



## **human settlements**

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### **THE OFFICE OF DISCLOSURE**

#### **QUARTERLY REPORT**

**REPORTING PERIOD 1 APRIL 2015 - 30 JUNE 2015**

**Report in terms of Outcome Number 8: Sustainable Human Settlements and  
Improved Quality of Household life**

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## 1. BACKGROUND

The department has developed a Medium Term Strategic Framework (MTSF) as a guiding document to measure performance targets as set with an objective to the achievement of 1.5 million housing opportunities in partnership with the private sector. Since the financial industry has a critical role to play in realizing the objective of the Home Loan and Mortgage Disclosure Act 2000 (Act No. 63 of 2000), therefore, it has been deemed necessary that they disclose information on a quarterly basis to the department through the Office of Disclosure. The Office of Disclosure has in partnership with financial institutions developed the quarterly reporting format for disclosure of information by financial institutions as a means to contributing to the MTSF targets.

## 2. PURPOSE

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 1 April 2015 to 30 June 2015, to establish the lending patterns and practices of financial institutions for the reporting period in terms of the Act.

## 3. DISCUSSIONS WITH STAKEHOLDERS

Engagements were held with financial institutions early in 2015 to discuss a way forward in obtaining information to satisfy the requirements of the MTSF. A reporting format was developed and agreed upon by all key stakeholders for implementation as of the 1<sup>st</sup> quarter of 2015. A revised template for implementation from the 2<sup>nd</sup> quarter onwards was also discussed with financial institutions and they have indicated their willingness to provide information as required from the 2<sup>nd</sup> quarter reporting period onwards. This would provide the department with information that would satisfy the needs of the MTSF targets.

#### 4. FINANCIAL INSTITUTIONS THAT SUBMITTED RETURNS

Table A below indicates the status of 2<sup>nd</sup> Quarter Returns 2015 for the Period 01 April 2015- 30 June 2015:

TABLE A:  
STATUS OF QUARTERLY RETURNS

	REGISTERED BANKS	ANNUAL RETURN SUBMITTED OR NOT SUBMITTED
1	ABSA Bank Ltd	Submitted
2	African Bank Ltd ( <i>under curatorship</i> )	<i>Not submitted</i>
3	Albaraka Bank Ltd	Submitted
	Bidvest Bank Ltd	Submitted (nil return)
5	Capitec Bank Ltd	Submitted (nil return)
6	FirstRand Bank Ltd	Submitted
7	Grindrod Bank Ltd	Submitted
8	Habib Overseas Bank Ltd	<i>Not submitted</i>
9	HBZ Bank Ltd	Submitted
10	Sasfin Bank Ltd	<i>Not submitted</i>
11	The S A Bank of Athens Ltd	Submitted
12	The Standard Bank of S A Ltd	Submitted
13	UBank	Submitted (nil return)
14	Investec Bank Ltd	Submitted
	Mercantile Bank Ltd	Submitted
16	Nedbank Ltd	Submitted
	REGISTERED LOCAL BRANCHES OF FOREIGN BANKS	
17	Bank of Baroda	<i>Not submitted</i>
18	Bank of China Ltd Johannesburg Branch	<i>Not submitted</i>
19	Bank of Taiwan South Africa Branch	Submitted
20	China Construction Bank Corporation Johannesburg Branch	<i>Not submitted</i>
21	Citibank NA	<i>Not submitted</i>

22	Commerzbank AG	<i>Not submitted</i>
23	Deutsche Bank AG	<i>Not submitted</i>
24	HSBC Bank plc Johannesburg Branch	<i>Not submitted</i>
25	Standard Chartered Bank Johannesburg Branch	Submitted (nil return)
26	State Bank of India	Submitted
27	JPMorgan Chase Bank NA Johannesburg Branch	<i>Not submitted</i>
	<b>REGISTERED MUTUAL BANKS</b>	
28	Finbond Mutual Bank	<i>Not Submitted</i>
29	GBS Mutual Bank	Submitted
30	VBS Mutual Bank	Submitted
	<b>OTHER</b>	
31	Eskom Finance Company SOC	Submitted
32	Ithala Ltd	Submitted
33	Risima Housing Finance Corporation (SOC) Ltd	Submitted
34	SA Home Loans Group	Submitted
35	Nqaba Finance 1 (RF) Ltd	Submitted

## 5. SUMMARY OF MORTGAGES AND UNSECURED CREDIT AGREEMENTS

### 5.1 SUMMARY OF CREDIT AGREEMENTS

Table 1 Applications And Rejections And Credit Agreements Entered Into				
Number of applications for credit received	Number of applications rejected	Number of approvals	Rand value of credit transactions entered into	Number of credit transactions entered into
483551	238800	244751	39,815,997,518	214858

Table 2 Provincial distribution of credit agreements "Rand Value"		
Eastern Cape	Free State	Gauteng
2031413277	877206686	21224768595
KwaZulu Natal	Limpopo	Mpumalanga
4464895655	556605393	1385013411
Northern Cape	North West	Western Cape
296248011	984585588	7947327862

Table 3 Gender, low income, historically disadvantaged persons		
No. of Applications received from HDP(Black, Indian Coloured)	Number	211953
	Rand value	29660652321
No. of Applications from HDP rejected	Number	109277
	Rand value	10312946724
No. of credit agreements with HDP	Number	42399
	Rand value	12842330217
No. of credit agreements with low income persons	Number	24248
	Rand value	413647441
No. of credit agreements with women	Number	35483
	Rand value	9102807873

<b>No. of credit agreements with juristic persons</b>	<b>Number</b>	<b>516</b>
	<b>Rand value</b>	<b>1413120822</b>
<b>No. of credit agreements with residents of rural/low density areas</b>	<b>Number</b>	<b>4017</b>
	<b>Rand value</b>	<b>2192795223</b>
<b>No. of credit agreements with small business</b>	<b>Number</b>	<b>238</b>
	<b>Rand value</b>	<b>319471048</b>
<b>No. of houses repossessed</b>	<b>Number</b>	<b>87</b>
	<b>Rand value</b>	No values provided

<b>Table 4 Summary of Use of Home Loans</b>		
	<b>Number</b>	<b>Rand Value</b>
<b>Building Loans</b>	<b>4979</b>	<b>1061456585</b>
<b>Purchasing of an existing unit</b>	<b>14120</b>	<b>12363157439</b>
<b>For improvements or upgrading</b>	<b>23323</b>	<b>982323129</b>

From the information provided by financial institutions there is a high rate of rejections by financial institutions. This could be attributed to applicants not meeting the credit scoring process practiced by financial institutions.

It is also evident that there are more applicants using finance for improvements or upgrading compared to the purchasing of an existing unit.

## 5.2. MORTGAGE AGREEMENTS

**Table 5**  
**Value and volume of credit agreements entered into**

	<b>ROK- R50K</b>	<b>R51K- R100K</b>	<b>R101K- R150K</b>	<b>R151K- R350K</b>	<b>R351K- R500K</b>	<b>≥ R501K</b>
<b>Rand value</b>	<b>17765013</b>	<b>96705279</b>	<b>141004711</b>	<b>1458574342</b>	<b>5776208436</b>	<b>27139381413</b>
<b>number</b>	<b>490</b>	<b>1152</b>	<b>1056</b>	<b>5485</b>	<b>11432</b>	<b>19415</b>

Table 5 above reflects the value and volume of credit agreements entered into. It can be seen that the larger volume of loans are in the categories R151K-R350K, R351K-R500K and ≥ R501K whilst the lower volume of loans fall within the categories ROK-R50K R51K-R100K and R101K-R150K. This pattern reflects that fewer credit agreements are being entered into with lower value of loan values.

**Table 6**  
**Gender, low income, historically disadvantaged persons**

<b>No. of Applications received from HDP(Black, Indian Coloured)</b>	<b>Number</b>	<b>99779</b>
	<b>Rand value</b>	<b>20872525980</b>
<b>No. of Applications from HDP rejected</b>	<b>Number</b>	<b>52980</b>
	<b>Rand value</b>	<b>10312845816</b>
<b>No. of credit agreements with HDP</b>	<b>Number</b>	<b>17373</b>
	<b>Rand value</b>	<b>11906356465</b>
<b>No. of credit agreements with low income persons</b>	<b>Number</b>	<b>147</b>
	<b>Rand value</b>	<b>26408749</b>
<b>No. of credit agreements with residents of remote/rural/low density areas</b>	<b>Number</b>	<b>4561</b>
	<b>Rand value</b>	<b>3329466852</b>
<b>No. of credit agreements with juristic persons</b>	<b>Number</b>	<b>516</b>
	<b>Rand value</b>	<b>1413120823</b>
<b>No. of credit agreements with women</b>	<b>Number</b>	<b>10956</b>
	<b>Rand value</b>	<b>7863218909</b>
<b>No. of credit agreements with small business</b>	<b>Number</b>	<b>238</b>
	<b>Rand value</b>	<b>319471049</b>
<b>No. of houses repossessed</b>	<b>Number</b>	<b>87</b>
	<b>Rand value</b>	<b>No values provided</b>



Table 6 above reflects gender, low income, historically disadvantaged persons. There was a total of 99779 applications received from HDP (Black, Indian Coloured) whilst a total of 52980 being rejected. This implies that 53.09 % of applications received have been rejected during the quarter. A total of 17373 credit agreements have been entered into with HDP which amounts to 17.41%. It is evident that there were only 147 credit agreements with low income persons. There were also a total of 87 houses that were repossessed during the period. It is encouraging to note that there were 4561 credit agreements with residents of remote/rural/low density areas and 10956 credit agreements with women

<b>Table 7</b> <b>Income categories-gross monthly income of individual</b>							
	<b>R0- R3500</b>	<b>R3501- R5500</b>	<b>R5501- R7500</b>	<b>R7501- R10K</b>	<b>R10.1K- R15K</b>	<b>&gt;R15000</b>	<b>TOTAL</b>
<b>Rand value</b>	<b>4861375</b>	<b>4047920</b>	<b>23444454</b>	<b>111010134</b>	<b>830565273</b>	<b>33250796970</b>	<b>33761834783</b>
<b>number</b>	<b>6</b>	<b>27</b>	<b>125</b>	<b>415</b>	<b>2452</b>	<b>36665</b>	<b>38888</b>

In terms of income categories the figures in table 7 above reflect that the lower end of the income levels have the fewest loans granted compared to income level >R15000. The gap market from R7501, 00 to R15000, 00 have only 2867 agreements compared to 36665 in the income category >R15000. From the figures it is clear that the gap market is facing huge challenges in accessing credit for housing finance purposes.

<b>Table 8</b> <b>Summary of Use of Home Loans</b>		
	<b>Number</b>	<b>Rand Value</b>
<b>Building Loans</b>	<b>2143</b>	<b>858494860</b>
<b>Purchasing of an existing unit</b>	<b>14094</b>	<b>12358328439</b>
<b>For Improvements or upgrading</b>	<b>823</b>	<b>264962406</b>

Table 8 above indicates the use of the home loans. From the figures most credit is used for the purchasing of an existing unit, followed by building loans and improvements or upgrading.

### 5.3. UNSECURED CREDIT TRANSACTIONS

#### CREDIT AGREEMENTS ENTERED INTO

Table 9 Value and volume according to term					
Medium	Up to 6 months	7-12 months	13-18 months	19-24 months	25-36 months
Rand Value	39605304	159202328	94997963	512858535	1153186341
Number of loans	4786	22797	6932	32978	49526
Long term	3.1-5 years		5.1-10 years	10.1-20 years	> 20.1 years
Rand Value	5044792598		372244675	0	0
Number of loans	99659		5252	0	0

Table 8 above reflects credit agreements entered into according to the term/loan period. It would appear that consumers are opting for longer term contracts. This could be attributed to lower monthly payments over the longer term.

Table 10 Value and volume according to size bands						
	R0K-R3K	R3.1K-R5K	R5.1K-R8K	R8.1K-R10K	R10.1K-R15K	R15.1K+
Rand value	25687428	75468382	113225152	195564671	302719737	6667732968
Number of loans	11145	17327	18115	20404	54406	1117713

Table 10 above reflects the value and volume according to size bands. It can be seen that the more loans are in the categories R10.1K-R15K, and R15.1K+ whilst the lower number of loans fall within the categories R0K-R3K, R3.1K-R5K. This pattern reflects that those earning in the category R0K-R3K, R3.1K-R5K may have a higher rejection rate.

Table 11 Gender, low income, historically disadvantaged persons		
No. of Applications received from HDP(Black, Indian Coloured)	Number	758011
	Rand value	18915606943
No. of Applications from HDP rejected	Number	495997
	Rand value	13353530189
credit agreements with HDP	Number	131426
	Rand value	4101709891
credit agreements with low income persons	Number	61010
	Rand value	836280104
credit agreements with residents of rural/low density areas	Number	50633
	Rand value	1727712022
credit agreements with women	Number	42436
	Rand value	690669958
Credit agreements with juristic persons	Number	3443
	Rand value	90050521

Table 12 Income categories-gross monthly income of individual							
	R0- R3500	R3501- R5500	R5501- R7500	R7501- R10K	R10.1K- R15K	>R15000	TOTAL
Rand value	199680557	159595854	254352843	352024303	728091703	5807616566	7501361826
number	19316	16610	19392	19046	29438	119163	222965

Table 13 Purpose of credit							
	Housing and related	Furniture	Small business	Education	Debt consolidation	Service	other
Rand value	1111302511	11761040	57192114	112955699	448406959	21099807	5290698531
number	36467	367	1105	4790	8437	597	158562

Table 13 above reflects the purpose of the credit. Whilst housing and related have 36467 credit agreements there is more use for credit in the "other" category.

Table 14 Summary of Use of Home Loans		
	Number	Rand Value
Building Loans	3038	73814880
Purchasing of an existing unit	219	11452578
For improvements or upgrading	22452	685274881

## 6. CONCLUSION

From the information disclosed it is evident that lower income persons are facing challenges in accessing mortgage finance for housing purposes. It appears that more people are opting to use unsecured credit as a means to access funds. This could be attributed to the ease in obtaining unsecured credit. From the figures on mortgage agreements most credit is used for the purchasing of an existing unit, followed by building loans and lastly improvements or upgrading.

The rejected applications from HDP's are also excessively high. Engagements to address the rejection rate needs to be held with financial institutions as a way to fast-track means to the achievement of MTSF targets.



**G. PHOKU**

**DIRECTOR: OFFICE OF DISCLOSURE**

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