

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1341

DATE OF PUBLICATION: 25 SEPTEMBER 2009

Dr P J Rabie (DA) to ask the Minister of Finance:

Whether, with reference to house price deflation throughout three quarters of 2009 with limited signs of improvement regarding property demand and the associated stress selling in the residential property market, the Government will pass legislation to allow commercial banks to ease lending criteria in order to stimulate the real estate market and relieve the current housing shortage; if not, why not; if so, what are the relevant details?

NW1691E

REPLY:

Government has no plans to intervene legislatively to force commercial banks to ease credit extension. Such an approach will not work, and the global financial crisis has demonstrated quite clearly that forcing credit onto the less creditworthy customers can put the entire financial system's stability at risk. Government will therefore not seek legislative powers in this regard.

The National Treasury is, however, monitoring the provision of credit to the household and business sectors, and engaging with other sectors on how best to respond to the current financial and economic crisis. With regard to housing loans, commercial banks have started to ease credit criteria for mortgage advances by reducing the required deposits and in some instances by offering loan-to-value ratios ("LTVs") of up to 100 percent for new home owners. This should assist in anchoring the recovery of the real estate market in the short to medium term. On the issue of a shortage in the stock of housing, while there may be a shortage of low-income housing, there is probably a *surplus* of high-income housing as a result of too much construction during the boom period. This is, to some extent, demonstrated in the housing price figures, with prices of smaller homes proving to be relatively stable, while prices of larger houses have fallen quite rapidly.