

Banks balk at government's 'impossible' demands

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Cape Town - Banks will have to prepare themselves for a scenario in which hundreds of thousands of additional home loans will be granted to people who may be unable to afford them.

Human Settlements Minister [Tokyo Sexwale](#) expects banks to grant 600 000 home loans to the so-called gap market over the next 36 months.

On Thursday the minister announced this controversial "directive" at the 43rd annual property conference held by the SA Property Owners Association (Sapoa), where he delivered the main address.

The gap market comprises those households too "rich" for a subsidy home, but too poor to qualify for housing finance. They typically earn R3 500 to R9 000 a month. The intention is for President Jacob Zuma's R1bn guarantee fund to serve as insurance against defaults on the home loans.

The Banking Association of South Africa (Basa) believes this is an impossible target. Pierre Venter, general manager for banking and financial services at Basa, said the market had no houses available for this gap market. And the department of human settlements has so far not discussed any targets with Basa.

Venter said the lack of housing for the gap market was reflected in the building statistics from Statistics South Africa (SSA), which showed that for the first two months of this year building plans had been approved for only 2 443 new houses under 80m² in size. At the same time, 2 413 houses under 80m² had been completed.

Every year, in all segments, only 35 000 new houses are built, he said. Of these, 20 000 are for households earning R15 000 a month and 5 000 for with an income of R11 000 a month.

He said households earning R9 000 a month could afford a R230 000 house but an entry level 45m² house in the market would cost R300 000.

Banks have not yet come up with a specific product for the gap market, although Sexwale recently said in his budget presentation to parliament that a mortgage insurance product should become available to banks in April 2012.

First National Bank property analyst John Loos said the rate at which banks would grant home loans over the next three years would depend on economic growth and job creation, which are both poor at this stage.

Sexwale said South Africa's total housing backlog amounted to 2.1 million homes, and the number of

squatter camps across the country had shot up to more than 2 700 from 300 in 1994.

The [Wendy Machanik](#) property scandal has prompted Sexwale to request that the Estate Agency Affairs Board – which falls under the department of trade and industry – be part of his department in future.

From the time the scandal broke earlier this year there has been no reaction from the department of trade and industry either to that scandal or to the firing of [Nomonde Mapetla](#), former CEO of the Estate Agency Affairs Board.

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