

Making housing finance accessible to low income communities

Building their Future



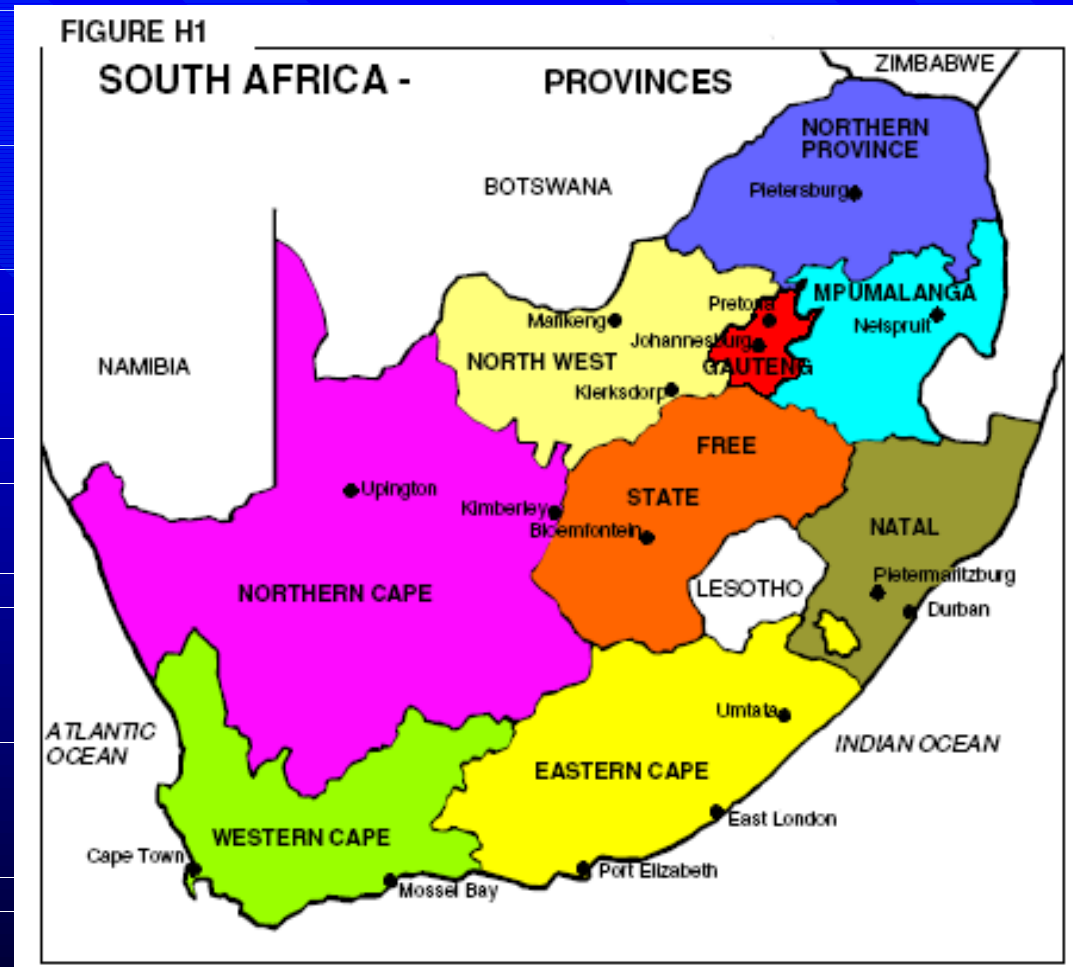
**Presentation to
Berlin Conference**

“Housing Finance in Emerging Markets”

Contents of Presentation

- Economic Background.
- Housing Finance in Brief (SA).
- Market Segments in the SA Housing Mkt.
- Key Role-players.
- Ways to Finance Housing.
- NHFC.
- Challenges & Key Blockages to Housing Finance.
- Conclusion

South African Provinces



Economic Background

- Dual Economy (1st & 3rd World).
- Macro Economic Indicators:
- GDP: Consistent but Sluggish.
- Interest Rates: Relatively High Until Recently, Susceptible to Global Pressures.
- Employment: Shrinking Formal and Increasing Informal Sector.

Economic Background Cont

- Econ growth relatively stable after stagnation.
- Mainly due to: international econ sanctions & political instability.
- 3% growth rate recorded in 2000.
- 2.8% in 2001 and 3% in 2002.
- Unemployment rate currently standing @32%, expanded rate @42%.

Housing Finance in Brief

- Lack of finance one of the major problems to housing delivery.
- Access to finance been identified by Govt. as a cornerstone in a sustainable housing process.
- Govt. recognizes the need to attract housing investments from sources outside the State.

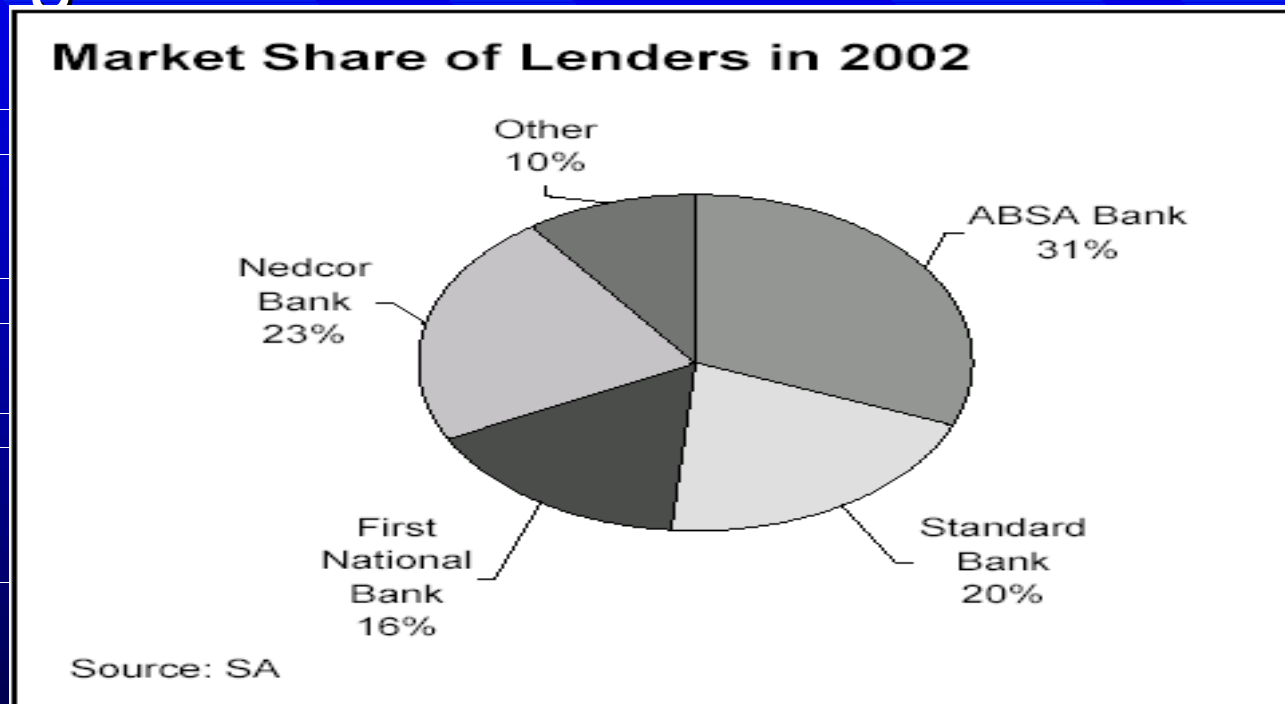
Table 1

■ Institutions that Make up the SA Housing Finance System

Large Banks	Small Banks	Micro lenders	Social Housing Institutions	Provincial Dev. Corp.	NGOs	Govt. Institutions
ABSA, Standard, Nedcor, First Rand	Peoples bank, African bank, Unibank, Cashbank, Teba banks	1 334 enterprises registered with the MFRC	JHB Housing Company, Tshwane Housing Company, Greater Germiston etc.	Ithala Development Finance, Mpumalanga Housing Finance etc	Habitat for Humanity, Utshani Fund, Urban Sector Network	NHFC, NURCHA, NHBRC, SHF, SERVCON

Market Share

■ Figure:1



The NHFC and Its Programmes Mandate

In **partnerships** with the broadest range of organisations, to ***search for new and better*** ways to **mobilise finance** for housing, from ***sources outside the state...***

Mission

The NHFC creates housing opportunities for the low and moderate income families by:

- Funding of intermediaries and institutions to promote broader access to housing and housing finance
- Facilitating the building of *Adequate* and *Sustainable* capacity within the organisations and institutions that it funds
- Partnering with organisations and institutions to deliver innovative housing finance solution options.

Blockages to Housing Finance

■ Table 4

2003	2001	Blockages to LIH Market
50%	64%	Unable to find an affordable house
37%	41%	Unable to access finance- income too low
34%	29%	Unable to access finance- due to existing debt
32%	31%	Unable to access finance- not formally employed
32%	42%	Confused about the range of housing finance products
32%	44%	The whole process is too complicated- don't understand
28%	31%	Unwilling to access finance- fear of bad credit rating if unable to pay
17%	26%	Unwilling to access finance- don't trust financial institutions
9%	17%	Redlining- banks wont lend for purchase in the proposed area
8%	14%	Unable to sell current house

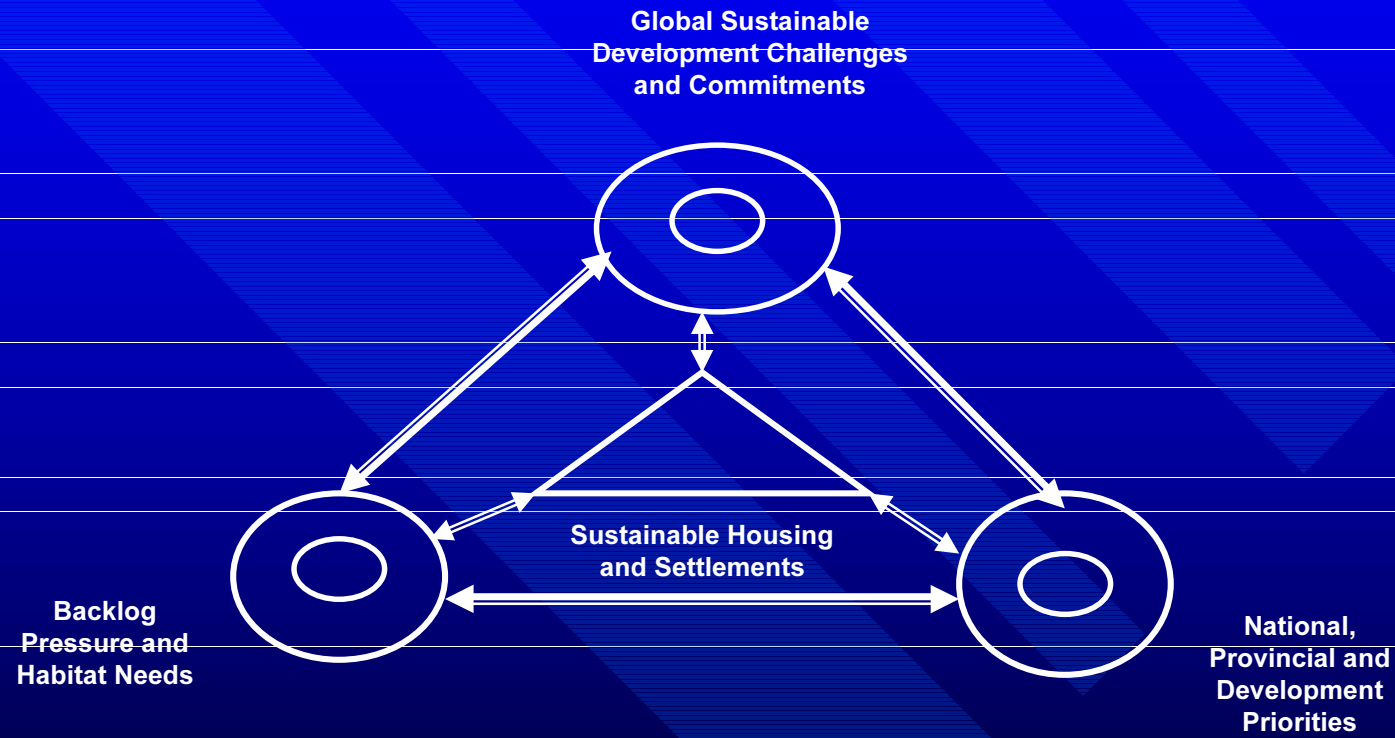
Sustainable Housing and Human Settlement

“Housing which effectively addresses backlog pressure (meets national and local priorities with regard to access and affordability of quality shelter and services) while at the same-time responding to national global sustainability goals on environmental/resource efficiency/conservation, equitable distribution of development – benefits and enhancing institutional capacity for effective management of the process and outcomes.”

TABLE 1: EXAMPLES OF GOOD PRACTICE CASE STUDY PROJECTS WHICH DEMONSTRATE APPROACHES IN SOME OF THE SUSTAINABLE HOUSING AND SETTLEMENTS.

MOST COMPREHENSIVE WITH URBAN INTEGRATION / EFFICIENCY AND / OR ECONOMIC EMPOWERMENT	COMPREHENSIVE WITH ECONOMIC EMPOWERMENT AS KEY COMPONENT.	ONE TO THREE ISSUES ADDRESSED.
<ul style="list-style-type: none"> ■ Cato Manor Urban Regeneration Programme – Durban (Urban integration, economic empowerment, institutional/partnerships, Socio-cultural issues and vulnerable groups, especially women, youth and children): 	<ul style="list-style-type: none"> ■ Kutlwanong Integrated Housing – Kimberley (Energy efficiency, economic empowerment, institutional/ partnerships, affordability / green finance etc): 	<ul style="list-style-type: none"> ■ Soweto Energy Efficient House – Johannesburg (Energy and water efficiency):
<ul style="list-style-type: none"> ■ Alexandra Urban Renewal Programme – Johannesburg (Urban integration, economic empowerment, institutional/partnerships, socio-cultural issues and vulnerable groups, especially women, youth and children): 	<ul style="list-style-type: none"> ■ Masisizane Women’s Housing Co-operative – Johannesburg (Empowerment, socio-cultural issues and vulnerable groups, materials, institutional/ partnerships): 	<ul style="list-style-type: none"> ■ Kuyasa – Khayalitsha – Cape Town (Energy efficiency, affordability/green finance, institutional/ partnerships):
<ul style="list-style-type: none"> ■ Carr Gardens – Johannesburg (Urban integration, institutional/partnerships, alternative / green finance): 	<ul style="list-style-type: none"> ■ Lynedoch Eco – Village – Stellenbosch (Economic empowerment, institutional/partnerships, socio-cultural issues and vulnerable groups, water efficiency, energy efficiency, affordability/green finance): 	<ul style="list-style-type: none"> ■ Lwandla Hostel to Homes – Cape Town (Energy efficiency, solar water heaters, institutional/ partnerships, affordability / green finance):
<ul style="list-style-type: none"> ■ Douglas Rooms – Johannesburg (Urban integration, institutional / partnerships, socio-cultural issues and vulnerable groups, especially women, youth and children): 	<ul style="list-style-type: none"> ■ Midrand Eco-City – Johannesburg (Waste management, Alternative transportation, Economic empowerment, institutional/partnerships, socio-cultural issues and vulnerable groups, Energy efficiency, affordability/ green finance): 	<ul style="list-style-type: none"> ■ All Africa Games Village – Johannesburg (Location , water and energy efficiency):
<ul style="list-style-type: none"> ■ Moshoeshoe Eco-village – Kimberley (Economic empowerment, institutional / partnerships, socio-cultural issues and vulnerable groups, water efficiency, energy efficiency, affordability/ green finance): 		

Sustainable Development



Role of Financial Sector

- Government grants outside housing subsidies.
- Grants from issue specific stakeholders.
- Urban regeneration projects.
- Public sector financial institutions.
- Donor funding.
- Beneficiaries and empowerment.
- N.G.O and C.B.O.

Challenges to Housing Finance

■ Table 3

Banks	Non-Banks	Economic Indicators	Housing Backlog	Afford Ability	Key Blockages
Many Banks but no deep outreach	Yet to demonstrate scale delivery, liquidity problems	Stable economic growth characterised by cyclical fluctuations	Approximately 3million units needed to counter backlog	Lack of affordability, largely driven by unemployment and skewed and invariable incomes	Unemployment Informal Employment Low Income Lack of suitable stock Lack of suitable land Lack of private capital

Challenges to Housing Finance (Cont)

■ Policy Issues:

- The Prevention of Illegal Eviction from Unlawful Occupation of Land Act (PIE) (1999)
- The Home Loan and Mortgage Disclosure Act (HLMDA) (2000)
- The Community Re-investment Bill.

Challenges to Housing Finance (Cont)

- Despite efforts by govt. to solve low income housing problems banks find it too risky to act
- Established Institutions not yet succeeded in normalising the market
- This could be attributed to:
 - Inadequate Capital
 - Reliance on Primary Sources of Funding
 - Not Operated Long Enough, Need More Time Before Sufficient Results Can be Seen

Lessons learnt and challenges

- Overall benefits of sustainable housing have clearly demonstrated improved environmental health, economic empowerment.
- It is extremely difficult for a single project to integrate all the nine responses.
- Current levels of subsidy are inadequate.
- Sustainable housing requires facilitation both up and beyond delivery stage.
- Sustainable partnerships.
- Inclusion in the national housing code.
- Absence of an overall policy for sustainable settlements.

Conclusion

- The reforms though since 1994 (Record of Understanding) to 2003 (Community Re-investment) reflect a better understanding and willingness to deal with the management of risks from both the public and private sectors.
- Building capacity for financial intermediation in the housing sector is a responsibility of all, if we want to expand outreach and access.
- Borrower education is the responsibility of all players in the market to optimally manage risks. The type and level of borrower education must reflect the current risks evident in the market.
- Conducive Environment in which Financial Institutions could Experiment, take Risks and be Rewarded for Success should be Created

Conclusion

- Sustainable housing and settlements addresses the backlog pressure while responding to national development priorities and global sustainable development challenges and commitments.
- Even though South Africa does not have a comprehensive policy for sustainable housing and settlement, related legislation.