THE OFFICE OF DISCLOSURE ANNUAL REPORT

01 JANUARY 2015 - 31 DECEMBER 2015

Report in terms of Section 5 of the Home Loan and Mortgage Disclosure Act, 2000 (Act No. 63 of 2000)

GENERAL INFORMATION

NATURE OF BUSINESS:	The Office of Disclosure is established in terms of Section 4 of the Home Loan and Mortgage Disclosure Act, 2000 (Act No.63 of 2000) (HLAMDA) with the primary aim of monitoring the lending activities and practices of financial institutions in granting of home loans to consumers. The Act compels financial institutions to disclose information in respect of their lending activities in the home loan market. The Office also prepares an Annual Report for the Minister of Human Settlements on the lending practices and activities of such institutions.
PHYSICAL ADDRESS:	Office of Disclosure Department of Human Settlements Govan Mbeki House 240 Justice Mahomed Street Sunnyside Pretoria
POSTAL ADDRESS:	P/Bag X644, Pretoria, 0001
CONTACT NUMBER:	+27 12 444 9163
EMAIL ADDRESS:	disclosure@dhs.gov.za
WEBSITE ADDRESS:	wwwdhsgovza

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ACRONYMS USED

BASA	Banking Association South Africa
DFI	Development Finance Institution
FICA	Finance Intelligence Centre Act 2001 (Act No. 38 of 2001)
FIC	Finance Intelligence Centre
FLISP	Finance Linked Individual Subsidy Programme
HLAMDA	Home Loan and Mortgage Disclosure Act 2000 (Act No. 63 of 2000)
IRBA	Independent Regulatory Board for Auditors
NCA	National Credit Act 2005 (Act No. 34 of 2005)
NCR	National Credit Regulator
SAICA	South African Institute of Chartered Accountants
OoD	Office of Disclosure

FOREWORD BY THE MINISTER

Report on the Home Loan and Mortgage Disclosure Act, 2000 (Act No. 63 of 2000)

Our Constitution in terms of section 26 provides for right of access to adequate housing and thus places an onus on the State to progressively realize access to adequate housing by using legislation and other measures within its available resources. In the process leading up to the enactment and coming into force of the Home Loan and Mortgage Disclosure Act, a key focus of the housing and human settlements development focus was the transformation of the financial sector to expand and transform its focus. The inherited legacy of racial, spatial and class inequality, development and poverty demanded then and now of us to ensure that we embark on a path of shared societal responsibility to reach the goal of citizen socio-economic equality and benefit.

The Office of Disclosure as part of the Department of Human Settlements is mandated through HLAMDA to collect, collate, analyse and publish datasets of financial information from the financial Institutions, focused on housing and human settlements The objective is to ensure that on a progressive basis we are able to gauge and measure transformation of the financial sector, which reference to improving and expanding housing and human settlements financial investment and lending patterns, focused on the "unbanked" and poor households.

The information included in the report must inform the South African public and public and private institutions on the extent the financial institutions provide, improve, promote and participate in the financing, development and access of housing to individuals, families and communities.

The contents of the report, its analysis and recommendations must result in the necessary corrective measures and actions which ensure that we improve access to finance for housing and human settlements development for the citizens of our country, with an emphasis on those households who were previously excluded and/or marginalised.

The request is that all financial institutions and industry stakeholders active in the housing in human settlements sector demonstrate the commitment to transform and improve financial access and assistance, by interacting and consulting both with the Department and the Office of Disclosure to put in place those measures required.

L N Sisulu, MP
Minister:
Human Settlements

STRATEGIC OVERVIEW

The Office of Disclosure is established in terms of Section 4 of HLAMDA with the primary aim of monitoring the lending patterns and practices of financial institutions in terms of granting of home loans to consumers. The Act compels financial institutions to disclose information in respect of their lending activities in the home loan market. The Office also prepares an Annual Report for the Minister of Human Settlements on the lending practices of such institutions. The overall objective of this report is to report on the lending patterns as reported by the financial institutions and to propose policy changes and highlight short comings by market participants to ensure a fair, equitable and just market.

VISION

To ensure compliance to the Act and promote access to housing finance.

MISSION

To contribute to the achievement of ethical practices that enhances/promotes access to housing finance in the country.

ORGANISATIONAL ENVIRONMENT

Minister: Human Settlements

Office of Disclosure
Chairperson: Office of Disclosure
Deputy Chairperson
Members of the Office

*Secretariat

Financial institutions

**The Secretariat is a component within the Department of Human Settlements that supports the Office of Disclosure.*

1. CHAIRPERSON'S REMARKS

Financial institutions are required to disclose information in terms of HLAMDA. Using the information received from the financial institutions, the Office identifies the lending patterns and trends on home loans. Not all financial institutions have complied with HLAMDA. Non-compliance by financial institutions needs to be addressed via the Banking Association South Africa to ensure full compliance, so that a full picture of the home loan lending market can be analysed. The data that has been analysed illustrates that majority of the populous are not accessing finance via the registered financial institutions for housing purposes. The rate of declined loan applications remains excessively high and from the reasons advanced by financial institutions, there needs to be mechanisms put in place to ensure that applicants understand financial management. The Financed Linked Subsidy Programme which is supposed to address the gap market has not performed. This is of concern as it is this market that much attention needs to be focused on. This programme requires refurbishment.

The analysis shows that unsecured loans seem to be popular to all segments in the market and the use of pension backed loans is any way of accessing finance. It is of concern that these two loan types are been accessed with high interest rates by many applicants.

TMoja

Ms. T. Moja
On behalf of the Office of Disclosure

2. EXECUTIVE SUMMARY

Financial institutions are required to disclose information in terms of HLAMDA. The information is disclosed to the OoD via its Secretariat. The information submitted to the OoD contains data on mortgages, pension-backed lending and unsecured lending for home loan/use purposes. This data is used to produce the Annual Report which depicts the lending patterns and trends of financial institutions.

Whilst 23 financial institutions out of 31 registered have submitted their annual return forms there are those financial institutions who have not submitted returns. Financial institutions who provided nil returns may not participate directly in the home loan market due to various reasons. They, however, participate in the property market indirectly by contributing to the production and sale of new housing units, via special purpose vehicles, which is currently unregulated in terms of HLAMDA.

From the analysis of the information, 939 134 applications for mortgage loans were received. It is evident that the larger financial institutions have by the nature of their business received the majority of applications. It must be highlighted that financial institutions receive applications from mainly two sources i.e. their customers and from Intermediaries/ Brokers. The loan originators/ brokers submit an initial application to more than one financial institution to increase chances of an applicant being approved for funding by at least one financial institution. These inherently results in more than one financial institution reporting the same applicant in their reported applications received. Hence there are multiple duplications in numbers submitted to the Office. This in turn affects the number of approved/declined applications and related amounts in relation to number of applications received and processed throughout the system up to final approval or decline.

In all instances prior to the scoring process applications are assessed to ensure that all documentation is in order. Once an application is assessed such application is subjected to a scoring process to determine whether the application should be approved or declined. A total of 868 211 applications were scored and 415 829 approved. As mentioned above there are duplications in the process where one applicant's details could be sent to various financial institutions. Therefore from the 415 829 applications approved, 113 097 loans were taken up meaning actual agreements being entered into and 115 979 were not taken up. There were a total of 448 602 declines. The level of decline remains disturbingly high at 47.7% (48.98%: 2014).

A growing pattern is the use of unsecured loans for the purpose of home improvements. An unsecured personal loan refers to loans which are repayable over a period of time in installments where there is no security that the credit provider can rely on to recover debt if default occurs. In this instance, unsecured lending excludes "credit facilities" such as overdrafts, credit cards and short-term credit. This pose another challenge to completeness of home lending facilities as the credit facilities granted in these categories are not captured under home loans if so used, by the financial institutions. There were 568 909 unsecured loan applications received. It is also evident that the larger financial institutions have by the nature of their business received the majority of applications. From the unsecured loan applications received, 546 254 were scored, 289 136 approved and 257 119 declined. This translates to a total of 45% of unsecured loan applications having been declined.

Pension – backed loans have predominantly been applied to home improvement, rather than for the purchase of new homes, as the average sizes of these loans are relatively small as compared to mortgages. They refer specifically to loans provided by financial institutions to individuals for housing purposes, where the collateral for the loan is some percentage of the borrower's accumulated retirement savings. While many people apply for a mortgage, there are those that use the created equity to finance other assets. Not all financial institutions offer pension-backed loans. Those that do offer these types of loans indicated that the funds are used for housing purposes. Borrowers who want to build their homes in rural areas can also apply for pension-backed loans.

From the analysis, 33 002 pension-backed applications were received, 32 312 scored, 11 681 approved and 20 631 declined. This translates to 62.5% of pension-backed loan applications been declined by the financial institutions.

The total rand values of all received, scored approved and declined applications by all financial institutions during the reporting period 01 January 2015 to 31 December 2015 as reflected below:

- Received R 648 639 m
- Scored R 594 211 m
- Approved R 319 570 m
- Approved taken up R 80 976 m
- Approved not taken up R 88 479 m
- Declined R 272 408 m

In terms of gender, historically disadvantaged persons and low density areas, information was received during the reporting period as follows:

- Number of applications ***received*** from historically disadvantaged persons (594 224)
- Number of applications received from historically disadvantaged persons: ***declined*** (281 206)
- Number of home loans ***approved*** to historically disadvantaged persons (270 752)
- Number of home loans ***approved*** to persons living in ***rural areas*** (54 577)
- Number of home loans ***approved*** to persons living in ***low density areas*** (55 487)
- Number of home loans ***approved to juristic persons*** (15 420)
- Number of home loans ***approved to women*** (182 131)
- Number of home loans ***approved*** to historically disadvantage persons: ***men*** (166 964)

It is clearly evident that most of the applications approved are from income levels R15 000 and above, which FLISP product does not feature because of the under performance of the financial institutions including the DFI's in this area. This depicts an under performance by financial institutions in the low to medium income group (R3 501 – R15 000) which are supposed to be receiving government incentives such as FLISP to enable access to housing finance.

The data clearly indicates that the introduction of the FLISP instrument has failed to positively impact the market with concomitant volumes of home loans. Government needs to review the FLISP model with a view to suitably restructuring same to fit current market dynamics to the benefit of the lower income market which it was intended to serve. The trend points towards the inability of financial institutions to significantly penetrate the market below the R15 000 income level.

In terms of provincial demographics, most of the applications were received in Gauteng province followed by Western Cape and KwaZulu-Natal. It appears that in these three provinces there are increased activities in the home loan market. These could be as a result of employment opportunities in these provinces and migration to same. In the case of unsecured loans it must be mentioned that the inherent flaw in recording the Province in which the loan is recorded is related to the Province from which the applicant stay at the time of the application in terms of FICA and not necessarily the Province in which the house is established when the loan is granted.

From the analysis majority of applications are declined due to lack of affordability, unacceptable credit track record, CPI differentiation, and the ever-changing legislation. Further, we need to note the concerning relationship between the increase in housing prices against salary levels of the working class. Urgent intervention is required with existing financial incentives to promote access to housing finance.

3. OPERATIONAL OVERVIEW

This section below provides an analysis of the lending patterns and trends by financial institutions for the 2015 reporting period.

3.1 INTRODUCTION

HLAMDA was promulgated in the year 2000. The intention of the Act is to compel financial institutions to disclose information in respect of their lending activities and practices in the home loan market. In the past it has been possible to ascertain the number of home loans granted by financial institutions, but not those home loan applications which have been declined and the reasons for same.

The purpose of this report is to present the information submitted to the Office and the compliance thereof by the financial institutions for the reporting period 01 January 2015 to 31 December 2015. The purpose of this report is not intended to compare the financial institutions against each other but rather to establish the lending patterns and practices of financial institutions.

3.2 PURPOSE OF HLAMDA

The purpose of HLAMDA is:

> ***"To promote fair lending practices, which require disclosure by financial institutions of information regarding the provision of home loans; to establish an Office of Disclosure; and to provide for matters connected therewith."***

3.3 MEMBERS OF THE OFFICE OF DISCLOSURE DURING THE REPORTING PERIOD

In terms of Section 6 of HLAMDA, "The Office consists of no more than 10 members appointed by the Minister by virtue of their expertise and experience in matters related to banking, housing finance and investment, community economics and civil rights"

MEMBERS OF THE OFFICE OF DISCLOSURE

NAME	DESIGNATION	DATE OF APPOINTMENT	EXPIRY OF TERM	RACE	GENDER
Dr. Arumugam Pillay	Chairperson	27/07/2012	27/07/2015	Asian	Male
Mr. William Hoefling	Member	27/07/2012	27/07/2015	White	Male
Ms. Nozonwabele Jikazana	Member	27/07/2012	27/07/2015	African	Female
Dr. Makhosana Nyamazana	Member	28/09/2012	28/09/2015	African	Male
Mr. Harold de Kock	Member	27/07/2012	27/07/2015	White	Male

In this reporting period five members constituted the Office. Their terms of office ended on 27 July 2015 with the exception of one member ending on 28 September 2015. In the absence of the members of the Office, the Secretariat of the Office continued to perform the functions of the Office. An advert for nominations for new members was placed in the print media. Nominations have been received for the appointment of new members by the Minister.

As the report get finalised, the following members were appointed and inherited the work in terms of provisions of the Act:

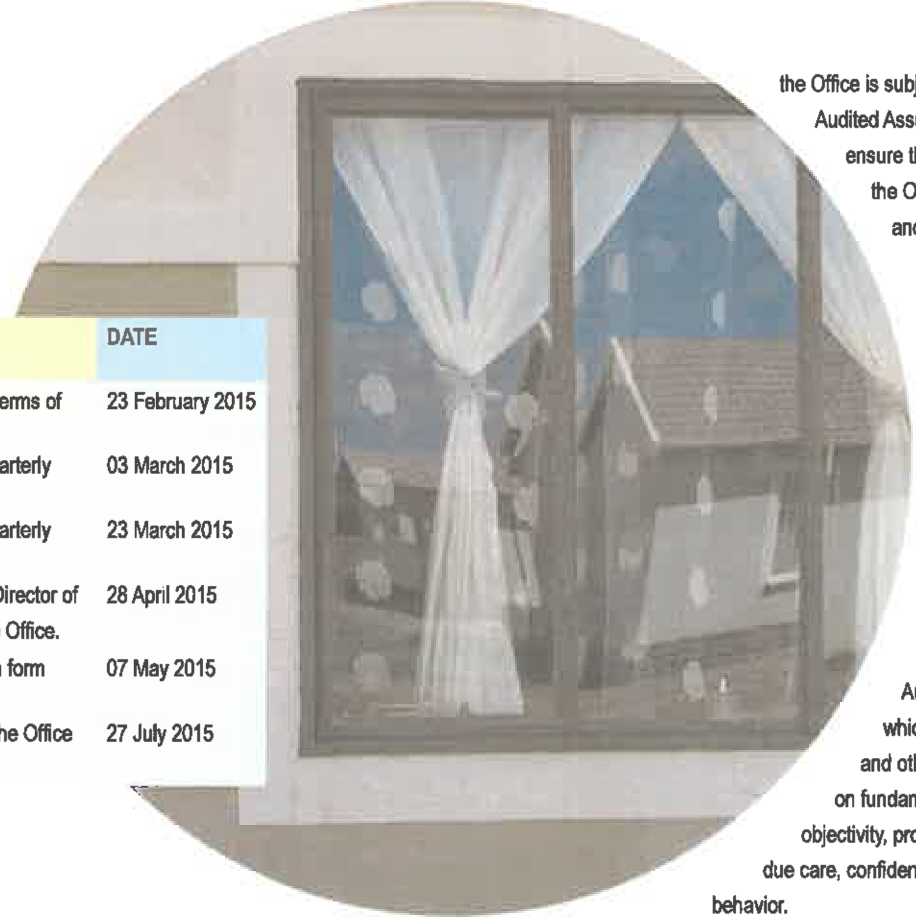
MEMBERS OF THE OFFICE OF DISCLOSURE

NAME	DESIGNATION	DATE OF APPOINTMENT	EXPIRY OF TERM	RACE	GENDER
Ms. Mmathebe Moja	Acting Chairperson	17 June 2016	16 June 2019	African	Female
Mr. Sindile Faku	Member	17 June 2016	16 June 2019	African	Male
Ms. Penelope Beck	Member	17 June 2016	16 June 2019	Coloured	Female

3.4 DISCUSSIONS WITH STAKEHOLDERS

During the reporting period consultations with members and a number of stakeholders were undertaken. The purpose of these meetings was to enhance reporting and to elicit such additional information as was required by the Minister.

No.	STAKEHOLDER	PURPOSE	DATE
1	Financial Institutions	To discuss quarterly reporting in terms of the MTST.	23 February 2015
2	Financial Institutions	Task team meeting to develop quarterly return form	03 March 2015
3	Financial Institutions	Task team meeting to develop quarterly return form	23 March 2015
4	Independent Regulatory Board for Auditors (IRBA)	Introductory meeting of the new Director of Standards by the members of the Office.	28 April 2015
5	Financial Institutions	Finalisation of the quarterly return form	07 May 2015
6	Office of Disclosure	Last meeting of the members of the Office (office term expired).	27 July 2015



3.5 ASSURANCE REPORTING

3.5.1 In terms of Section 2 (4) of HLAMDA:
"The auditors must comment specifically in the financial institution's annual statements on the accuracy and comprehensiveness of the information disclosed in terms of subsection (l) and whether or not there has been compliance by the financial institution with the relevant provisions of this Act".

3.5.2 A phased approach was adopted to facilitate compliance with the Act during the reporting period. Full compliance will come into effect once amendments proposed to the Act, by stakeholders have been passed into law. The process to promulgation has commenced.

3.5.3 In past engagements with BASA and IRBA, it was agreed that whilst auditors may not comment specifically in the financial institution's annual statements (i.e. Annual Returns submitted to the Office) on the accuracy and comprehensiveness of the information disclosed, but information submitted to the Office is subjected to an "Independent Audited Assurance Report". This would ensure that information submitted to the Office is credible, compliant and not compromised.

3.5.4 Independent Audit Assurance Reports have been submitted together with Annual Returns. In terms of Auditors Independence and Quality Control, Auditors have indicated that they have complied with the IRBA Code of Professional Conduct for Registered Auditors issued by the IRBA, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

3.5.5 The Independent Assurance Reports covers the following areas of concern:

- Management of business processes followed by financial institutions to prepare the Annual Return Form to ensure completeness and accuracy of information disclosed;
- Auditors ascertained the assumptions applied by management in completing the Annual Return Form;
- Auditors re-performed managements reconciliations of

the information contained in the Return to the financial institutions underlying data, applying the assumptions adopted by management;

- Auditors enquired of management as to the general and application computer controls they implemented to address the risk of unauthorized changes to the information contained in the underlying records;
- Auditors agreed on a test basis, the information supporting the Return (which may be electronic). In addition, where relevant, the reasons for declined were verified. Sample sizes used were based on that agreed with the Office.

4. STATUS OF ANNUAL RETURNS

4.1 The Table on the right illustrates the list of financial institutions.

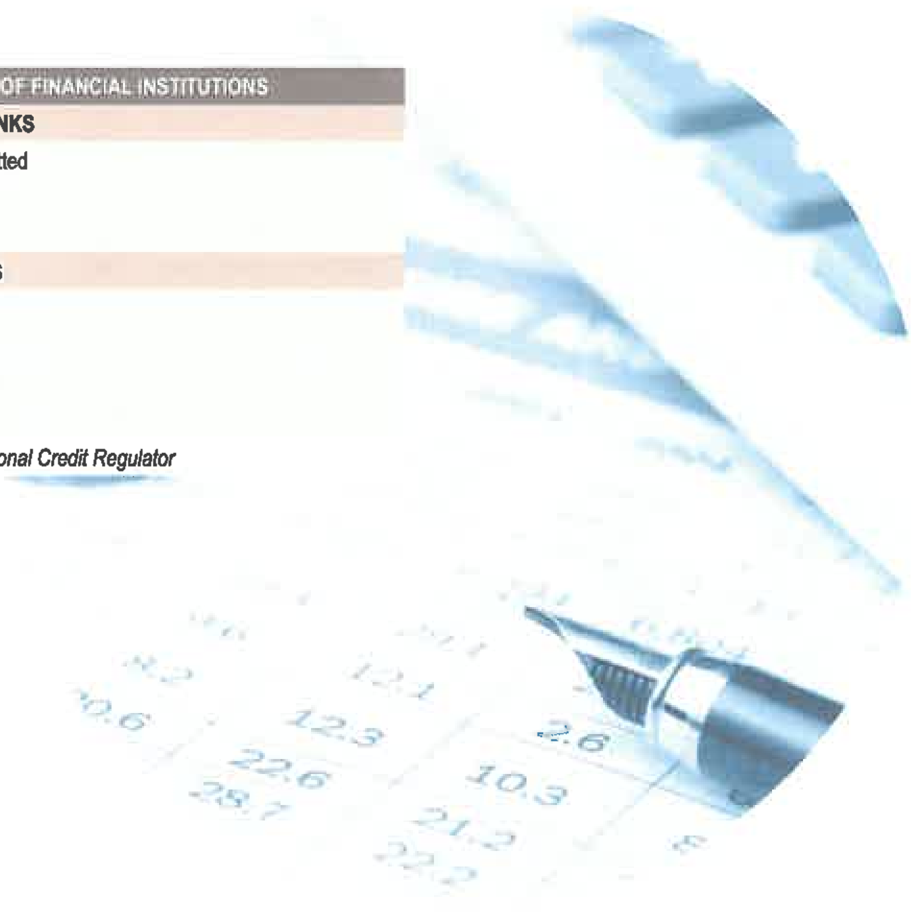
4.2 Whilst some of the financial institutions who provided nil returns may not participate directly in the home loan market they may perform in the property market indirectly contributing to the production and sale of new housing units, via special purpose vehicles, which is currently unregulated in terms of HLAMDA.

STATUS OF ANNUAL RETURNS 2015: LIST OF FINANCIAL INSTITUTIONS

No.	REGISTERED BANKS	ANNUAL RETURN SUBMITTED OR NOT SUBMITTED
1	ABSA Bank Ltd	Submitted
2	African Bank Ltd	Not submitted
3	Albaraka Bank Ltd	Submitted
4	Bidvest Bank Ltd	Not submitted
5	Capitec Bank Ltd	Submitted
6	FirstRand Bank Ltd	Submitted
7	Grindrod Bank Ltd	Submitted
8	Habib Overseas Bank Ltd	Not submitted
9	HBZ Bank Ltd	Submitted
10	Sasfin Bank Ltd	Not submitted
11	The S A Bank of Athens Ltd	Submitted
12	The Standard Bank of S A Ltd	Submitted
13	UBank	Submitted
14	Investec Bank Ltd	Submitted
15	Mercantile Bank Ltd	Submitted
16	Nedbank Group Ltd	Submitted
	REGISTERED LOCAL BRANCHES OF FOREIGN BANKS	
17	Bank of Baroda	Not submitted
18	Bank of China Ltd Johannesburg Branch	Submitted
19	Bank of Taiwan South Africa Branch	Submitted
20	China Construction Bank Corporation Johannesburg Branch	Not submitted
21	Citibank NA	Submitted
22	Commerzbank AG	Not submitted
23	Deutsche Bank AG	Not submitted
24	HSBC Bank plc Johannesburg Branch	Not submitted
25	Standard Chartered Bank Johannesburg Branch	Submitted
26	State Bank of India	Submitted
27	Societe Generale	Not submitted
28	JPMorgan Chase Bank NA Johannesburg Branch	Not submitted

TABLE A: STATUS OF ANNUAL RETURNS 2015: LIST OF FINANCIAL INSTITUTIONS		
	REGISTERED MUTUAL BANKS	
29	Finbond Mutual Bank	Not Submitted
30	GBS Mutual Bank	Submitted
31	VBS Mutual Bank	Submitted
	OTHER ROLE PLAYERS	
32	Eskom Finance Company SOC	Submitted
33	Ithala Ltd	Submitted
34	Risima Housing Finance Corporation (SOC) Ltd	Submitted
35	SAHL Investment Holdings (Pty) Ltd	Submitted

Source: South African Reserve Bank and National Credit Regulator



4.2.1 REGISTERED BANKS

There was compliance to the extent of 75% by this category. The non-compliance aspect can be largely ascribed to those that do not participate in the housing/mortgage market.

4.2.2 REGISTERED LOCAL BRANCHES OF FOREIGN BANKS

There was compliance to the extent of only 42% by this category. The non-compliance aspect can be largely ascribed to those that do not participate in the housing/mortgage market. However, it should be noted that this category also failed to submit nil returns. This has subsequently been addressed, in the current calendar year, by means of formal notification.

4.2.3 REGISTERED MUTUAL BANKS

There was compliance to the extent of 66% by this category. Non-compliance has subsequently been addressed, in the current calendar year, by means of formal notification.

4.2.4 OVERALL COMPLIANCE

The overall compliance was 66%.

To strengthen the overall compliance with the Act, amendments thereto are currently being processed for submission to Parliament, which should have the desired effect.

5. ANALYSES OF RETURNS

Information received from financial institutions was collated, interpreted, and analysed as presented below.

5.1 NUMBER OF ALL HOME LOAN APPLICATIONS RECEIVED, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED FROM ALL FINANCIAL INSTITUTIONS: 2015 REPORTING PERIOD.

TABLE B

FINANCIAL INSTITUTIONS	RECEIVED	SCORED	APPROVED	APPROVED TAKEN UP	APPROVED NOT TAKEN UP	DECLINED
ABSA Bank Ltd	208 053	175 523	123 124	0	0	52 399
Albaraka Bank Ltd	584	498	430	286	144	68
Bank of Taiwan South Africa Branch	55	55	55	54	1	0
FirstRand Bank Ltd	180 920	160 327	66 348	0	0	93 978
GBS Mutual Bank	235	187	76	63	13	111
Grindrod Bank Ltd	10	10	10	10	0	0
HBZ Bank Ltd	20	20	19	16	3	1
Investec Bank Ltd	11 707	10 655	10 514	6 557	6 448	134
Ithala Ltd	3 611	3 611	166	149	17	3 445
Mercantile Bank Ltd	366	366	303	303	0	63
Nedbank Ltd	237 343	220 739	93 481	40 623	52 666	127 258
State Bank of India	6	6	6	6	0	0
The SA Bank of Athens	83	83	83	80	3	0
The Standard Bank of S A Ltd	268 764	268 764	99 597	50 406	49 191	169 167
SAHL Investment Holdings (Pty) Ltd	25 088	25 088	20 417	13 429	6 988	4 327
VBS Mutual Bank	125	125	84	84	0	41
Risima Housing Development Corporation	198	188	188	185	3	10
Eskom Finance Company SOC /Nqaba Finance	1 952	1 952	914	877	37	1 038
Bank of China Jhb Branch	14	14	14	13	1	0
TOTAL	939 134	868 211	415 829	113 141	115 515	452 040

Note: The activities reported in the table are mutually exclusive.

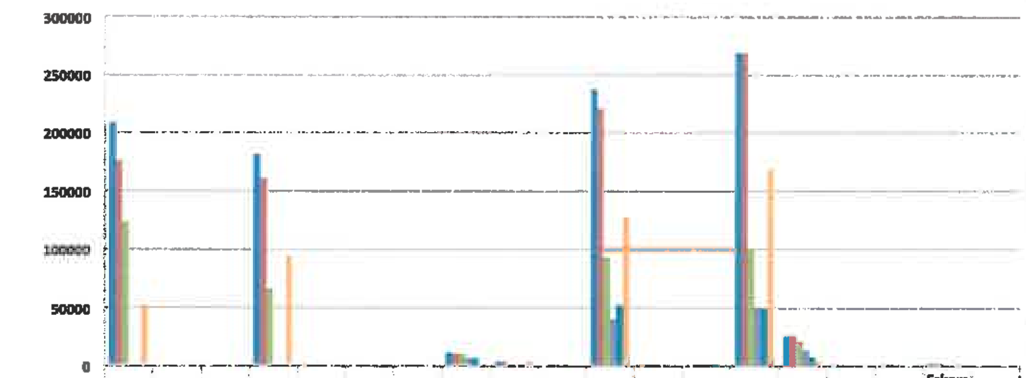
The industry trend is that multiple applications are scored, approved and declined. However, the high levels of loans declined in the gap market remain a concern. Urgent engagements are required with both the department and the industry to ascertain the reasons behind the continued high level of declined applications and an intervention with existing financial incentives to promote access to housing finance. Despite the expunging of negative credit data by the various credit bureaux the declined applications remains high. This is underpinned by the weak economy and concomitant job insecurity.

In all instances prior to the scoring process applications are assessed to ensure that all documentation is in order. Once an application is assessed such application is subjected to a scoring process to determine whether the application should be approved or declined. From the analysis of the data it is evident that there were 939 134 home loans applications received by financial institutions in the country. For the 2015 reporting period there were a total of 868 211 applications that were scored. In terms of the approvals there were a total of 415 829 applications approved. It was disturbing to note that there were a total of 448 602 applications declined. This translates to a total of 47.7% of home loan applications being declined by financial institutions compared to 48.98% for the 2014 reporting period.

Although there was a higher approval rate in 2015, there were fewer home loans taken up during the same period. The industry responded by indicating that multiple applications are scored, approved and declined. This phenomenon makes the industry analysis complex.

However the levels of loans declined remain of concern and therefore urgent engagements are required with both the Department and the industry to ascertain these reasons.

Number of all home loan applications received from all financial institutions during 2015



	ABSA Bank Ltd	Albaraka Bank Ltd	Bank of Taiwan South Africa Branch	FirstRand Bank Ltd	GBS Mutual Bank	Grindrod Bank Ltd	HBZ Bank Ltd	Investec Bank Ltd	Ithala Ltd	Mercantile Bank Ltd
RECEIVED	208053	584	55	180920	235	10	20	11707	3611	366
SCORED	175523	498	55	160327	187	10	20	10655	3611	366
APPROVED	123124	430	55	66348	76	10	19	10514	166	303
APPROVED TAKEN UP	0	286	54	0	63	10	16	6557	149	303
APPROVED NOT TAKEN UP	0	144	1	0	13	0	3	6448	17	0
DECLINED	52399	68	0	93978	111	0	1	134	3445	63

	Nedbank Ltd	State Bank of India	The SA Bank of Athens	The Standard Bank of S A Ltd	SAHL Investment Holdings (Pty) Ltd	VBS Mutual Bank	Risima Housing Development Corporation	Eskom Finance Company SOC / Nqaba Finance	Bank of China Jhb Branch
RECEIVED	237343	6	83	268764	25088	125	198	1952	14
SCORED	220739	6	83	268764	25088	125	188	1952	14
APPROVED	93481	6	83	99597	20417	84	188	914	14
APPROVED TAKEN UP	40623	6	80	50406	13429	84	185	877	13
APPROVED NOT TAKEN UP	52666	0	3	49191	6988	0	3	37	1
DECLINED	127258	0	0	169167	4327	41	10	1038	0

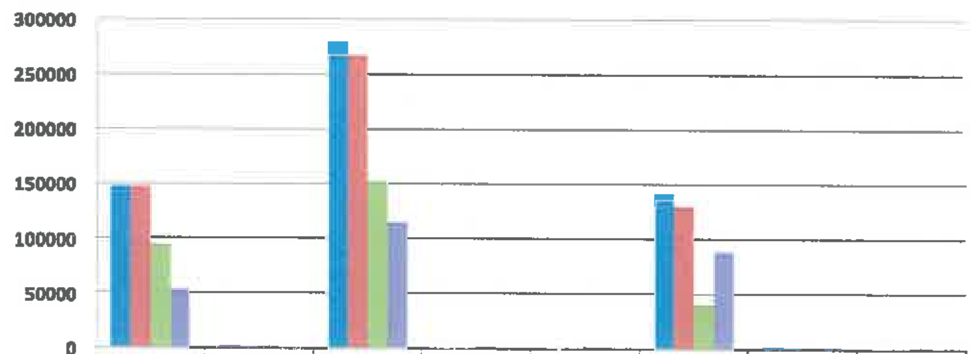
5.2 NUMBER OF UNSECURED LOAN (HOUSING RELATED) APPLICATIONS RECEIVED, SCORED, APPROVED, AND DECLINED PER ALL FINANCIAL INSTITUTIONS IN ALL INCOME CATEGORIES: 2015 REPORTING PERIOD

TABLE C

FINANCIAL INSTITUTIONS	RECEIVED	SCORED	APPROVED	DECLINED
ABSA Bank Ltd	147 344	147 344	94 518	52 826
Bank of Taiwan SA Branch	5	5	5	0
FirstRand Bank Ltd	279 350	267 756	152 448	115 308
Grindrod Bank Ltd	1	1	1	0
HBZ Bank Ltd	9	9	9	0
Nedbank Ltd	141 053	129 992	41 212	88 780
SA Home Loans	1 130	1 130	926	202
State Bank of India	17	17	17	3
TOTAL	568 909	546 254	289 136	257 119

Note: The activities reported in the table are mutually exclusive.

Number of all unsecured loan applications by all banks during 2015



	ABSA Bank Ltd	Bank of Taiwan SA Branch	FirstRand Bank Ltd	Grindrod Bank Ltd	HBZ Bank Ltd	Nedbank Ltd	SA Home Loans	State Bank of India
Received	147344	5	279350	1	9	141053	1130	17
Scored	147344	5	267756	1	9	129992	1130	17
Approved	94518	5	152448	1	9	41212	926	17
Declined	52826	0	115308	0	0	88780	202	3

A growing pattern is the use of unsecured loans for the purpose of home improvements. From table C above it can be seen that only these financial institutions would appear to offer unsecured loans destined for home loan use. An unsecured personal loan refers to loans which are repayable over a period of time in installments where there is no security that the credit provider can rely on to recover debt if default occurs. In this instance, unsecured lending excludes "credit facilities" such as overdrafts, credit cards and short-term credit.

It has been established through the financial institutions that although an applicant may indicate on the application form that the unsecured loan is for home improvements, such funds could be used for any other purpose. Since consumers perceive unsecured personal loans to be easily accessible and over shorter tenors than mortgage loans, despite the high cost of this finance. Financial institutions have indicated that once an unsecured loan has been granted they cannot trace that the funds were used for the original purpose stipulated.

From analysis of the data, it is evident that there were 568 909 unsecured loan applications received by financial institutions nationally. In this instance there were a total of 546 254 applications scored. This difference is ascribed to the lodgment of incomplete applications.

In terms of approvals there were a total of 289 136 applications. A total of 257 119 applications were declined compared to 224 426 during the 2014 reporting period. This translates to a total of 45% of unsecured loan applications declined. The trend in declines of mortgage loans tends to mirror that of unsecured loans thereby debunking the consumer perception above.

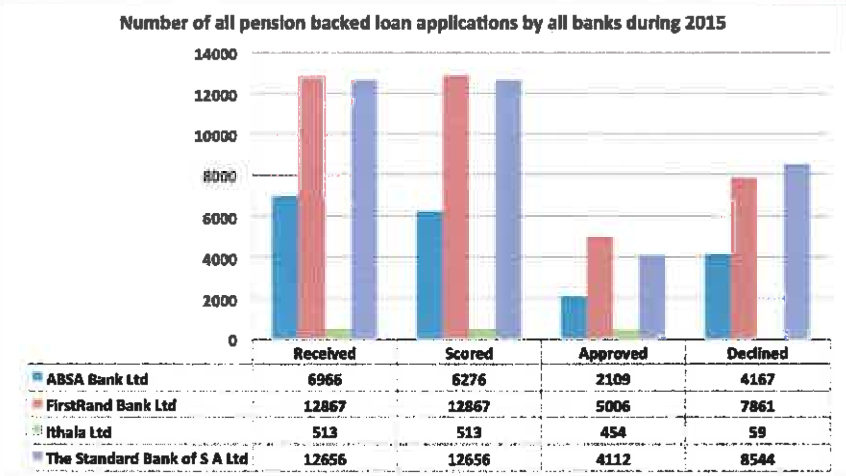
5.3 NUMBER OF PENSION-BACKED LOAN APPLICATIONS RECEIVED, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED PER ALL FINANCIAL INSTITUTIONS IN DURING 2015 REPORTING PERIOD

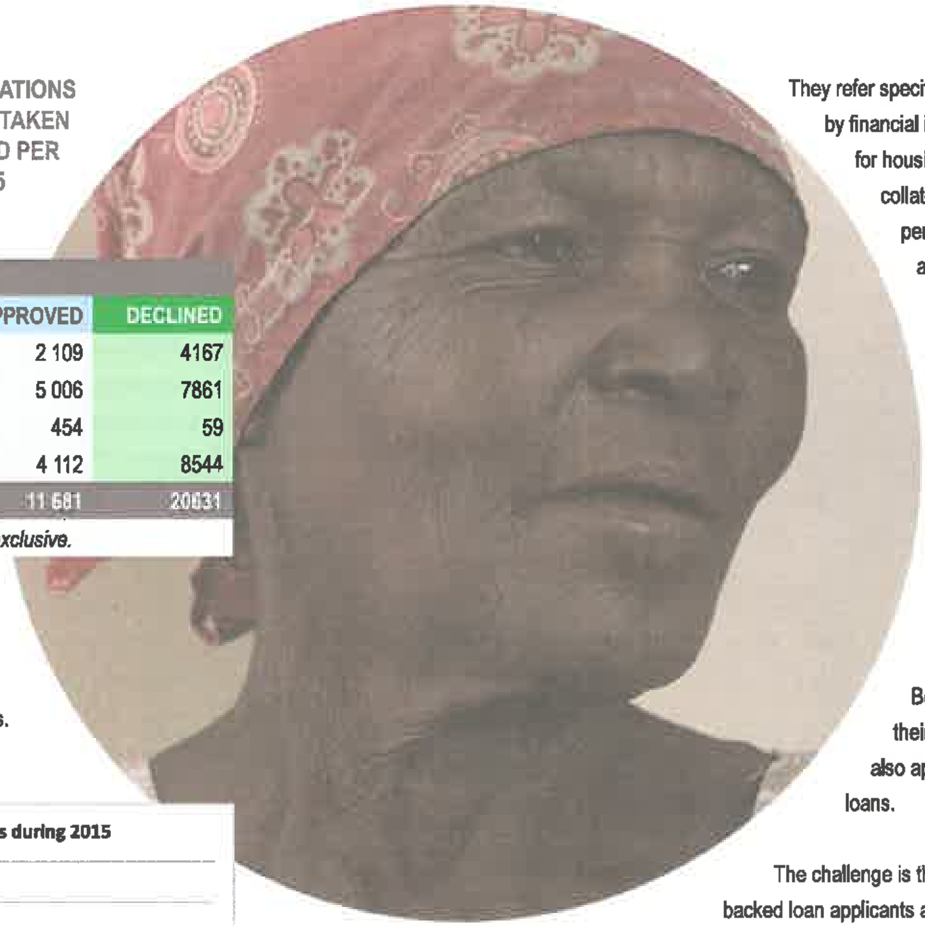
TABLE D

FINANCIAL INSTITUTIONS	RECEIVED	SCORED	APPROVED	DECLINED
ABSA Bank Ltd	6 966	6 276	2 109	4167
FirstRand Bank Ltd	12 867	12 867	5 006	7861
Ithala Ltd	513	513	454	59
The Standard Bank of S A Ltd	12 656	12 656	4 112	8544
TOTAL	33 002	32 312	11 681	20631

Note: The activities reported in the table are mutually exclusive.

Table D indicates the extent of pension-backed lending nationally. Generally, pension-backed loans have predominantly been applied to home improvement, rather than for the purchase of new homes, as the average size of these loans are relatively small as compared to mortgages.





They refer specifically to loans provided by financial institutions to individuals for housing purposes, where the collateral for the loan is some percentage of the borrower's accumulated retirement savings. While many people apply for a mortgage, there are those that use the created equity to finance other assets. Not all financial institutions offer pension-backed loans. Those that do offer these types of loans indicated that the funds are used for housing purposes. Borrowers who want to build their homes in rural areas can also apply for pension-backed loans.

The challenge is that many of the pension-backed loan applicants are South African migrant workers who are employed on the mines. It has been established that most of the applicants accessed the funds using their pensions for home improvements at their family domiciles, as opposed to where they reside for work purposes. In other words an applicant may have his family home in the Western Cape Province, whilst he is employed on a mine in the North West Province.

In terms of FICA, financial institutions are required to obtain "proof of residence" from applicants. The downside is that financial institutions have indicated that they accept the applicant's current place of residence as "proof of residence". This poses a challenge as the statistics would show that the pension-backed loan was accessed in the Western Cape Province but does not indicate the residential address of where the funds would be used. The Office had engagements with FIC to establish whether financial institutions could request applicants to indicate where the pension-backed loan funding would be used. This would ensure that information furnished to the Office on pension-backed lending would be more accurate. Further engagements with FIC and financial institutions are to be held.

From the analysis of the data that there were 33 002 pension-backed loan applications received by financial institutions nationally compared to 46 445 received during the 2014 reporting period. The pension-backed loans are only granted upon receipt of satisfactory evidence from pension fund administrator. In this instance there were a total of 32 312 applications that were scored. There were a total of 20 631 pension-backed loan applications declined in 2015 reporting period compared to 29 033 being declined in 2014 reporting period. This translates to a total of 62.5% of pension-backed loan applications being declined during 2015. This can be ascribed to factors such as unaffordability, insufficient pension fund or poor credit record.

In addition, pension-backed loans, unlike mortgage loans; do not incur assessment/valuation fees and legal fees for registering a bond. These cost savings alone sways the preference in favour of pension-backed loans. In practice, the biggest drawback to pension-backed loans is that lower income fund members are not in a position to accumulate large retirement savings, because their monthly contributions are low and thus affordability becomes a criterion.

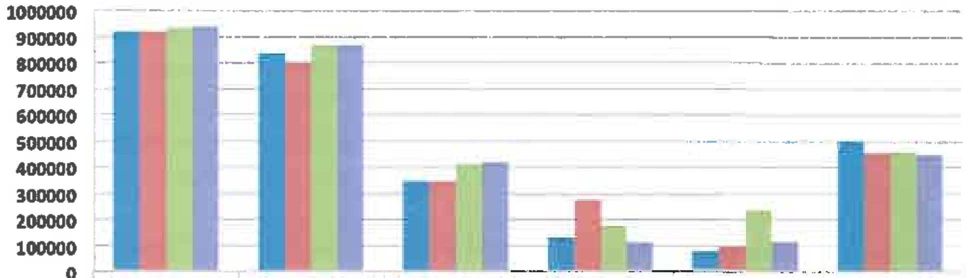
5.4 COMPARATIVE SCHEDULE OF 2012/2013/2014/2015 REPORTING PERIOD: (HOME LOAN APPLICATIONS RECEIVED, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED ALL INCOME CATEGORIES)

TABLE E

		2012	2013	2014	2015
RECEIVED	R value (Millions)	497 185	562 930	615 513	648 639
	Number ('000)	919 053	919 676	935 593	939 134
SCORED	R value (Millions)	479 736	485 298	562 967	594 211
	Number ('000)	835 799	799 088	868 799	868 211
APPROVED	R value (Millions)	218 209	228 878	292 114	319 570
	Number ('000)	344 792	345 155	409 542	415 829
APPROVED TAKEN UP	R value (Millions)	70 822	76 414	67 992	80 976
	Number('000)	130 398	274 292	176 089	113 097
APPROVED NOT TAKEN UP	R value (Millions)	437 006	58 515	72 831	88 479
	Number ('000)	75 556	94 431	235 702	115 979
DECLINED	R value (Millions)	278 640	258 348	267 949	272 408
	Number ('000)	500 069	453 813	458 324	448 602

It is encouraging to note that between 2012 and 2015 the number of approved loans have increased dramatically. However, in 2015 the "approved not taken up" significantly increased. In the first instance this can be ascribed to onerous imposed conditions which aspirant borrowers could not fulfill. In the second instance the increase is ascribable to multiple applications initiated from bond originators. Despite the expunging of negative credit data by the various credit bureaux the declined applications remains high.

Comparative schedule of all home loans in 2012, 2013, 2014, and 2015



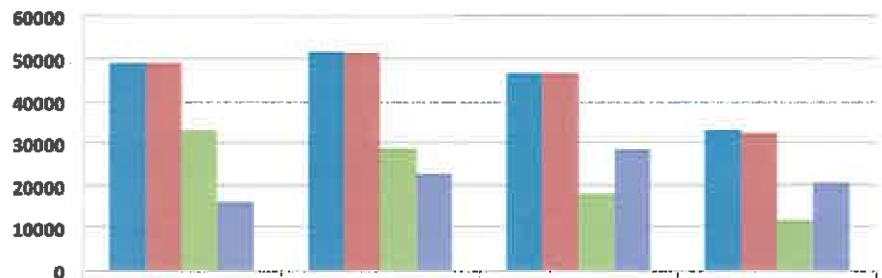
	Received	Scored	Approved	Approved taken up	Approved not taken up	Declined
2012	919053	835799	344792	130398	75556	500069
2013	919676	799088	345155	274292	94431	453813
2014	935593	868799	409542	176089	235702	458324
2015	939134	868211	415829	113097	115979	448602

5.5. COMPARATIVE SCHEDULE OF 2012 /2013/2014/2015 REPORTING PERIOD PENSION-BACKED LOANS APPLICATIONS RECEIVED, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED

TABLE F

		2012	2013	2014	2015
RECEIVED	R value (Millions)	3 724	3 407	2 932	2 648
	Number ('000)	48 901	51 696	46 445	33 002
SCORED	R value (Millions)	37 21 7	3 389	2 930	2 590
	Number ('000)	48 855	51 376	46 416	32 312
APPROVED	R value (Millions)	1 869	1 968	1 537	1 213
	Number ('000)	32 964	28 778	17 975	11 681
DECLINED	R value (Millions)	18 05 4	1 427	1 394	1 376
	Number ('000)	15 891	22 707	28 462	20 631

Comparative schedule of all pension backed loans in 2012, 2013, 2014, and 2015



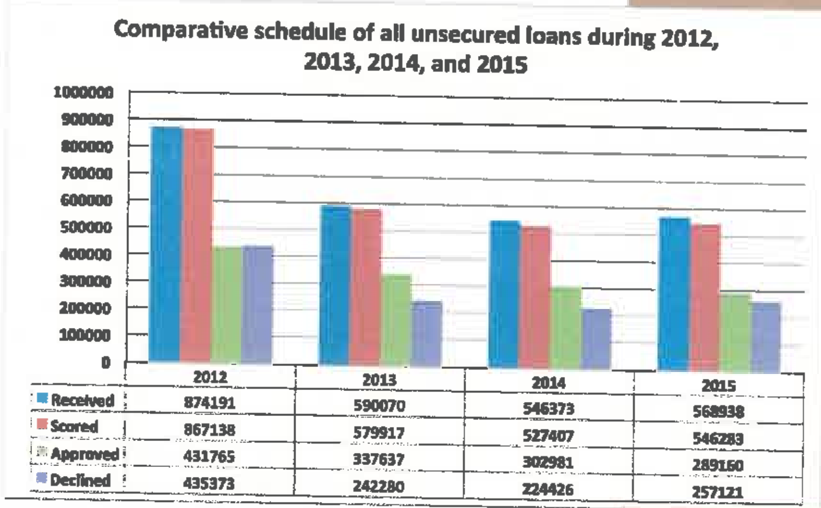
	2012	2013	2014	2015
Received	48901	51696	46445	33002
Scored	48855	51376	46416	32312
Approved	32964	28778	17975	11681
Declined	15891	22707	28462	20631

It is self-evident that over a four year period that in the pension-backed category the number of loans received, scored and approved have declined. It is therefore of concern that even with adequate and acceptable collateral the number of declines is increasing year-o-year. This can be ascribed to onerous imposed conditions which aspirant borrowers could not fulfill.

5.6. COMPARATIVE SCHEDULE OF 2012 /2013/2014/2015 REPORTING PERIOD UNSECURED LOANS APPLICATIONS RECEIVED, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED

TABLE G

		2012	2013	2014	2015
RECEIVED	R value (Millions)	36213.3	17 627	17722	21189
	Number ('000)	874191	590070	546373	568938
SCORED	R value (Millions)	33398.4	17 244	16887	20143
	Number ('000)	867138	579917	527407	546283
APPROVED	R value (Millions)	12057	8 650	8477	9305
	Number ('000)	431765	337637	302981	289160
DECLINED	R value (Millions)	208500	7 217	7322	9761
	Number ('000)	435373	242280	224426	257121



The data indicates that there is still a huge demand for unsecured loans in this segment. The high decline rate can be ascribed to the weakened economy and the increased credit regulatory impact on consumers.

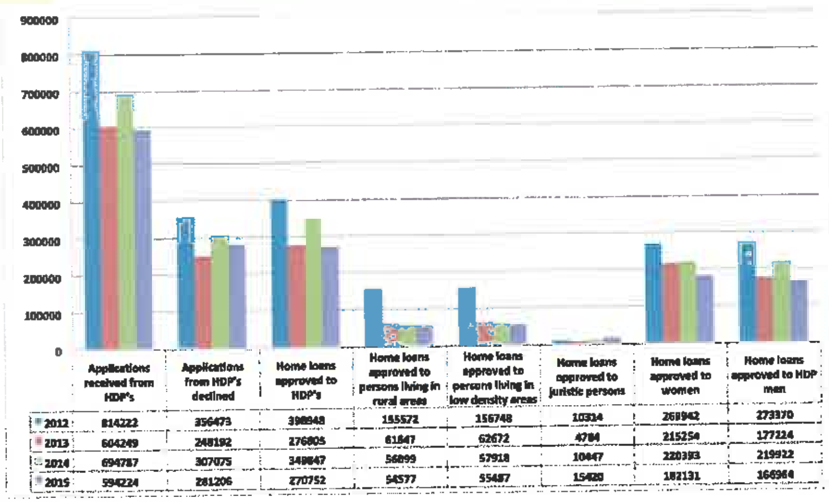
5.7. COMPARATIVE SCHEDULE FOR 2012 TO 2015 REPORTING PERIODS GENDER HISTORICALLY DISADVANTAGED PERSONS, LOW DENSITY AREAS
(per NCA definitions)

TABLE H

		2012	2013	2014	2015
Applications received from HDP's	R value (Millions)	150583.5	179488	203701	221394
	Number ('000)	814222	604249	694787	594224
Applications from HDP's declined	R value (Millions)	92376.5	73825	88206	95562
	Number ('000)	356473	248192	307075	281206
Home loans approved to HDP's	R value (Millions)	67059.8	62943	92249	100747
	Number ('000)	398948	276805	349847	270752
Home loans approved to persons living in rural areas	R value (Millions)	3527.6	1915	2837	3137
	Number ('000)	155572	61647	56899	54577
Home loans approved to persons living in low density areas	R value (Millions)	3561.7	1942	2904	3147
	Number ('000)	156748	62672	57918	55487
Home loans approved to juristic persons	R value (Millions)	11250.8	7124	16360	24814
	Number ('000)	10314	4784	10447	15420
Home loans approved to women	R value (Millions)	57623.2	56774	74499	81999
	Number ('000)	269942	215254	220393	182131
Home loans approved to HDP men	R value (Millions)	53405.8	39261	58178	62293
	Number ('000)	273370	177224	219922	166964

These categories are the gap market and below, in which the financial institutions are inherently risk averse. The current data shows low levels of participation in this area. Whilst it is understood that financial institutions cannot be seen to lend recklessly with depositors and shareholders moneys, they can be encouraged to participate by way of identified viable projects. To this end another new mechanism needs to be created to harness the mobilization of capital from the financial institutions to desired projects.

Number of loan applications recevied from per gender, historically disadvantaged persons, and low density areas in 2015



5.8. COMPARITIVE SCHEDULE 2012. 2013, 2014 AND 2015 REPORTING PERIODS: RACE

TABLE I

		2012	2013	2014	2015
Home loan approved to Africans	R value (Millions)	54955.9	61125	84599	93067
	Number ('000)	361719	272376	331451	258743
Home loan approved to Coloureds	R value (Millions)	13505.6	15290	20255	22235
	Number ('000)	50904	41699	33644	43138
Home loan approved to Whites	R value (Millions)	136043	127137	158992	169018
	Number ('000)	239520	183980	202998	174907
Home loan approved to Asians	R value (Millions)	15266.6	13636	22658	29360
	Number ('000)	34126	29397	32381	33037
Home loan approved to others	R value (Millions)	10117.7	14219	9357	10085
	Number ('000)	82827	149074	73275	68053

In the case of African, White and Asian borrowers, the data reflects an encouraging recovery in terms of lending volumes and loans granted. This is on the back of an economy in recovery mode. From the data received in 2015 it is not evident that there are any discriminatory practices on the basis of race.

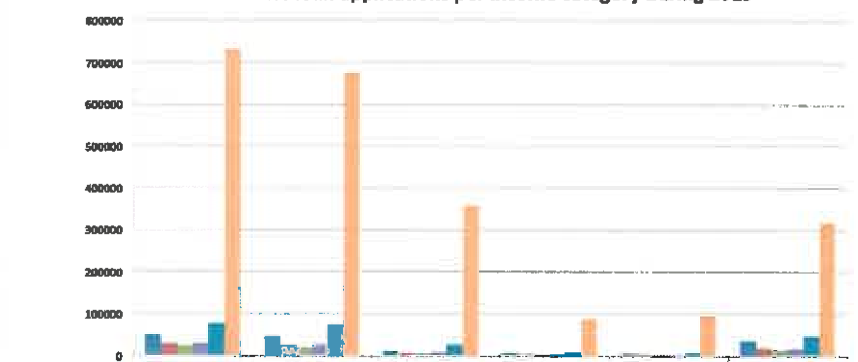
5.9. NUMBER OF HOME LOANS APPLICATIONS RECEIVED, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED: 2015 REPORTING PERIOD

TABLE J

Income Category	Received	Scored	Approved	Approved Taken Up	Approved Not Taken Up	Declined
R0 - R3500	49688	46207	11583	6508	5072	34624
R3501 – R5500	28812	26104	6599	3344	3234	19505
R5501 – R7500	22229	20084	5793	2934	2239	14291
R7501 – R10000	28681	26380	8318	3587	2644	18059
R10001 – R15000	77531	72747	25880	9053	6442	46861
R15001 and above	732193	676689	357656	87671	96348	315262
TOTAL	939134	868211	415829	113097	115979	448602

Note: The activities reported in the table are mutually exclusive.

Number of all home loan applications per income category during 2015



	RECEIVED	SCORED	APPROVED	APPROVED TAKEN - UP	APPROVED NOT TAKEN -UP	DECLINED
R0 - R3500	49688	46207	11583	6508	5072	34624
R3501 – R5500	28812	26104	6599	3344	3234	19505
R5501 – R7500	22229	20084	5793	2934	2239	14291
R7501 – R10000	28681	26380	8318	3587	2644	18059
R10001 – R15000	77531	72747	25880	9053	6442	46851
R15001 and above	732193	676899	357656	87671	96348	315262

It is clearly evident that most of the applications approved are from income levels R15 000 and above, which FLISP product does not feature because of the under performance of the financial institutions including the DFI's in this area. This depicts an under performance by financial institutions in the low to medium income group (R3 501 – R15 000) which are supposed to be receiving government incentives such as FLISP to enable access to housing finance.

The data clearly indicates that the introduction of the FLISP instrument has failed to positively impact the market with concomitant volumes of home loans. Government needs to review the FLISP model with a view to suitably restructuring same to fit current market dynamics to the benefit of the lower income market which it was intended to serve. The trend points towards the inability of financial institutions to significantly penetrate the market below the R15 000 income level. To this end a new mechanism, alluded to above, needs to be created to harness the mobilization of capital from the financial institutions to desired projects.

5.10 NUMBER OF PENSION-BACKED LOANS APPLICATIONS PER INCOME CATEGORY RECEIVED, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED: 2015 REPORTING PERIOD

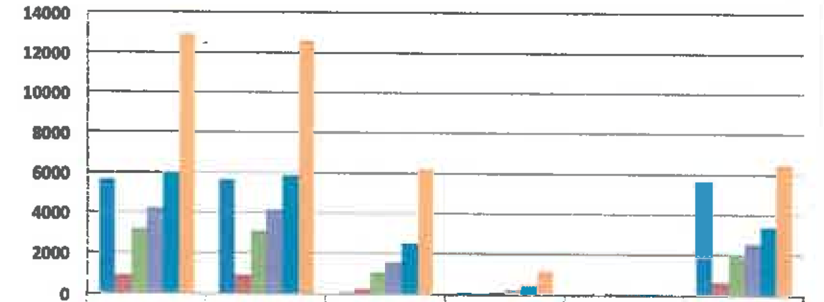
TABLE K

Income Category	Received	Scored	Approved	Approved Taken Up	Approved Not Taken Up	Declined
R0 - R3500	5656	5647	32	5		5615
R3501 – R5500	944	900	255	47	5	645
R5501 – R7500	3197	3116	1073	118	4	2043
R7501 – R10000	4249	4134	1601	257	4	2533
R10001 – R15000	6022	5871	2520	469	7	3351
R15001 and above	12934	12644	6200	1174	19	6444
TOTAL	33002	32312	11681	2070	39	20631

Note: The activities reported in the table are mutually exclusive.

It is reasonable to assume that the pension - backed housing product will continue to exert influence on the housing market as a financing option. From the data available there has been a huge increase in the number of pension - backed loans in the R0 - R3 500 income category. It is suspected that lower loan values approved do not permit the applicant to purchase higher valued stock in the market. This can be ascribed to onerous imposed conditions which aspirant borrowers could not fulfill. In addition an insufficient level of retirement savings is an inhibitor.

Number of all pension backed loan applications per income category during 2015



	Received	Scored	Approved	Approved taken up	Approved not taken up	Declined
R0-R3500	5656	5647	32	5	0	5615
R3501 –R 5500	944	900	255	47	5	645
R5501 –R7500	3197	3116	1073	118	4	2043
R7501 –R10000	4249	4134	1601	257	4	2533
R10001 – R15000	6022	5871	2520	469	7	3351
R15001 and above	12934	12644	6200	1174	19	6444

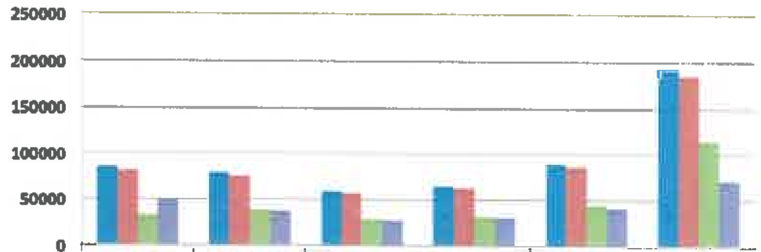
5.11 UNSECURED LOANS APPLICATIONS RECEIVED, SCORED, APPROVED, AND DECLINED PER INCOME CATEGORY: 2015 REPORTING PERIOD

TABLE L

Income Category	Received	Scored	Approved	Declined
R0 - R3500	84824	81192	32578	48614
R3501 – R5500	78999	75647	38421	37226
R5501 – R7500	59071	56376	28805	27571
R7501 – R10000	64962	62193	31212	30981
R10001 – R15000	89212	85868	44103	41764
R15001 and above	191870	185007	114041	70965
TOTAL	568938	546283	289160	257121

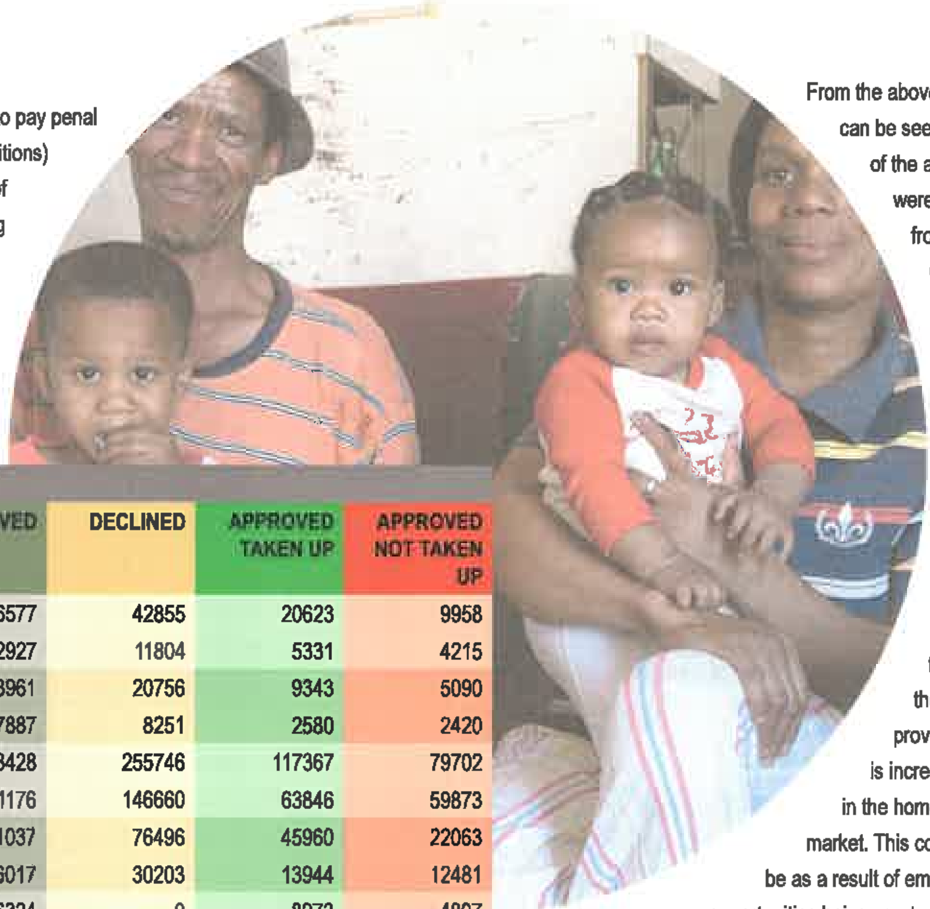
Note: The activities reported in the table are mutually exclusive.

Number of all unsecured loan applications per income category during 2015



	R0-R3500	R3501 –R 5500	R5501 – R7500	R7501 – R10000	R10001 – R15000	R15001 and above
Received	84824	78999	59071	64962	89212	191870
Scored	81192	75647	56376	62193	85868	185007
Approved	32578	38421	28805	31212	44103	114041
Declined	48614	37226	27571	30981	41764	70965

In contrast to mortgages and secured credit, which are heavily skewed towards consumers earning more than R15 000 a month, unsecured credit is spread amongst all income categories with a heavy concentration in the R15 001 and above category. The ponderous mechanism surrounding the engagement of the FLISP product has led to this perceived over indebtedness rather than the traditional mortgage route. The unsecured credit market increased access to credit for consumers who did not qualify for other products. The consumers in the unsecured credit market may be considered high risk consumers who are often required to pay penal interest rates. The terms and conditions of unsecured loans (interest rate, term, and conditions) are hugely unfavorable for application in the residential housing market. This is the area of concern that requires a paradigm shift in policy review as well as financial thinking to bring relief to aspirant home owners.



From the above tables it can be seen that most of the applications were received from the Gauteng Province, followed by Western Cape and then KwaZulu Natal. It would appear that in these three provinces there is increased activity in the home loan market. This could also be as a result of employment opportunities being created in these provinces attracts citizens to find employment enabling investment in the property market. Suitable land for residential development in Gauteng is limited by virtue of it being the smallest province where demand outstrips supply. With regard to Western Cape land available for development is scarce and further prices have been driven up by foreign investor demand. Demand in KwaZulu Natal (northern corridor) is fuelled by heightened local development associated with better lending conditions and investor appetite.

5.12 NUMBER OF HOME LOANS APPLICATIONS PER PROVINCE RECEIVED, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED: 2015 REPORTING PERIOD

TABLE M

PROVINCE		RECEIVED	SCORED	APPROVED	DECLINED	APPROVED TAKEN UP	APPROVED NOT TAKEN UP
EASTERN CAPE	Number ('000)	85175	79463	36577	42855	20623	9958
	R value (Millions)	27187	24903	12927	11804	5331	4215
FREE STATE	Number ('000)	43192	39723	18961	20756	9343	5090
	R value (Millions)	17964	16234	7887	8251	2580	2420
GAUTENG	Number ('000)	549155	514348	258428	255746	117367	79702
	R value (Millions)	347650	319516	171176	146660	63846	59873
KWAZULU-NATAL	Number ('000)	170844	157590	81037	76496	45960	22063
	R value (Millions)	73980	66625	36017	30203	13944	12481
LIMPOPO	Number ('000)	38534	36063	16324	0	8973	4807
	R value (Millions)	11601	10702	4601	6017	1458	1427
MPUMALANGA	Number ('000)	74068	62011	33259	36179	18407	9125
	R value (Millions)	26444	24411	11648	12545	4014	3656
NORTHERN CAPE	Number ('000)	18345	16987	8056	8926	4464	1972
	R value (Millions)	5412	4939	2651	2226	879	738
NORTH WEST	Number ('000)	50375	46969	23366	23590	11404	6085
	R value (Millions)	22750	20956	9923	10885	2897	2876
WESTERN CAPE	Number ('000)	193361	157601	97639	82236	42840	27613
	R value (Millions)	128899	117481	71047	45990	25834	23934
TOTAL	Number ('000)	1223049	1110755	573647	546784	279381	166415
	R value (Millions)	661887	605767	327877	274581	120783	111620

Note: The activities reported in the table are mutually exclusive.

5.13 NUMBER OF PENSION-BACKED LOANS APPLICATIONS RECEIVED, SCORED, APPROVED, APPROVED TAKENUP, APPROVED NOT TAKEN UP, AND DECLINED PER PROVINCE: 2015 REPORTING PERIOD

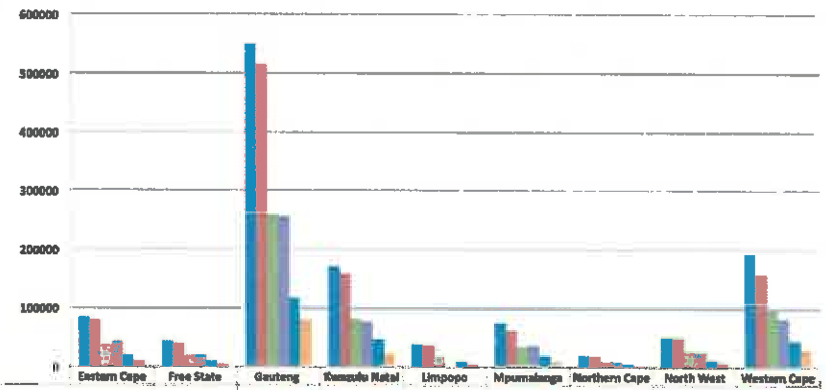
TABLE N

PROVINCE		RECEIVED	SCORED	APPROVED	DECLINED
EASTERN CAPE	Number ('000)	823	198	89	109
	R value (Millions)	42245523	15903657	7648159	8255498
FREE STATE	Number ('000)	476	332	63	269
	R value (Millions)	27171980	19440648	4226987	15213661
GAUTENG	Number ('000)	7948	3154	1041	2113
	R value (Millions)	584030264	310611285	107697873	202913412
KWAZULU-NATAL	Number ('000)	3325	287	151	136
	R value (Millions)	173557316	28168490	15530238	12638252
LIMPOPO	Number ('000)	609	321	100	221
	R value (Millions)	55390856	38217996	12899960	25318036
MPUMALANGA	Number ('000)	1458	771	221	550
	R value (Millions)	93494056	58609350	16033364	42575986
NORTHERN CAPE	Number ('000)	69	28	3	25
	R value (Millions)	3779163	1650497	130517	1519980
NORTH WEST	Number ('000)	1586	771	227	544
	R value (Millions)	91006811	58670706	16879141	41791565
WESTERN CAPE	Number ('000)	1148	415	214	201
	R value (Millions)	74315981	42169634	23861392	18308242
TOTAL	Number ('000)	17442	6277	2109	4168
	R value (Millions)	1144	573	204	368

Note: The activities reported in the table are mutually exclusive.

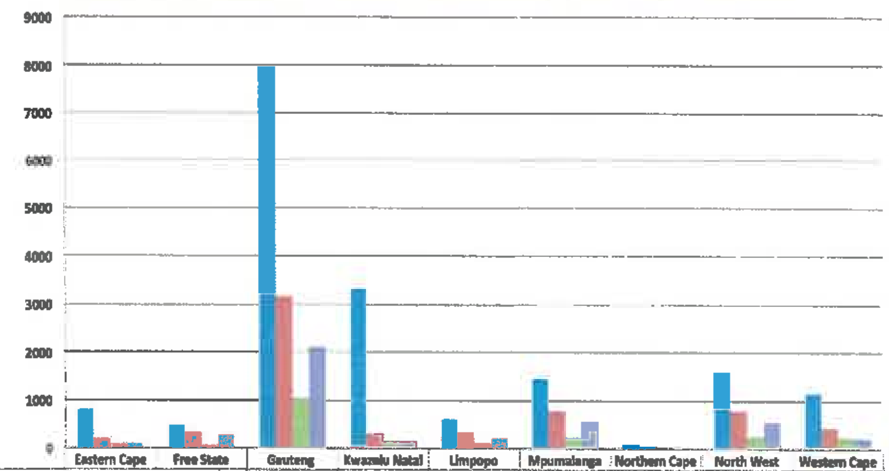
In terms of pension - backed loans it can be seen that the Gauteng Province received the most number of applications followed by KwaZulu-Natal. There were few applications received from the other provinces. Financial institutions have indicated to the Office that applications are received from an applicant in the province where they work, however the loans granted to them could be used in the province where their family home is situated. The Office had engaged with the FIC to establish whether it would be possible for financial institutions to capture the address where the pension-backed loan would be utilised. The tables above therefore reflect applications received from applicants who have applied for these loans in the province where they are employed and not the actual province of investment.

Number of all home loan applications per province during 2015



	Eastern Cape	Free State	Gauteng	Kwazulu Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Received	85175	43192	549155	170844	38534	74068	18345	50375	193361
Scored	79463	39723	514348	157590	36063	62011	16987	46969	157681
Approved	36577	18961	258428	81037	16324	33259	8056	23366	97639
Declined	42835	20756	255746	76496	0	36179	8926	23590	82236
Approved taken up	20623	9343	117367	45960	8973	18407	4464	11404	42840
Approved not taken up	8958	5090	79702	22063	4807	9125	1972	6085	27613

Number of all pension backed loan applications per province during 2015



	Eastern Cape	Free State	Gauteng	Kwazulu Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Received	823	476	7948	3325	609	1458	69	1586	1148
Scored	198	332	3154	287	321	771	28	771	415
Approved	89	63	1041	151	100	221	3	227	214
Declined	109	269	2113	136	221	550	25	544	201

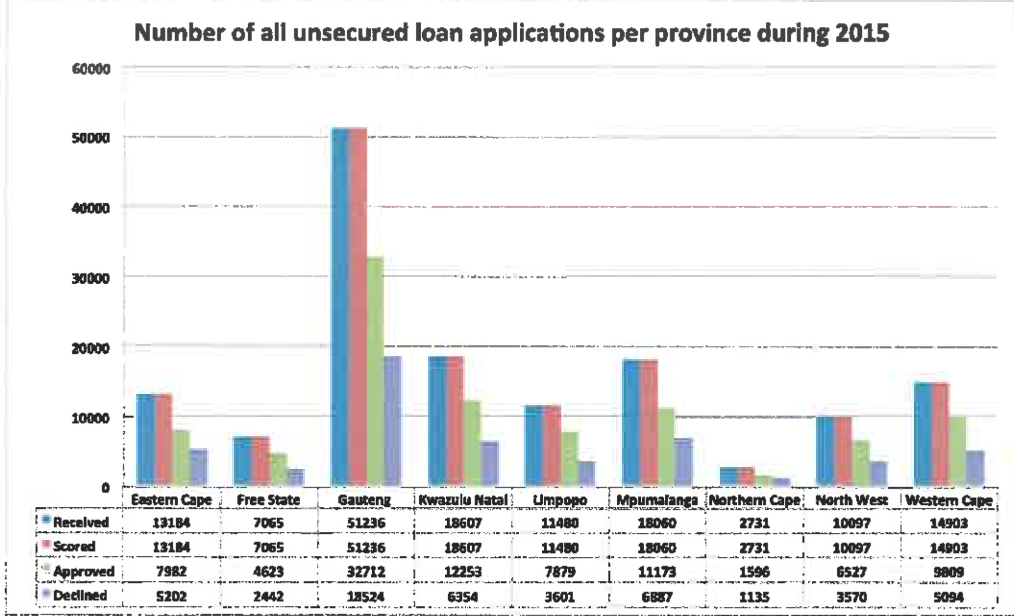
5.14 UNSECURED LOANS APPLICATIONS RECEIVED, SCORED, APPROVED, AND DECLINED PER PROVINCE: 2015 REPORTING PERIOD

TABLE O

PROVINCE		RECEIVED	SCORED	APPROVED	DECLINED
EASTERN CAPE	Number ('000)	13184	13184	7982	5202
	R value (Millions)	356522333	356522333	229107722	127414611
FREE STATE	Number ('000)	7065	7065	4623	2442
	R value (Millions)	224266756	224266756	155000115	69266641
GAUTENG	Number ('000)	51236	51236	32712	18524
	R value (Millions)	1812216574	1812216574	1243025667	569190907
KWAZULU-NATAL	Number ('000)	18607	18607	12253	6354
	R value (Millions)	626479245	626479245	439348833	187130412
LIMPOPO	Number ('000)	11480	11480	7879	3601
	R value (Millions)	428710647	428710647	311248164	117462483
MPUMALANGA	Number ('000)	18060	18060	11173	6887
	R value (Millions)	6451511112	6451511112	430032909	215118203
NORTHERN CAPE	Number ('000)	2731	2731	1596	1135
	R value (Millions)	100264562	100264562	64090834	36173728
NORTH WEST	Number ('000)	10097	10097	6527	3570
	R value (Millions)	330560988	330560988	230544881	100016107
WESTERN CAPE	Number ('000)	14903	14903	9809	5094
	R value (Millions)	484111775	484111775	334136602	149975173
TOTAL	Number ('000)	147363	147363	94554	52809
	R value (Millions)	10814	10814	3436	1571

Note: The activities reported in the table are mutually exclusive.

The unsecured credit market has burgeoned because the barriers to entry has been raised by prevailing legislation and onerous lending conditions, thereby precluding aspirant home loan borrowers from mainstream banking and standard products. The consumers in Gauteng dominate the country's share of unsecured loans.



5.15. PERCENTAGE (%) DECLINE REASONS

TABLE P

FINANCIAL INSTITUTIONS	Lack of Affordability	Unacceptable credit track record	Insufficient information/ documents having being provided	Unacceptable security	Ineligible applicant	Unacceptable exposure (town)	Adverse credit record	Other/ blank data
ABSA Bank Ltd	16.55	0	0	80.51	1.65	0	1.28	0
Albaraka Bank Ltd	47.06	8.82	41.18	0	2.94	0	0	0
FirstRand Bank Ltd	35.68	28.96	3.54	3.24	6.63	0	21.94	0
GBS Mutual Bank	62.91	13.54	1.48	11.52	8.44	0	2.11	0
HBZ Bank Ltd	0	0	100	0	0	0	0	0
Investec Bank Ltd	2.24	0	5.97	0	.75	0	0	91.04
Ithala Ltd	49.06	45.31	0.87	2.50	0.29	0.38	0	0
Mercantile Bank Ltd	68.25	4.76	17.46	0	9.53	0	0	0
Nedbank Ltd	41.83	54.82	0	1.54	1.80	0	0	0
The Standard Bank of S A Ltd	40	31	2	6	1	8	10	0
VBS Mutual Bank	29.73	33.64	7.26	6.86	3.58	0	18.92	0
SAHL Investment Holdings (Pty) Ltd	48	4	45	1	2	0	0	0
Eskom Finance Company SOC /Nqaba Finance	76.2	6.17	6.17	4.33	4.72	1.64	0.77	0
Risima Housing Finance Corporation (SOC) Ltd	40	40	0	0	0	0	20	0

The reasons advanced for declining loans are dominated by the following:

- Lack of affordability
- Unacceptable credit track record
- Insufficient information/ documents having being provided
- Unacceptable security
- Adverse credit record
- Ineligible applicant

The attendant costs associated with mortgage lending (transfer costs, bond costs, legal fees and acceptable deposit) is also a barrier to entry. An ineligible applicant refers to aspirant borrowers, who may be reaching retirement age and the tenor of mortgage bonds may exceed their life expectancy. Hence financial institutions are reluctant to approve such home loan applications. The declined reasons provided by financial institutions have indicated that it remains difficult to access housing finance in South Africa.

5.16 RAND VALUE AND VOLUME OF ALL HOME LOAN APPLICATIONS RECEIVED PER LOAN AMOUNT, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP. AND DECLINED: 2015 REPORTING PERIOD

TABLE Q

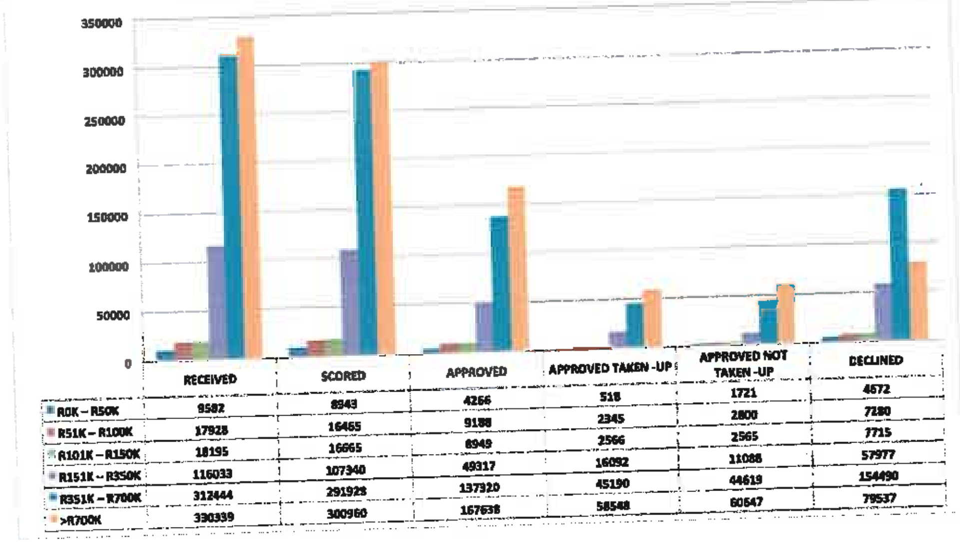
INCOME CATEGORY		RECEIVED	SCORED	APPROVED	APPROVED TAKEN UP	APPROVED NOT TAKEN UP	DECLINED
R0K – R50K	Rand Value	326267125	305240676	149772223	23198509	56202081	154433454
	Number	9582	8943	4266	518	1721	4672
R51K – R100K	Rand Value	1500309548	1380234294	756728905	199281712	222492727	621206387
	Number	17928	16465	9188	2345	2800	7280
R101K – R150K	Rand Value	2428077681	2226026574	1062083580	340605213	325023205	1044019661
	Number	18195	16665	8949	2566	2565	7715
R151K – R350K	Rand Value	31485168148	29165417148	13192545695	4344753903	2948101207	15899861824
	Number	116033	107340	49317	16092	11088	57977
R351K – R700K	Rand Value	162419000000	151681000000	71364037882	23581582150	15501281319	79936346934
	Number	312444	291928	137320	45190	44619	154490
>R700K	Rand Value	455740000000	412248000000	236020000000	87930294220	83767103838	174672000000
	Number	330339	300960	167638	58548	60647	79537
TOTAL	Rand Value	653898	597005	322545	116419	102820	272327
	Number	804521	742301	376678	125259	123440	311671

Note: The activities reported in the table are mutually exclusive.

Despite the expunging of negative credit data from consumer records the unacceptable credit track record continues to plague this industry.

The volume of applicants that have been declined is a reflection of the prevailing negative macro-economic conditions South African consumers are facing with regard to accessing housing finance. It is evident from these reasons provided by financial institutions that a persistent reactive approach is still being pursued with little innovation to stimulate the market. Notwithstanding the aforegoing the public sector has also failed to respond positively to opening up access and affordability to home loans.

Number of all home loan applications per loan volume in 2015

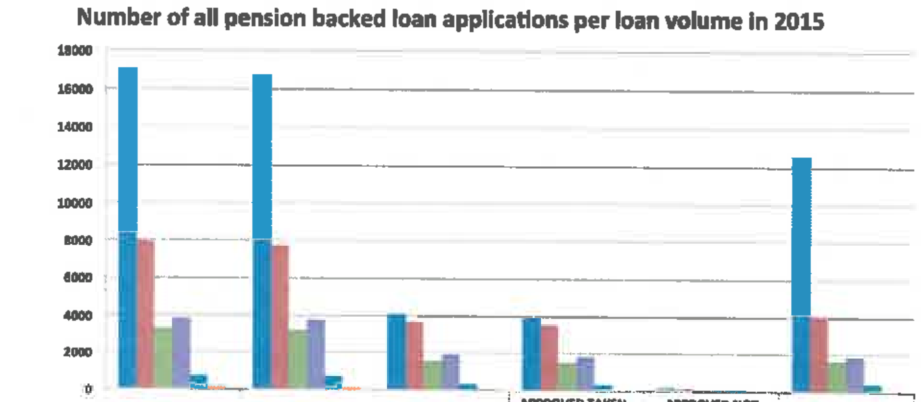


5.17 RAND VALUE AND VOLUME OF ALL PENSION BACK LOAN APPLICATIONS RECEIVED PER LOAN AMOUNT, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED: 2015 REPORTING PERIOD

TABLE R

INCOME CATEGORY		RECEIVED	SCORED	APPROVED	APPROVED TAKEN UP	APPROVED NOT TAKEN UP	DECLINED
R0K – R50K	Rand Value	304337624	294945984	126502085	121236501	5265584	168438897
	Number	17019	16702	4116	3929	187	12586
R51K – R100K	Rand Value	592981370	577180191	269380805	258523932	10856873	307798936
	Number	7935	7719	3664	3525	139	4055
R101K – R150K	Rand Value	411748146	401399172	193862732	185824531	8038201	207564913
	Number	3277	3195	1571	1509	62	1624
R151K – R350K	Rand Value	827779644	813610414	402106298	386819487	15286810	411503500
	Number	3826	3761	1884	1814	70	1877
R351K – R700K	Rand Value	343202338	340622338	151674540	142785837	8888703	188947797
	Number	724	719	325	306	19	394
>R700K	Rand Value	165160269	159723963	67270974	60345243	6925731	92452988
	Number	161	156	66	59	7	90
TOTAL	Rand Value	2645209391	2587482062	1210797434	1155535531	55261902	1376707031
	Number	32942	32252	11626	11142	484	20626

Note: The activities reported in the table are mutually exclusive.



	RECEIVED	SCORED	APPROVED	APPROVED TAKEN - UP	APPROVED NOT TAKEN -UP	DECLINED
R0K – R50K	17019	16702	4116	3929	187	12586
R51K – R100K	7935	7719	3664	3525	139	4055
R101K – R150K	3277	3195	1571	1509	62	1624
R151K – R350K	3826	3761	1884	1814	70	1877
R351K – R700K	724	719	325	306	19	394
>R700K	161	156	66	59	7	90

5.18 RAND VALUE AND VOLUME OF ALL UNSECURED APPLICATIONS RECEIVED PER LOAN AMOUNT, SCORED, APPROVED, APPROVED TAKEN UP, APPROVED NOT TAKEN UP, AND DECLINED: 2015 REPORTING PERIOD

TABLE S

INCOME CATEGORY		RECEIVED	SCORED	APPROVED	APPROVED TAKEN UP	APPROVED NOT TAKEN UP	DECLINED
R0K – R50K	Rand Value	8031252433	7740857449	4247036376	3456010213	791026163	3452286377
	Number	433243	418678	225928	187214	38714	192749
R51K – R100K	Rand Value	7306563851	6871394780	3034077635	2325823293	708254342	3542679286
	Number	95662	90084	44318	33158	11160	45765
R101K – R150K	Rand Value	5209851621	4891662618	1684997708	1162209198	522788510	2534844951
	Number	37118	34895	17168	10781	6387	17727
R151K – R350K	Rand Value	622790165	598994740	329119449	238570568	90548881	201687233
	Number	2758	2659	1787	1311	476	872
R351K – R700K	Rand Value	8880000	8880000	6007500	402373416	4447500	2320000
	Number	18	18	13	12943	9	5
>R700K	Rand Value	31200000	29700000	1800000	1800000	0	27900000
	Number	11	10	2	2	0	8
TOTAL	Rand Value	21210	20141	9303	7586	2117	9781
	Number	568810	546344	289216	245409	56746	257126

Note: The activities reported in the table are mutually exclusive.

Number of all unsecured loan applications per loan volume in 2015

	RECEIVED	SCORED	APPROVED	APPROVED TAKEN - UP	APPROVED NOT TAKEN -UP	DECLINED
R0K – R50K	433243	418678	225928	187214	38714	192749
R51K – R100K	95662	90084	44318	33158	11160	45765
R101K – R150K	37118	34895	17168	10781	6387	17727
R151K – R350K	2758	2659	1787	1311	476	872
R351K – R700K	18	18	13	12943	9	5
>R700K	11	10	2	2	0	8

6. RISKS INHERENT TO HOME LOAN APPLICATION PROCESSES

6.1 Number of received applications overstated:

Financial institutions receive applications from mainly two sources i.e. their customers and from mortgage originators/ Brokers. The mortgage originators/brokers submit initial loan applications received to all financial institutions to increase the chance of an applicant being approved for funding by at least one financial institution. This results in more than one financial institution reporting the same applicant in their reported applications received. Hence there are multiple duplications in numbers submitted to the Office. This in turn affects the number of approved/declined applications and related amounts as well.

6.2 Understated declined applications:

Some of the intermediaries decline applications on the bases of poor Credit Bureaus Reports and do not submit those to the Financial Institution unless the applicant applies directly to the financial institution. It should be noted that all applications that do not qualify for consideration in terms of NCA are not taken further, therefore they are not included in the reported decline figure. Furthermore, applications that are incomplete are not accounted for in the analyses.

7. FINDINGS

7.1 In the current format of the legislation not all financial institutions have submitted annual returns. There seems to be continued reluctance to fully disclose the lending activities.

7.2 Individuals with income exceeding R15 000 a month dominated the market. The dominance of this income category is reflected in the figures for mortgage loan applications. Applicants with incomes of less than R15 000 a month are spread across all products i.e. mortgages, pension-backed lending and unsecured lending for housing purposes. During the period under review the home loan take up rate is still lagging the approvals, whereas the decline rate still remains high. The overall performance in respect of mortgage finance has regressed when considering the impact of the inflation rate in the country.

7.3 The impact of FLISP in the target market has not been realised due to the fact that the product parameters are unable to deal with the market failure within the gap market (R3 501-R15 000).

7.4 Under the reasons advanced for declining home loans, unacceptable security and exposure indicate that persons living in rural areas of South Africa remain impoverished with lower levels of access to formal housing financial services. Historically, it has been a challenge to provide mortgage finance to prospective homeowners operating under an erstwhile leasehold Title/ Permission to Occupy (PTO) issued by Tribal Authorities/Traditional Leaders. Whilst the homeowner is conferred the right to reside on the property and owns the structure, the land remains the legal possession of the State under curatorship of the Traditional Authority. As such, a financial institution cannot register a mortgage bond over the property and is not entitled to foreclose on the property in the event of default.

7.5 A pension-backed loan, however, is secured not by the property, but a claim over the borrower's retirement savings. It is possible that this mechanism is already in limited use. Raising consumer awareness about this option has the potential to significantly expand this traditional form of home ownership. A pension-backed loan, prudently granted, after assessing the member's ability to repay, could be an option to assist the aspirant home owner to access housing finance. Once again, however, there is the danger that in the event of default, borrowers stand to lose both their retirement savings and the property. This product is under leveraged because of onerous imposed conditions which aspirant borrowers could not fulfill. In addition an insufficient level of retirement savings is an inhibitor.

7.6 The unsecured credit market increased access to credit for consumers who did not qualify for other products. The consumers in the unsecured credit market may be considered high risk consumers who are often required to pay penal interest rates. The terms and conditions of unsecured loans (interest rate, term, and conditions) are hugely unfavorable for application in the residential housing market. This is the area of concern that requires a paradigm shift in policy review as well as financial thinking to bring relief to aspirant home owners.

7.7 The economic downturn has resulted in more stringent mortgage lending credit criteria. Mortgage lenders are insisting that borrowers contribute higher deposits (between 10% and 20 %) in order to qualify for mortgage finance. In addition to the above lower income earners and first-time home buyers are struggling to save up deposits. Further, many more South Africans are being excluded from the property market due to lack of affordable stock both by the public and private sector. This phenomenon explains reasons proffered by financial institutions for declining loans.

8. RECOMMENDATIONS

The Office of Disclosure recommends that:

8.1 There is urgency for the Department of Human Settlements to finalise the proposed amendments to HLAMDA.

8.2 Nil returns must be investigated and a proper written rationale be submitted by the relevant financial institution.

8.3 The Department, together with the Office engages with the broader financial sector using its proposal to agree on a robust plan of action and agreed targets to increase home loan lending.

8.4 A comprehensive overhaul of the FLISP product is required to simplify its implementation to enhance lending.

8.5 A comprehensive housing reform programme be instituted which would include modernising the human settlements policy, overhauling the development finance institutions with a view to creating and developing new dispensation and financial instruments that can serve to stimulate lending and mitigate the risks inherent in the home loan market.

Mloja

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NOTES:

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Office of Disclosure
Department of Human Settlements
Govan Mbeki House
240 Justice Mahomed Street
Sunnyside
Pretoria
disclosure@dhs.gov.za