



**NATIONAL HOUSING FINANCE  
CORPORATION  
FLISP ROLL-OUT PROGRAMME**

**20 AUGUST 2013**

# WHO IS THE NHFC?



- ❖ **Established:** 1996
- ❖ **Type of Organisation:** Development Finance Institution (DFI)
- ❖ **Ownership:** State Owned Company, 100% SA government
- ❖ **Total Assets:** R 3,65 billion (31 Mar 2013 – group)
- ❖ **Total Liabilities:** R 1,33 billion (31 Mar 2013 – group)
- ❖ **Funding Status:** Self sustaining, pays income tax
- ❖ **Credit Rating:** Long term AA-, short term A1+
- ❖ **Main Business:** Broadening & deepening access to affordable housing finance for the low-to-middle income SA households
- ❖ **Geographic Activities:** National
- ❖ **Number of Employees:** 88 ( March 2013 )



# VISION, MISSION, VALUES

<b>VISION</b>	To be the leader in development finance for the low-to-middle income housing market		
<b>MISSION</b>	Provide innovative and affordable housing finance solutions to the low –to-middle income market		
<b>VALUES</b>	Ownership	Passion for purpose	Teamwork
	Integrity	Creativity	Achievement
<b>STRATEGIC OBJECTIVES</b>	<p>Expand housing finance activities, through the effective provision of housing finance solutions, thus enabling low-to-middle income households to have choice of renting or owning or incrementally building, to meet their housing needs;</p> <p>Facilitate the increased and sustained lending by financial institutions to the affordable housing market;</p> <p>Mobilise funding into the human settlement space, on a sustainable basis, in partnership with the broadest range of institutions;</p> <p>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</p> <p>Provide robust, timely and relevant market research</p>		

# HOW NHFC STRATEGY IS ALIGNED TO NDOHS

## Strategic Objective

Expand housing finance activities, through the effective provision of housing finance solutions.

## Outcome 8: Accelerated Delivery of Housing Opportunities

Provide integrated housing development project funding, directly and in partnerships

*{Aligned with NDP - encouraging integration and mixed typologies as well as contribution to the upgrading of informal settlements.*

### *Tenure Options:*

- *Rental – Inner City & Social*
- *Incremental Housing*

# HOW NHFC STRATEGY IS ALIGNED TO NDOHS...cont

## Strategic Objective

Facilitate the increased and sustained lending by financial institutions to the affordable housing market;

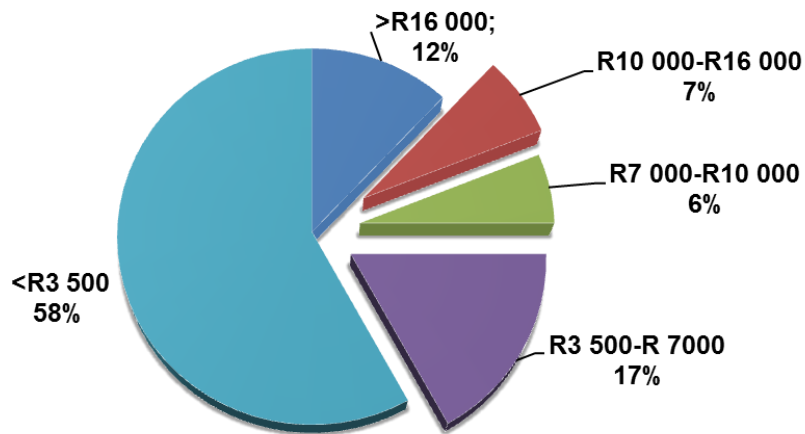
## Outcome 8: Improved Property Markets

Improving ACCESS to housing finance through the co-funding activities, mortgage default insurance (MDI) and implementation of FLISP to address AFFORDABILITY and ACCESSIBILITY.

### Product Offering:

- Development Loans,
- FLISP,
- MDI
- Equity Instrument,

# MARKET SIZE: SA INCOME DISTRIBUTION



SA affordable housing market: 30% of total households based on monthly household income

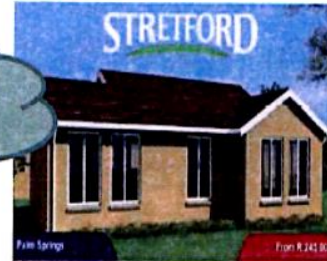
Total no. households	14 304 000
<b>Number of households in target market</b>	<b>4 291 200</b>
Total number of dwellings (stats SA)	9 000 000
Total number of homes on deeds registry	6 000 000
Informal housing / dwelling	3 000 000
Undefined (most likely government subsidised / RDP)	1 260 000
Housing stock less than R250 000	1 260 000
Housing stock between R250 001 and R500 000	1 140 000
<b>Current supply of affordable homes</b>	<b>3 660 000</b>
Shortage	631 200

# SA HOUSING MARKET IN PERSPECTIVE

## Understanding South African property delivery framework



GAP MARKET



**SUBSIDY MARKET: < R3,500 p.m.**

- Loan affordability (10.5%): <R105 179
- Rental affordability from R1500 income: about R300 – R875
- Supply limited
- Limited resale

**GAP MARKET: R3500 – R7 500 p.m.**

- Loan affordability (10.5%): R105 179 – R225 365
- Rental affordability: about R875-R1750 per month
- No new supply
- FLISP subsidy doesn't work
- Limited resale

**GAP AFFORDABLE MARKET R7 500 – R20 000 p.m.**

- Loan affordability (10.5%): R225 365– R450 730
- Rental affordability: about R1750 – R3500
- New supply limited
- FLISP subsidy not at scale
- Limited resale

**CONVENTIONAL MARKET R20 000 + p.m.**

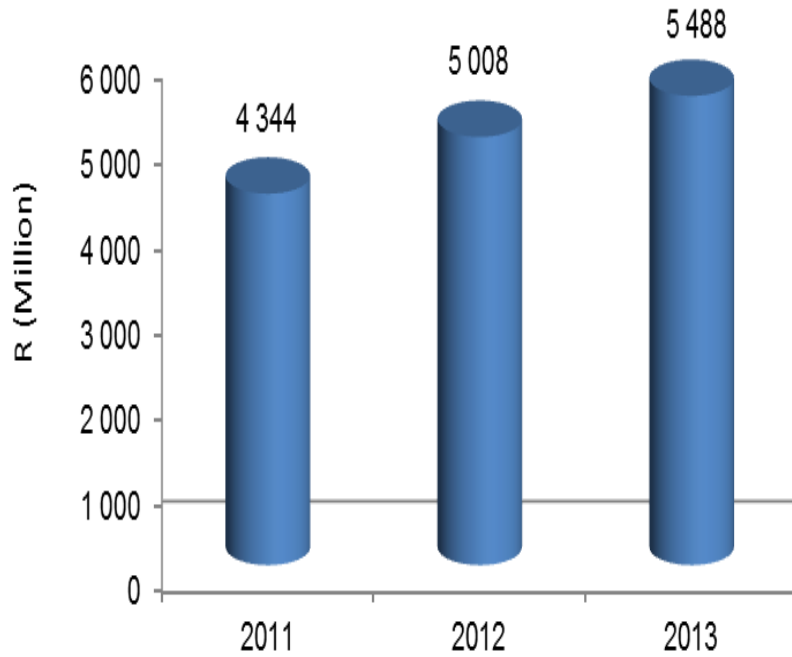
- Loan affordability (10.5%): >R450 730
- Sufficient (too much?) supply
- Substantial resale



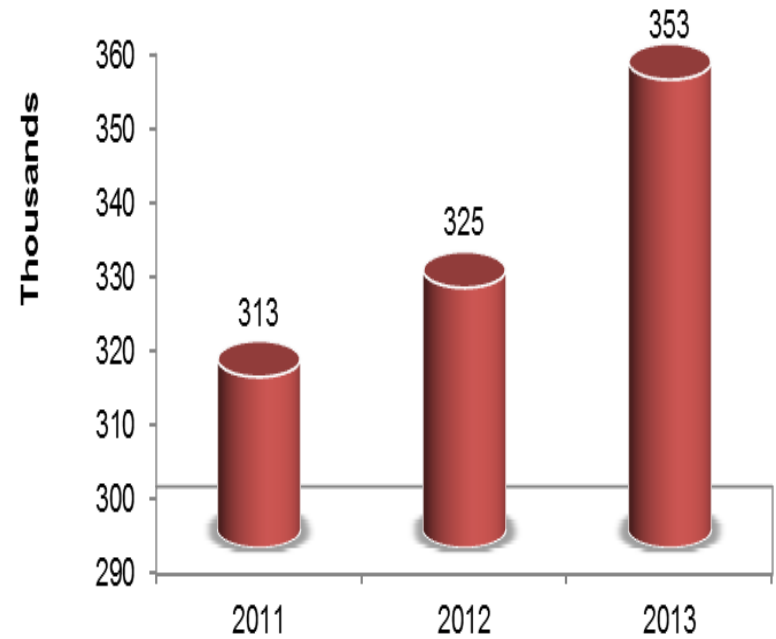
# HOW WE OPERATE



### Cumulative Disbursements 2011 - 2013



### Cumulative housing opportunities 2011 - 2013



# NHFC BUSINESS MODEL

The business model caters to both the demand and the supply of housing in the South African affordable housing market

## Demand Side

Promoting private sector provision of end user finance to the target market

Wholesale funding to retail intermediaries

Innovative solutions

Facilitating Government subsidies

Income linked mortgages

Instalment sales

MDIC

FLISP

e.g. Equity and debt investment in HIP

e.g. Wholesale funding to Cosmopolitan housing developers

## Supply Side

Financing residential developments

Financing rental stock

Providing incremental loans for building

Projects - Social

Wholesale funding to retail intermediaries

Wholesale funding to retail intermediaries

Projects - Integrated

Projects - Multiple projects

Projects - Private rental

## Target Market:

- The low- to middle-income housing market is any South African household with a regular **monthly income between R3 500 and R15 000**
- The **market segment** is able to contribute towards its housing costs, but are unable **to access housing finance from Financial Institutions**

**FLISP reduces** the initial mortgage loan amount rendering the monthly loan repayment instalments affordable over the loan repayment term; and/or **augments** shortfall between the qualifying loan amount and the total house price

FLISP contributes to achievement of Output 4 (improving property markets) of Outcome 8

FLISP to impact Affordable/Gap Market delivery, significantly, as MDI

i. To **REDUCE** the initial mortgage loan amount to render the monthly loan repayment instalments affordable; **PAYMENT TO HOME LOAN ACCOUNT**

Property Price	R300 000	} estimations
Bank HL Approval	R300 000	
<b>Less FLISP as a deposit</b>	<b><u>R 50 000</u></b>	
<b>EVENTUAL HOME LOAN AMOUNT</b>	<b>R250 000</b>	

ii. To **AUGMENT** shortfall between the qualifying loan amount and the total product price; **PAYMENT TO TRANSFER ATTORNEYS**

Property Price	R300 000	} estimations
<b>Bank HL Approval</b>	<b>R250 000</b>	
<b>FLISP as HL top up</b>	<b><u>R 50 000</u></b>	
<b>EVENTUAL HOME LOAN AMOUNT</b>	<b>R250 000</b>	



Qualifying applicants may use FLISP for one of the following:-

- buy an existing, new or old, residential property;
- buy a vacant serviced residential-stand, linked to an NHBRC registered homebuilder contract; or
- build a residential property on a self-owned serviced residential stand, through an NHBRC registered homebuilder

FLISP application must have a Home Loan '*Approval in Principle*' from an accredited RSA financial institution for consideration

# FLISP

# Target Market

FLISP financed property priced at R300 000 maximum



Civil & Public  
Servants



General  
Public



Private  
Sector  
Workers

First time home-owners with household monthly income in the R3 501 - R15 000 category

#### Some Characteristics of the Target Market

- 42% have a matric or higher education
- 30% own the house in which they live
- 60% do not contribute to a pension
- 59% have dealings with a bank



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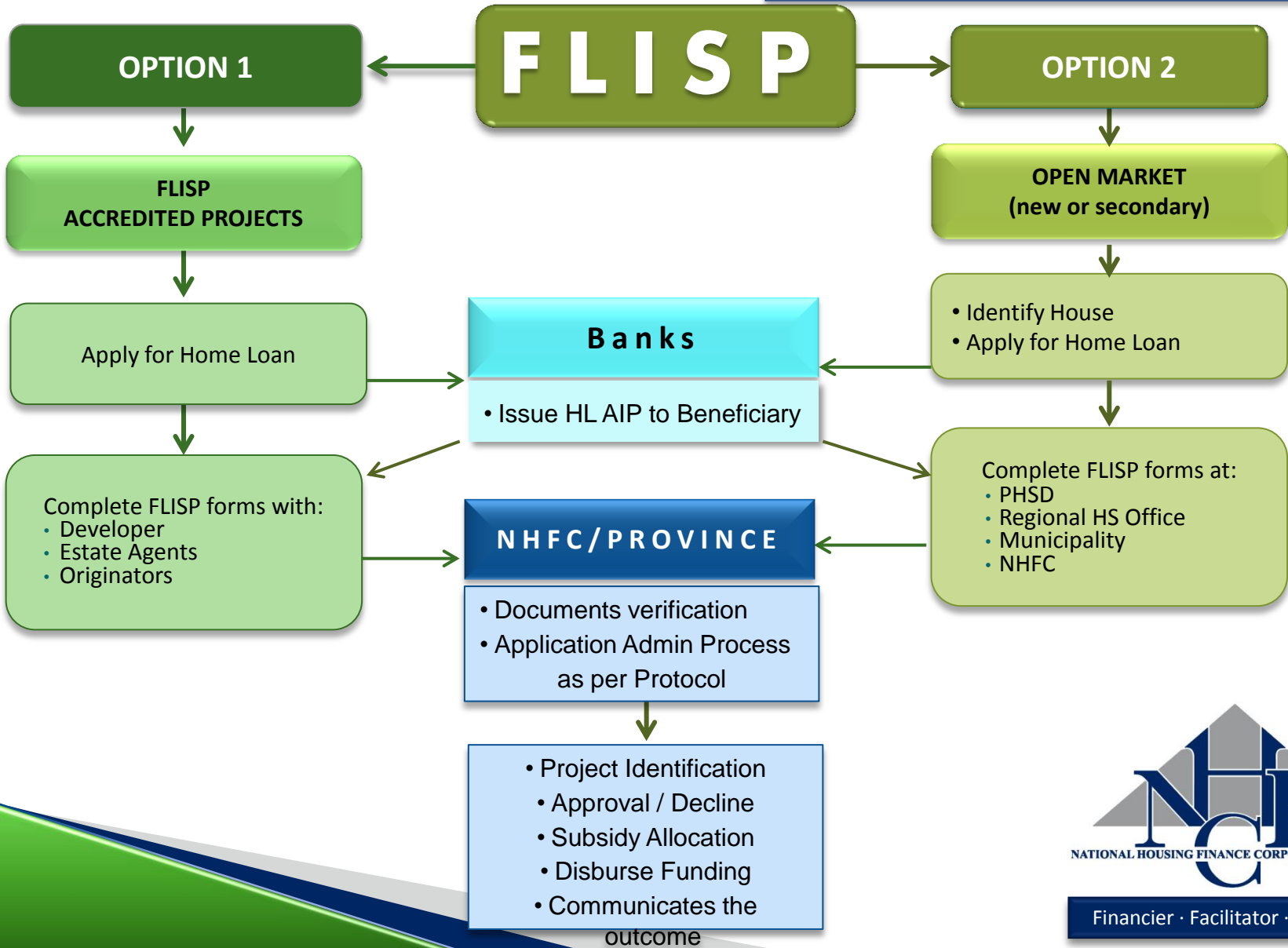


# FLISP

PROCESSING

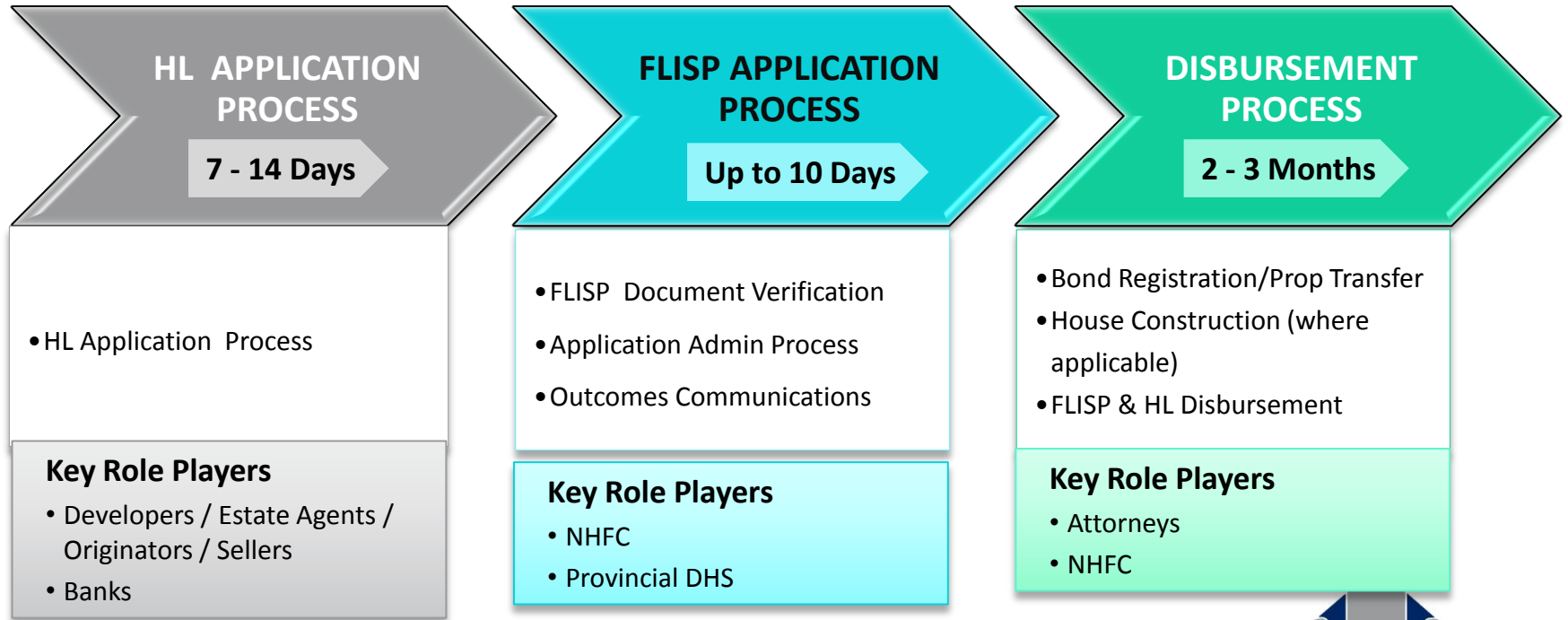
# FLISP

# Access Strategy



# FLISP

## Indicative Timelines





STOP

# FLISP

## Current FLISP Business Plan & Implementation Status 2013 - 2014

### FLISP ALLOCATION 2013/14

PROVINCE	HSDG R'000	FLISP Allocation R'000	% Provincial budget	Expected Housing Units
North West	R 1 224 537	R 27 843	2.27%	557
Eastern Cape	R2 523 803	R29 905	0.96%	582
Northern Cape	R 395 724	R 18 791	0.73%	378
Gauteng	R 4 108 399	R 27 843	0.6%	1789
KwaZulu Natal	R 3 235 428	R 100 000	0.8%	2000
Limpopo	R 1 324 742	R 10 000	0.8%	200
Mpumalanga	R 1 124 332	R 6 557	0.06%	131
Free State	R1 120 936	R 84 262	7.5%	1685
Western Cape	R 1 925 971	R 30 000	1.5%	600
<b>TOTAL</b>	<b>R16 983 872</b>	<b>R240 607</b>	<b>1.4%</b>	<b>7922</b>

PROVINCE	PROJECTS	LOCATION	UNITS
Eastern Cape	Walmer Link and Open Market	Port Elizabeth	473
Free State	Indabazwe Corridor Housing and Open Market	Harrismith	420
Gauteng	1. Avianto	Muldersdrift	245
	2. Bohlabela Borwa	Alexandra Township	232
	3. Cosmo City	Randburg	276
	4. Fleurhof	Johannesburg	1000
	5. Jabulani	Soweto	1000
	6. Lady Selbourne	Pretoria West	299
	7. Lehae	Lenasia	100
	8. Nellmapius	Pretoria East	607
	9. Kiron	Ekurhuleni	580
	10. Cosmopolitan	Tshwane	477
	11. Value Max	Midrand	300
	12. Open Market		
Kwa Zulu Natal	No projects – Open market	Provincial	-
Mpumalanga	Warm Autumn and Open Market	Provincial	200
Northern Cape	Lerato Park and Open Market	Kimberley	192
North West	Seraleng	Rustenburg	1000
	Platinum Village	Rustenburg	54
	Sunway and Open market	Mafikeng	500
Limpopo and WC	List not available		-
<b>TOTAL</b>			<b>7 955</b>

Province	FLISP BUDGET Transfers	DELIVERY TO DATE			
		Units	Approvals	Value of Approvals	Value of Disbursements
Gauteng	R92 542 543	1 414	138	R5 335 878	R1 289 910.00
North West	R 17 987 198	200	0	0	
Eastern Cape	R 4 900 000	543	56	R2 100 000	<b>R85 575.00</b>
Northern Cape	R 15 936 000	492	0	R 0	
Free State	R 84 000 000	630	1	R 54 600	R54 600.00
Mpumalanga	R 0				
Limpopo	R 0				
Western Cape	R 0				
KZN	R 0				
<b>TOTAL</b>	<b>R 215 365 741</b>	<b>3279</b>	<b>195</b>	<b>R 7 490 478</b>	<b>R1 430 085.00</b>



Walmer Link, East London, EC



## Beneficiary profile

Majali NI

Property Amount: R211 668

FLISP: R30 300

Bond Reg: R181 368

## Project Summary Profile

FLISP Units: 182 (2013/14)

Price range: R182 000 – R298 000

FLISP approvals: 37

Home loan Providers - FNB & ABSA

Projects Launched in May 2013 – 7 beneficiaries took occupation

## Fluerhof and Jabulani: GP



Beneficiary profile:

Jane Shabangu

Property Amount: R271 000

FLISP: R 47 850

Bond Reg : R223 150

### Project Summary Profile

FLISP Units: 928 (2013/14)

Price range: R262 000 – R274 000 & R268 300 – R277 300

FLISP approvals: 22

Home loan Providers – FNB, ABSA & Standard Bank

# FLISP

## Case Studies

Cosmo: GP



### Beneficiary profile

Mpatli Shabangu

Property Amount : R 230 083.28

FLISP: R 45 825

Bond Reg : R 184 258.28

### Project Summary Profile

FLISP Units: 276 (2013/14)

Price range: R250 000 – R300 000

FLISP approvals: 24

Home loan Provider - FNB



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# FLISP

## Case Studies

Seraleng: NW



### Beneficiary profile

Morake AN

Property Amount : R230 000

FLISP: R35 094

Bond Reg : R194 906

### Project Summary Profile

FLISP Units: 400

Price range: R208 142 – R292 142

FLISP approvals: 54

Home loan Providers - FNB



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Provinces	Mitigation
<ul style="list-style-type: none"> <li>Delays in the conclusion of the Implementation Protocols. Provinces such as WC, Limpopo &amp; KZN not collaborating with NHFC notwithstanding signed Protocols.</li> </ul>	<p>WC IP was only finalised in May 2013 and the Department has been requested to address non participating Provinces.</p>
<ul style="list-style-type: none"> <li>Capacity - some provinces don't have a dedicated central point to manage and coordinate the programme.</li> </ul>	<p>Provide hands on support and draw on skills and expertise from other provinces.</p>
<ul style="list-style-type: none"> <li>Administrative – HSS slow response, non -payments of the deeds office account</li> <li>FLISP not business as usual therefore demands different approach on processing applications.</li> </ul>	<p>Make advance payments on behalf of the province and claim later</p> <p>Provincial implementation steering committees .</p>
<ul style="list-style-type: none"> <li>Project Specific Implementation challenges i.e. municipal approvals, Environment issues.</li> </ul>	<p>Projects steering Committee intervention</p>
<ul style="list-style-type: none"> <li>Delayed budgeting by Provinces e.g NW Finalised its budget for this year inly in June 2013 and this delayed delivery in the Province.</li> </ul>	<p>Departmental intervention requested</p>

Banks	Mitigation
<ul style="list-style-type: none"><li>Delays in concluding MOU's with the banks due to the sale restriction provision in terms of Section 10 A and 10B of the Housing Act places banks at Risk of non payment on sale of the house by the beneficiary.</li></ul>	<p>Three banks concluded MOU to date, Standard Bank and ABSA only signed agreements in April and June 2013.</p> <p>DHS has been requested to fast-track amendments to the Act.</p>

Beneficiaries	Mitigation
<ul style="list-style-type: none"> <li>• High levels of indebtedness</li> <li>• impaired Credit records.</li> <li>• Inadequate Disposable income</li> </ul>	<p>The Department to note and address with other interventions that are non credit linked.</p> <p>The Department and other stakeholders Intensify borrower education and financial literacy to ensure that beneficiaries manage debt commitments and prioritise housing needs.</p>

# FLISP

## COMMUNICATION & MARKETING PLAN



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Towards encouraging uptake and highlighting Government's direct intervention in enabling sustainable and affordable first time homeownership opportunities for the Gap Market, all FLISP communication is:

- packaged to inform plainly, enhance awareness and educate
- distributed through already established functional, strategic channels and infrastructures for a cheaper, smarter and faster process

FLISP MATERIAL IS DISTRIBUTION THROUGH VARIOUS PUBLIC AND PRIVATE  
SECTOR ROLE PLAYERS

## STAKEHOLDER COMMUNICATION

### 1. PUBLIC SERVANTS:

Objectives	Media/Comms Activities
<ul style="list-style-type: none"> <li>Mobilize all public servants' understanding and openness to share the FLISP info and to encourage uptake.</li> </ul>	<ul style="list-style-type: none"> <li>Internal Communications, Campaigns</li> <li>Call centre / Hotline</li> <li>Intranet</li> <li>Homeownership &amp; Financial Literacy</li> </ul>

### 2. DEVELOPERS/ESTATE AGENTS/ORIGINATORS/BANKS:

<p>Marketing and Sales</p> <ul style="list-style-type: none"> <li>increase awareness and uptake of FLISP</li> </ul>	<ul style="list-style-type: none"> <li>Training to intermediaries</li> <li>Face-to-face business sourcing / active canvassing, matching products</li> <li>Synergize information and centralize content origination</li> <li>Application forms, process flow, FAQs, factsheets &amp; information packs</li> </ul>
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### 3. PRIVATE SECTOR BENEFICIARIES:

<ul style="list-style-type: none"> <li>Educate and increase awareness on FLISP to achieve impact and value</li> </ul>	<ul style="list-style-type: none"> <li>Educative and call to action packaged information</li> <li>Application forms, process flow, FAQs, factsheets &amp; information packs easily recognisable and accessible through Municipal, Regional Offices; Websites, Developers, Estate Agents, etc.</li> </ul>
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# FLISP

## CONCLUSION

- ▶ **All Provincial Governments** are actively prioritising FLISP to facilitate first time homeownership opportunities to the GAP market.
- ▶ Measured and well-prepared roll-out of Government's Housing Subsidy Programs like FLISP affords immediate provincial constituents accelerated housing opportunities and improvement of the property market that contributes positively to the economy.
- ▶ FLISP Open Market approach together with the Project-linked, are rolled out and the NHFC, Provinces and relevant stakeholders are geared for increased delivery in the 2013/14 FY.
- ▶ Three banks being on board will contribute towards scaling up delivery .
- ▶ A dedicated call centre is in place to deal with enquiries  
- Toll free number: 0860 011 011

NHFC is committed to the implementation of FLISP  
to achieve Government objectives

# FLISP

THANK YOU