

FINANCING HOUSING IN AFRICA



ISSUE 20: December 2012

In this edition

Cover story: Reflecting on 2012.....	1
In the news	1
AUHF member profile: FBC Building Society.....	3
Player in focus: Ghana Home Loans.....	4
Graph of the month: Housing Lending 2011.....	5
Upcoming events.....	5

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AFRICAN UNION FOR HOUSING FINANCE

The AUHF is an association of thirty-seven mortgage banks, building societies, housing corporations and other entities involved in the mobilization of finances for the development of shelter and housing on the African continent. The AUHF is a non-governmental association and has its presence in some sixteen countries across the continent of Africa. See www.auhf.co.za

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Group: African Union for Housing Finance

Reflecting on 2012

The African Union for Housing Finance has had a great year. Our membership has increased from thirty-four members at the beginning of the year, to thirty-seven members to date.

We have revamped our website (www.auhf.co.za) to make it more current and user friendly. We have created a Twitter Account ([@AUHF_Housing](https://twitter.com/AUHF_Housing)) where we now have 58 followers. We use twitter to provide a regular feed on news stories. The twitter account has a live feed to the website, one can therefore see the most current tweet on the website. We have also created a LinkedIn Group which is a platform to stimulate debate around housing and housing finance related issues in Africa. We also use LinkedIn to connect with other players in the field in order to drive membership.

Throughout the year, AUHF members have been afforded discounts to attend various conferences and workshops. Discounts were also afforded to paid up members on their conference fees.

The International Housing Finance Programme which took place in the first week of October this year, was held in partnership with the University of Cape Town. AUHF members received a 10% discount on

the course fees. This course offers housing practitioners in Africa an opportunity to explore issues of housing markets, housing policy, mortgage lending, risk management, funding models, extending access to housing finance down-market as well as other issues. A number of AUHF members participated in the course.

While we provide the IUHF with a quarterly update on housing finance activities in Africa, we have also agreed with the International Union for Housing Finance (IUHF) to have a special issue of the IUHF quarterly journal to share with AUHF members.

Lastly, the main event of the AUHF: the AUHF annual conference and AGM was a huge success. The conference which was titled 'Growing Housing Opportunities in Africa' and hosted in partnership with the Bank of Tanzania (BoT), was attended by over 300 delegates from across the globe. A lot of our members attended this conference and AGM.

We have done a lot this year, but 2013 has even more in store. We are currently looking forward to a regional seminar which should be taking place in Nigeria, early next year.

We trust that you have all had a great year and thank you for your contribution to the African Union for Housing Finance. We look forward to working with you again in 2013 in the interest of affordable housing on the African continent.



In the news

This month in African housing finance

Housing delivery

South Africa: First 5 beneficiaries of the Finance Linked Individual Subsidy Programme (FLISP) approved

Eastern Cape province MEC, Helen Sauls- August announced early this month, that the Finance Linked Individual Subsidy Programme (FLISP) has begun in the Nelson Mandela Metro. She announced that they were looking into other areas such as the Buffalo City Metro to expand the roll out of the programme. The FLISP subsidy was announced by the president in his State of the Nation Address in



ISSUE 20: DECEMBER 2012

April this year. The programme is aimed at assisting those who earn too much to qualify for a RDP House and too little to qualify for a mortgage; this is that group of people who earn between R3501 and R15 000. Five beneficiaries have been approved in the Eastern Cape and over 50 applications are being processed by the National Housing Finance Corporation. Depending on the applicant's income, the Housing Department will approve a certain amount of up to R87 000 for every qualifying applicant to buy a new house through the Banks. ABSA, FNB and Nedbank are the banks to which the beneficiaries may apply for a home loan from. Source (6 Nov 2012): [Traders.com](#).

Kenya's Housing Union builds low cost family homes

Kenya's National Co-Operative Housing Union has handed over 52 homes to families in a Green Fields Housing in Ruiru. The houses were built for the members of the Faith Foundation which is an organisation composed of a group of people who were displaced in the 1992 and 2007 post-poll violence. The members of the foundation have been making savings since 2010, after which they joined NACHU with the intention of owning homes. The National Co-operative Housing Union helped them acquire land in Murera Village in Ruiru where the houses have been built on two acres. The members will continue paying for the houses until they own them fully. The co-operative intends to build 100 more units in 2013 on an adjacent piece of land. Source (7 Nov 2012): [All Africa](#).

South African government interested in private sector's low cost housing initiatives

The South African government has expressed interest in creating a public-private partnership in which it would use a private company to supply low cost housing in the country. According to the latest census, about 12 million people in South Africa do not have adequate formal housing. Duro, a company with experience in developing building materials published an open letter to Human Settlements Minister, Tokyo Sexwale, stating that it believed the government could benefit from alternative housing strategies in fighting the housing backlog. According to Duro's CEO, Greg Morris, the state built housing which is usually bricks and mortar-style housing fuels the housing backlog, where modular housing is a viable alternative. Morris reckons that modular housing is quicker to build (3- 5 days), easier to transport, does not rust and copes better with weather conditions (warmer in Winter). Mr Morris stated that the Department of Human Settlements had read Duro's letter and scheduled a meeting with the company, they expressed interest in developing a project. He further noted that the private sector is keen on helping government in building quality housing for the nation. Source (15 Nov 2012): [Business Day Live](#).

Namibia Angola Housing Initiative partners with Kavango Block Brick (KBB)

The Namibia Angola Housing Initiative (NAAHI) and Kavango Block Bricks (KBB) are merging to expand the Development Africa Group, which is to roll out affordable quality housing into Namibia, SADC and the African continent at large. Development Africa Group is a NAAHI member company and the exclusive concessionaire for NAAHI's entire housing portfolio on the African continent. This partnership is aimed at enhancing local employment, small and medium enterprise development, job creation, promoting industrialisation and enhancing the mortgage sector with affordable products. Source (21 Nov 2012): [Informante](#).

Housing Finance

Shelter Afrique to provide \$100m Capital for Housing in Nigeria

After a presidential retreat on housing held in Abuja; the Nigerian president announced that his administration's housing programme had been boosted through a \$100 funding from Shelter Afrique- a Pan African Housing Institution that offers housing finance, practical advice and assistance to developers and housing finance institutions. Much of this funding is a form of venture capital that property development firms would access as loans to make the project work. Although the vision of Nigeria's Housing programme is the provision of housing, the president noted that it is necessary to establish programmes that would make people self-reliant so that they may cater for themselves. The federal government of Nigeria is also looking at other angles to funding housing. It is reported that, this is the first time a Minister of Finance is involved in housing. The president indicated that the key area on which there was consensus during the retreat, was on how to get land added. Source (13 Nov 2012): [This Day Live](#).

Housing Rentals

South Africa's affordable rental market is promising

Standard Bank says that the South African residential market is offering an attractive opportunity in the affordable housing rental segment, with returns of up to 9% after tax. According to the head of real estate finance, Gerhad Zeelie, this is driven by low and middle income earners who do not qualify for bonds and, by an increased demand for housing closer to economic hubs. Zeelie said that investors who select good locations, efficiently manage their assets and look after their tenants, can reap good returns from affordable housing rentals. He further said that the increase in demand for affordable housing rentals is also due to consumers seeking housing closer to work, school and public amenities, coupled with the fixed, predictable cost of renting. According to Statistics South Africa's 12-month moving average of the value of building plans approved; there has been a dramatic increase in the demand for houses smaller than 80m²; an indication of the increased activity in the affordable housing sector. Source (15 Nov 2012): [MoneyWeb](#).





AUHF Member Profile: FBC Building Society



FBC Building Society is a registered building society in Zimbabwe, it is a division of FBC Holdings Limited. FBC Holdings Limited is a financial services group that represents diverse financial institutions: a Commercial Bank, Building Society, Reinsurance Company and a Stockbroking unit. FBC Holdings emerged from the integration of a Commercial bank, Reinsurance Company and a Building Society; it is listed on the Zimbabwe Stock Exchange.

FBC Building Society was established in 1992, it is one of four licensed and operational building societies in Zimbabwe, with a network of 14 branches nationwide. FBC Building Society provides savings products, mortgages, and other money market investment products.

Savings Products

Savings Account: The Savings account is a simple deposit account that allows for immediate access to the money through the FBC Building Society ATM network, Zimswitch linked ATM's and, point of sale facilities in banking halls and retail shops. The account is only available to individuals who can also use it to receive their salaries.

This account has affordable minimum and initial account opening balances. The account has a tiered interest rate paid annually in December after the deduction of withholding tax. This interest is currently at 15% per annum.

Multiplier Account: It is a deposit account which offers instant access to one's savings and is available to individuals, companies, associations, cooperatives and clubs. This account works in the same manner as the Savings account with a preferential tiered rate. The Multiplier Account interest is paid quarterly after deduction of withholding currently at 20% per annum.

Mortgages

Individual Mortgage Loan: The individual loan is available to individuals who are building, buying or renovating an existing property. Life assurance on the bond will be taken to cover the life of the bond holder; alternatively, an individual life policy can be ceded to the building society in lieu of the life assurance cover on the life of the bond holder.

Mortgage account holders are urged to take a House Owners Comprehensive Insurance policy to cover the replacement value of the property, in the event of fire and damage among other unforeseen destructive events.

Short Term Loan: A short term loan is mortgage- based with a negotiated tenor of between three and nine months which can be used for working capital or as a bridging finance facility. A mortgage bond is registered as security over the loan. It attracts a competitive interest Rate.

Industrial and Commercial mortgages: This loan is available to individuals and companies who are building, buying or renovating industrial and commercial properties. Mortgage account holders are

urged to take a House Owners Comprehensive Insurance policy to cover the replacement value of the property in the event of fire and damage among other unforeseen destructive events.

Employer Assisted Mortgage Financing: Employer assisted mortgage financing is mortgage finance made available to an employee of a company or institution that has invested in the building society. The investment account funds are used to provide mortgages to the employees of the investing company or institution. The individual beneficiaries are required to meet the lending requirements of the building society. The beneficiaries will be able to enjoy agreed below market interest rates whilst the company of institution will be earning interest on its investments as well. Interest rates are negotiable and they vary from one arrangement to the other.

Property Development

FBC Building Society is also involved in two property development projects: The Marondera Housing Project and the Glaudina Housing Project.

Marondera Housing Project: FBC Building Society, in conjunction with National Social Security Authority (NSSA) has undertaken a high density housing development project in Marondera. The project has 671 residential and 10 commercial stands. Residential stand sizes vary from 200 to 1000 square meters whilst commercial stands are between 600 and 10 000 square meters. The project also comprises of finished four and two roomed housing units on 300 and 200 square meters respectively. To date, over 326 stands have been handed over to beneficiaries whilst the completed housing units are currently on sale. To benefit from this scheme which has two phases one is required to be on the Marondera Municipality Housing Waiting List and must be a NSSA contributing member.

Glaudina Housing Project: The Glaudina Housing Project is a medium density residential area located 16.5km along the Harare- Bulawayo highway. The project arose from the strategic alliance between FBC Building Society and National Social Security Authority. The building society is responsible for the marketing and selling of the stands and, providing mortgage finance. National Social Security Authority (NSSA) is responsible for servicing the land. On completion the project is said to benefit 475 home seekers with stands averaging 700 square meters in size. The first phase of the project is 80% complete and, the second phase, which is the development of high density residential stands is said to benefit at least 3000 home seekers.

Among these services, FBC Building Society also offers money market as well as Paid Up Permanent Share's services.

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Player in focus: Ghana Home Loans



Ghana Home Loans (GHL) is a mortgage finance institution operating under the supervision of the Bank of Ghana as a non-bank financial institution. It is the only Ghanaian institution that focuses exclusively on the provision of a mortgage product. Since 2006, Ghana Home Loans has raised over \$100m in long term funding to provide residential mortgages to the Ghanaian market.

Ghana Home Loans is the leading mortgage company in the country and was adjudged the fifth best company in the Ghana Club 100 awards. The awards are a ranking of the country's most prestigious companies based on growth, size and profitability.

Ghana Home Loans has the vision of becoming the leader in world class home loan provision. The products offered by GHL include: Home Purchase Loans, Buy to Let, Home Completion Loans, Home Construction Loans, Equity Release and Refinancing. All these products are currently offered at a 12.5% fixed interest rate and a 12% variable rate; subject to terms and conditions.

Home Purchase Loan

This is a product targeted at applicants looking to buy their first property. The applicant may be resident either in Ghana or abroad and is required to contribute a deposit of at least 20% of the property value towards the purchase.

Buy to Let

The 'Buy to Let' product is tailored for applicants who already own a home but wish to buy another property for the sole purpose of renting it out to tenants. Applicants are required to make a down payment as their contribution to the purchase.

Home Completion/ Construction Loan

Ghana Home Loan's Home completion and Construction loans are designed in the same manner. They are both two part loans which comprise of an initial 1 year construction loan, followed by a mortgage loan of up to 20 years. Upfront fees and charges can be capitalised to ease the financial burden on the applicant.

Equity Release

An equity release is offered to those applicants who wish to borrow on a long term basis, using their home as collateral for the purposes of business expansion, home improvements or expansion etc. No down payment is required for this type of mortgage and all fees and charges can be capitalised.

Refinancing

The refinance mortgage provides an opportunity for applicants with an existing mortgage with another service provider to move to Ghana Home Loans.

Ghana Home Loans Mortgage Education

Among other things, Ghana Home Loans has undertaken Mortgage Education through the release of a mortgage Borrower Education Video available on their website and is also available in DVD format free of charge from Ghana Home Loans. This video provides a detailed explanation of the mortgage product and how it can be used to achieve home ownership. The company CEO, Kojo Addo-Kufur, said that the video was further evidence of the company's absolute commitment to encouraging home ownership in Ghana. He said since 2006, the company had regularly organized mortgage clinics, housing fairs, public seminars and other events to enable prospective applicants to further understand the mortgage product and plan towards home ownership. Inadequate market education and lack of supply of housing units are the major challenges that the company is keen to address.

Ghana Home Loans partners with Shelter Afrique

Early this year, Ghana Home Loans partnered with Shelter Afrique -a Nairobi based pan African housing finance company. They signed a \$5 million Facility Agreement which is to support Ghana Home Loans' mortgage lending operations in Ghana.

Ghana Home Loans increases LTV from 75% to 90%

Ghana Home Loans had plans to increase its Loan To Value (LTV) from 75% to 90% fixed mortgage rate. This initiative came as a result of an increased appetite by prospective home buyers who are unable to provide the minimum 25% deposit. Borrowers would still be assessed for the mortgage in line with Ghana Home Loans lending policy after an applicant has submitted the supporting documents. This increased LTV was expected to be effective from this year.

Ghana Home Loans launches 20 year mortgage facility

Ghana Home Loans launched a 20 year fixed rate mortgage facility. This facility is aimed at ensuring that a lot more applicants who would not have qualified under the 15 year mortgage facility could become eligible under the new facility. This facility offers a comparatively lower monthly repayment with a prepayment option for applicants.

Ghana Home Loans celebrates 5th Anniversary and largest Housing Fair

From 27 June to 3rd July, Ghana Home Loans celebrated its 5th anniversary. The event which culminated with a Housing Fair, pulled in over 35 estate developers, and service providers of the Ghanaian housing industry, as well as various building merchants.

Ghana Home Loans donates to Weija Leprosarium and Catholic Actions for Street Children

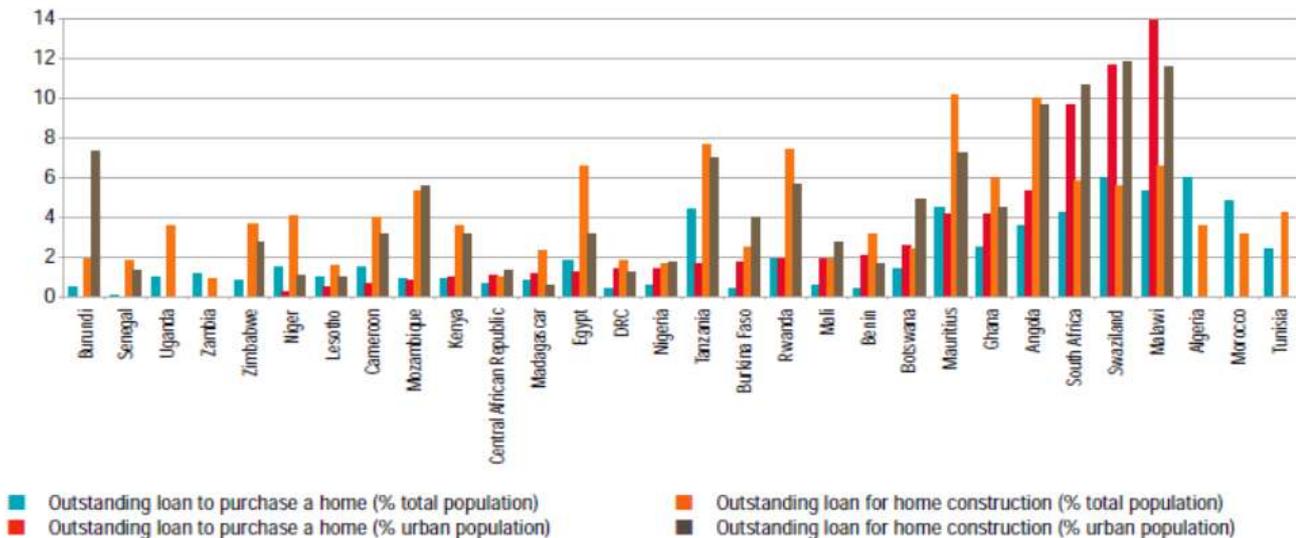
In line with our 5th anniversary celebrations and Corporate Social Responsibility, Ghana Home Loans donated food, drinks, money and clothing to the Weija Leprosarium and Catholic Action for Street children.

Ghana Home Loans www.ghanahomeloans.com



Graph of the Month: Housing Lending 2011

Global Findex data on housing lending (2011)



Source: Derniguc-Kunt, Asli and Klapper, Leora (2012). Measuring Financial Inclusion: The Global Findex World Bank Policy Research WP 6025.

The graph presented here is from the World Bank’s Global Findex Data. In 2012 the World Bank launched the Global Financial Inclusion Database, exploring levels of financial inclusion around the world. The data reveals that for the total population, loans for home construction are much more common than loans for home purchase.

The graph also depicts loans for the urban population (red and brown), as urban loans are more prevalent. This reveals that loans for home purchase are more prevalent in urban areas, while loans for home construction are more broadly distributed. In some countries lending is broadly distributed and not limited to urban areas. In Mauritius, Egypt, Zimbabwe, Tanzania, and Niger, for example, the national lending figures as a proportion of the national population are greater for both categories (home purchase and home construction) than the urban lending figures as a proportion of the urban population.

This prevalence of loans for home construction presents opportunity for housing microfinance through an incremental housing process where households build their homes incrementally making housing a reality for that sector of the population that does not qualify for a mortgage.

UPCOMING EVENTS

DEC
13 [The Underground Real Estate Investment Forum](#). Lagos, Nigeria.

2013

FEB
11- 13 [2nd Annual Urban & Housing Development conference](#). Johannesburg, South Africa. **10% Discount if 3 or more AUHF members confirm!** For details & brochure

MAR
20-21 [Global Microfinance Forum 2013](#). Vienna, Austria.

AUHF Regional SEMINAR in Nigeria, further details coming soon!

JUN
5- 7 [Sound Housing Finance around the World Joint Congress IUHF and EFBS](#). Vienna, Austria.

HAPPY HOLIDAYS !