

**NATIONAL ASSEMBLY**

**QUESTION FOR ORAL REPLY**

**QUESTION NUMBER 141**

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**Mr S G Thobejane (ANC) to ask the Minister of Finance:**

With reference to housing loans provided by banks, what mechanisms have he put in place to (a) prevent discrimination by banks against rural communities and (b) to remove barriers that prevent the poor from acquiring housing?

NO2664E

**REPLY:**

The National Treasury is aware that there are considerable difficulties to overcome in expanding mortgage lending in rural areas, which is partly why there are dedicated mechanisms and institutions with a rural focus, such as the Land Bank, the rural housing finance entity and the programme of assistance for farm-worker housing.

The conduct of banks in terms of lending is regulated by the National Credit Act, which stipulates that the banks should consider the ability of the borrower to repay the loan amongst other things. Apart from the provisions of the NCA, any practice which does not uphold the spirit of the Act in terms of banks' lending criteria can be reported to the National Credit Regulator.

The Honourable Member should note that one of the key lessons emerging from the global financial crisis is not to incentivise the granting of artificially low-cost mortgage loans, as we see from the sub-prime crisis in the United States of America. Accordingly, we have to find the right balance between making housing loans more affordable and ensuring the sustainability of the banking sector. We must also recognise that bank lending for rural housing is dependent on progress made by government in land tenure reform.

Apart from the conventional housing subsidy programme, the government also provides fiscal support for rural housing finance through the Rural Housing Loan Fund (RHLF), a public entity reporting to the Department of Human Settlements. Its aim is to facilitate access to housing finance by rural communities.

The RHLF is currently being recapitalised (R150.1 million over the 2010 MTEF) to broaden and deepen the reach of rural housing finance by improving the lending capacity of financial intermediaries in the rural finance market. The recapitalisation of the RHLF will allow for its loan book to grow from R272 million in 2009/10 to a projected R432 million in 2012/13, an estimated 59% growth in three years.

The Financial Sector Charter Council has set a target of R32 billion for empowerment financing for Low Income Housing from the effective date 2005 to 2008, increasing proportionately year-on-year. For 2008, the number of low-income home loans originated since the effective date amounted to R30, 3 billion. The origination of housing loans is still concentrated in the metropolitan areas of Gauteng (34%), Western Cape (14%) and Kwa-Zulu Natal (13%). It is however, encouraging to see that the majority of the loans originated to people earning less than R5 500 per month totaled 64%.