

Making housing finance accessible to low income communities

Building their Future



PORTFOLIO
COMMITTEE ON
HUMAN
SETTLEMENTS
STRATEGIC PLAN
2011/2013
24 MARCH 2010

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NHFC's Mandate, Vision, Mission

Mandate

The National Department of Housing established the National Housing Finance Corporation Limited (NHFC) as a Development Financial Institution (DFI) in 1996 with the principle mandate of broadening and deepening access to affordable housing finance for the low to middle income households.

Vision

To be the leader in development finance for the low to middle income housing market.

Mission

Providing innovative and affordable housing finance solutions to the low and middle income households.

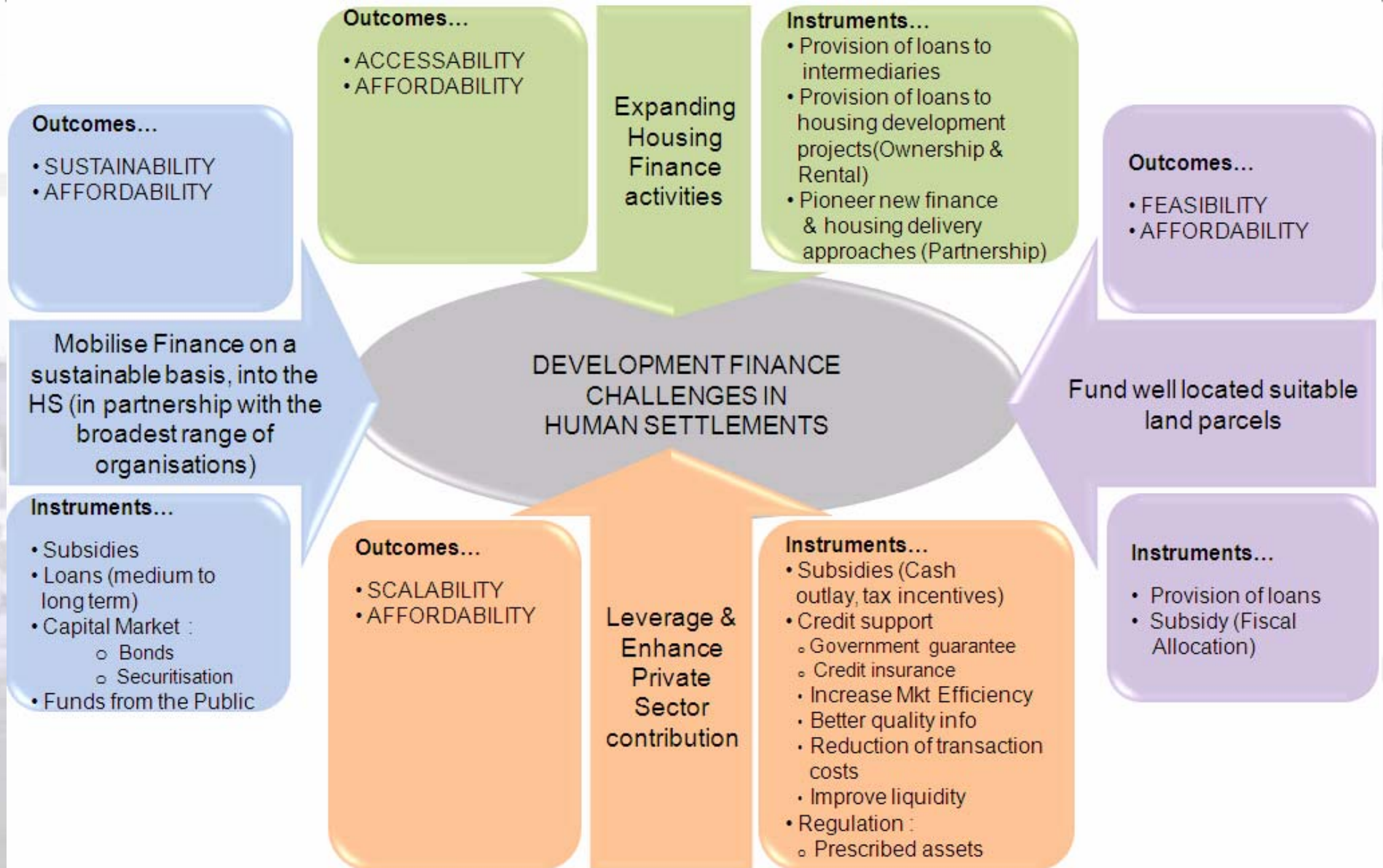


Housing Finance Environment

- Signs of economic recovery
- Fiscus deficit – strain on resources
- Continuing backlog in housing and move to “Human Settlements” rather than Housing
- Low interest rate environment
- Affordability challenges due to high levels of indebtedness
- Availability and cost of external funding
- Outcome of the DFI review by National Treasury
- Framing the Finance Strategy for DHS



NHFC Human Settlements Interventions



Strategic Objectives

STRATEGIC OBJECTIVES

Expand housing finance activities, through the effective provision of housing finance solutions, thus enabling the low to middle income households to have choice of renting or owning or incrementally building, to meet their housing needs.

Facilitate the increased and sustained lending by financial institutions to the lower end of the housing market.

Mobilise finance into the human settlement space, on a sustainable basis, in partnership with the broadest range of institutions.

Fund well located suitable land parcels mainly through established public agencies.

Stimulate the low to middle income housing sector, by providing robust, relevant and timely research and market analysis to practitioners and housing consumers.



Developmental Impact - 2011

Housing opportunities created: 23,072

Beneficiaries Benefitting: 87,674

Funding impact : R1,044 million

Private funds leveraged R1,755 million

Jobs Created : 2,800

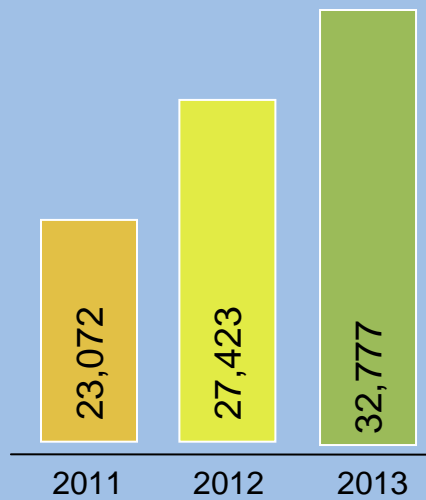
Women Empowerment : R50 million

OUTCOMES

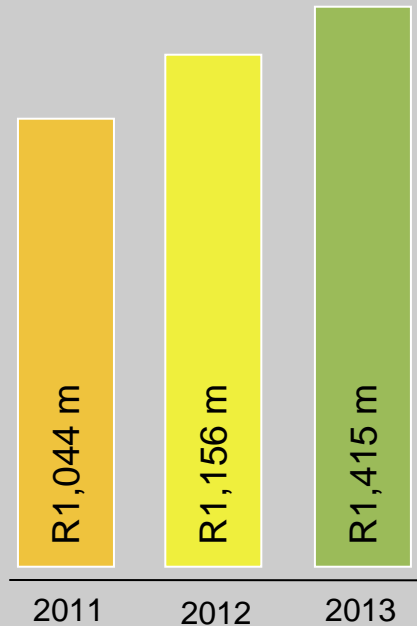


Strategic Plan Overview

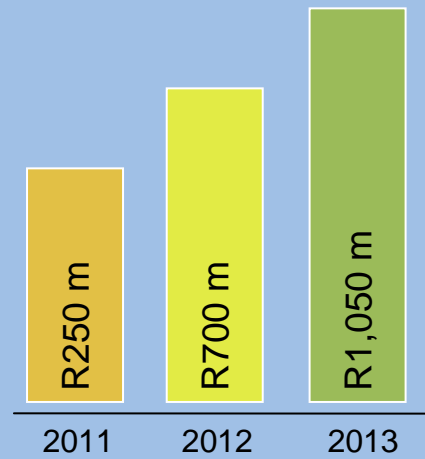
Housing Opportunities



Disbursements



Funding Requirements



Key Performance Indicators

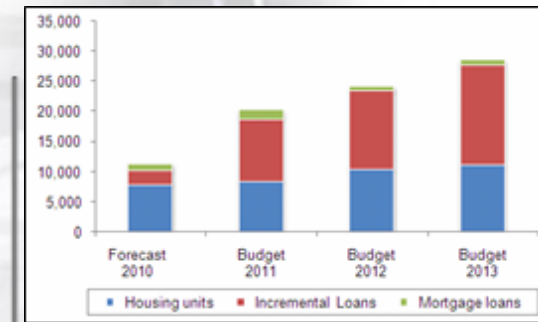
Objective 1: Expand housing finance activities, through the effective provision of housing finance solutions, thus enabling the low to middle income households to have choice of renting or owning or incrementally building, to meet their housing needs.

- Provision of loans to institutions that provide various housing tenure options – Social Housing Institutions, Inner City Landlords and Integrated Housing Project Developers.
- Provision of loans to intermediaries that on lend into the market for incremental housing and home ownership.
- Syndication through dedicated Funds to scale up housing opportunities.
- Co-financing arrangements with Banks towards integrated settlements.

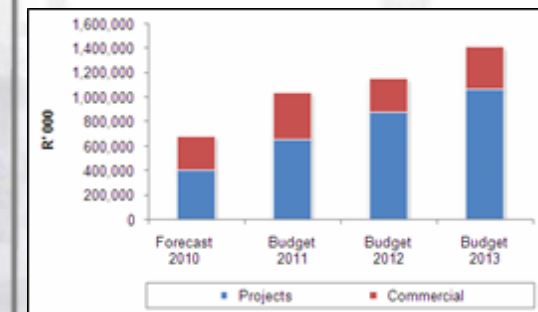


Key Performance Indicators (cont.)

	Budget 2010	Forecast 2010	Budget 2011	Budget 2012	Budget 2013
Housing opportunities					
Housing units	7,760	7,869	8,400	10,424	11,098
Incremental Loans	8,000	2,413	10,333	13,067	16,600
Mortgage loans	1,282	1,124	1,638	779	986
Total Impact	17,042	11,406	20,371	24,270	28,684



	Budget 2010	Forecast 2010 R'000	Budget 2011 R'000	Budget 2012 R'000	Budget 2013 R'000
Disbursements					
Projects	545,761	406,006	660,000	884,000	1,066,000
Commercial	317,055	278,445	384,275	272,000	349,000
Total Disbursements	862,816	684,451	1,044,275	1,156,000	1,415,000



Social Impact	Budget 2011	Budget 2012	Budget 2013
Number of Jobs Created	2,800	3,475	3,700
Disbursements targeted towards women managed / owned companies	R 50 mil	R 100 mil	R 150 mil

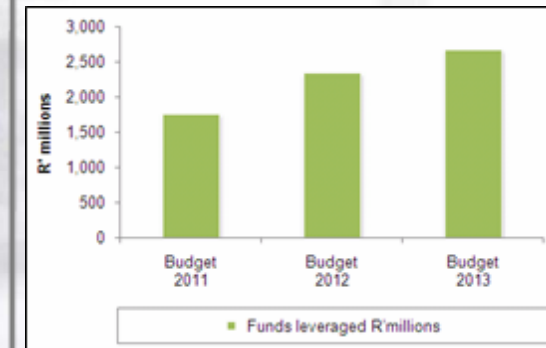
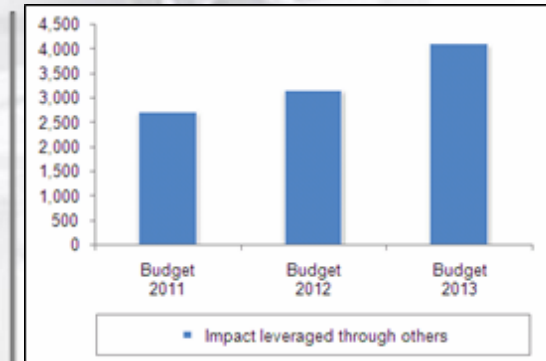


Key Performance Indicators (cont.)

Objective 2: Facilitate the increased and sustained lending by financial institutions to the lower end of the housing market.

- Syndication through dedicated funds to scale up housing opportunities.
- Co-financing arrangements with financial institutions towards integrated settlements.
- Through strategic partnerships attract other funders to fund intermediaries.

	Forecast 2010	Budget 2011	Budget 2012	Budget 2013
Funds leveraged R'million	632	1 755	2 333	2 669
Impact leveraged through others	22,875	2,702	3,153	4,093



Key Performance Indicators (cont.)

Objective 2: Facilitate the increased and sustained lending by financial institutions to the lower end of the housing market.

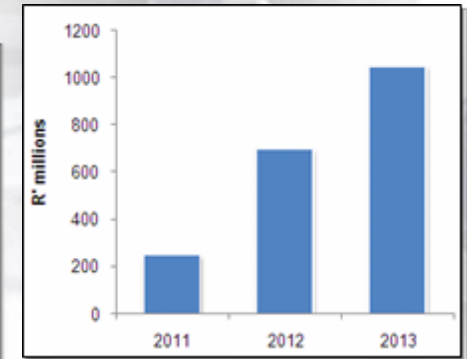
- Leverage ownership through Commercial banks through effective risk enhancements such as Mortgage Insurance(MI).
 - MI provides an insurance cover to the Lender for the credit losses incurred, up to 100% of the outstanding balance at the time of default.
 - During the feasibility study in 2009Q4, the NHFC has received overwhelming support by major players in the housing finance value chain, being Developers, Lenders, Bond originators and other supporting services, like insurance underwriters.
 - Government through DHS is expected to provide a guarantee up to R1bn to NHFC. The NHFC would orchestrate the setting up of MI by investing initial capital up to a maximum of 50% capital required. The business model recommended is for the establishment of a MI company under NHFC with a majority of private investors.
 - Estimate that the R1bn Guarantee Fund, applied towards GAP MI will result in a minimum of 57, 143 homes and total disbursements of R20bn.
 - Development of MI product, Business Plan and Implementation. Timelines to be determined jointly with project team who will include key role players in the financial service industry.



Key Performance Indicators (cont.)

Objective 3: Mobilise finance into the human settlement space, on a sustainable basis, in partnership with the broadest range of institutions

- Source and mobilise funding in partnership with broad range of institutions to support strategic objectives.
- Sale of all Retails books.
- Approval and implementation of optimum funding strategy and plan.
- Explore opportunities with DHS to mobilize finance into the Human Settlements space.



	Budget 2011	Budget 2012	Budget 2013
Value of funds mobilised R' millions	250	700	1 050



Key Performance Indicators (cont.)

Objective 4: Fund well located suitable land parcels mainly through established public agencies.

- Provision of loans to established public agencies for development of Integrated Human Settlements:
 - No funding required by HDA for 2011. Expected to receive allocation from National Treasury to acquire all identified state land and adjacent private sector land parcels.
 - HDA will make available their plans from 2012 onwards, once they have developed those plans on the acquired land parcels.



Key Performance Indicators (cont.)

Objective 5: Stimulate the low to middle income housing sector, by providing robust, relevant and timely research and market analysis to practitioners and housing consumers.

- Facilitate the provision of housing consumer education thereby empowering them to make informed decisions.
- Contribute to innovations by conducting relevant research but also co-operating and supporting research by others into the end user demands for housing.
- Provide an analysis of the affordable housing market performance, trends in house prices, consumer behavior and patterns.
- Facilitate and participate in Conferences, Seminars and Symposiums where NHFC researchers may present, chair and facilitate plenary sessions.
- Participate in the promotion and development of housing related policies, instruments and strategies through providing input into DHS policy issues, legislations and regulatory frameworks.



Investments

Cape Town Community Housing Company (Pty) Limited

- CEO of NHFC became Chairman of the Board of CTCHC
- Review of risk management practice and PFMA compliance
- Consolidated as a wholly owned subsidiary

Housing Investment Partners (Pty) Limited

- Improvement of product offering by making it more flexible
- Legal issues around Vat and NCA satisfactorily settled and HIP in conformance
- Discussions with developers, system providers and funders with the aim of getting the product marketed by the commencement of the 2011 financial year
- Accounted for as an associate



Strategic Partnerships

Collaboration with other Housing Institutions

- Nurcha
 - With Standard Bank jointly funding bridging loan for Shaft Citi
 - Negotiations with Nurcha and ABSA underway for possible creation of a fund to facilitate funding of small and innovative bridging finance projects by Nurcha
- HDA
 - Plans in place to collaborate with HDA in respect of implementation of Social/ Rental Housing on State-owned land
- RHLF
 - Exploring opportunities to co-fund rural projects and accelerate housing in remote areas
 - Plans to jointly fund research projects with Nurcha and RHLF



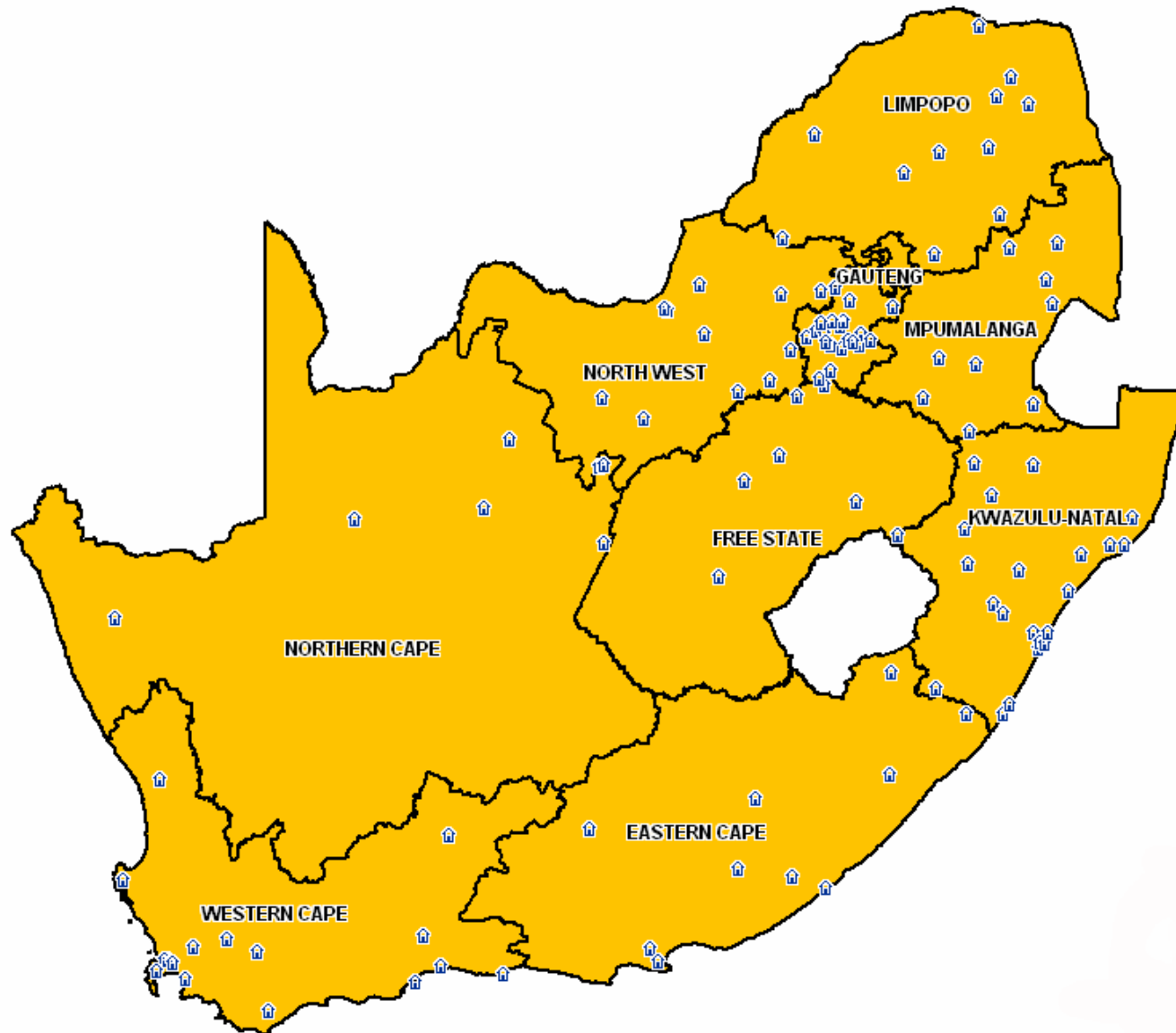
Strategic Partnerships (cont.)

Partnerships with Financial Institutions

- ABSA
 - MoU signed previous year - Bendor first project with ABSA Devco as implementing agent
 - Chief Albert Luthuli(Ekurhuleni), Mogale City
- First National Bank
 - Exploratory talks for formation of a risk sharing agreement for joint financing of rental projects
- Old Mutual Life Assurance Company of SA (OMLACSA)
 - Together with OMLACSA and its BEE partners facilitate the financing of 25 000 affordable housing units.

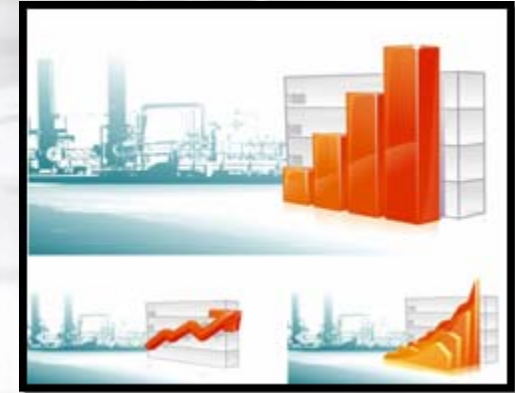


NHFC Provincial Footprint



Budget Overview

- Profit after tax of R60 million – 11% above forecast for 2010
- Investment in CTCHC
 - forecasting profit from 2011
- Investment in HIP
 - losses forecasted for 2010 and 2011 expected to generate profit from 2012
- Low interest rate environment
- Funding raised externally – borrowing cost
- Retail
 - no further disbursements after March 2011. Retail book will be sold at full value with a 10% risk enhancement. Business after March 2011 envisaged to be generated via intermediaries



Budget Assumptions

FY 2011		FY 2010
6 %	CPI	6.2 %
10.5 %	PRIME RATE	10.5 %
R 1,044 m	DISBURSEMENTS	R 684 m
5 %	IMPAIRMENTS	6.43 %
99	STAFF	90
8 %	SALARY INCREASE	9 %



Income Statement

	Mar-11 Budget R'000	% Change	Mar-10 Forecast R'000	Mar-12 Budget R'000	Mar-13 Budget R'000
Lending income	171,386	55%	110,550	271,926	424,495
Sale of houses	169,752	101%	84,318	318,000	319,000
Operating income	341,138	75%	194,868	589,926	743,495
Cost of sales	(140,752)	73%	(81,261)	(279,000)	(289,000)
Impairments	(23,708)	-40%	(39,320)	(29,720)	(59,409)
Net operating income	176,679	138%	74,287	281,207	395,086
Operating expenses	(133,543)	6%	(125,417)	(135,805)	(139,506)
Net operating profit/(loss)	43,136	-184%	(51,130)	145,401	255,580
Investment income	29,762	-60%	73,564	28,080	32,275
Sundry income	19,521	-64%	53,682	26,319	12,069
Share of loss of associate	(626)		(1,314)	3,093	7,733
Interest paid	(13,863)	1644%	(795)	(51,479)	(127,900)
Profit/(Loss) before tax	77,930	5%	74,008	151,414	179,758
Taxation	(17,573)		(19,857)	(37,681)	(48,167)
Profit/(Loss) after tax	60,356	11%	54,150	113,733	131,591



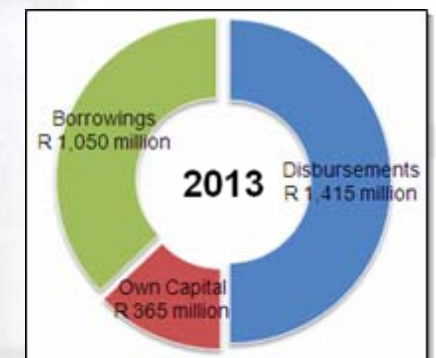
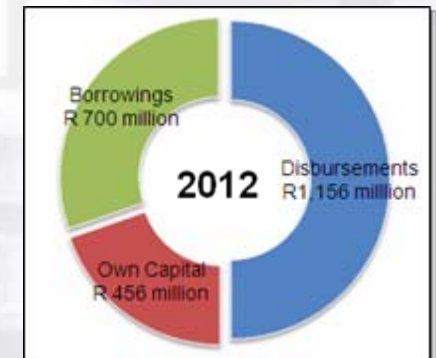
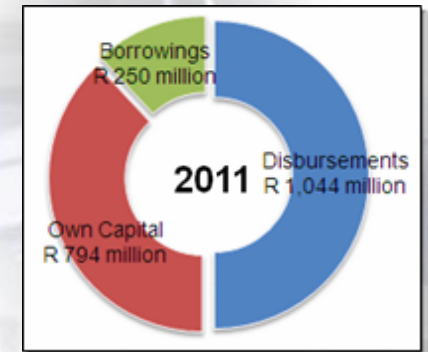
Balance Sheet

	Mar 2011 Budget R'000	Mar 2012 Budget R'000	Mar 2013 Budget R'000
<u>Assets</u>			
Non Current assets	2,006,594	2,928,743	3,970,682
Loans and receivables - advances	1,884,537	2,819,247	3,874,629
Equity investments	4,864	11,159	15,799
Property, plant and equipment	8,535	4,680	1,597
Instalment sale receivables	62,000	47,000	32,000
Investment property	42,100	42,100	42,100
Goodwill	2,714	2,714	2,714
Deferred taxation	1,843	1,843	1,843
Current assets	1,136,495	942,927	970,887
Properties developed for sale	15,000	15,000	15,000
Instalment sale receivables	17,831	17,831	17,831
Other receivables & prepayments	42,183	30,232	46,843
Held to maturity investments	456,800	349,128	451,264
Funds under management	572,622	501,862	410,709
Cash and short-term deposits	21,839	18,654	19,020
Taxation receivable	10,220	10,220	10,220
Total Assets	3,143,089	3,871,669	4,941,570
<u>Equity & Liabilities</u>			
Capital & Reserves	2,273,316	2,387,050	2,518,641
Share Capital	842	842	842
Share Premium	879,158	879,158	879,158
Distributable reserves	1,132,960	1,193,317	1,307,050
Distributable reserves - current year	60,356	113,733	131,591
Grant capital	200,000	200,000	200,000
Non Current Liabilities	830,217	1,456,847	2,405,895
Funds under management	572,622	501,862	410,709
Other financial liabilities	257,595	954,985	1,995,187
Current Liabilities	39,557	27,773	17,034
Trade and other payables	33,009	20,999	10,022
Provisions	6,548	6,774	7,012
Total Liabilities	3,143,089	3,871,669	4,941,570

Funding

- No additional capital from shareholder, funding raised externally
- Requested necessary borrowing powers from National Treasury and Accounting Executive
- Loan agreement signed with AFD, concluding agreement with EIB
- Funding programme for next three years

	Disbursements R' m	Own Capital R'm	Borrowings R'm	Total R'm
2011	1,044	794	250	1,044
2012	1,156	456	700	1,156
2013	1,415	365	1,050	1,415



Key Corporate Governance Issues

Founding Documents

- Commenced process to develop Memorandum of Incorporation in line with the new Companies Act, Act 71 of 2008.

The Board

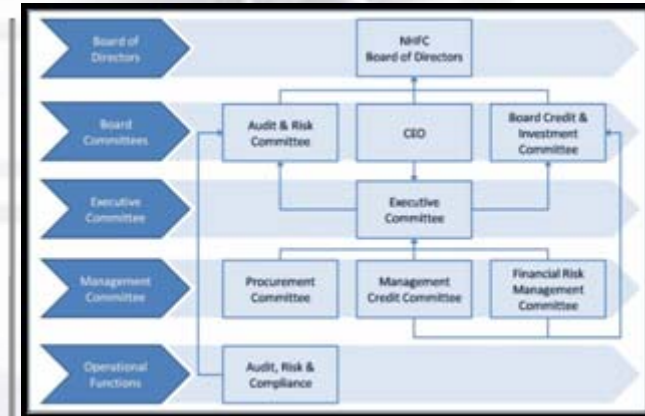
- Management reviewed the NHFC Board Charter framework to align it with the Framework approved by the Minister. It will however be aligned with King 3 and submitted to Board for approval.

Board Committees

- A Development Impact Committee was established by the Board. The committee met recently to review its terms of reference which will be submitted to the Board for approval.

King 3

- Action plan to align the NHFC with King 3 processes and best practices.



NHFC Client Showcase



Before Image



Signal Hill



After Image



Valley View

