

Posted to the web on: 16 March 2006

Banks urge state to share the risk

Nick Wilson

Property Correspondent

THE Banking Association of SA said yesterday that without government's willingness to share noncommercial risks, banks would be restricted to a target of R30bn worth of finance to low-income earners over five years.

Jopie van Honschooten, who heads the association's housing initiative, said if government agreed to share noncommercial risk with the industry, it could target delivery of R42bn worth of finance.

Van Honschooten, who was speaking at a plenary session of the social contract for rapid housing delivery hosted by the housing department in Kempton Park yesterday, said if government shared the risk it would also help the banks to provide housing finance for the lower-income section of households earning between R1500 and R7500 a month.

Although the industry was ahead of target and had made available R17bn worth of finance to households in the R1500- R7500 band over the past two years, this financing had until now gone mostly to the upper bracket of this band where households earned more than R4000 a month.

Van Honschooten said that in the best-case scenario, with government sharing noncommercial risk with the financial sector, the industry would be able to finance an estimated 450000 households.

While the banks were willing to carry all the commercial risk on these mortgages, they proposed a loss insurer to cover noncommercial risks.

They wanted government to share the noncommercial risk, which was risk the sector could not predict, influence or price for.

However, government told the association it was not willing to take on open-ended liabilities, and proposed instead an events-based insurance, where individual defaults would be assessed on their own merits.

Van Honschooten reiterated that even if all the financial engineering was in place, it would not address transformation of the housing market because there was such a chronic shortage of housing stock.

There was a shortage of 650000 homes for the 2-million people in this income category of R1500 to R7500, and the situation required 135000 houses a year to be built over five years.

Mziwonke Dlabantu, the housing department's acting director-general, said government and the financial-services industry needed to find a final resolution of the risk issues, and were working together on the matter.

Another issue raised at the plenary session was government and the property industry's agreement in principle to set aside a certain percentage of each new development for affordable housing.

BDFM Publishers (Pty) Ltd disclaims all liability for any loss, damage, injury or expense however caused, arising from the use of or reliance upon, in any manner, the information provided through this service and does not warrant the truth, accuracy or completeness of the information provided.

Copyright © 2004 BDFM Publishers (Pty) Ltd. All Rights Reserved
[Site Feedback](#) | [Privacy Policy](#)

