



THE BANKING
ASSOCIATION
SOUTH AFRICA

**FINANCIAL SECTOR CHARTER/
LESSONS LEARNT IN RESPECT OF
GOVERNMENTS BREAKING NEW GROUND
HOUSING POLICY**

**30 September
2008**



FSC ACHIEVEMENTS





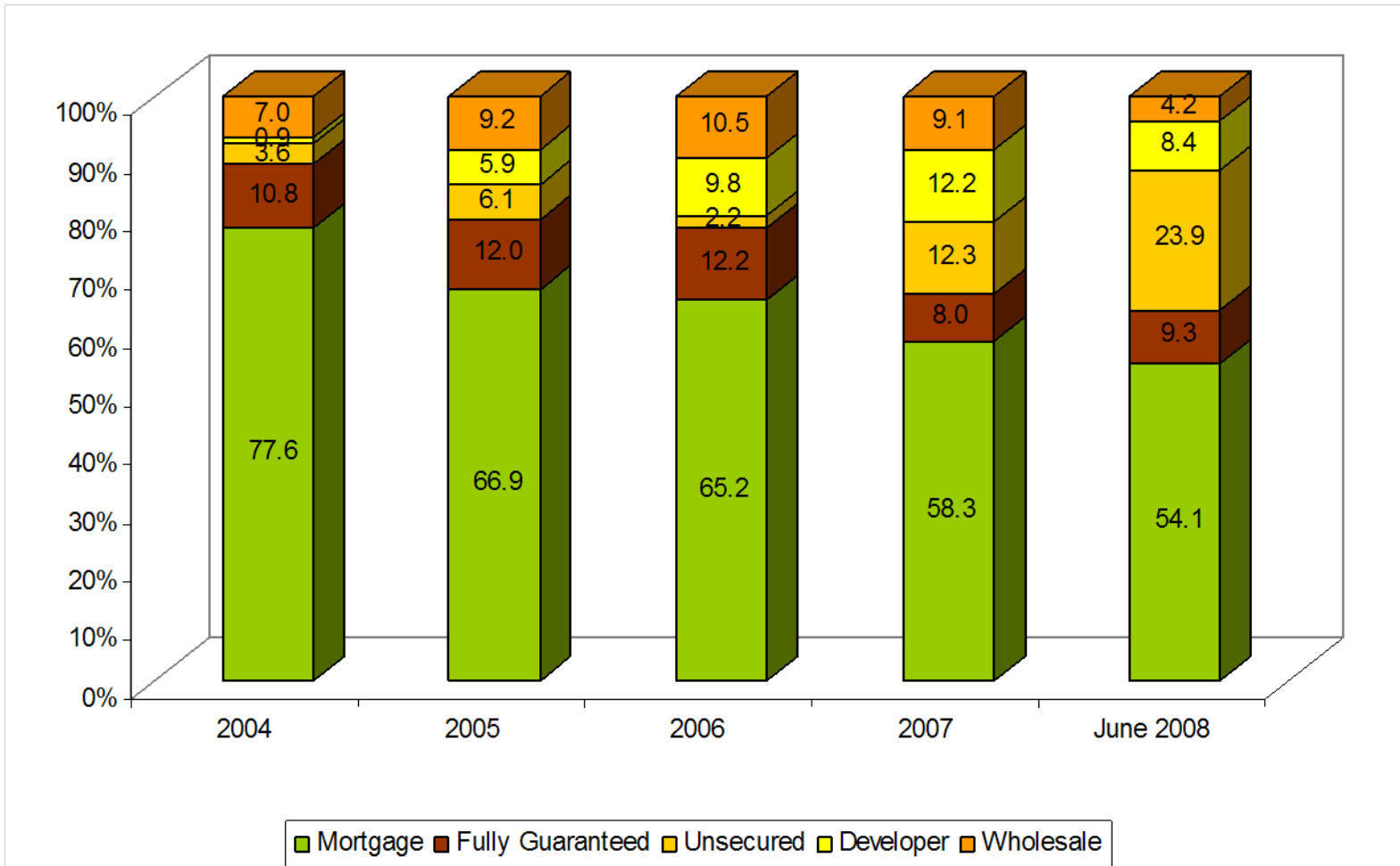
FSC ACHIEVEMENTS

R'm	Mortgage	Fully Guaranteed	Unsecured	Residential Development	Wholesale and Social	Total
2004	7 262	1 013	338	88	658	9 359
2005	6 045	1 083	552	530	828	9 037
2006	6 319	1 181	216	954	1 016	9 686
2007	5 775	795	1 221	1 211	906	9 908
2008Q1	966	127	373	97	71	1 634
2008Q2	772	171	396	173	65	1 577
Total	27 139	4 369	3 096	3 052	3 545	41 201



FSC ACHIEVEMENTS (CONT)

VALUE

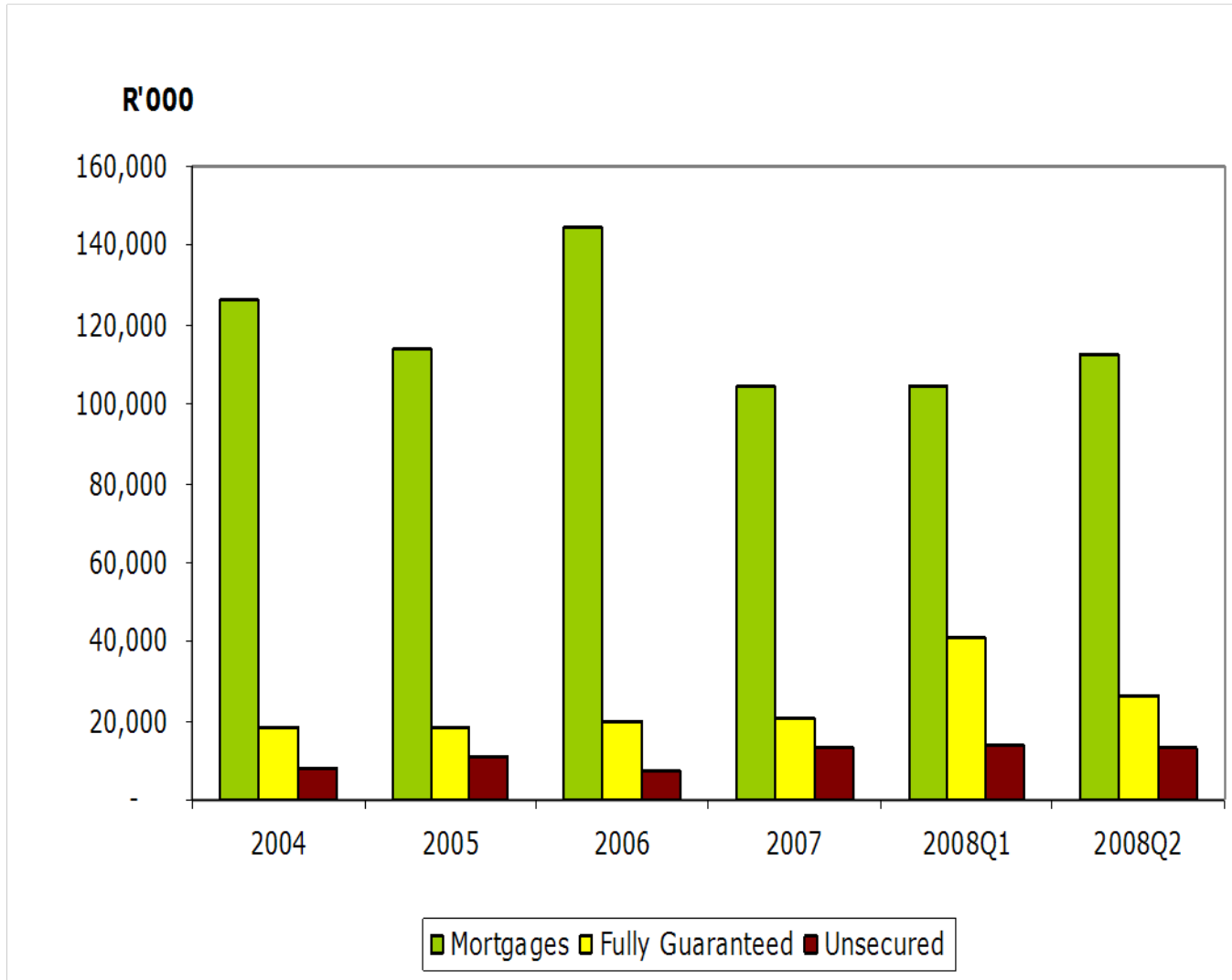


FSC ACHIEVEMENTS (CONT)

Number of loans

	Mortgage	Fully Guaranteed	Unsecured	Residential Development	Wholesale and Social	Total
2004	57 324	56 106	40 660	2	35 124	189 216
2005	53 159	58,787	51,720	39	45 974	209 679
2006	43 721	59 635	30 736	166	53 677	187 935
2007	55 287	38 212	94 265	88	33 023	220 875
2008Q1	9 235	3 089	26 783	35	1 234	40 376
2008Q2	6 855	6 458	29 878	27	2 321	45 539
Total	225 581	222 287	274 042	357	171 352	893 619

AVERAGE LOAN SIZE PER PRODUCT

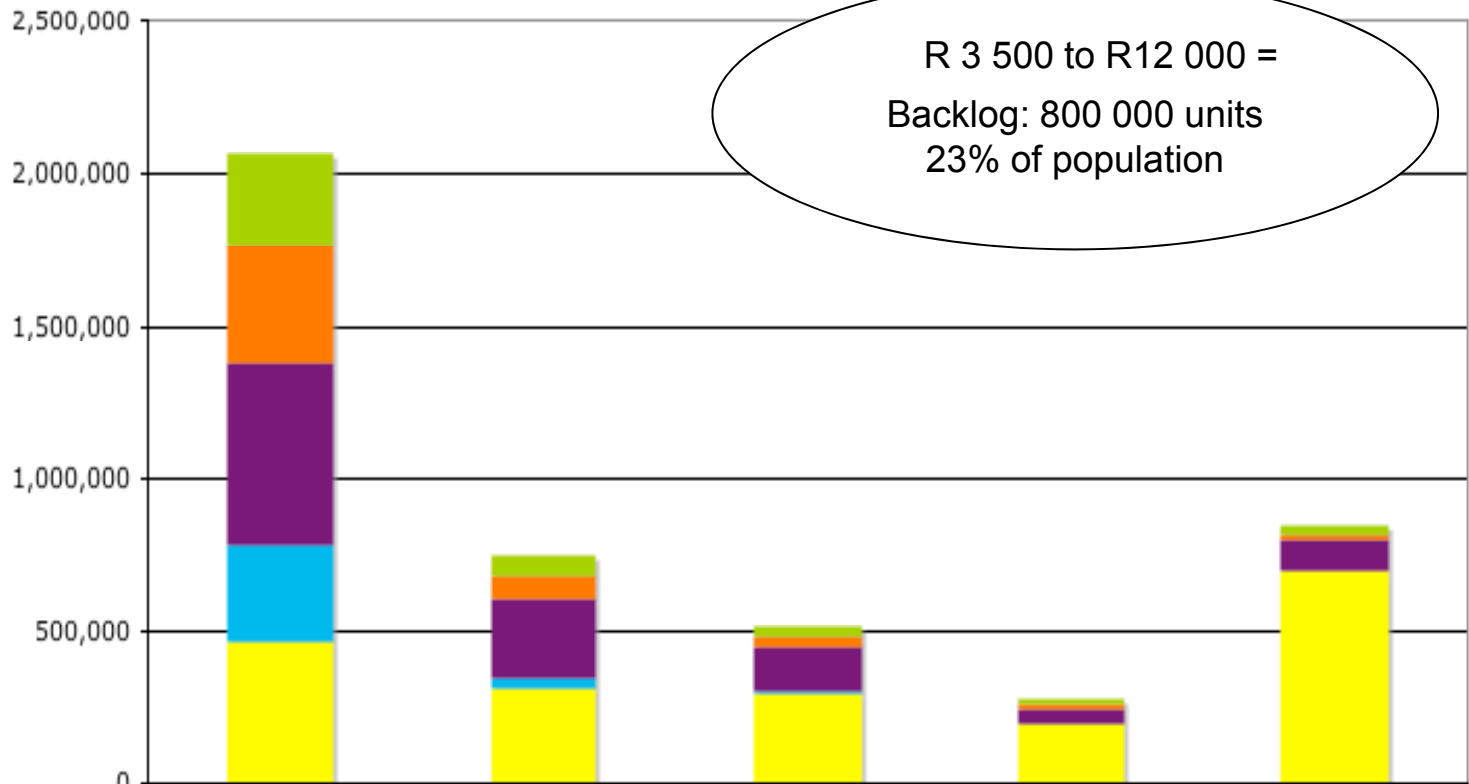




UNDERSTANDING THE MARKET



UNDERSTANDING THE MARKET



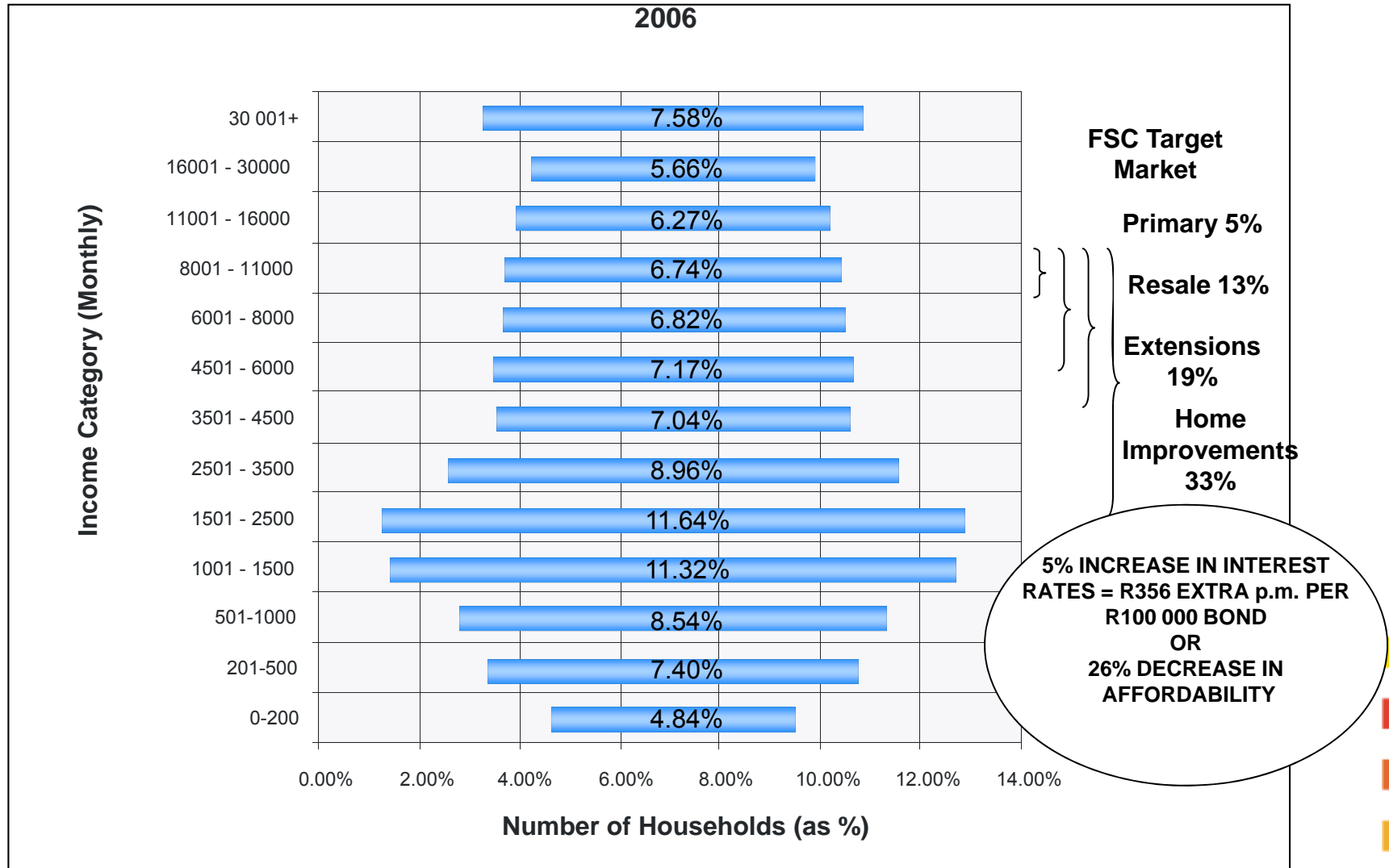
	R3500-R8000	R8000-R12000	R12000-R16500	R16500-R20000	R20000+
Inadequate	317,786	64,845	37,334	15,437	33,318
Overcrowded	386,920	80,487	30,951	18,484	21,428
Not owned, unspecified	597,083	250,833	144,960	46,755	94,489
Informal, other, unspec.	310,525	31,553	9,516	6,000	2,334
Adequate owned	466,134	317,908	292,383	187,100	694,521

Source: Finmark Trust



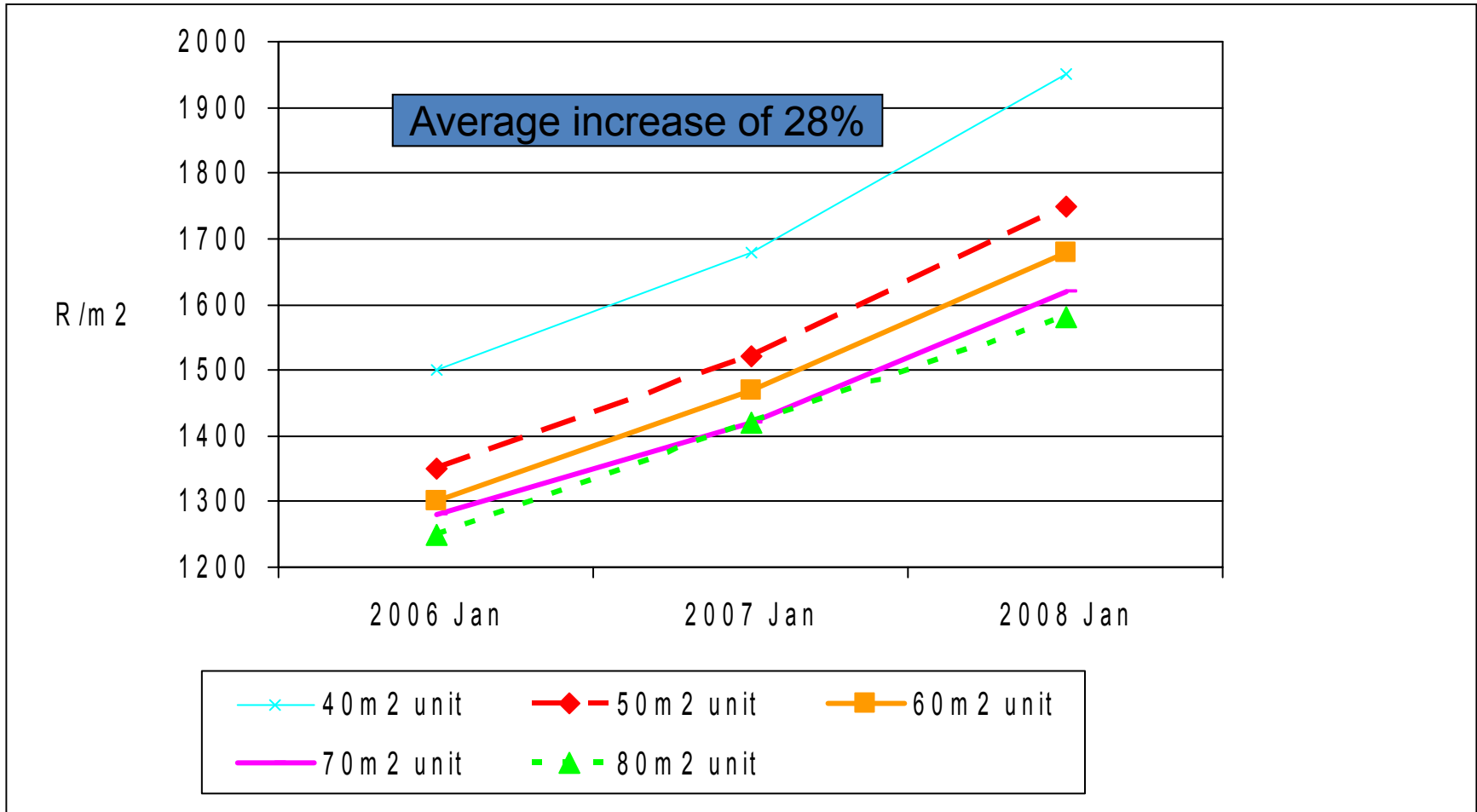
INCOME PROFILE

Households (%) by Household Income Category





GROWTH IN BUILDING COSTS m² FOR AFFORDABLE HOUSING UNITS



Source Viruly Consulting





LESSONS LEARNT





LESSONS LEARNT

12

- **HOUSING IS A SUCCESS STORY THAT WE CAN BE PROUD OF:**
 - BNG 2,4 MILLION UNITS SINCE 1994
 - BASIC SERVICES TO OVER 10 MILLION SINCE 1994
 - FSC 3.8 MILLION SINCE 2004

- **PUBLIC PRIVATE PARTNERSHIPS (PPPS) ESSENTIAL IF HOUSING BACKLOG IS TO BE ELIMINATED**

- **LENDERS CAN LEND TO THE LOWER INCOME MARKET ON A COMMERCIALY SUSTAINABLE AND PROFITABLE BASIS:**
 - DIFFERENTIATED ORIGINATION, SERVICING & CUSTOMER EDUCATION
 - CAN'T DROP ORIGINATION STANDARDS & NEED TO IMPROVE SERVICING STANDARDS
 - IMPORTANCE OF NON MORTGAGES
 - IMPROVED PRODUCT MIX CRITICAL
 - LENDER GROUP CUSTOMER VALUE CHAIN (WOODEN DOLLARS) CRITICAL
 - EXTEND VALUE PROPOSITION
 - SPECIALIST INFRASTRUCTURE
 - IMPORTANCE OF COMMUNITY LEADERSHIP
 - IMPORTANCE OF CUSTOMER EDUCATION
 - FIXED INTEREST RATES ?





- **SUSTAINABLE HUMAN SETTLEMENTS DIFFICULT TO ACHIEVE:**
 - **MULTIPLE DEPARTMENTS WITH DIFFERENT PRIORITIES**
 - INTEGRATED PHYSICAL, SOCIAL, ECONOMIC & ENVIRONMENTAL INFRASTRUCTURE REQUIRED
 - INFRASTRUCTURE (BASIC SERVICES/PUBLIC TRANSPORT) IS A PRE-REQUISITE
 - SKILLS/CAPACITY (PRIVATE & PUBLIC SECTOR)
 - FISCUS CONSTRAINTS

- **IMPORTANCE OF IDPs/SDPs**

- **DENSIFICATION A PRIORITY**

- **NEED FOR 1 SUSTAINABLE HUMAN SETTLEMENTS DEPARTMENT WITHIN GOVERNMENT?**

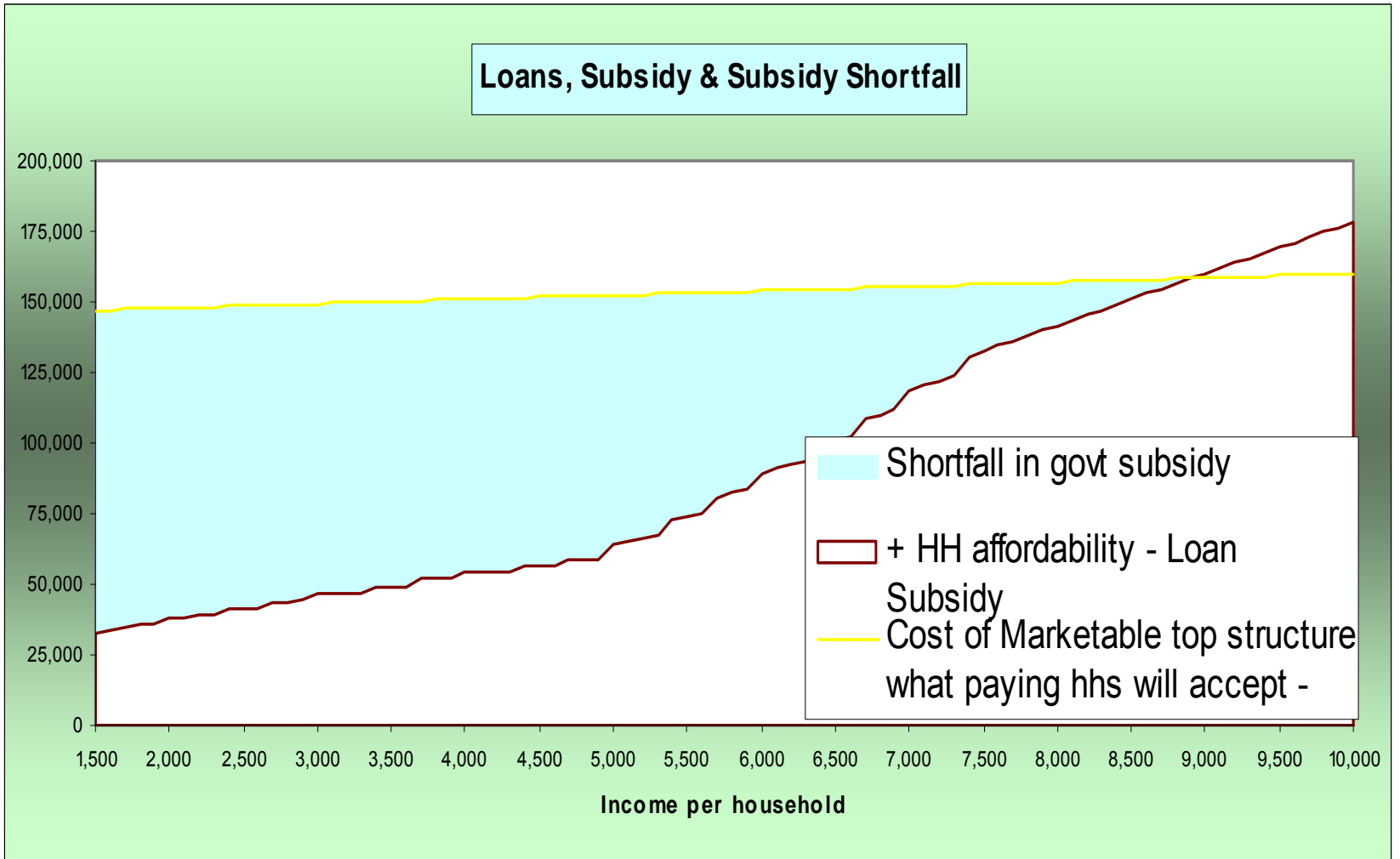
- **SUSTAINABILITY OF OFFERING:**
 - MINIMUM STANDARDS
 - CULTURE OF ENTITLEMENT
 - SKILLS/CAPACITY TO DELIVER AT REQUIRED LEVELS
 - BALANCE WITHIN 'SOCIAL' CLUSTER (FISCUS LIMITATIONS)
 - 'RAISING THE BAR' vs 'THE IMPOSSIBLE DREAM'

- **INCLUSIVE SOCIETIES**
 - MARKET FORCES vs REGULATED PROTECTION OF THE POOR vs SOCIAL SECURITY CATCH NET





LOANS, SUBSIDY & SUBSIDY SHORTFALL





LESSONS LEARNT (CONT)

15

- **IMPORTANCE OF SECURITY OF TENURE & ALTERNATIVE TENURE**
 - INFORMAL SETTLEMENTS
 - RENTAL STOCK

- **IMPORTANCE OF COMPETITION**
 - TRADITIONAL LENDERS
 - ALTERNATIVE LENDERS

- **ALTERNATIVE TECHNOLOGY AN OPTION?**
 - COST
 - SKILLS
 - MATERIALS
 - 'GREENING'

- **WELL LOCATED LAND IS A SCARE RESOURCE**

- **OVER REGULATION 'KILLS THE MARKET'**

- **'SUCCESS BREEDS SUCCESS'**



