation (e.g. beneficiary contribution, housing as asset) |
| Supply driven (e.g. quantity, household units) | Demand driven (e.g. quality, human settlements) |

POLICIES & PROGRAMMES



- Home Loan & Mortgage Disclosure Act
- Community Reinvestment (Housing) Bill
- Consumer Credit Bill
- Municipal Systems Act
- Prevention of Illegal Eviction & Unlawful Occupation Act (PIE)
- RDP housing
- Social housing
- Medium density housing
- Informal settlement upgrading

INITIATIVES



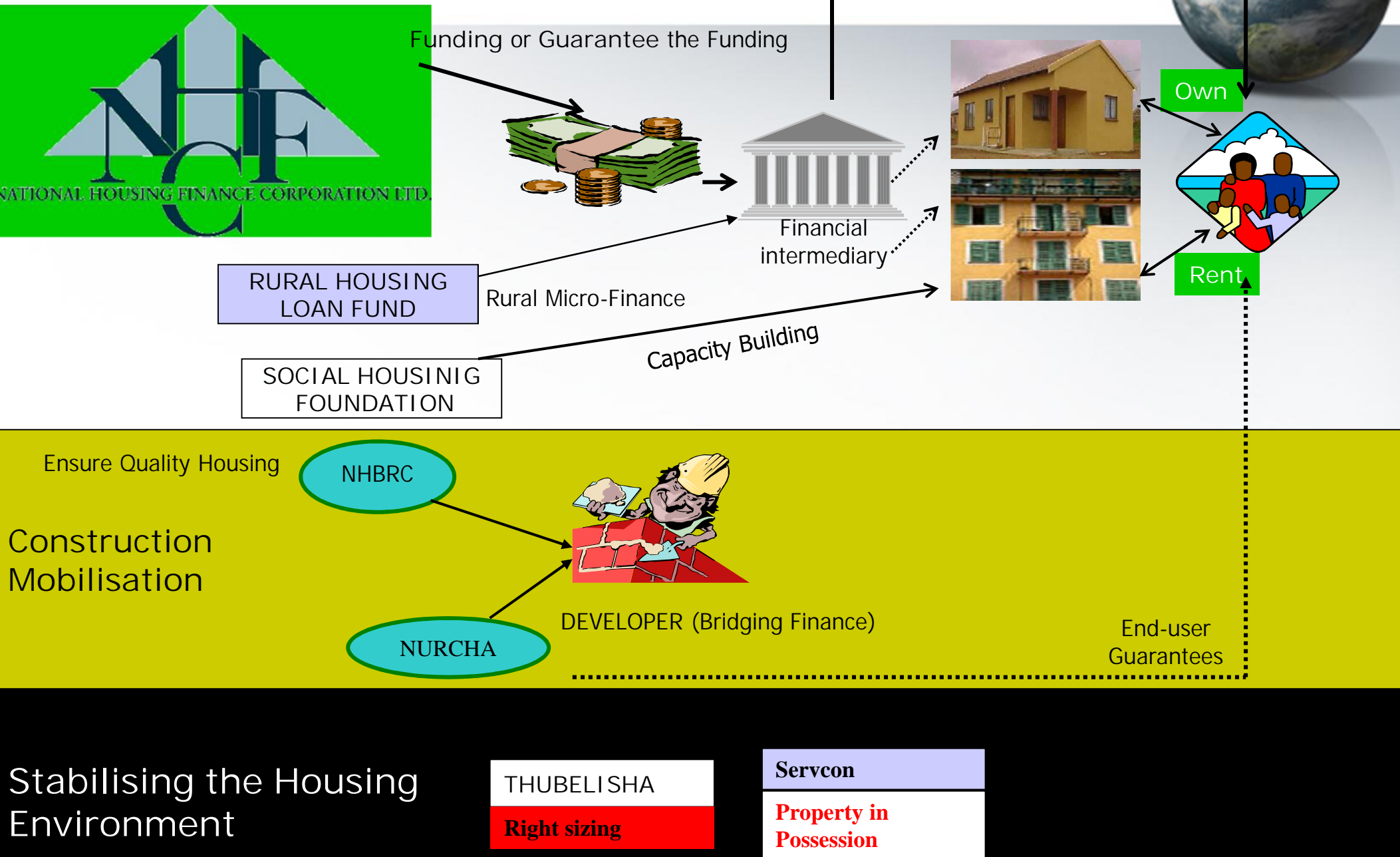
- Botshabelo Accord
- Record of Understanding
- Mortgage Indemnity Fund (MIF)
- Servcon
- National Housing Finance Corporation (NHFC)
- Financial Services BEE Charter

INSTITUTIONS

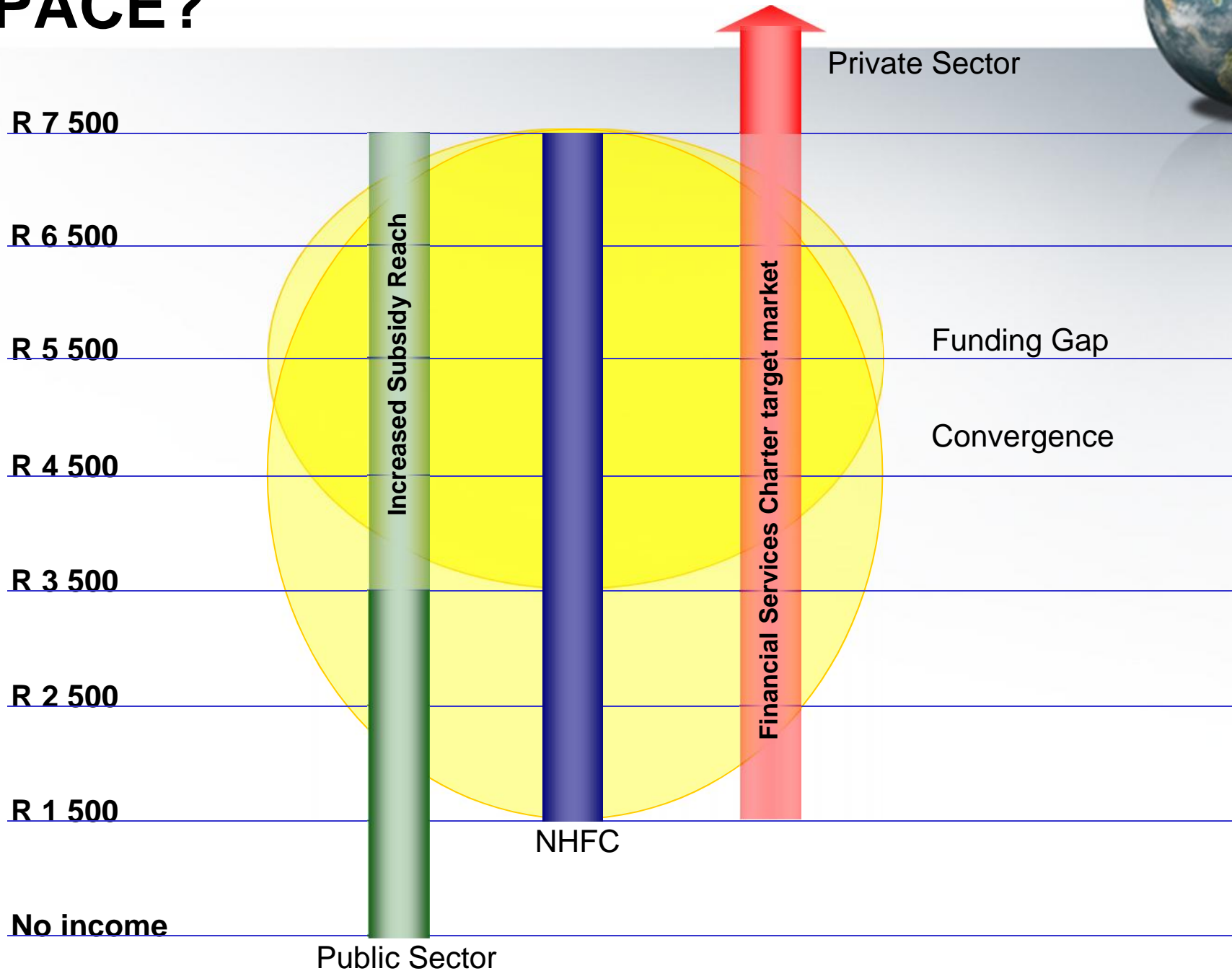


- NHFC
- NURCHA
- RHLF
- HLGC
- NHBRC

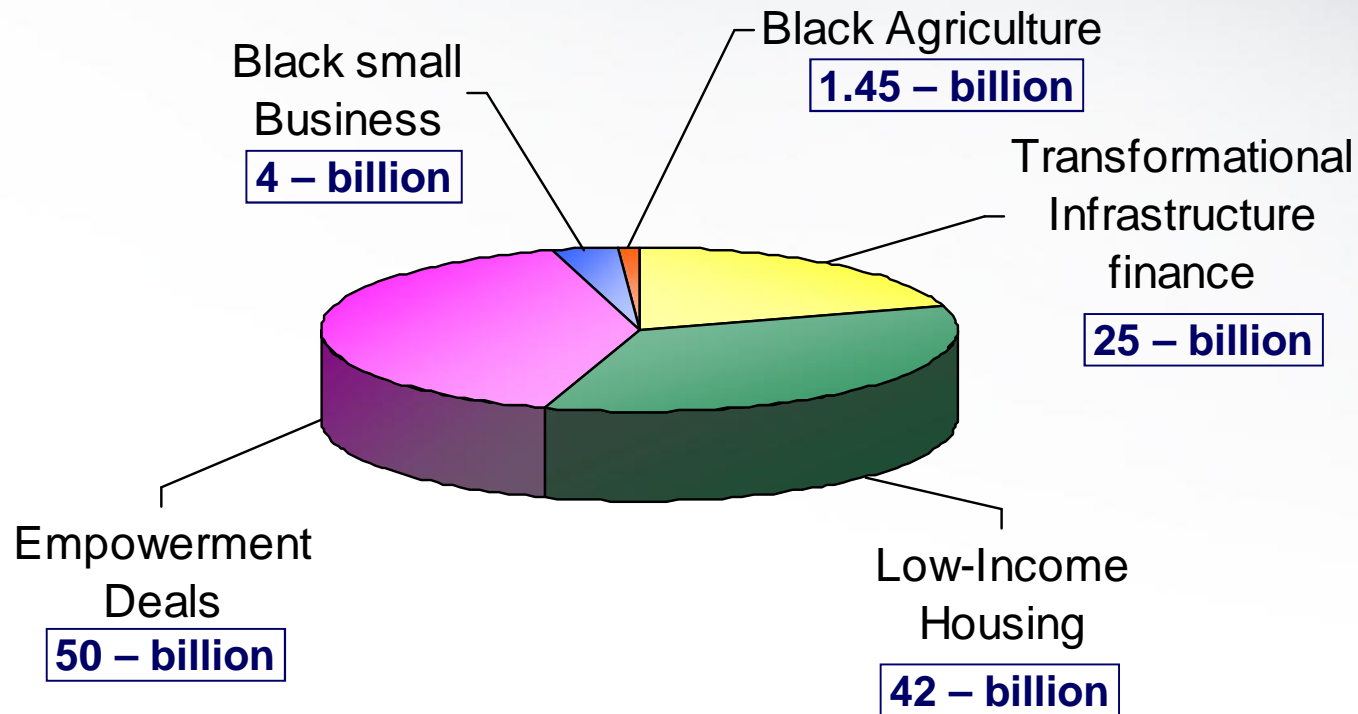
INSTITUTIONAL ARRANGEMENTS: PUBLIC SECTOR



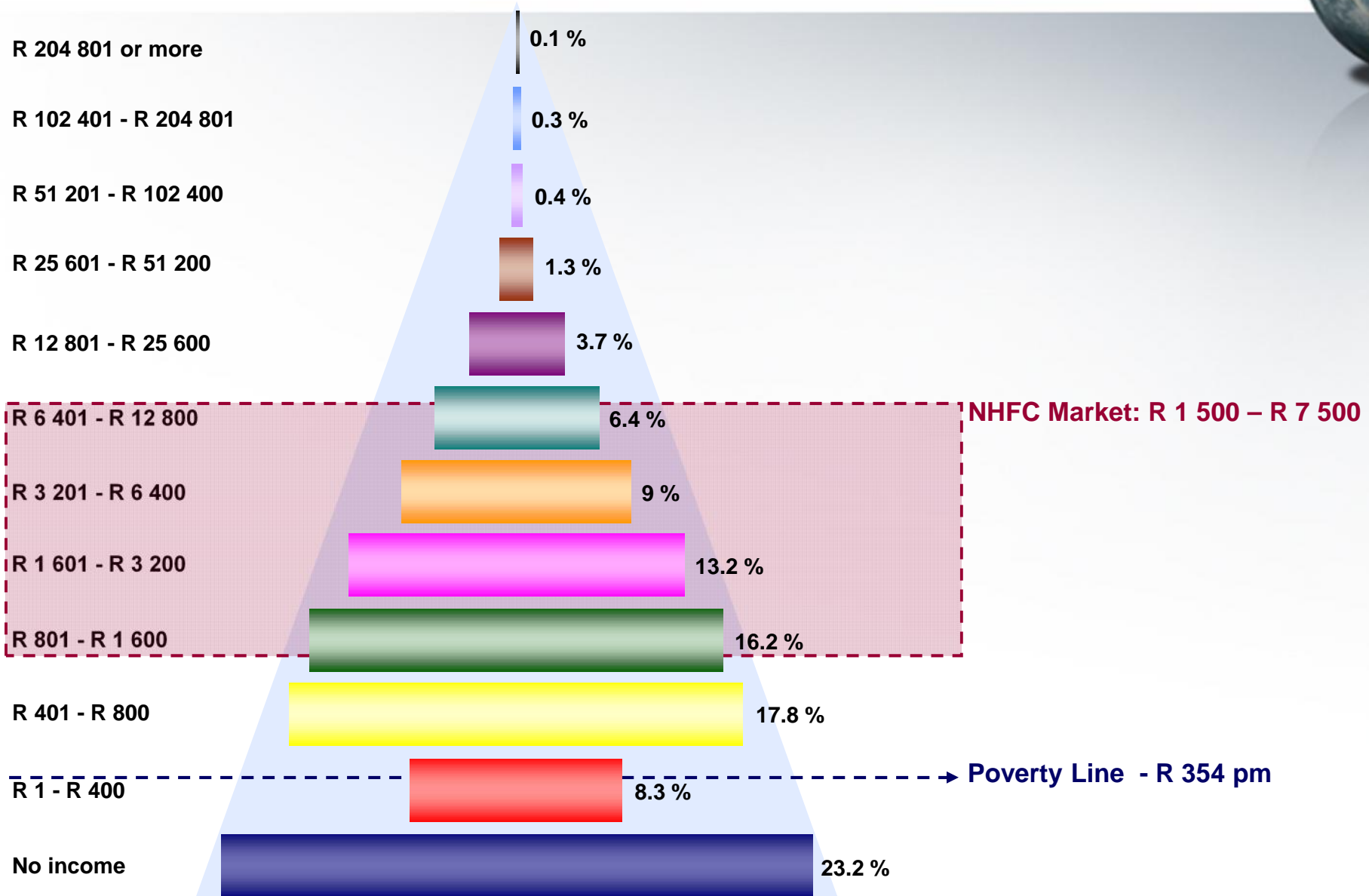
CONTESTED TERRITORY OR SHARED SPACE?



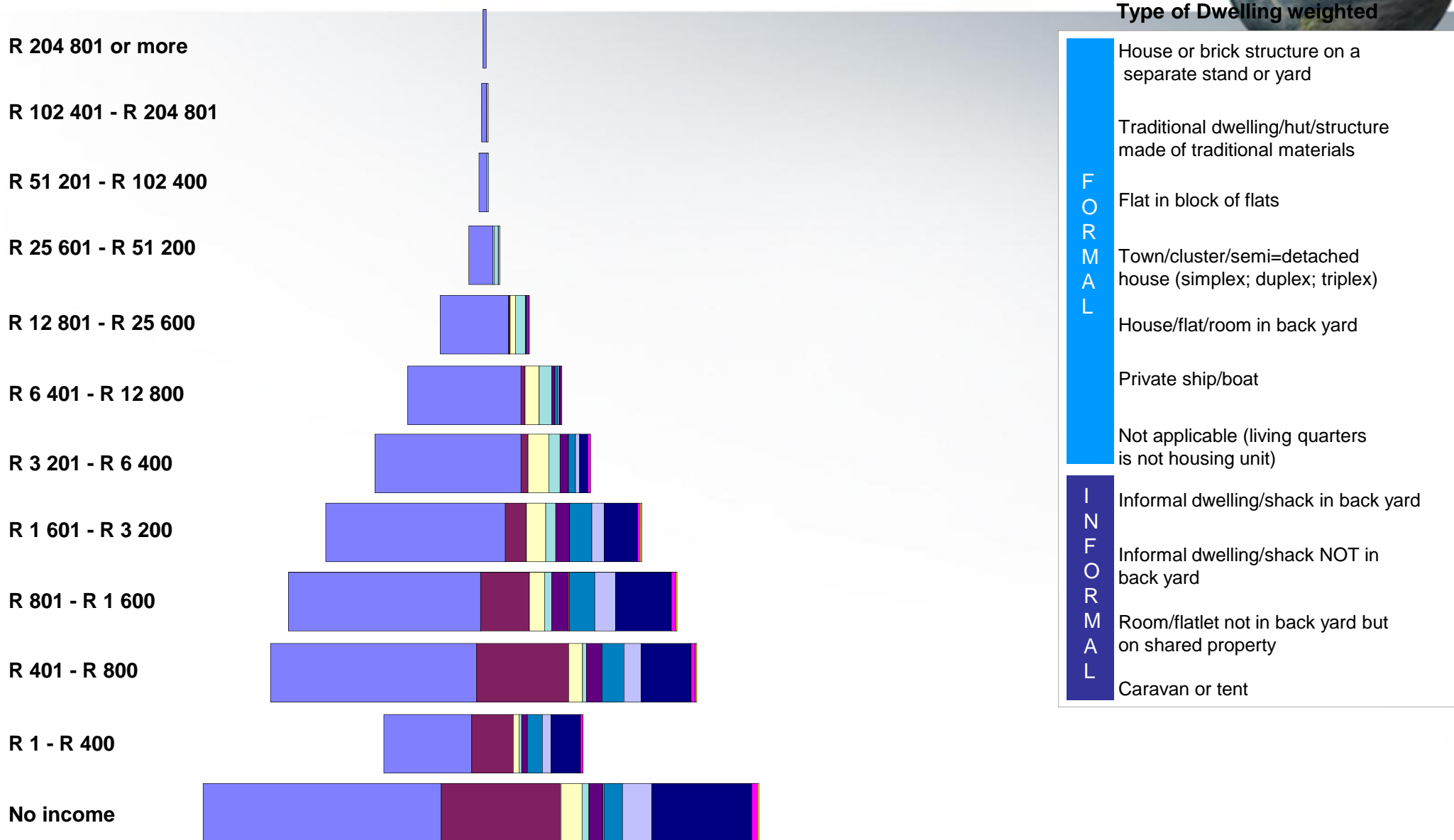
FINANCIAL SERVICES CHARTER



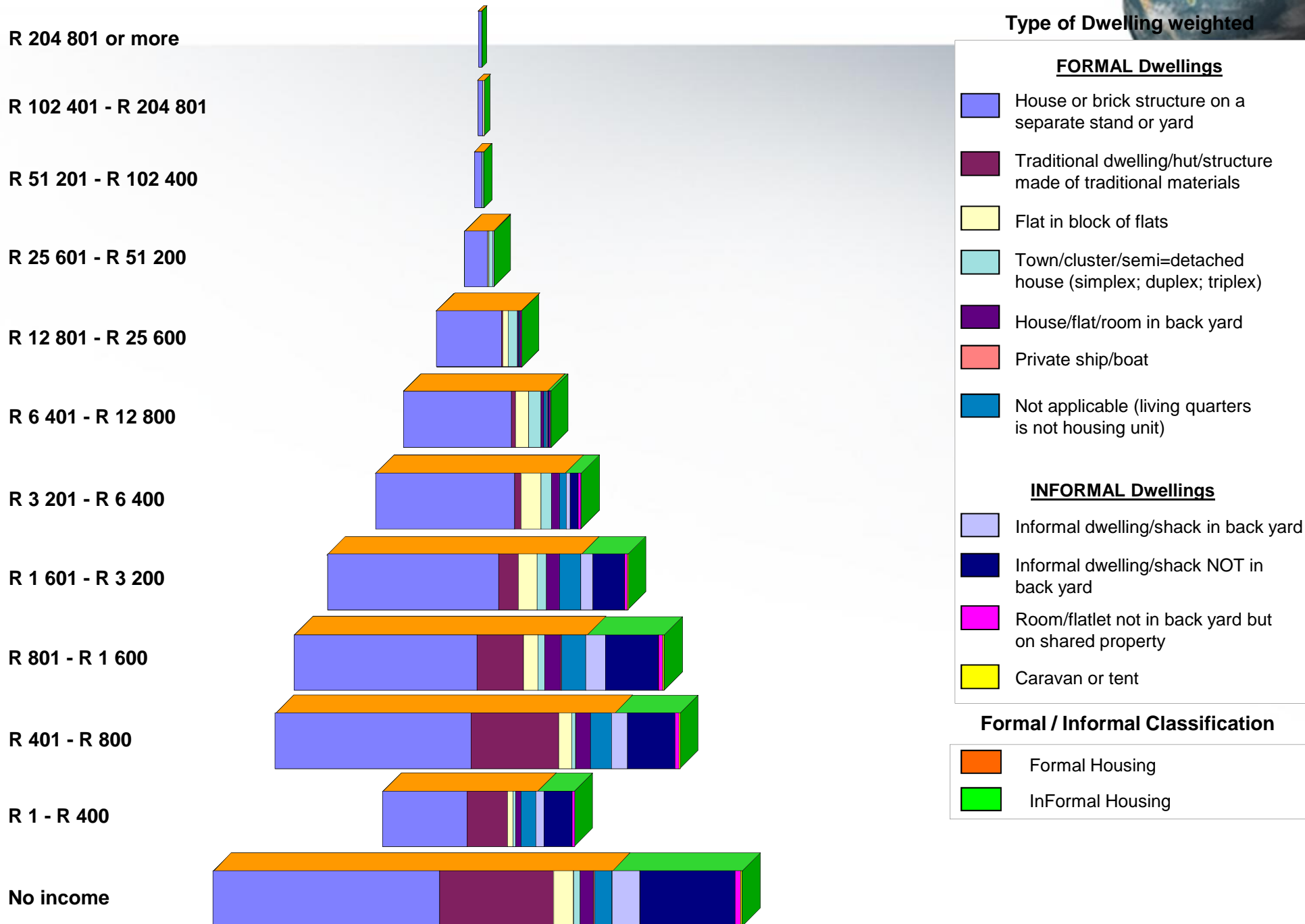
MONTHLY HOUSEHOLD INCOME



MONTHLY HOUSEHOLD INCOME BY TYPE OF DWELLING



MONTHLY HOUSEHOLD INCOME BY TYPE OF DWELLING: FORMAL AND INFORMAL



PRODUCTS



- Ownership
- Rental
- Rent-to-buy, installment sales
- Incremental

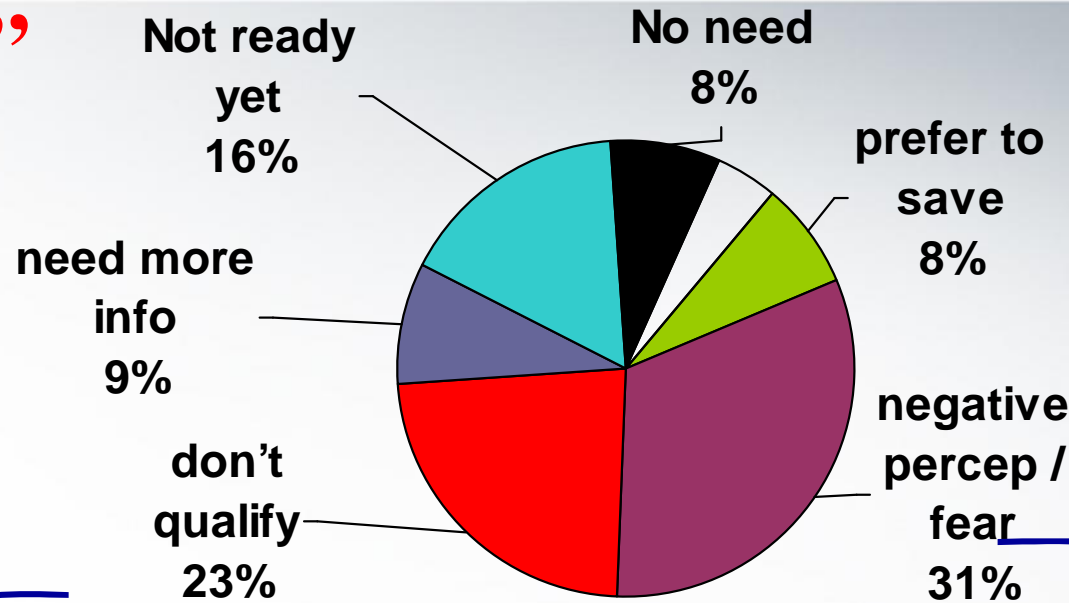
INSTRUMENTS



- Subsidy
- Sweat equity
- Mortgage
- Micro finance
- Savings



“Why don’t you apply for a loan / bond?”



- believe I don't qualify / income too low (24%)
- blacklisted already (2%)
- already have a bond / must pay off first
- need deposit / security
- retired

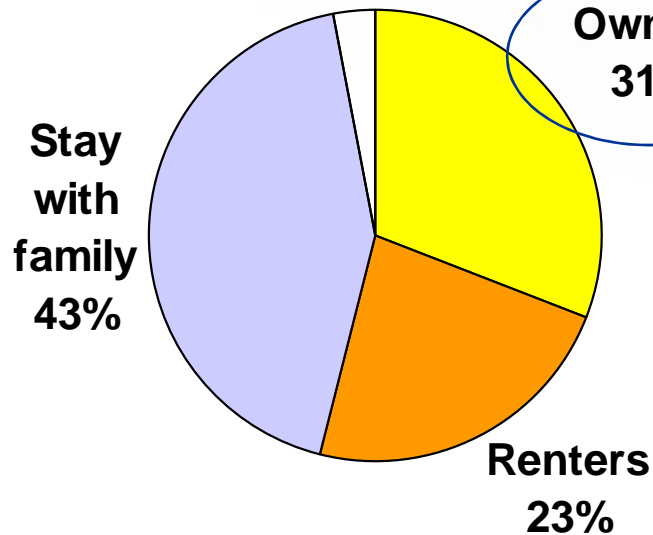
- fear inability to repay (14%)
- interest rates too high (12%)
- just don't trust them (3%)
- don't want a bank loan (3%)
- takes too long / pay for the rest of my life (3%)
- unfriendly / bureaucratic (2%)
- fear of blacklisting (2%)
- too long & complicated (2%)

HOUSING PROFILE OF “UNSUCCESSFUL BUYERS”

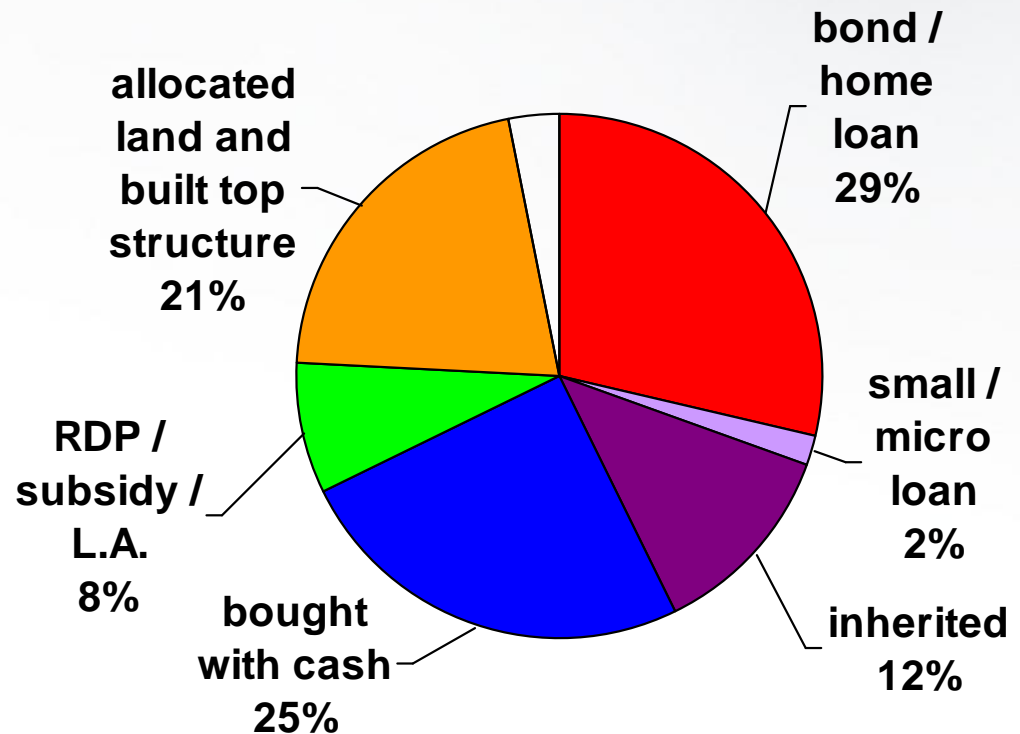


A third (31%) of the sample already own the property they live in, yet they are unable to buy a property.

Current housing tenure



OWNERS: How they got it



SAVING TOWARDS A HOUSE



70% of prospective buyers said they had been saving for a house

| | 2003 | 2001 |
|------------------------------|---------|---------|
| Ave period of savings | 30 mths | 25 mths |
| Ave amount saved | R12 491 | R8 702 |

| | | | |
|-----------------------------------|-----------------|-----------------|------------------|
| <i>Monthly income</i> | R1500- R3500 | R3501- R7500 | R5701- R10000 |
| <i>% income saved for housing</i> | 15% | 11% | 9% |

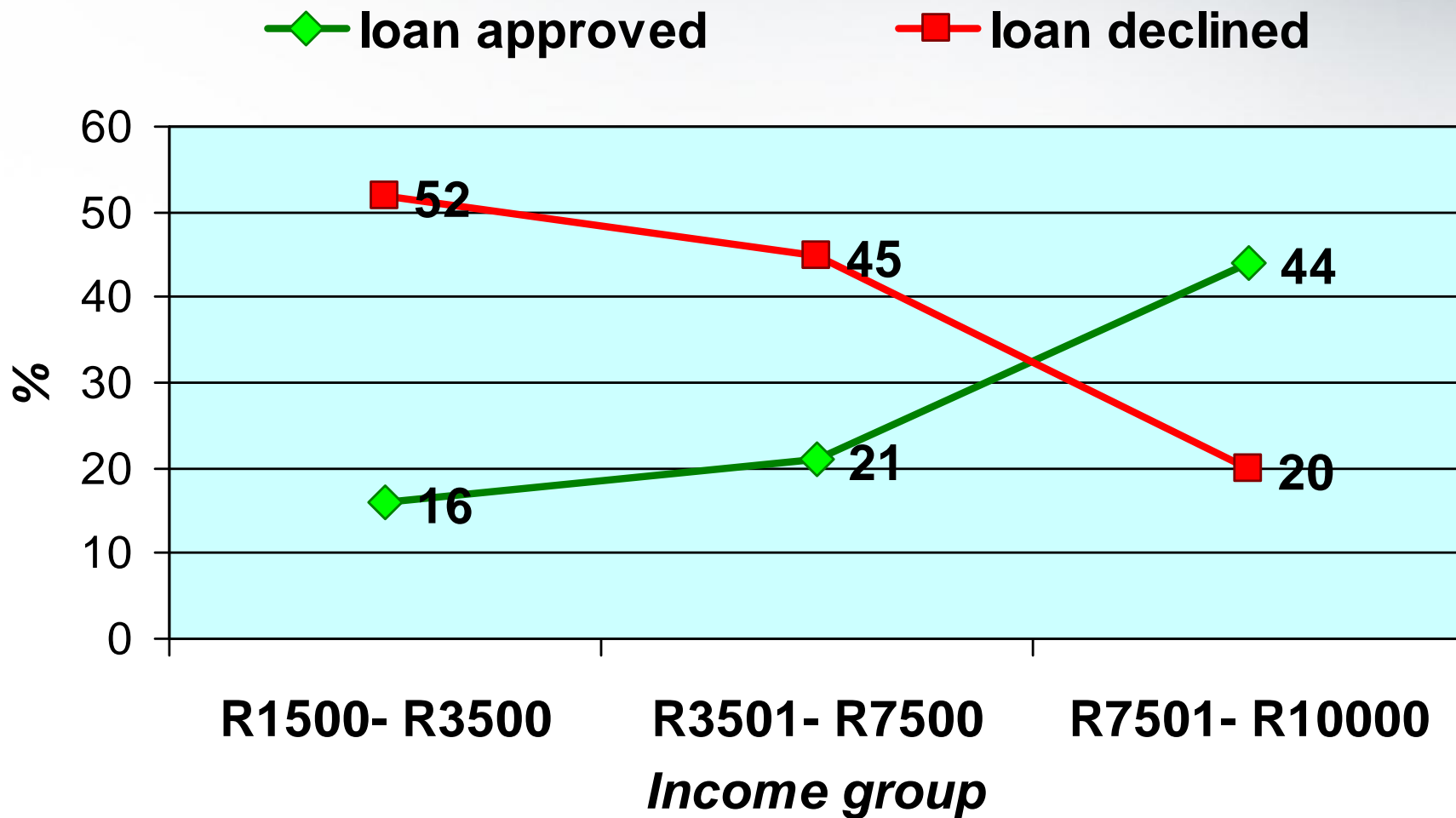
Method of savings

| | 2003 | 2001 |
|--------------------------|------|------|
| • Bank savings account | 59% | 62% |
| • Fixed / notice deposit | 24% | 20% |
| • Stokvel | 5% | 19% |
| • Post office savings | 7% | 7% |
| • Cash / hide money | 4% | 4% |

Purpose of savings

| | |
|------------------------------|-----|
| • Deposit on a house | 29% |
| • Buy an affordable house | 23% |
| • Building materials / fees | 26% |
| • Buy land on which to build | 7% |
| • Transfer costs / duties | 3% |

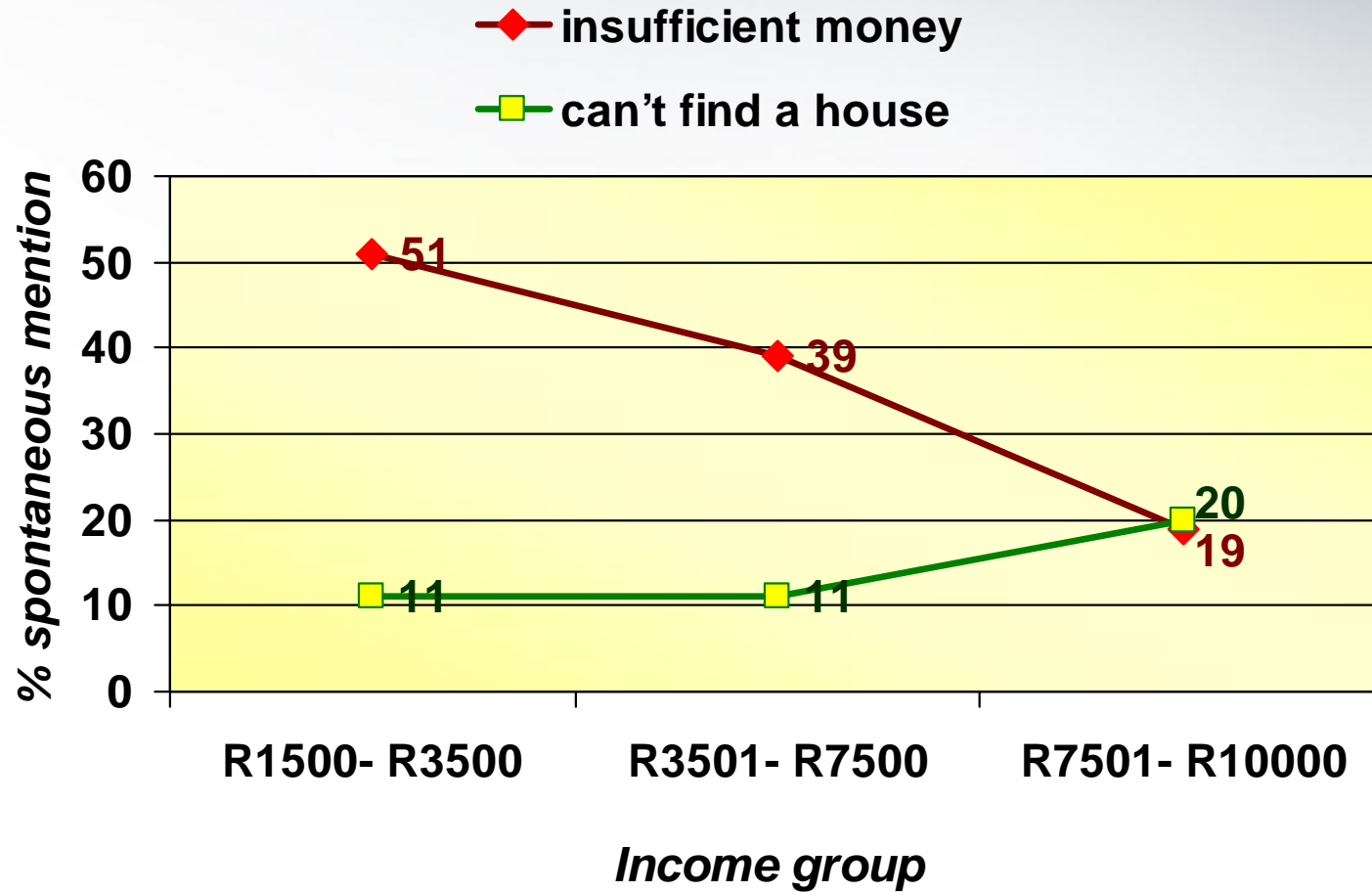
OUTCOME OF THE LOAN APPLICATION



PERCEIVED BLOCKAGES



Finance v Stock



“What is the main reason you want to buy a house now?”



**Not enough space /
need a bigger house
23%**

**Need a house to
start my own family
6%**

**I want my own house
/ a proper house / the
house of my dreams
57%**

**Want to live in a better
area / more affluent
suburb / white suburb
11%**

**Want a new house
/ better house /
gain status
7%**

**Want my own place /
tired of renting
9%**

**Want to live in a
crime-free area
5%**

**Tired of living in a
shack / shacks unsafe
7%**

**It's a life-time
investment / security
8%**

THANK YOU

