



human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA

National Housing Finance
Corporation/Human Settlements
Development Bank

FIRST HOME FINANCE

**PROGRESS REPORT ON THE IMPLEMENTATION OF FIRST HOME FINANCE (formally FLISP)
PROGRAMME**

PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS

22 MARCH 2023



CONTENTS

- Purpose of Presentation
- What is First Home Finance?
- Insights from the Programme Performance in the Current Finance Year
- Challenges in the First Home Finance Target Market
- First Home Finance Improvements
- Actions to Grow the Uptake of the Programme
- How to Apply for First Home Finance
- Recommendation





PURPOSE

To brief the Portfolio Committee on Human Settlements about Progress on Implementation of First Home Finance Programme





WHAT IS FIRST HOME FINANCE?

First Home Finance is a once-off housing subsidy that enables qualifying beneficiaries to buy or build their homes on an affordable basis

- The Programme was developed by the Department of Human Settlements to enable sustainable and **affordable first time home ownership** opportunities to South African citizens and legal permanent residents
- earning between R3 501 and R22 000 per month, (the 'affordable' or 'gap' market).
- Individuals in these salary bands generally find it hard to qualify for housing finance; their income is regarded as low for mortgage finance, but too high to qualify for the government 'free-basic house' subsidy scheme.
- Subsidy amount is on a sliding scale—dependent on household income:
 - The lower the income, the higher the subsidy;
 - Household with total gross income of R3 501 qualifies for maximum subsidy of R130 505
 - Household with total gross income of R22 000 qualifies for R30 000



PROGRAMME PERFORMANCE IN THE CURRENT MTSF PERIOD (2019-2024)



First Home Finance Performance Against MTSF Target as at 31/01/23

Output	Output indicators	2019/20	2020/21	2021/22	2022/23 (YTD)	Total
Disbursement of FLISP subsidies	Number of FLISP applications approved	2 212	2 120	2 935	3 541	10 808
	Number of FLISP subsidies disbursed	1 167	1 136	3 268	3 492	9 063
	Value of approvals (R`million)	123,0	111,2	166,0	231,0	631,2
	Value of Disbursements (R`million)	60,0	60,9	173,0	185,0	478,9
	Amount leveraged from financial institutions (R`million))	943,0	1 030,6	1 519,4	1 877,0	5 370,0

Commentary:

- Sector First Home Finance Units MTSF target is **20 000** and by end of Q3 of 2022/23—sector had delivered **18 720** units
- NHFC contribution is 9 063 at the end of January 2023 against planned MTSF NHFC target of 13 234
- Sector will meet MTSF Target as the sector was at about 94% at the end of December 2022 (M&E Unit Stats)
- Programme implementation so far has been with mortgage product throughout the period and significant improvement is expected when implementing with non-mortgage products in both urban and rural areas for the benefit of households in lower income brackets.



FIRST HOME FINANCE PERFORMANCE : FY2023—Q3 & YTD

Output indicators	Annual Target 2022/23	Actual Q1	Actual Q2	Quarter 3			Year to Dec 2022			Required to meet Year Target
				Target	Actual	% Actual	Target	Actual	%	
Number of applications approved	4 780	1060	1049	1000	1152	115%	3389	3 261	96%	1 519
Value of approvals (R`m)	478	67	67	89	77	87%	329	211	64%	267
Value of disbursements (R`m)	359	37	70	69	55,3	80%	239	163	68%	196
Number of subsidy disbursed	3 824	668	1467	801	965	120%	2624	3 100	118%	724
Amount leveraged from Financial institutions (R`m)	1 912	562	564	462	606	131%	1382	1 732	125%	180

Commentary

- Performance reported to date is based on mortgage loans
- Mortgage loans are largely granted to households earning above R15k p.m.—therefore receive on average lower amount of subsidy
- Expect to see improvement in value of approvals and disbursements when implementing First Home Finance with non-mortgage products as these are mainly accessed by households in lower income brackets—therefore would receive higher subsidy
- As a result, programme performance is behind in Value of Applications approved and Value of Disbursements
- Programme is succeeding in leveraging private financial institutions lending into the affordable market



SUMMARISED SUBSIDY QUANTUM RANGE—w.e.f. 1 April 2022

Number	Lower	Higher	FLISP Subsidy Amount
1	R3 501,00	R3 700,99	R130 505
10	R5 301,00	R5 500,99	R120 454
19	R7 101,00	R7 300,99	R110 404
28	R8 901,00	R9 100,99	R100 353
37	R10 701,00	R10 900,99	R90 304
46	R12 501,00	R12 700,99	R80 253
55	R14 301,00	R14 500,99	R70 203
64	R16 001,00	R16 200,99	R60 152
73	R18 001,00	R18 200,99	R50 102
82	R20 001,00	R20 200,99	R40 052
91	R21 801,00	R22 000,99	R30 001



CHALLENGES IN THE FIRST HOME FINANCE MARKET



MORTGAGES GRANTED BY LEVEL OF INCOME OF BORROWERS: 2021Q3-2022Q3 (NCR)

Table 2.3: Mortgages granted – gross monthly income of individuals (number of agreements)

Level of income	2021-Q3	2021-Q4	2022-Q1	2022-Q2	2022-Q3
≤R10K	187	158	192	313	229
% share of credit granted	0.35%	0.32%	0.44%	0.68%	0.47%
R10.1K-R15K	709	568	619	2,864	576
% share of credit granted	1.34%	1.14%	1.42%	6.26%	1.17%
>R15K	52,137	49,254	42,639	42,575	48,247
% share of credit granted	98.31%	98.55%	98.13%	93.06%	98.36%
Total number of mortgages	53,033	49,980	43,450	45,752	49,052

Source: NCR—Consumer Credit Market Report, September 2022

- Less than 1% of borrowers earn gross income below R10k/month
- Less than 2% of borrowers earn gross income up to R15k per month
- More than 98% of borrowers earn above R15k per month
- Banks and developers say R22k upper limit is a challenge in affordable—call to increase upper limit made informally
- **Need to balance the call for upper limit increase with ensuring that Programme at the same time broadens and deepens its reach to the lower income segments**
- Therefore, enabling households in the lower income brackets who are accessing non-mortgage products to access FLISP is urgent and critical to enable access to homes at scale
- Other concerns—high level of indebtedness (rejection rates hovering around 68% of all credit types & lack of affordable housing stock (large proportion granted are for housing stock priced above R700k)



KEY CHALLENGES FIRST HOME FINANCE PROGRAMME SEEKS TO ADDRESS

- Legacy challenge of households in the lower income brackets to access home loans and subsidy—both urban (mortgages) and rural areas
- Challenge of households in rural in accessing the First Home subsidy to build decent and quality homes
- Rising cost of building materials leading to affordable housing stock priced beyond the reach of First Home Finance market
- High level of indebtedness that our target market faces makes it difficult to access home loans from lenders when they want to build or buy their first homes—NCR Report shows rejection rates of about 66% for all types of credit



FIRST HOME FINANCE IMPROVEMENTS





FIRST HOME FINANCE IS OFFERED WITH EXPANDED HOUSING FINANCE PRODUCTS

Old: Mortgage Option

- Mortgage (Traditional FLISP)
- Implemented in urban areas where title to land is available
- Benefitted households in higher income brackets of FLISP market—R3 501—R22 000 p.m.

New: Various Options—in addition to mortgage

- First Home Finance with an unsecured loan
- First Home Finance with Pension Backed Loans
- First Home Finance with GEHS
- First Home Finance with Employer-Assisted Housing Scheme
- First Home Finance with Community Schemes (e.g. Stokvel)
- First Home Finance with instalment sale (Deed of alienation Act)
- First Home Finance with Rent-to-Buy (Own) agreements
- First Home Finance with own resources (savings)
- First Home Finance used to buy serviced stands in IRDP projects:
- Can be accessed with Permission to Occupy--PTO (Traditional Authority)
- Can be accessed with Title deed in formalised areas



FIRST HOME FINANCE IMPROVEMENTS

As a result of addition of the new housing finance products offering, we will broaden (geographic spread) and deepen (going into lower income segments) the reach of the First Home Finance Programme:

- Households in the lower income brackets of the Programme will be able to access subsidy as they normally access non-mortgage products such as unsecured housing loans and pension-backed housing loans
- Households in rural areas will be able to access subsidy with housing finance products they have used for years—such as unsecured housing loans offered by the NHFC retail finance intermediaries and the banks or even with own savings
 - The Programme will address eradication of mud houses for the First Home Finance target market in rural areas
 - Quality of houses is assured by the enrolment of First Home Finance subsidised houses with NHBRC and access to the warranty schemes when the need arises
- Members of community savings schemes (such as property stokvels) will be able to access subsidy with loans offered by their Schemes
- Households unable to buy for various reasons, such as poor affordability levels, can opt to enter into rent-to-own agreements and access subsidy at the time they want to buy
- Applicants now apply online via First Home Finance Online Application Portal—a platform that will improve turnaround times of application processing, while updating applicants at each milestone via SMS



FOCUS ON ADDRESSING INDEBTEDNESS OF GEHS MEMBERS & PRIVATE SECTOR EMPLOYEES

High level of indebtedness that our target market faces makes it difficult to access home loans from lenders when they want to build or buy their first homes.

NHFC in partnership with the private sector players will look at assisting employees with poor credit records as follows:

- Enrol them on a financial literacy course.
- Once completed our partners will negotiate settlements with their creditors and settle them, offering a loan at a lower rate than the existing loans.
 - This will reduce their overall payments and improve credit scores. Will need a Persal deduction to work.
- With these interventions credit scores will improve enabling employees to buy houses.
- The partners we will work with have already implemented with large private sector players in mining, retail, food and even financial institutions.
- The Department, BASA and NHFC embark on housing consumer education programme (financial literacy programme) to help households to avoid the problem of indebtedness
- Such interventions should contribute to the uptake of the Programme.



ACTIONS TO GROW THE UPTAKE OF THE PROGRAMME





HIGH LEVEL ACTIONS UNDERWAY TO GROW THE UPTAKE OF THE PROGRAMME

- **Approval on Implementation Guidelines** for non-mortgage products enable the Programme to be accessed by many households who want to build their first homes in rural areas and townships – THIS REMAINS OUTSTANDING
- NHFC is working with SALGA to workshop Policy with Municipalities as they are expected to support implementation of the Programme, such as:
 - Expediting approval of house plans
 - Supporting residents to apply for the subsidy via the Online Application Portal
- Working on the MOU with NHBRC to ensure subsidised homes are enrolled and inspections conducted – objective is to deliver quality homes for the beneficiaries even in rural areas
- NHFC is engaged with several lenders of non-mortgage products (banks and non-bank lenders) so that they package their home loans with First Home Finance subsidy to make home building affordable for their borrowers
 - In many cases draft MOUs are being reviewed by the respective legal departments
- NHFC has signed MOU with PPRA: Roadshows targeting property practitioners, especially women and youth owned to package sales with FLISP
 - Support transformation of the sector, while scaling up delivery of the First Home Finance subsidy
- Resume provincial roadshows with DPSA targeting members of the Government Employees Housing Scheme who are within the First Home Finance income bracket—about 321 000 as at end of January 2023
- Target private sector employers with Employer Assisted Housing Schemes to enable their employees to access the subsidy—current engaging companies in the mining sector (one MOU signed) , financial services (one MOU reviewed by their legal team), retail sector (one MOU signed with leading building merchant)



POSITIVE SPINOFFS OF THE PROGRAMME

- The Programme like many housing programmes is an economic stimulus because of its multiplier effects on the economy:
 - It supports building materials manufacturers and suppliers and jobs in these industries
 - It supports various professionals in the housing delivery value chain such as architects, engineers, estate agents, developers, lenders, etc.
 - The Programme has huge downstream spinoffs in the economy in that, once first time homeowners move into their homes, they:
 - Buy furniture and appliances and other home maintenance tools, etc
- First Home Finance has potential to significantly improve quality of housing in rural areas—including eradicating mud houses for households in our target market
- Working with NHBRC—MOU being drafted, we see an opportunity for skills development and training for many local builders who have built for years without any certification confirming their building skills
- Programme presents an opportunity for unemployed graduates to be trained as building inspectors by the NHBRC
- Programme will contribute to the transformation of the estate agents sector through partnership with PPRA.



APPLYING FOR THE FIRST HOME FINANCE SUBSIDY



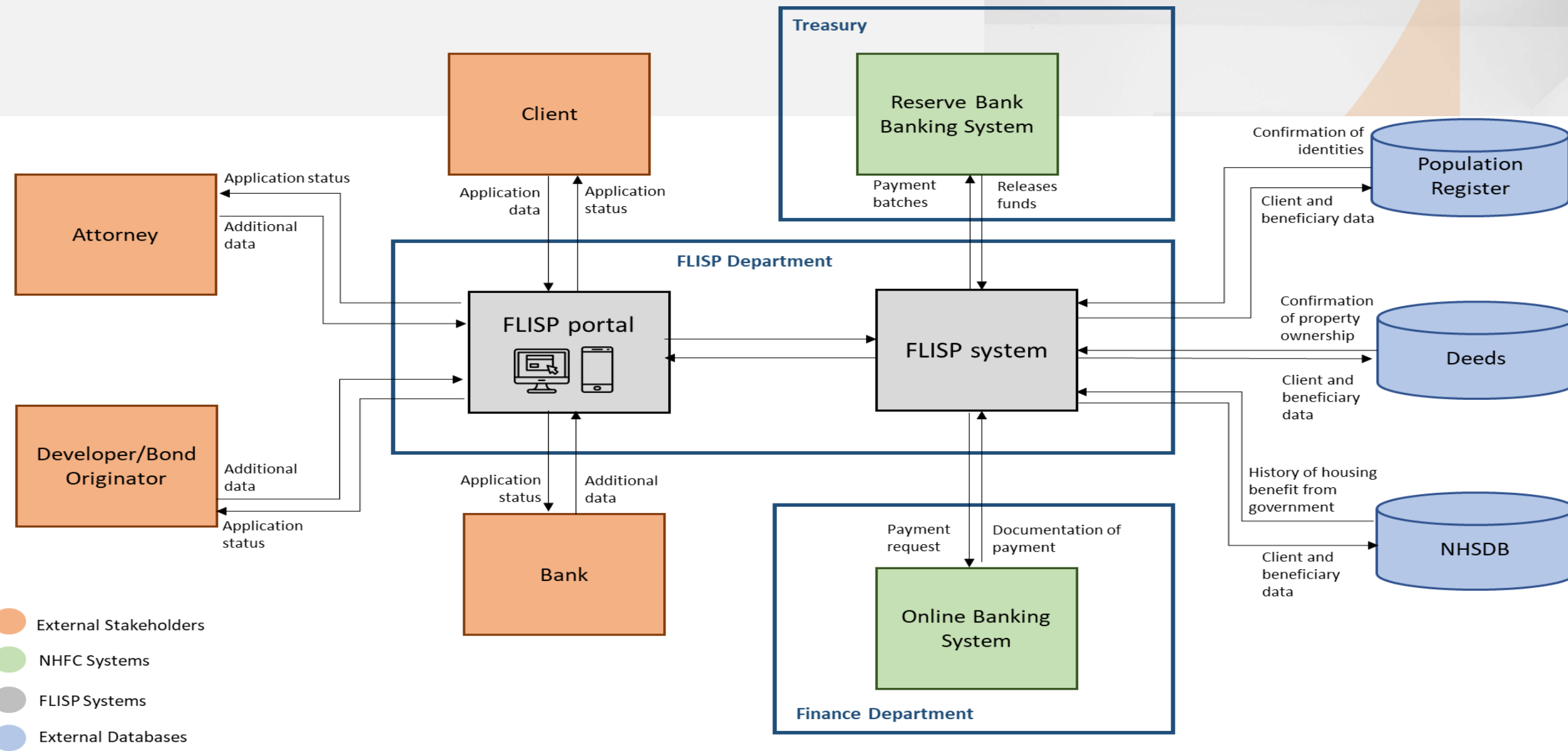


HOW DO YOU APPLY FOR FIRST TIME FINANCE?

- ❖ We are moving away from hand delivery of First Home Finance applications and receipt of applications via email due to delays these methods of applying cause, leading to frustrated applicants
- ❖ We have upgraded our IT system to enable automated processing of applications:
 - ❖ Applicants (beneficiaries, developers, lenders, bond originators or any institution assisting beneficiaries can login to the First Home Finance Application Online Portal – which can be accessed via the NHFC website page <https://www.nhfc.co.za/finance-solutions/first-home-finance/> OR via www.firsthomefinance.co.za
 - ❖ Applicants fill in First Home Finance ONLINE application form and upload required documents
 - ❖ NHFC First Home Finance team conducts quality control and if all correct, application is --passed to the CRM system environment for processing
 - ❖ At each stage of processing, an applicant receives automated message update on the status of the application
- ❖ The online completion of First Home Finance application requires access to internet and applicants can apply at the time convenient to them
- ❖ Applicants who struggle with internet access can make telephone to Call Centre Agents on **010 085 2199** for assistance
- ❖ Municipalities can assist residents in their areas of jurisdiction to apply online



NHFC CRM SYSTEM: HIGH-LEVEL FIRST HOME FINANCE WORKFLOW (Interim Solution)





RECOMMENDATION

It is recommended that the Portfolio Committee notes the progress report on the implementation of First Home Finance Programme



THANK YOU

