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FINANCING HOUSING in Africa is a monthly publication of the African Union for Housing Finance for its members. Please submit material for inclusion to Kecia Rust, at kecia@housingfinanceafrica.org or Lorraine Nzimande at lorraine@housingfinanceafrica.org.

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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Mobilising Capital for Housing Finance
AUHF Annual Conference and AGM
11-13 September 2013, @Sugar Beach Hotel, Mauritius. Visit www.auhf.co.za for details



The IUHF Congress

A word from the AUHF Chairperson

I had the honor to attend the International Union for Housing Finance (IUHF) 2013 Congress in Vienna, Austria from 5th to 7th June 2013. The African continent was well represented at the Congress by a total of 5 delegates, including the outgoing IUHF President and AUHF Board members: Mr Cas Coovadia, and Mauritius Housing Company’s Managing Director, Mr Manilall Seetohul. The Congress, which attracted over 160 delegates from 40 countries around the world, was a resounding success.

Speakers from across world presented a wide range of topics. I presented a paper on Basel III and its impact on housing finance, on behalf of the AUHF. Access to finance, consumer protection, and building sustainable housing finance systems, were among other issues discussed. The inputs and discussion demonstrated that housing finance challenges are being experienced globally. Although some developing countries are just beginning to bed down regulations and structures to facilitate housing finance, developed countries are also revisiting many historical positions, given the experience of the economic and financial crisis in USA and Europe. In this context, and given the particular challenges in Africa, the AUHF and its members are well placed to play a pivotal role in mobilizing both intellectual and financial resources for the benefits of the continent. I am therefore motivated by this year’s AUHF Conference theme of “Mobilizing Capital for Housing Finance” as this will equip the AUHF members to effectively address one of our major challenges. I urge members to register to attend the AUHF conference in Mauritius in September, without hesitation.

Mr Cas Coovadia, in his closing remarks at the IUHF Congress took an opportunity to invite all the delegates to our September 2013 AUHF Conference. I have no doubt that some of the delegates would find it difficult to resist the hospitality of the beautiful country of Mauritius.

I would also like to take this opportunity on behalf of AUHF, to thank Cas Coovadia for having steered the IUHF as its President since the 2008 financial crisis. His leadership has seen the IUHF recovering from the effects of the financial crisis and his ability to do so demonstrates Africa’s human potential. Through his leadership, the IUHF agreed to appoint another African representative to its Executive Board and I am pleased to advise that I was appointed to the IUHF Board at the members meeting held on 5th June 2013. Cas and I will continue ensuring that the African continent plays its role on the world stage by establishing effective and sustainable networking opportunities.

Colin Chimutsa, AUHF Chairperson



In the news

This month in African housing & finance

Massive housing development programme for Namibia

As a result of a national Task Force on housing constituted by the Namibian government, a massive housing development programme is underway. The task force was constituted to propose a long term model for addressing housing, with a focus on land acquisition, servicing, property development and financing solutions. This programme learns from countries such as Mexico, Malaysia, Venezuela and South Africa, where mass housing development programmes are underpinned by a strong partnership between the public and private sectors. The programme is expected to be launched this year. A N\$1.9 billion (approximately US\$204 million) budget was allocated to the Ministry of Regional, Local Government, Housing and Rural Development to cater for the servicing of land and improved sanitary standards in urban, peri-urban and rural areas. The programme will also be funded from pension funds, other institutional investors and funds from community savings schemes. The technical committee set up to spearhead the programme comprises officials from the Bank of Namibia, the Ministry of Finance, the Ministry of Land and Resettlement, the Office of the Attorney General, the City of Windhoek, and, the Shack Dwellers Federation. Source (17 May 2013): [AllAfrica](#).

Housing boost for Tanzania's civil servants

By September this year, Tanzania's civil servants will be able to secure soft loans to build or buy low cost houses, through the new Public Servant Housing Scheme, introduced by the government. A special committee had been appointed by the President to evaluate how civil servants could be assisted to secure soft loans. The scheme will be managed by Watumishi Housing Company Limited, which will be responsible for the construction of low cost houses or secure soft loans to those who would want to build their own houses. The loans to buy or build, can be paid over a period of 25 years with interest rates of between 10 and 13 percent. 5000 houses are planned for construction in the first five years of the scheme. Source (21 May 2013): [AllAfrica](#).

South Africa: New affordable housing in Cape Town

City of Cape Town, Nedbank and developer Inframax launched a new affordable housing development, Silver Meadows. Silver Meadows is a low-density housing project that will offer 92, one and two bedroom apartments as well as

23, three bedroom semi-detached homes. The units are priced between R425 000 and R708 000 (US\$42590-US\$70950). Source (24 May 2013): [Property24](#).

South Africa: KZN's five year rental housing plan launched

Within the next two years, 5000 people will move into government housing rental units in the South African province of KwaZulu Natal (KZN). KZN has had three housing institutions, delivering rental housing, which could not meet the increasing demand and therefore a 5 year Rental Housing Strategic Plan was developed. Households earning less than R7500 (US\$ 752) per month are targeted. 1 941 units will be delivered in the Social Housing Innovation projects and 1 705 units in the Community Residential Unit Projects. R200 million (US\$ 20 million) was set aside to kick start this project, in 25 pipeline projects in the province. The province undertook to deliver 15 240 rental units by 2014. Suitable parcels of land have been identified and allocated for the implementation of the programme. Source (25 May 2013): [SA News](#).

Federal Mortgage Bank of Nigeria needs N200 billion (US\$1.2 billion) capital to bridge gap

The Federal Mortgage Bank of Nigeria (FMBN) requested more funding from the Federal Government, in order to make meaningful impact in addressing Nigeria's housing deficit, of over 17 million. They requested an increase from N5 billion (US\$30.9 million) to N200 billion (US\$1.2 billion) in capital. Source (26 May 2013): [AllAfrica](#)

Algeria Banks to finance housing construction worth \$15 billion

Algerian banks are to finance the building of more than 250 000 new homes by the end of 2014. Credit Populaire d'Algerie, the lead bank in the deal, signed an agreement with the National Company of Real Estate Promotion (ENPI) to finance the construction of the housing units. Another agreement was also reached with the National Agency for Housing Improvement and Development (AADL) to finance the building of 100 000 public housing units. AADL has projects to build a total of 150 000 homes by the end of 2014. According to the Housing Minister, Abdelmajid Tebboune, reported that these agreements are aimed at changing the way construction is financed, by getting public banks more involved. Algeria's government aims to build more than one million homes under a 2010- 2014 development plan. Source (12 May 2013): [Yahoo News](#).



AUHF Member Profile: NHFC

'To provide innovative and affordable housing finance solutions to the low- and middle-income housing market'

The National Housing Finance Corporation is a development finance institution (DFI), established by the South African government to fund and facilitate the development of affordable housing. It was established in 1996 to offer **housing finance, project facilitation and technical assistance** to private and public entities ensuring availability of housing stock for low to middle income households. NHFC's mandate is to broaden and deepen access to affordable housing finance and housing structures across South Africa.



Mr Samson Moraba is the CEO of the NHFC and their representative to the AUHF

The NHFC is committed to ensuring that every South African with a regular source of income (R1500 – R15000 per month) has access to finance to **buy, rent or improve** their house. This market sector is considered mostly able to contribute towards its housing costs, but finds it hard to access bank funded housing finance.

To this end, the NHFC plays a multiple role of innovator, financier and facilitator ensuring viable housing finance solutions, sustainable human settlement growth and mobilisation of relevant partnerships through enhanced insights and knowledge.

The NHFC is mandated to:

- Undertake funding as a wholesale intermediary to promote broader access to housing
- Underwrite the flow of wholesale funds to retail intermediaries (provide cover, security or guarantee)
- Specialise in identifying, assessing, pricing, monitoring and managing risks associated with the placement of wholesale funds with retail intermediaries.

Strategic objectives: The strategic objectives of the NHFC are as follows:

- Expand housing finance activities, through the effective provision of housing finance solutions
- Facilitate the increased and sustained lending by financial institutions to the affordable housing market;
- Mobilise funding into the human settlement space, on a sustainable basis, in partnership with a broad range of institutions;
- Conduct the business activities of the NHFC in a manner that ensures the continued economic sustainability of the NHFC whilst promoting lasting social, ethical and environmental development; and
- Provide robust, timely and relevant market research



Core Functions: As a financier, facilitator and innovator of affordable housing finance solutions, the NHFC delivers the following core functions, as stated in the Government Gazette of 1997:

- Initiate and manage programs aimed at encouraging and promoting increased engagement of the banking sector in the target market
- Fund or underwrite the funding of specialised alternative lenders able and equipped to operate where banks find it difficult to operate
- Fund or underwrite the funding of institutions in the business of providing housing under tenure rights other than individual freehold target market
- Manage proactive programs aimed at building institutional and financial capacity at retail level such that there is a broadening of access to housing finance and the mobilisation of funds into the housing process in the target market

The corporation works through a national network of social rental housing institutions and approved retail finance intermediaries and does not directly supply funding to homeowners. A qualifying homeowner would therefore need to approach an NHFC-approved lender to access finance. The NHFC website lists all the approved lenders from every province.

Wholesale Funding Programmes: The NHFC offers the Housing Finance solutions to Social Housing Institutions, Property Practitioners and, private sector institutions or municipal entities. The solutions provided are as follows:

- **Project Finance/ Term Loan:** This loan has a minimum of 3 years and maximum of 20 years it is composed of a bridging loan, medium term loan and, a long term loan. The bridging loan is for a period of 3/5 years and is offered mainly to developers; the medium term loan applies to private property developers and is for 10/15 year period; lastly, the long term loan is 20 years and is offered mainly to social housing institutions.
- **Revolving Credit Facility:** The revolving credit facility is loan with a 5 year term.
- **Senior and Mezzanine Loans:** These are loans with a term of up to 10 years and apply mainly to Private Sector Institutions.

Commercial Funding Programs: Through its Commercial Division, the NHFC lends Banks/Private Lenders/Retail Finance Intermediaries (RFI's) that provide rental and bonded housing options to end-beneficiaries (home seekers). It offers two commercial funding programs: an incremental facility which has a loan term period of up to 5 years and, a homeownership facility with a minimum loan term of 12 years and maximum of 20. Housing Finance loan products which these entities may extend to the end beneficiary may include:

- Housing micro-lending/ incremental housing loans and;
- Home ownership loans (buy or rent to buy options)

National Housing Finance Corporation

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Player in Focus: Rural Housing Loan Fund



The Rural Housing Loan Fund (RHLF) was established in 1996, by the South African National Department of Housing, with grant funding from the German Development Bank, KfW. It was set up as a wholesale development finance institution, with the mandate of enabling low income earners to access small loans that they could afford to repay. Borrowers use these loans to incrementally improve their housing conditions.

The Rural Housing Loan Fund has a mission to empower rural people to maximise their housing choices and improve their living conditions with access to credit from sustainable retail lenders.

Low incomes, informal employment and relatively remote rural regions usually disqualify end users from dealing with major commercial banks. The Rural Housing Loan Fund, therefore, funds the delivery of housing microloans through its 11 [intermediary or retail housing finance lenders](#), with the primary objective of improving the basic living standards of low income rural people, by enabling them access to finance for housing purposes. The lenders borrow funds from the RHLF and on-lend to individuals throughout the rural areas of South Africa, including small towns and secondary cities. RHLF client lenders are also able to **lend to people living on communal land and informal settlements**, because the house is not used as collateral for the loans.

Market & product: The RHLF provides wholesale finance to microlenders offering housing microloan products to their borrowers. Borrowers generally earn less than R9 800 (US\$ 970) and the average loan size is R4 600 (US\$ 455), this is generally used for incremental building or housing improvements. In this market, transaction costs and credit risks are high. The RHLF lenders have competitive rates. The RHLF publishes guidance on home building and improvement and the retail lenders help borrowers to get the most out of their rands.

The rural Housing Loan Fund offers two main products: loans (structured and pilot) and investments.

Structured Loans: Structured loans are the primary product offered by the RHLF. This is a loan provided to intermediaries to establish, support or develop a housing loan operation. The minimum loan size is R1 million, unless decided otherwise by the credit committee. Structured loans are structured to

match the intermediary's underlying product profile, and are disbursed according to the following three criteria:

1. Draw-downs should be structured so that the RHLF's exposure is limited (a higher risk profile should be accompanied by a slower draw-down pattern to allow the RHLF to monitor the performance of the intermediary)
2. Draw-downs should be matched with the intermediary's disbursement of qualifying loans and should not allow the intermediary to build up extensive surplus funding
3. The size of the facility and the draw-down schedule should be in line with the historical growth pattern of the intermediary and its capacity to manage growth, to avoid potential destabilizing effects. The repayment period should match that of the end user.

Pilot Loans: A Pilot Loan is a venture-capital investment instrument designed by the RHLF to support retail lenders to explore new markets ((such as informal earners or low-income households in un-served rural areas or new products like alternative loan products with appropriate collection methodologies). It is expected that out of a successful pilot loan, a structured loan will follow.

To enable an institution to test new ideas, the RHLF would provide loans (up to a maximum amount of R 2 m) sharing the risk of the operation in a previously agreed proportion that, depending on the interest of the RHLF for the proposal, can be as high as 80%. For the retailer, risk sharing by RHLF results in lower interest rates. Conversely, if the new product or market is successful, the RHLF will share in the benefits obtained.

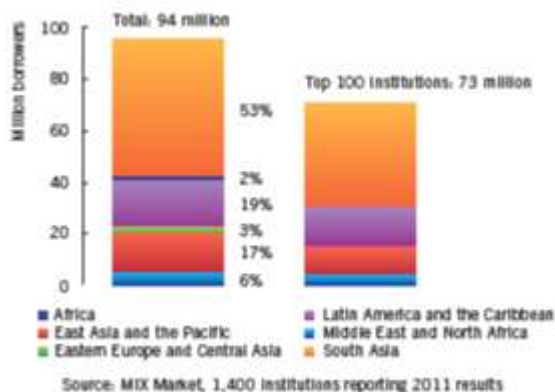
Equity Investments: Equity Investments help build up operational capacity of retailers, particularly those owned and managed by historically disadvantaged entrepreneurs. The objective with this funding is to assist the institutions to develop sustainable new capacity to strengthen their balance sheets such that they may be able to access finance from sources other than the RHLF for investment in the RHLF's defined target market.

Equity funds may be used for small-scale initial support (e.g. opening new rural branches of commercial start-ups), or for gearing other investment capital from the retail lenders' founders or owners to take the company to another level of growth.

Rural Housing Loan Fund www.rhlf.co.za



Graph of the Month: Microfinance Barometer



This graph is extracted from a publication titled, Microfinance Barometer 2013. The publication draws on data from the MIX Market, and monitors the main trends of the microfinance sector. It provides updated figures on the sector's global portfolio and outreach.

The graph presented above, is an update on global microfinance outreach. In total, 94 million borrowers were reached in 2011 and of these, only 2% were African. More than half of the 94 million borrowers reached, were from South Asia.

According to the report, Africa and Latin America show increased growth in outreach from 2010 to 2011, posting 15% more borrowers each over 2011. This is an indication of the opportunity that exists for the microfinance on the African continent and globally.

Source: [Microfinance Barometer](#)



AUHF chairperson Mr Colin Chimutsa at the IUHF Congress

UPCOMING EVENTS

CONFERENCES / WORKSHOPS / COURSES

2013

*Visit www.auhf.co.za for event details *

JULY

7-12

[Micro & SME Banking Summer Academy.](#)

Frankfurt am Main, Germany.

14-19

[Sustainable Energy Finance Summer Academy.](#) Frankfurt am Main, Germany.

21-26

[Housing Finance Summer Academy.](#) Frankfurt am Main, Germany. **EUR 300 DISCOUNT for AUHF members!**

26

[Economics of Green Building Course.](#) Johannesburg, South Africa.

AUGUST

13- 15

[6th African Microfinance Conference.](#)

Durban, South Africa.

SEPTEMBER

11-13

[AUHF Annual Conference & AGM: Mobilising Capital for Housing Finance, Sun Beach Hotel, Mauritius.](#)



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OCTOBER

6-11

[Housing Finance Programme for Sub-Saharan Africa](#)

2013. University of Cape Town, South Africa. **DISCOUNT for AUHF members!**

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