



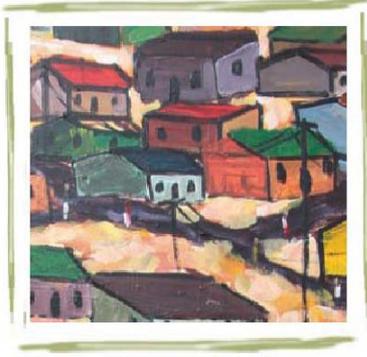
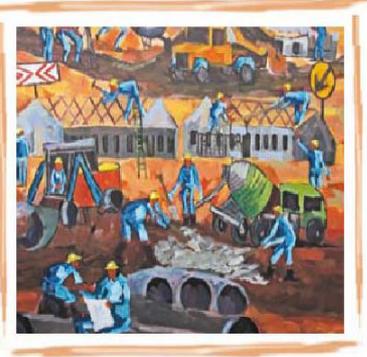
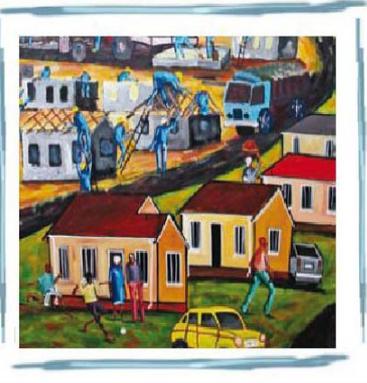
## FINANCIAL AND FISCAL COMMISSION

### *Challenges And Opportunities In Public Housing Finance In South Africa*

Public Hearings  
13-14 October 2011

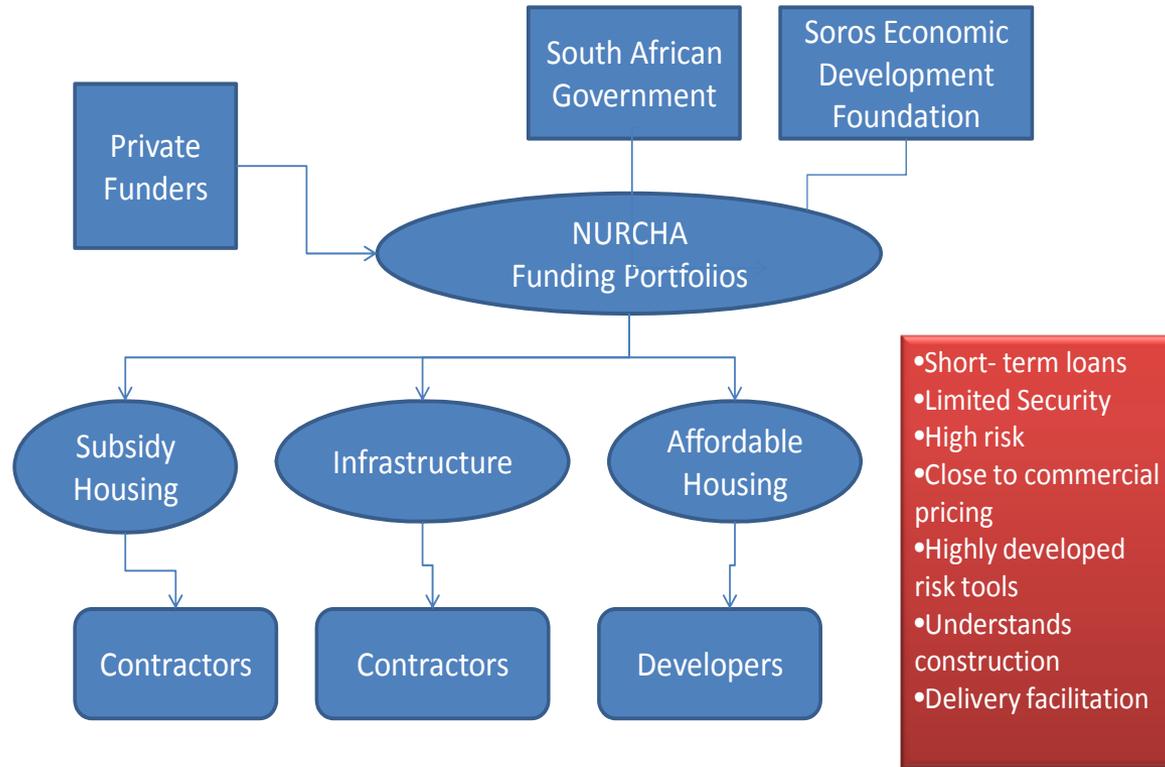
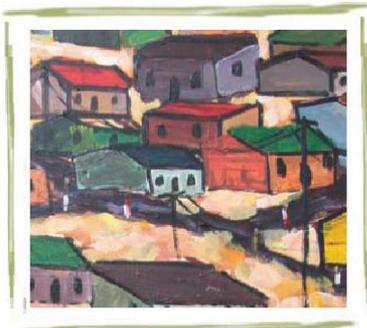
# CONTENTS

- Who is NURCHA ?
- South African Housing Environment
- Housing Finance Challenge
- Some conclusions and recommendations



# Who is NURCHA?

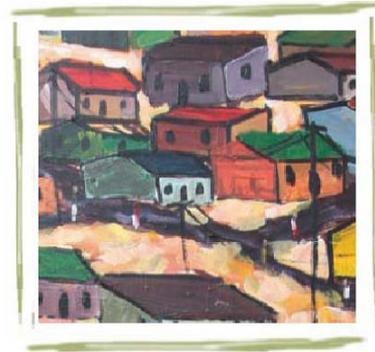
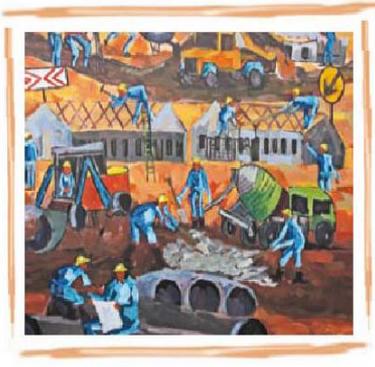
- Partnership model
- Delivered
  - Loan signed – 1200
  - Houses in loan signed 350 k (256 k)
  - Value of loan R2.4b
  - Value of projects R14b



- Short- term loans
- Limited Security
- High risk
- Close to commercial pricing
- Highly developed risk tools
- Understands construction
- Delivery facilitation

# SOUTH AFRICAN HOUSING ENVIRONMENT

## Pre & Post 1994 Housing Reforms

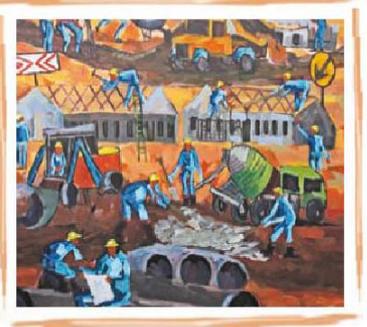


Policy Reforms	Institutional Reforms
Record of Understanding	Mortgage Indemnity Fund Servcon Housing Housing DFIs (NHFC, NURCHA, RHLF)
Subsidy Policy	
•Subject based	
•Object based	
Rental and Social Housing	Social Housing Regulatory Authority
Credit Linked Subsidy	Home Loan and Mortgage Disclosure National Credit Act Mortgage Default Insurance

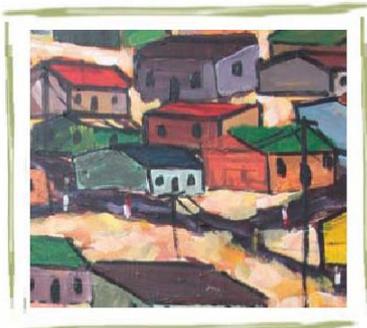
# PERFORMANCE OF THE FINANCE SYSTEM



- Public sector delivered on scale in subsidy housing 3 million units (220 000 pa)
  - No leveraging of private capital
  - Bridging finance to oil delivery
  - Poor stimulus for integration
  - Trading up opportunities limited
  - Secondary market sales low

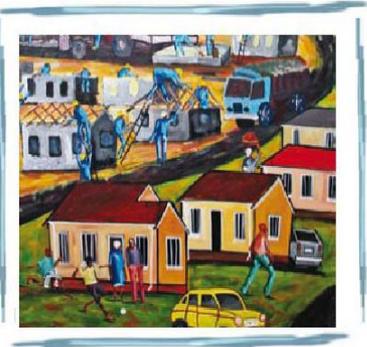


- Some delivery on rental and social housing
  - Limited affordability and income
  - Moral hazard persistent

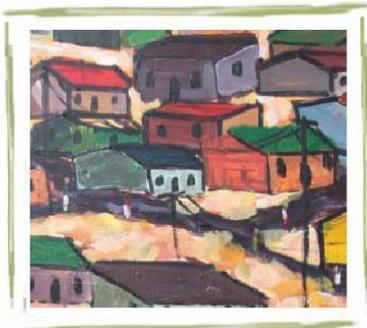


- The gap and affordable housing sluggish at best
  - Ceilings on real cost of product
  - Prices in the gap and affordable market distorted by subsidy

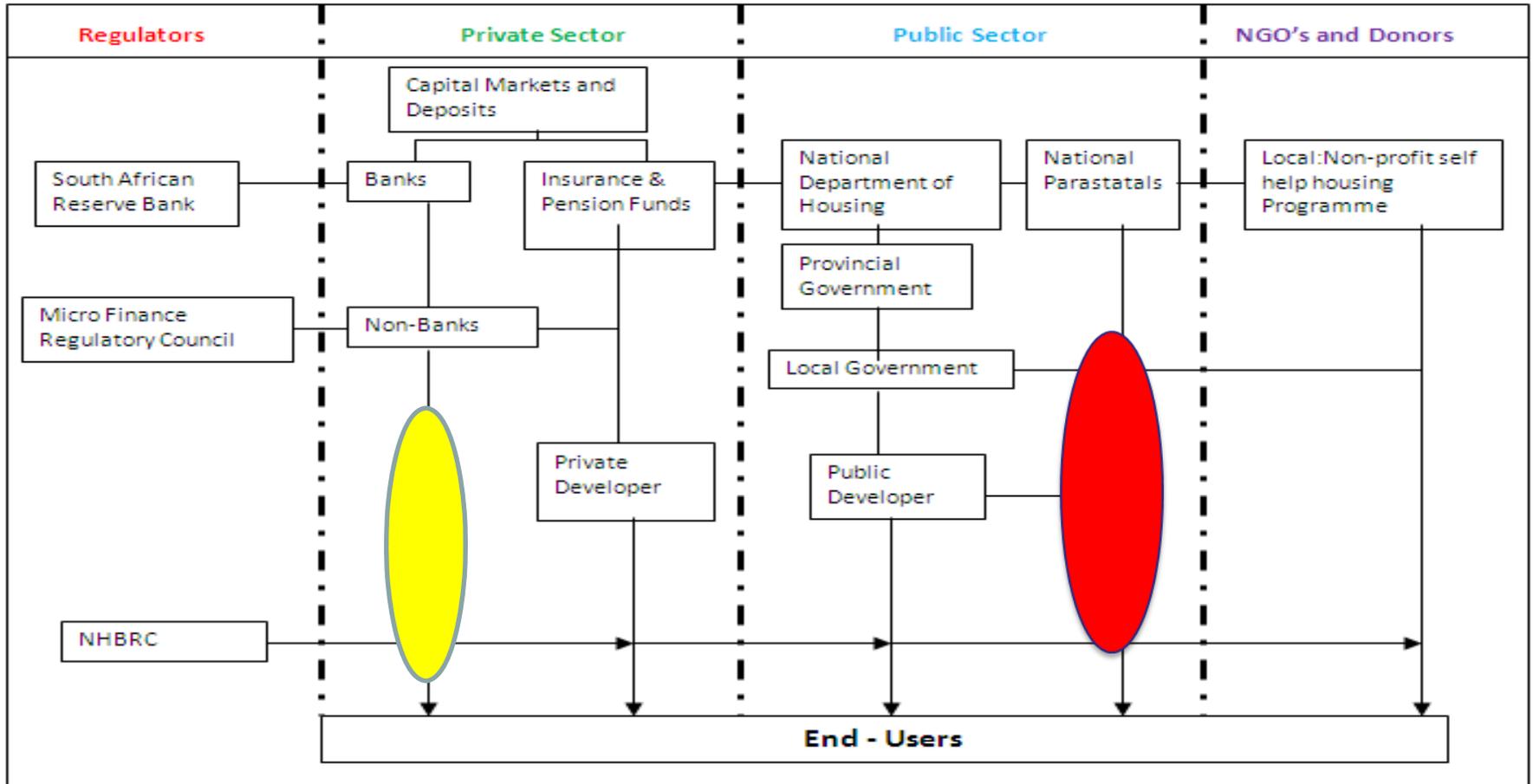
# PERFORMANCE OF THE FINANCE SYSTEM (continued)



- Few private sector developers in affordable mortgage market (16 000 units)
  - No incentive to be in market
  - Margins are low
  - Stop/start bank mortgage approvals
  
- Construction sector currently immobilized due to administrative and regulatory hurdles in public sector
  - Planning and local government compliance
    - Planning approvals
  - Land availability for development limited
  - Delayed payments
  - Balance role of small and large contractors (scale)
  
- The FSC delivered but uncertain on targeting R42billion
  - Missed opportunity to tie into public sector projects



# Organizational Arrangement of Housing Finance in South Africa



Stay with current policy stance (R503bn)

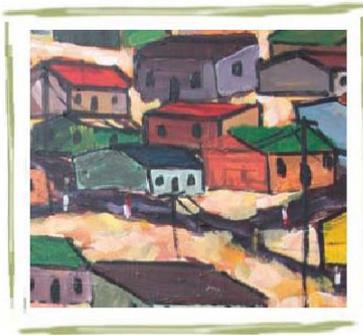
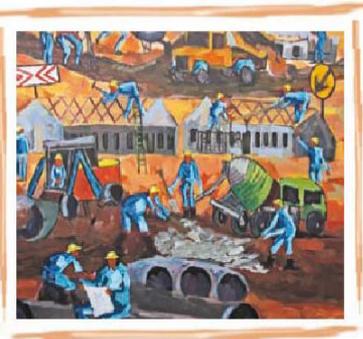
Shift towards limited subsidies + own contribution (R324bn)

State + Financial Sector Incentives + credit + own contribution (R225bn)

## SOME CONCLUSIONS AND RECOMMENDATIONS

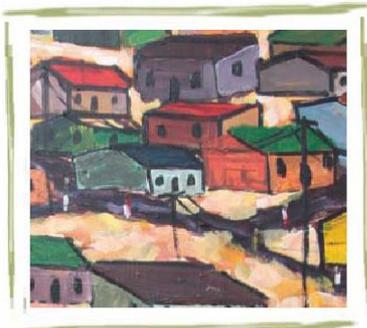


- ❑ Need for state apparatus to collect information perform critical analysis to inform policy making
  - ❑ Restructure HLMDA
  - ❑ Use skills in DFIs to build specialized team for critical analysis
- ❑ Use data to create dialogue and co-operation with financial services sector



# SOME CONCLUSIONS AND RECOMMENDATIONS (continued)

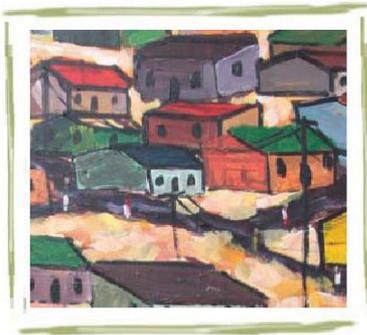
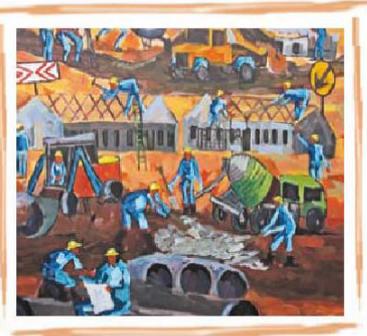
- ❑ Refining the subsidy policy
  - ❑ Determine if subsidy policy is to be a primary economic and poverty reduction driver?
    - ❑ Re-plan as a lead instrument change sequencing and priorities of other development outcomes
    - ❑ Arrange other budgets to follow location of Human Settlements
  - ❑ Change current policy emphasis
    - ❑ Limit to access to site and rudimentary services
    - ❑ Incentivize own contributions
    - ❑ Focus on city densification, transit oriented developments (“get cities to work for the poor”)
    - ❑ Ensure that there is an equitable distinction between free product and a commercial bonded product
    - ❑ Recognize rental option



# SOME CONCLUSIONS AND RECOMMENDATIONS (continued)



- ❑ **Finance System Improvements**
  - ❑ **Requirement to match responsibility vs capability, funding vs delivery**
    - ❑ **Scope for public sector to meaningfully engage financial services sector without causing systemic failure**
  
- ❑ **Create a more robust materiality framework for current housing DFI's to spearhead development**
  - ❑ **Take more risk and manage risk for private sector**
  - ❑ **Proactive sponsors of projects**
  
- ❑ **Flexible supply and demand side delivery instruments**
  - ❑ **Pre-occupation with the delivery of credit**
  - ❑ **Demand side reforms have been dominant**
  - ❑ **Has not dealt with the question of affordability**



**THANK YOU**