



THE BANKING
ASSOCIATION
SOUTH AFRICA

HUMAN SETTLEMENTS DEVELOPERS AND
CONTRACTORS WORKSHOP
3 SEPTEMBER 2015

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OVERVIEW OF PRESENTATION

1

"GAP MARKET" AND FLISP

MORTGAGE DEFAULT INSURANCE SCHEME (MDI)

CONSUMER AFFORDABILITY (SEPARATE ENGAGEMENT NEEDED)





"GAP MARKET" AND FLISP

2

"GAP MARKET"

	No.	Value (R'm)	FLISP (No.)	%
2010	16 400	3 923		
2011	19 700	5 403		
2012	15 000	3 938	218	0.01%
2013	12 600	3 382	1 478	12%
2014	10 200	2 737		
Q2 2015	4 100	1 113	1 129	8%
Total	78 000	20 496		

NOTES:

Mortgages only (no PBLs or unsecured)

Given time constraints accuracy ?

3 Mortgagees data + 4th Averaged

Figures rounded off





"GAP MARKET CHALLENGES"

3

MARKET DYNAMICS:

"GAP MARKET": IS THE AFFORDABILITY GAP FOR FIRST TIME HOME BUYERS WHO CANNOT AFFORD AN ENTRY LEVEL HOME

ONE NEEDS TO DIFFERENTIATE BETWEEN THE PRIMARY MARKET (NEW BUILDS) AND THE RESALE MARKET

PRIMARY MARKET:

- DEVELOPERS ADVISE THAT THEY ARE ONLY ABLE TO BUILD A 45M² UNIT ON A 150M² SITE FOR R300 000 ;
- VISIBLE DIFFERENTIATION BETWEEN A BNG UNIT AND A FLISP UNIT REQUIRES MINIMUM PRICE TAG OF R350 000;
- DOUBLE CHARGE OUT ACERBATING BUILDING COSTS:
 - MUNICIIPALITIES CHARGE R14 000 PER SITE FOR THE PROVISION OF CIVIL SERVICES (RATES CHARGE OUT INCLUDES RECOVERY OF THIS COST)
 - ESKOM CHARGES R20 000 PER SITE FOR BULK, CONNECTOR, RETICULATION AND PRE-PAID METER SERVICES (DESPITE DEPT. OF ENERGY PROVIDING ESKOM WITH THESE SUBSIDY MONIES)
- SERVICED SITE 33% OF OVERALL COST
- TOWNSHIP ESTABLISHMENT PROBLEMATIC (+48 MONTHS VS RED BOOK 27 TO 30 MONTH GUIDELINE - LAND TO COMPLETED UNIT (COST +18% BNG UNIT/+25% AFFORDABLE UNIT)





NOTEWORTHY IMPROVEMENT IN VIABILITY OF SCHEME SINCE FLISP REVAMPED

CHALLENGES:

- PROCESSES:

- NHFC ONE MONTH PLUS TO APPROVE AN APPLICATION (WCAPE/KZN APPROVE FLISP SUBSIDIES)

CENTRALISED VS DECENTRALISED MODEL?

- ✓ KZN APPROVE SUBSIDY PRIOR TO APPLICATION BEING SENT TO LENDER

- NHFC NEEDS TO APPROVE THE DEVELOPMENT? CAN TAKE UP TO A YEAR (NHBRC ROLE)

- QUANTUM (FIX "COST DRIVERS" RATHER THAN INCREASE FLISP)

OPPORTUNITY:

- RESALE MARKET (EAAB TO PLAY A PROMINENT ROLE)
- PBLs/UNSECURED (PRE-EMPTIVE CLAUSE?)





MORTGAGE DEFAULT INSURANCE (MDI)

5

OFFERED BY DHS RATHER THAN ASKED FOR BY LENDERS

✓ LENDERS WELCOME THIS: DIVERSIFIES RISK

CHALLENGES:

- COST OF MDI PREMIUM MORE THAN "COST OF RISK" WHICH LENDERS PRICE INTO THE INTEREST RATE
 - LACK OF CRITICAL MASS (AFFORDABLE MARKET ONLY)
 - PREMIUM CHARGED UP FRONT FOR TERM OF LOAN
- EFFECTIVENESS OF MDI DUE TO NATIONAL CREDIT ACT?

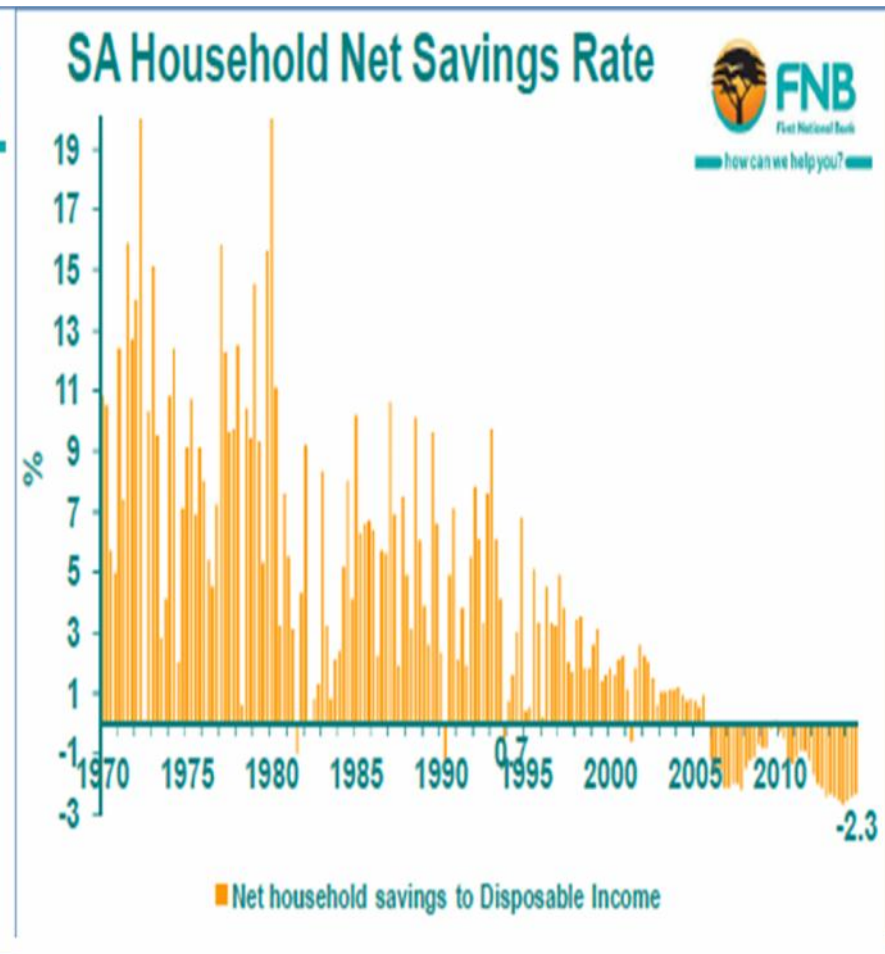
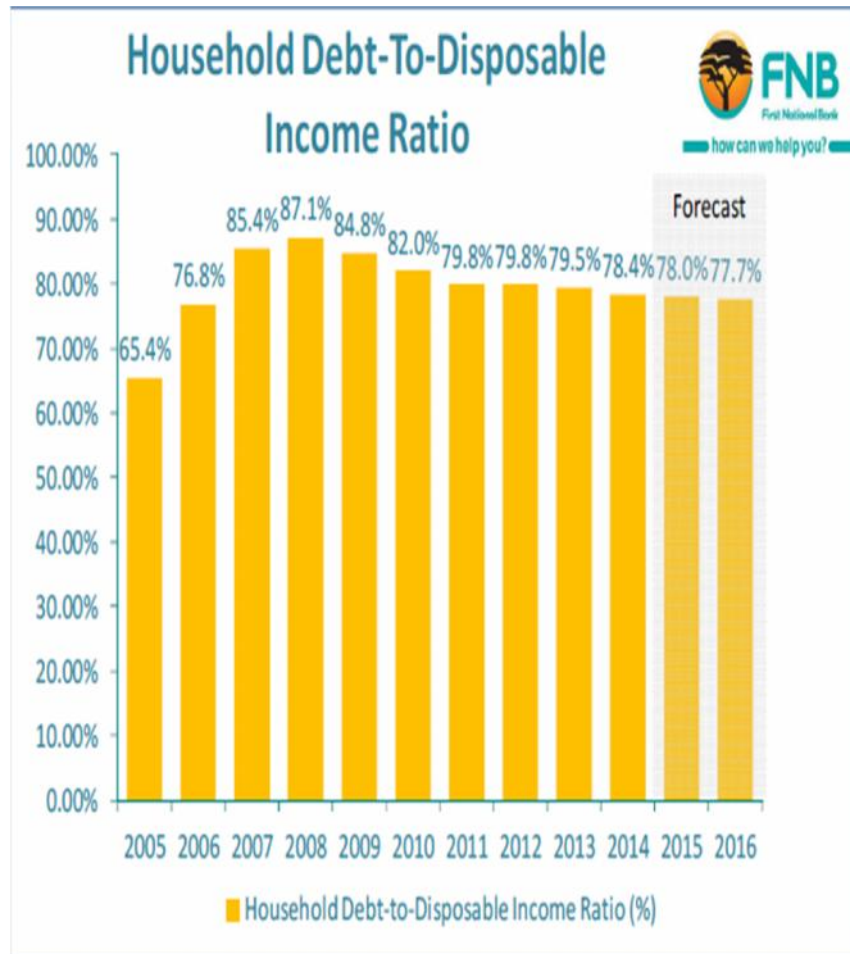
ALTERNATIVE OPPORTUNITIES:

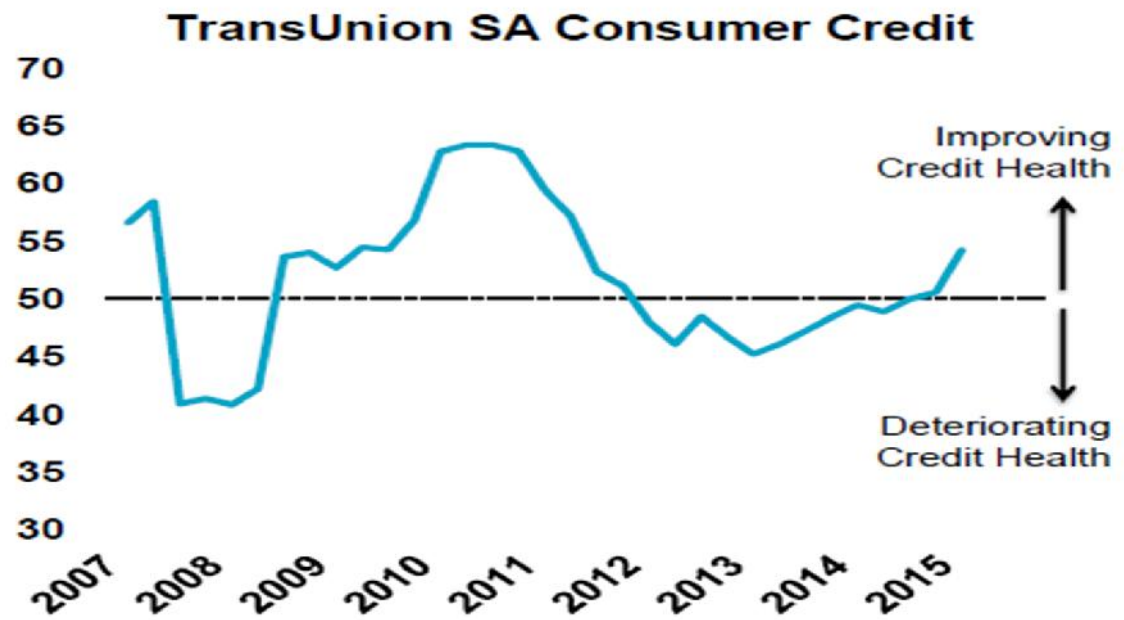
- LONG-TERM FIXED INTEREST RATE (STATE ACTS AS MARKET MAKER)
- SAVINGS INCENTIVE E.G. PENSION PREMIUM WHICH CAN BE WITHDRAWN FOR ACQUISITION OF FIRST HOME – 17.5% VERSUS 15%





NEED TO CHANGE CONSUMER BEHAVIOUR





A total of 10,41 million credit-active consumers, or 45% of a total of 23,11 million, had impaired credit records, up from 10,26 million (44,9%) in the fourth quarter of 2014. In mid-2007 a total of 36,4% credit-active consumers had impaired credit records.

A total number of 12,70 million (55%) credit-active consumers were in good standing, up from 12,58 million (55,1%) in the fourth quarter of last year. As much as 63,6% of credit-active consumers were in good standing in mid-2007.

A total number of 82,04 million consumer credit accounts were active, of which 59,66 million (72,7%) were in good standing and 22,38 million (27,3%) were impaired.

SOURCE: ABSA

