

# AFFORDABLE HOUSING

Published by eProp@News

## **THE deteriorating creditworthiness and affordability among South Africans has affected the appetite for advance loans for affordable houses, according to Nedbank's affordable-housing head Jeff Lawrence.**

Among the worst affected were those earning between R3,501 and R15,000; they have been falling through the cracks when it comes to qualifying for mortgage finance.

To alleviate this problem, stakeholders need to come together to fully implement the government-initiated mortgage default insurance scheme and the finance-linked individual subsidy programme, which is meant to reduce the initial home loan amount to make the monthly instalments affordable, especially in the low-income market.

Mortgage default insurance is aimed at providing risk cover to commercial banks against clients defaulting on their mortgages.

The government hopes interventions such as these, which were announced by the National Housing Finance Corporation in late 2010, will encourage banks to increase lending for housing.

Last year President Jacob Zuma said in his state of the nation address that the government had a R1bn guarantee fund to promote access to loans. This is due to start operating in April, but Mr Lawrence says he has not seen much movement.

"There's huge demand for affordable housing. There's a lot of people who want houses but not a lot of people can get finance."

The two programmes introduced by the housing finance corporation have not gained traction after discussions in the past year, he says. There is an estimated backlog of at least 600,000 units.

Department of Human Settlements spokesman Xolani Xundu said the finance-linked individual subsidy programme was being implemented in a number of projects and he was sure "there is going to be uptake as we go along".

On the default insurance, Mr Xundu said more work was under way to get it up and running.

Last year documents from the National Housing Finance Corporation showed that the subsidy was targeted at people earning between R3,501 and R15,000 a month.

But according to the Financial Sector Code, that threshold has risen to R17,600 this year and will increase again next year in line with consumer inflation and the building index, Mr Lawrence says.

Beneficiaries would qualify for a subsidy of between R10,000 and R87,000. The maximum purchase price for a property to be financed from the subsidy is R300,000.

Peter Pappas, a financial manager at Basil Read Developments, said the price of land was becoming expensive, resulting in more people falling through the cracks.

In some instances companies have experienced delays in getting land approved for development and this has cost them a lot. Some of these costs have been passed on to the consumer, says Mr Pappas.

Phillip Cwazibe, a director at Calibra Property Developments, said many in need of affordable housing were left out because the entry-level price of a house was out of reach. In the current market a good entry level house costs about R350,000.