

Determinants of Real-estate Mortgage Loan Accessibility in South Africa

Thabisile Botjie

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WITS BUSINESS SCHOOL

UNIVERSITY OF THE WITWATERSRAND



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DECLARATION

I, Thabisile Botjie, declare that the research conducted and presented in this dissertation is my own work, except where otherwise indicated and referenced accordingly. It is submitted for the degree of Master of Management in Finance and Investment through the University of Witwatersrand. This research report has not, either in whole or part, been submitted for a qualification to any other educational institution.

Signature of Candidate

Date

ABSTRACT

Real-estate mortgage loan accessibility plays a significant role in the economy of the country, as it influences the housing sector, which in turn contributes to the domestic GDP. This study explores the determinants of real-estate mortgage loan accessibility in South Africa by examining how household income and individuals' awareness of housing financing tools influence the uptake of real-estate mortgage loans. Data was collected using an online survey and analysed using cross tabulation, benchmarking, establishing trends and averages. Results suggest a general lack of awareness of what factors render one eligible for mortgage loan financing. Many individuals who technically qualify to get a mortgage loan are refraining from applying as they believe they do not qualify.

CHAPTER ONE: Introduction

1.1 Overview of Housing in South Africa

To the average citizen, homeownership is the main opportunity/vehicle through which to invest in a fixed long-term asset. However, real estate investment requires relatively large sums of capital, and for this reason many households and/or individuals acquire real estate through the uptake of a loan from the bank or what is otherwise known as a mortgage loan. Mortgage loan financing thus enables individuals to own property and store wealth. Financial institutions such as commercial banks and micro-lenders have a set of criteria with which to determine an individual's potential or capability to service their debt, or their risk of default in servicing the debt. Over and above the latter, other factors such as interest rates, household income, fiscal and monetary policies play a role in the affordability of real estate mortgages (Akinwunmi, 2009).

Credit markets have, throughout history, contributed substantially to the growth of the economy, and it is for this reason that a well-developed mortgage loan market and consequently increased mortgage loan accessibility is of paramount importance in terms of economic development (Asabere, McGowan and Lee, 2019). The housing sector contributes 4.5% of the global gross domestic product in low-income economies and about 9.1% in upper-middle-income economies (DfID, 2015). The ability to access mortgage financing can thus help reduce poverty in a country.

In South Africa, housing finance is largely determined by income distribution and historical factors such as apartheid laws (Porteous, 2005). Household affordability of housing seems to be the key constraint to mortgage loan uptake in South Africa because only 34% of the urban population can afford the cheapest available newly built houses (Rust, 2018). Conventional loans are offered to households with a gross monthly income of R3500 or more, and this amounts to only about 20% of working households (Karley, 2003). Therefore, a large proportion of South Africa's urban population does not meet the minimum requirements necessary to acquire a mortgage loan.

Rust (2018) states that in 2007 the portion of South African households with a real-estate mortgage was 14.5%. However, in 2016 this portion had dropped by a significant amount to

9.7%. And this, according to Rust (2018), is mainly due to the affordability (i.e., accessibility) of houses; said differently, the prices of real estate.

1.2 Problem Statement

The accessibility of real estate mortgage in South Africa is a topic worth investigating as even with a relatively well-developed financial system, the majority of the urban population seems to fall short of the criteria needed to secure a loan (Rust, 2018). South Africa has seen a decline in the uptake of real-estate mortgage and factors such as household income, interest rates, house prices, fiscal policies and monetary policies play a role in determining the uptake and or affordability of real-estate mortgage.

Given that credit markets play a positive role in the growth of the economy and given the contribution of the housing sector to the global GDP, the accessibility of real-estate loans should be an area of interest to policy-makers, commercial banks and real-estate developers. Those borrowing from the banks could also do well to educate themselves on the requirements necessary to obtain a mortgage loan, and to position themselves in such a way that makes them eligible as well as successful applicants.

There seems to be a limited understanding of what factors drive the accessibility of mortgage loans in South Africa as well as awareness of the various housing finance vehicles available, which in turn contributes to the reason why a significant number of households and/or individuals cannot access them, even with government aid. Should this persist, we would be foregoing the above-mentioned economic benefits that come with increased access to real-estate mortgage loans as well as addressing the social issues associated with access (or lack thereof) to housing.

1.3 Purpose of Study and Research Objectives

The purpose of this study is to establish a deeper understanding of individuals' levels of awareness of factors that determine the accessibility of real estate mortgage in South Africa and their relative significance by:

1. Examining the relationship between real-estate mortgage uptake and household income.
2. Examining the relationship between real-estate mortgage uptake and individuals' level of awareness of available housing finance vehicles.

In order to achieve the above, the study will be guided by the following specific questions that flow from the above objectives:

1. How does household income affect mortgage loan accessibility/uptake?
2. How does individuals' level of awareness of available housing finance vehicles affect mortgage loan accessibility/uptake?

1.4 Significance of the Study

This study will be of importance to:

1. *Government and policy-makers*

They will have a better understanding of the drivers of the accessibility of mortgage loans and thus be in a better position to develop more effective policies that will help to increase access to real-estate mortgage loans, and by extension housing, in South Africa.

2. *Commercial banks*

The results of the study will enable commercial banks to package their products in a way that attracts more eligible applicants who are most likely to succeed because of the information provided to them (applicants) by the banks.

3. *Individuals and households*

A better understanding of the requirements and criteria necessary to qualify for a real-estate mortgage loan will enable households and individuals to prepare themselves better and, thus, increase their chances of successfully applying for real-estate mortgage loans.

1.5 Overview of Data and Methodology

For this study, primary data will be collected from individuals/households through the use of a structured questionnaire. The questionnaire will contain questions directly linked to the research questions in order to obtain adequate information related to the respondent's level of awareness and understanding of the factors that drive real-estate mortgage accessibility. The geographical scope of the study will be the greater Johannesburg area. The research methodology will largely be descriptive in nature, with bar-chart, pie-chart, percentage of representation, and so on, used to ascertain the degree of collected data's alignment with objectives of the study.

1.6 Outline of the Study

1. Introduction and background of the study chapter, along with key objectives and the significance of the study.
2. A literature review chapter to present and analyse relevant literature and, thus, reveal the current state of real-estate mortgage loan accessibility in South Africa as a research area, as to highlight possible gaps that can be filled by this study/research.
3. Research methodology chapter detailing the method I will use to conduct this study and why I have chosen the particular method.
4. I will then present the findings and results obtained from analysing the gathered relevant data of the study.
5. Ultimately, I will conclude from the results obtained and link these conclusions or findings back to the research problem and associated research questions.

CHAPTER 2: Literature Review

2.1 Introduction

In this chapter, I explore the current state of housing/real-estate finance in South Africa by, first, reviewing the legislation that governs human settlement and, second, by giving an overview of the real-estate financing models that are available in the country and a few other countries; their advantages and disadvantages, and so on. The next two sections of the chapter will explore the relationship between the real estate market and GDP, and the relationship between household income and the accessibility of real estate mortgage loans.

2.2 An Overview of Real Estate Financing in South Africa

In South Africa, housing is considered a constitutional right and the government has since 1994 tried to reduce the housing backlog that had been growing prior to the end of apartheid (Porteous, 2005). There have since been several initiatives put forth to achieve the latter, which include but are not limited to the Reconstruction and Development Programme (RDP) of 1994 (Goebel, 2007) and the establishment of alternative housing finance institutions such as the National Housing Finance Corporation (NHFC) to mitigate the risk associated with lending to low-income households (Porteous, 2005).

The NHFC was established in 1996 and its mandate is to ensure that access to housing finance is afforded to everybody with a regular and reliable income (Moss, 2008). The South African Constitution lists access to adequate housing as a basic human right for all. Households with a monthly income of R3500 or less qualify for a government housing subsidy (Moss, 2003). In addition to the latter, other laws that govern housing in South Africa include:

1. The Prevention of Illegal Eviction from and Unlawful Occupation of Land which serves 'To provide for the prohibition of unlawful eviction; to provide for procedures for the eviction of unlawful occupiers; and to repeal the Prevention of Illegal

- Squatting Act, 1951, and other obsolete laws; and to provide for matters incidental thereto.’ (The Prevention of Illegal Eviction from and Unlawful Occupation of Land Act).
2. Interim Protection of Informal Land Rights Act (No. 31 of 1996) which serves to ‘To provide for the temporary protection of certain rights to and interests in land which are not otherwise adequately protected by law, and to provide for matters connected therewith.’ (Interim Protection of Informal Land Rights Act (No. 31 of 1996).
 3. The Rental Housing Act (2000) which governs the interaction between tenants and landlords as well as provides dispute resolution when necessary. (The Rental Housing Act (2000).
 4. Housing Consumers Protection Measures Act (No. 95 of 1998) which serves ‘to make provision for the protection of housing consumers; and to provide for the establishment and functions of the National Home Builders Registration Council; and to provide for matters connected therewith’ (Housing Consumers Protection Measures Act).
 5. Home Loan and Mortgage Disclosure Act (No. 63 of 2000) which serves ‘to promote fair lending practices, which require disclosure by financial institution of information regarding the provision of home loans; to establish an office of Disclosure, and to provide for matters connected therewith.’ (Home Loan and Mortgage Disclosure Act (No. 63 of 2000).

As previously mentioned, the housing finance system in South Africa has undergone numerous developmental changes to address the housing backlog matter. To effect these changes, the South African government, together with other stakeholders, established various organisations such as the Mortgage Indemnity Fund (MIF) whose aim was to promote and encourage private financial institutions to extend financing to low-income households (Moss, 2003). The MIF offered indemnity insurance to commercial banks against any possible loss incurred as a result of lending to low-income households (Moss, 2008).

The MIF was operational for only three years from June 1995 to June 1998 following the original plan and in its three years of operating R10 billion worth of new loans were granted (Moss, 2003). Another establishment similar to the MIF was Servcon also established in

1995. The purpose of Servcon was to handle the problem of non-payment or default through the management of repossessed properties (Moss, 2003).

Below are some key figures related to the state of the housing finance sector of South Africa.

Table 1: State of Housing Finance in South Africa

| KEY FIGURES | |
|--|-------------------------------------|
| Main urban centres | Pretoria, Johannesburg Cape Town |
| Exchange rate: 1 US\$ = [a] 10 Sept 2018 | 14.39 South African Rand |
| PPP Exchange rate (Local currency/PPP\$) 1 South African Rand = [b] | 6.10 |
| Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c] | 6.30 5.30 5.30 |
| Population [d] Urban population size 2017 [b] | 57 730 000 37 309 680 |
| Population growth rate [d] Urbanisation rate [b] | 1.18% 1.99% |
| Percentage of the total population below National Poverty Line [d] | 25.20% |
| Unemployment rate Q2 2018 [d] | 27.20% |
| GDP (Current US\$) [c] GDP growth rate annual 2017 [c] | US\$349 300 million 1.50% |
| GDP per capita (Current US\$) 2017 [b] | US\$6 161 |
| GNI per capita (Current US\$) 2017 [b] | US\$5 430 |
| Gini co-efficient 2017 [b] | 62.80 |
| HDI global ranking [e] HDI country index score [e] | 113 0.699 |
| Is there a deeds registry? | Yes |
| Number of residential properties that have a title deed [f] | 6 378 922 |
| Lending interest rate [g] | 10.00% |
| Mortgage interest rate [g] Mortgage term (years) [g] | 10% 20 |
| Downpayment [g] | 10% |
| Mortgage book as a percentage of the GDP 2017 [h] | 28.8% |
| Estimated number of mortgages [f] | 2 387 796 |
| Price to Rent Ratio in City Centre [i] Outside City Centre [i] | 9.69 8.87 |
| Gross Rental Yield in City Centre [i] Outside City Centre [i] | 10.23% 11.28% |
| Construction as a % of GDP 2017 [h] | 3.40% |
| What is the cost of standard 50kg bag of cement? [j] | US\$4.30 |
| What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [k] | 352 000 South African Rand |
| What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [k] | US\$24 461 |
| What is the size of this house (m ²)? | 40m ² |
| What is the average rental price for this unit (US\$)? | US\$232 |
| What is the minimum stand or plot size for residential property? | n/a |
| Ease of Doing Business Rank [l] | 82 |
| Number of procedures to register property [l] | 7 |
| Time to register property (days) [l] | 23 |
| Cost to register property (as % of property value) [l] | 7.30% |

Source: The Centre for Affordable Housing Finance in Africa (2018)

According to The Centre for Affordable Housing Finance in Africa (2018), the construction sector contributed about 4.1% to the country's GDP in 2016 and 3.4% in 2017. In South Africa, mortgage loans account for 51.4% of the national debtors' book for the quarter ended March 2018 (CAHF, 2018) and mortgage loan origination grew between the years

2010 and 2015. Furthermore, the Financial Services Corporation (FSC) is developing a code that will enhance access to mortgage finance for low-income (gross monthly income \geq R15000) households. This is because currently, only 4.4% of the mortgage loans in the country are held by low-income earners who make up a significant portion of the country's population (CAHF, 2018). According to CAHF (2018), only about 34% of households in urban areas could afford the cheapest newly-built house in 2018 which cost approximately R352 500.

Porteous (2005) highlights other challenges for the housing sector and effectively housing finance in South Africa and these include rapid urbanisation in secondary cities and metropolitan areas as well as the rising unemployment rate. The latter affects the number of people who can access housing finance, whilst the former increases the need for housing supply in urban areas. Furthermore, the supply of affordable housing is considerably low and its target market (households earning between R3 500 and R22 000 per month) falls into the alleged 'gap' market according to the CAHF (2018) as this market earns too much to qualify for fully subsidised housing, on the other hand, it earns too little to qualify for formal financing from commercial banks.

2.3 Mortgage Finance Challenges and Models across the Globe

The challenges associated with access to real-estate mortgage finance to low-income households are not unique to South Africa and thus it is worthwhile to explore the various models that have been established in other countries and compare them with those that exist in South Africa, as to identify similarities, differences, and possible ideas that we can adopt and/or adapt to the South African context.

In Poland, the government instituted a policy called "Family's own home" to aid in the uptake of mortgage finance by households. The basis of this policy was to afford subsidised mortgage loans to households who were acquiring their first home thus making housing more affordable and more accessible (Radzimski, 2014). The policy was in effect for only 5 years as the country's public debt grew and the funds needed to subsidise the mortgages became substantial.

Radzimski (2014) also found evidence that shows that mortgage subsidies do not always result in housing affordability i.e., lower housing prices. It has been found that mortgage subsidies are, in some instances, capitalised in higher house prices as well as higher mortgage interest rates, thus further limiting access to low-income households.

Malaysia is another country that has challenges of mortgage finance inaccessibility for low-income households. Some of these are believed to be a result of intelligibility and the lack of funds to put down a deposit (Ebekoziem, Abdul-Aziz and Jaafar, 2019). Furthermore, factors such as credit unworthiness, submission of incorrect documentation, and low income have also been identified as contributors to low-income households' inaccessibility of mortgage finance. Malaysia also has several housing subsidy schemes, some similar to that of Poland. MyFirstHome is a Malaysian programme which assists first-time homebuyers who earn R10 000 or less to acquire 100% housing finance for a home that costs between R350 000 and R800 000 (Ebekoziem, Abdul-Aziz and Jaafar, 2019). MyDeposit is a programme that also assists first-time home buyers, who belong to the middle class, with funds to pay a 10% deposit for a mortgage of a house valued at a maximum of approximately R1 240 000.

In Moscow and Budapest, a study was also done to see the potential effects of various subsidy programmes on the affordability of housing. Its main objective was to discover how different loan products affect the affordability/accessibility of housing finance. One of the findings of the study is that lowering the cost of finance i.e., interest rate, enhances accessibility for trade-up households and not for first-time buyers as the latter usually do not have enough funds to contribute towards a down payment thus subsidy programmes aimed at lowering interest rates will only be of assistance to trade-up households (Hegedüs et al., 2004). Thus the effects of a subsidy programme that assists with the up-front payment on the accessibility of financing are more than that of a programme that seeks to lower interest rates (Hegedüs et al., 2004).

In China, Thailand, India, Singapore and Turkey they have established tax-exempt saving programmes called Housing Provident Funds (HPFs) to encourage households to save towards purchasing a house. The HPFs allow for employer contributions to be made and provide access to discounted mortgage loans (Xu, 2016). Whilst in other countries signing up for this programme is optional, in China it is compulsory for those who are employed in particular sectors. A certain percentage of every employee's gross salary goes towards the

fund along with a matching contribution by the employer. The contributions towards the fund can then be used to either purchase a house, make improvements to one's current house, make a down payment towards a house or make monthly mortgage payments (Xu, 2016).

There are several concerns with regards to the HPF programme and these include, lack of transparency of fund management, corruption, and inequality because contributions are based on income (Xu, 2016).

In the United States of America (USA), there also exists the problem of mortgage finance accessibility for low-income households. There is a supply of low-cost housing in certain states however, commercial banks do not offer so-called 'small-dollar mortgages' thus denying low-income earners the opportunity to be purchase houses (McCargo et al., 2018). Household income was also identified as a determinant of the eligibility for obtaining a loan. Furthermore, Government-sponsored enterprise loans make up 70% of small-dollar mortgage loans (McCargo et al., 2018).

Now to look at countries in Africa, according to Kofi Teye, Teye and Ohenewa Asiedu (2015) housing finance in Ghana contributes a very small percentage to the GDP as compared to other countries in the world and specifically Africa. Mortgage financing plays a key role in the credit facilities sector of many economies, whereas the same cannot be said about Ghana. Kofi Teye, Teye and Ohenewa Asiedu (2015) cite several factors that contribute to an under-developed mortgage market and these include the lack of sufficient capital by the commercial banks, failure to establish the creditworthiness of potential customers, a hostile macroeconomic environment, the prices of houses, low household income as well as negative cultural beliefs regarding debt. Furthermore, Kofi Teye, Teye and Ohenewa Asiedu (2015) emphasize the interconnectedness of the listed factors and the need for a solution that considers all factors holistically.

2.4 Household Income and Mortgage Loan Accessibility

Household income is one of the factors that commercial banks consider when determining the outcome of a real-estate mortgage loan application. According to Ngigi (2015), the amount of income you make determines the size of the loan which the bank is willing to grant you and thus the amount that you qualify for. In addition to this, the success of your application is also affected by how much disposable income you have, taking into account the other short-term financial commitments.

Commercial banks work out the risk of defaulting on a loan repayment by working out your disposable income, amongst other things (Ngigi, 2015). The interest rate is the cost of the loan and thus it too plays a role in determining whether an individual or household can be granted a loan. The higher the perceived risk, the higher the cost of the loan and thus the higher the interest rate charged (Ngigi, 2015), which in turn increases the likelihood that an applicant of low disposable income may not be able to service a housing loan if granted one.

Income stability is another factor that commercial banks will consider to determine their risk and this is directly linked to your employment status. Whilst these factors determine whether or not you will gain access to a real-estate mortgage loan, they cannot, at the time of the loan origination, determine whether going forward, you will be able to continue servicing your loan (McCullum and Pace, 2017).

Moss (2013) mentions the impact that having borrower education programmes would have on real-estate mortgage loan accessibility. According to (Moss, 2013), borrower education (otherwise known as financial literacy) is beneficial for both the lender as well as the borrower. For lenders, borrower education can be used to mitigate the risk of default which has been proven to be linked to the lack of borrower education. Accessibility is important and it helps with the housing problem however, affordability is just as important as it ensures that borrowers can service their loans. Borrowers who are not well informed and educated about their responsibilities on homeownership, credit management and overall budgeting pose a risk to lenders and could negatively affect borrowers and their families (Moss, 2013).

In South Africa, three of the four main banks offer borrower education through one-on-one interactions, brochures, and electronic information. All three began offering education to comply with the Financial Sector Charter (FSC) which demonstrates the key role that legislation plays in this matter (Moss, 2013). Adequate impact assessments of the existing borrower education programmes are yet to be developed and implemented. These would assist in identifying problems as well as establishing efficacy and efficiency of the programmes (Moss, 2013).

Ramsamy (2011) also details the significance of borrower education and its contribution to mortgage loan default mitigation. Evidence suggests that when borrowers are adequately educated they make better financial decisions and are better equipped to budget and manage their credit well resulting in a lower risk of default (Ramsamy, 2011). The latter is not only true for South Africa but other countries as well, such as the United States of America. Ramsamy (2011) states that many of the South African borrowers receive education through lenders and that this takes place after the mortgage loan has been granted. The question of programme efficacy is again raised as none of the 'Big 4' commercial banks in South Africa have tools in place to assess the outcomes (Ramsamy, 2011).

2.5 Real-Estate Markets and GDP

The real estate market, as previously mentioned, contributes to the GDP of a country and its performance is, in turn, largely influenced by the mortgage loan market (Cerutti, Dagher and Dell'Araccia, 2015). A thriving mortgage market, according to Cerutti, Dagher and Dell'Araccia (2015), is linked to increased homeownership which in turn results in positive effects on the welfare factors of the country. Mortgage markets grow and develop in direct relation to the overall financial development and advancement, thus in countries that have well-developed financial systems, mortgage markets are generally also well-developed.

Asabere, McGowan Jr and Lee (2016) found that for Africa, there is a positive correlation between mortgage financing and the gross national income (GNI) of a country, thus leading to the conclusion that advancement in the financial system will lead to general growth in

GNI. Advancement can include, but is not limited to, more financial products which are inclusive to the majority of a country’s population enabling more people to participate in the economic activities and growth of their country.

A study done in Kenya by the World Bank found that several factors are hindrances to the advancement of the mortgage market in that particular country. Some of these factors include lack of information for risk assessment, lack of affordability, limited long-term funding, and title insecurities (Asabere, McGowan Jr and Lee, 2016).

2.6 Housing Finance in South Africa

In South Africa, there currently exists several housing finance tools and this section will detail each of them to establish an overall view of the residential real-estate financing products that are available.

Table 2: Housing Finance Products

| | |
|-------------------|---|
| END USER FINANCE | <ul style="list-style-type: none"> • Mortgage Loans • Pension-backed Loans • Microloans |
| WHOLESALE FINANCE | <ul style="list-style-type: none"> • Loans to microlenders and other retail intermediaries • Loans to rental/social housing companies |
| DEVELOPMENT LOANS | <ul style="list-style-type: none"> • Bridging finance or working capital to developers |

Source: Rust (2011)

The focus of this section will be on the end-user financing tools. In addition to the tools listed in the table above, there are other tools available under the end-user finance category, namely, Rent-to-own and instalment sale. Below is an overview of each of the end-user financing tools listed above:

1. Mortgage loans

- Bank lends money to the borrower
- The borrower must meet specific criteria to qualify for the loan such as to have a stable income and adequate disposable income
- The borrower must in most cases pay an upfront deposit of a portion of the loan.
- The borrower makes regular repayments over a set period
- Interest rate which is the cost of the loan is determined by several factors including, borrower's credit score, size of loan etc.

2. Pension-backed loans

- The bank lends the borrower money
- The borrower makes regular repayments over a set period
- Borrower's pension fund provides the bank with a guarantee based on the amount the borrower has saved in their pension fund
- Interest rate which is the cost of the loan is determined by several factors including, borrower's credit score, size of loan etc.

3. Microloans

- These are generally loans much smaller in size compared to mortgage loans and pension-backed loans.
- They are unsecured loans thus they charge much greater interest
- Loans usually used for incremental building and/or home renovations

4. Rent-to-own

- In this arrangement, the prospective buyer is allowed to rent the property for a set period with the option of buying the property at the end of that period
- No large deposit required
- Price of the property is agreed upfront therefore increases in the value of the property are to the buyer's advantage.

- Allows buyer a window to improve credit score and save up for a deposit to apply for a mortgage loan

5. Instalment sale

- An agreement between the buyer and the seller drawn up by an Attorney
- The buyer agrees to pay regular instalments to the seller for 5 years
- Regulated by the Alienation of Land Act no. 68 of 1981 as well as the National Credit Act of 2005
- Property is registered in the name of the seller until such time that full payment is made (before or at the end of the 5-year period)
- Should the buyer fail to make full payment by the end of the 5-year period, the contract becomes null and void and the seller retains their property whilst the buyer forfeits all payments made.

The main commercial banks that offer mortgage loans in South Africa include, Absa, Nedbank, Standard Bank, and First National Bank (FNB). According to (Roe Merrill, 2006) there is still a lot to be done in terms of extending accessibility to low and middle-income households in South Africa even with all the various available financing tools.

2.7 FLISP Subsidy

FLISP stands for Finance Linked Subsidy Programme. FLISP was developed by the South African Department of Human Settlement as a means to increase mortgage loan accessibility to the previously-mentioned gap market. The programme is targeted at first-time homebuyers who earn between R3 501 and R22 000 per month (Flisp.co.za, 2019).

FLISP subsidies range between R20 000 and R121 626 depending on the applicant's combined monthly income. These subsidies are available to applicants who:

- Wish to buy an existing property
- Wish to buy land to build property through a builder that is registered with the National Home Builders Registration Council (NHBRC)

- Wish to build a home through builder that is registered with the NHBRC on land that the applicant already owns

The FLISP subsidy applicants need to meet all other criteria necessary to qualify for a mortgage loan as FLISP assists with paying a deposit on the loan. Applicants can apply for the subsidy before or after their mortgage loan has been approved. The benefits of FLISP are reduced loan repayments as well as reduced interest rates due to the deposit being paid.

2.8 Commercial Banks' Lending Criteria

Table 3: Bank Lending Criteria

| | Absa Home Loans | FNB Home Loans | Nedbank Home Loans | Standard Bank Home Loans |
|--|--|--|---|---|
| 'What criteria do you use for assessing a home loan application?' | 'current debt repayment behaviour - credit history - affordability - net disposable income - household finances - residential property cycle and prospects - prevailing economic cycle - consumer risk profile' | 'the latest copy of applicant's payslip - bank statements in some cases - self-employed applicants will need to supply a signed personal statement of assets and liabilities as well as a balance sheet and financial statement for the business from which income is derived - a commission earner will be required to submit the last six months commission earnings statement' | 'minimum income (single or joint gross monthly income) + R2500- minimum loan amount R100 000 - maximum repayment term 25 years - acceptable credit record - payment by debit order - the property must be in good condition and acceptable to the bank' | 'a loan-to-value criterion plays a major role in what the customer can qualify for.- documents required depend on whether the applicant is employed or self-employed, has a Standard Bank transactional relationship or not and if they earn a fixed or variable income. - generally, document requirements are less onerous for customers that have a transaction account i.e. Employed SBSA applicant with fixed income would need to provide the latest |

| | | | | |
|---|---|--|--|---|
| | | | | payslip and an offer to purchase. - non-Standard Bank customer with fixed income customer would need to provide the latest payslip together with the latest three months consecutive bank statement reflecting three months' salary deposits.' |
| 'What percentage of the property value can be borrowed and what percentage deposit does the bank require in order for a home loan to be approved?' | 'The current prevailing home loan base rate is 9 per cent.' | 'This will be determined by the risk profile of the applicant but should one qualify, the bank can give up to 100 per cent loan-to-value transactions.' | 'Nedbank clients applying for new loans: - less than R1. 5 million - 95 to 100 per cent - more than R1.5 million - 90 per cent - over R3 million 80 per cent Non- Nedbank clients applying for new loans: - Less than R3 million - 90 per cent - Over R3 million - 80 per cent - Nedbank requires a 10 per cent for a home loan valued over R1.5 million and the bank assesses these loans according to the customer's risk profile.' | 'The risk profile of the customer and the loan amount determines the required deposit.' |
| 'What types of home loans are available and which of these offers the best variable/fixed interest rate?' | 'Customers can choose either a variable or fixed interest rate option. A variable interest rate is a fluctuating rate based on the prime lending rate, as set by Absa from time to time. If the prime interest rate changes, the client | 'There are various products and it is up to the applicant to choose which best suits their needs. Normally, a variable interest rate applies but the applicant has an option to apply for a fixed rate subject to certain conditions.' | 'Ordinary home loans:- the residential home loan is a flexible product that can be tailored to suit the customer's individual needs. - it can also be used for the purchase of an established residential property or the | 'Traditional Home Loan, First -time Home Buyer which includes costs up to a maximum of 104 per cent and Building Loans. The Traditional Home Loan, whether variable or fixed, provides the best rate to the customer. The |

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| | <p>monthly repayments will change. A fixed interest rate is an option whereby the client is guaranteed a fixed interest rate for a predetermined period, of up to two years. After this period has expired, the interest rate simply reverts to the prime linked rate applicable at that time.'</p> | | <p>construction of residential property in a proclaimed township. Building loans: -This loan used to finance the construction of a dwelling, additions or improvements to an existing dwelling. - Progress payments are made against completed work subject to a pre-determined number of draws. - Nedbank carefully monitors the building project in order to ensure that your home is completed within a reasonable time. - The product type does not have a bearing on the rate offered, be it fixed or variable.'</p> | <p>fixed-rate offers the customer peace of mind for up to three years.'</p> |
| <p>'Will the bank give pre-approval of the home loan with no upfront fees?'</p> | <p>'According to the National Credit Act, financial services providers are prohibited from granting pre-approved finance to customers.'</p> | <p>'Yes, it is called a "Passport to Purchase" where no upfront fees are levied and this pre-qualification is valid for 90 days.'</p> | <p>'Nedbank does not grant pre-approvals. Customers can read through the information on the bank's website to determine what they can afford through various calculations.'</p> | <p>'A customer can apply for a pledge via the internet or through the Standard Bank Call Centre. No fees are charged for pre-approvals.'</p> |
| <p>'Upon approval of the loan, will I have to take out the bank's mortgage insurance?'</p> | <p>'While we insist on customers insuring their mortgage, we do not compel customers to take up mortgage insurance with Absa. Mortgage insurance is vital for the protection of the most valued asset – the home.'</p> | <p>'Insurance cover is required to protect both the bank and the customer. This may not necessarily be that of the bank but must be a reputable company that meets the requirements of FNB.'</p> | <p>'Customers have the choice to either make use of Nedbank Home Owners cover or opt for cover supplied by other service providers.'</p> | <p>'Insurance is required as part of the agreement and customers have the freedom to choose which insurance provider to use.'</p> |

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| <p>‘What is the interest rate charged on home loans currently?’</p> | <p>‘The current prevailing home loan base rate is 9 per cent’</p> | <p>‘The interest rate is related to the risk associated with lending in line with the bank's lending principles and underwriting practices.’</p> | <p>‘The interest rate applicable to a home loan varies from customer to customer and is determined by individual risk profiles.’</p> | <p>‘The rate is entirely dependent on the customer risk profile.’</p> |
| <p>‘What extras come with the home loan?’</p> | <p>‘Absa MyHome - A product which is focused on providing affordable housing. It has the following extras. - free voluntary HIV/Aids Treatment Program: Customers who access 100 per cent LTV (Loan to Value) automatically qualify for the Voluntary HIV/Aids offer, at no costs to customers. - this proposition includes a free voluntary medical examination and free anti-retroviral treatment (ARV). As part of the package, we also maintain the customer’s home loan instalment if he/she is unable to work because of illness until he/she recovers, at no cost to the customer. -the repayment term of the loan whereby customers can opt to extend the term of the home loan up to 360 months as opposed to the normal lending term of 240 months. It is, however,</p> | <p>‘There are no extras.’</p> | <p>‘NedRevolve facility - is an option that provides customers with speedy access to surplus funds, which accumulates should the customer pay more than the prescribed instalment or decides to make a lump sum payment to the home loan account. - any excess fund available in the home loan account may be credited to a nominated Nedbank account or an account linked to the customer’s electronic profile. HomeVision - a loan that allows the customer to register a bond, higher than the required loan amount thus creating a surplus amount that can be accessed later. - this facility becomes available to a customer when the value of the property has increased, the customer’s income has increased and when the customer has to apply for the surplus funds, with each application</p> | <p>‘First-time homebuyers can qualify for costs up to a maximum of 104 per cent Loan-to-Value, 20 to 30-year term, fixed-rate an access bond. These are all subject to the customer qualifying and prevailing credit criteria at the time of application’</p> |

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| | <p>important to note that the interest charged over a longer-term is higher compared to a shorter one.</p> <ul style="list-style-type: none"> - this benefit is also applicable to the traditional Absa Home loans customers. <p>Home Owners Comprehensive Insurance (HOC) - Absa has designed a HOC product for all our home loan customers.</p> <ul style="list-style-type: none"> - the product covers the physical structure of the home in case of damage caused by storms, floods, fire or other disasters. --when our customers take up the HOC product with Absa, they save on their monthly home loan service fees. <p>HOC is a compulsory requirement and customers have the freedom to select the insurer, as long as the policy meets Absa's minimum requirements.</p> <ul style="list-style-type: none"> - this benefit is also applicable to the traditional Absa Home Loans customers. <p>FlexiReserve – Advance Option: Customers can have access to all pre-paid amounts paid into the home loan account.</p> <ul style="list-style-type: none"> -these are amounts paid over and above the normal | | <p>being subject to the bank's credit approval policy.'</p> | |
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| | <p>monthly instalments. -this benefit is also applicable to the traditional Absa Home Loans customers. Home Loan Protection Plan (HLPP): The HLPP product is a life policy that is designed specifically for Absa Home Loans customer and it includes death and permanent disability. - unlike the normal credit life product, the product does not prescribe a medical examination. - under this service offering, customers enjoy a wide range of cover options which include death, disability, critical illness cover and income protection. - this essentially allows beneficiaries to meet all their insurance needs in relation to protecting their loved ones and themselves in a single, comprehensive, policy. Borrower Education (BE): BE is applicable to all first-time home-owners and is a compulsory requirement of the loan. -the programme is specifically designed to</p> | | | |
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| | <p>educate our customers about all aspects of home-ownership. Borrower Education is provided by external vendors after the final grant stage of the home loan process. Absa Home Loans arranges this for the customers.'</p> | | | |
| 'Are there any exit fees?' | <p>'The exit fee exists in the form of a penalty interest that is applicable when the customer has not provided the bank with a 90 days notice before cancellation.'</p> | <p>'In most agreements within the home loan mortgage industry, there are clauses to this effect whereby notice has to be given within a certain time frame.'</p> | <p>'After registration of the bond, customers are required to give 90 days' notice of their intention to cancel the bond and settle the account.'</p> | <p>'Three months cancellation fee is charged.'</p> |
| 'Do you give home loans to applicants who are not your clients?' | <p>'Each customer has unique banking needs and we encourage customers to contact Absa directly in order to assist them in finding the most suitable financial solution.'</p> | <p>'Consideration is given to all applicants and there are divisions that cater to specific needs.'</p> | <p>'Banking with Nedbank is not a prerequisite to obtain a home loan'</p> | <p>'Standard Bank does give home loans to non-customers.'</p> |
| 'How do customers contact the bank?' | <p>'Log onto the website or call our Home Loans Call Centre on 0860 111 007 or a Home Loans Express Agent for a visit on 0860 999 123 - it's a free service.'</p> | <p>'For more information on different FNB Home Loans offering, visit the website.'</p> | <p>'For more information on Nedbank Home Loans, visit the website.'</p> | <p>'For more information on Standard Bank Home Loans, visit the website.'</p> |

Source: Property 24 (Mhlanga, 2011)

CHAPTER 3: Research Methodology

3.1 Introduction

The purpose of this chapter is to provide a detailed illustration of the research design and methodology employed to conduct this research. To elaborate, this chapter will go into the detail of the nature of the study (whether it is quantitative or qualitative), the research tools used to gather the relevant data, the method used to analyse the data, as well as how the results can be interpreted. A list of the scope of the research, as well as its limitations, will also be provided.

In order to acquire the necessary information that enables one to respond to the research question, it was necessary to collect primary data because the banks in South Africa have very strict laws regarding the distribution of client information, even for academic work purposes. The data was collected using an online survey as a tool, thus rendering the study one that leans towards a quantitative research approach.

3.2 The need for Survey Research

Rea and Parker (2005) state that sample surveys are the best way to collect behavioural, descriptive and attitudinal information. In this instance, all three categories of information are necessary as the attitude of the respondents' usually influences their behaviour and the descriptive information enables the generalisability of the results. Also, because to adequately respond to the research question, the respondents' awareness of the various financing vehicles available would be best obtained from them through a survey.

According to Rea and Parker (2005), some of the advantages of the sample survey technique include the ability to apply the results of the sample to a population by drawing inferences, provided the survey is conducted accurately. Due to time constraints and limited resources available, this technique was the most suitable option for this research. Depending on the way the survey is structured, the data collected is suitable for statistical analysis (Rea and Parker, 2005). The questions asked in the survey allowed for standardization and therefore statistical analysis.

According to Rea and Parker (2005), survey research is also appropriate when there is not enough secondary data available and the required data is personal. As previously mentioned, the information needed can be obtained from banks who have strict laws regarding the distribution of client information thus rendering that data unavailable. Furthermore, to ascertain the respondents' awareness and/or education regarding housing finance, a survey was a more appropriate and convenient tool to do so.

3.3 Data Collection

For this study, data was collected using an online survey. The survey comprised of sixteen questions of various types i.e. multiple-choice, 'tick the box', and short answers. The questions were designed to get the necessary information without being too long and complex for the targeted respondents. Thus the use of highly technical words and phrases was avoided. This was done to minimize the possibility of inaccurate responses as well as the refusal to participate in the survey.

According to Rea and Parker (2005), the data collected in a survey has various measurement properties known as levels of measurement – i.e. nominal scale, ordinal scale and interval scale. The data collected with the survey is mostly of a nominal level of measurement (simply classified into categories) as well as ordinal level of measurement (ranked).

A link to the survey was distributed via email and social media. Snowball sampling was used to increase access to potential respondents and maximise the response rate. Time constraints were also a contributing factor. The survey was designed using Google Forms which arranges the data in tables, graphs and charts automatically and also allows for the data to be exported to an excel spreadsheet for further statistical analysis.

3.4 Data Analysis

The data collected was analysed by applying filters to focus on each subgroup such as specific income categories and observing the responses of the said category individually. Similar responses were also grouped together to observe the averages. In addition, cross-tabulation was applied to compare two or more sub categories and/or responses. This was done to enable benchmarking as well as trending.

3.5 Constraints and Limitations of the Study

- The responses obtained depended on people's willingness to share the survey with their peers and to participate in it.
- Limited information from commercial banks.
- The limited literature on the South African context.

3.6 Ethical Considerations

Ethics was taken into consideration when conducting this research. The survey was completely anonymous and all respondents participated freely in the survey. The data obtained was kept online in a google account that requires a password to access. The introduction to the survey included a short description of the purposes of the study and informed participants of their anonymity thus encouraging them to respond freely and honestly to all questions. In addition, the participants were given an indication of the estimated time it would take to complete the survey also ensuring that each respondent is aware and participates freely.

CHAPTER 4: Results and Analysis

4.1 Introduction

In this chapter, the results collected through the survey are presented and an analysis is conducted to link the results to the research questions, as stated in chapter 1. The results have been presented in graphs and charts as they were collected; thereafter, descriptive analysis was conducted to draw in-depth meaning for the purposes of the study.

A total of 124 responses were collected through the online survey and a summary of the results for each question is shown below.

Figure 1: Summary of the age distribution of respondents

1. What is your age?

124 responses

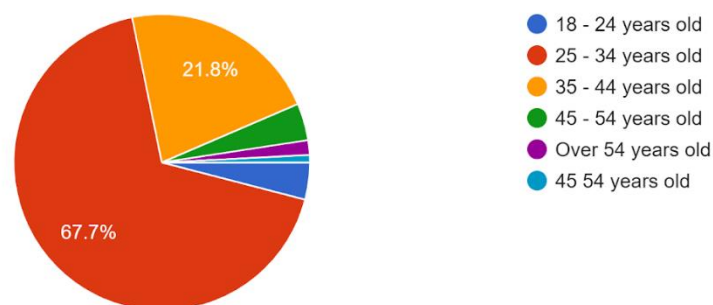


Figure 1 shows that majority of the respondents were between the ages of 25 and 34 followed by those in the age range of 35-44. 4% of the respondents are between the ages of 18 and 24. Those in the age range of 45-54 account for 4.8% of the respondents and the remaining 1.6% comprises of those above 54 years.

Figure 2: Summary of the employment status of respondents

2. What is your current employment status?
124 responses

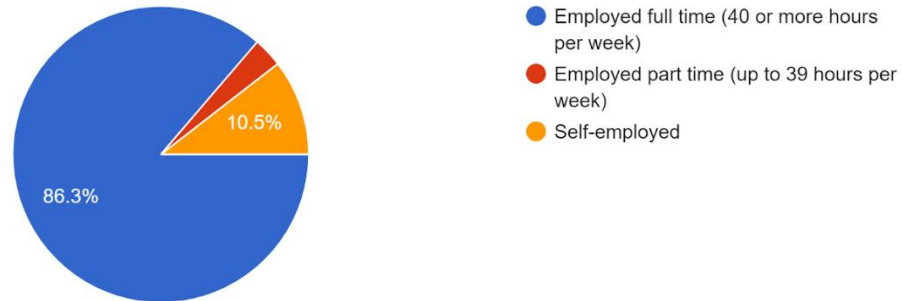
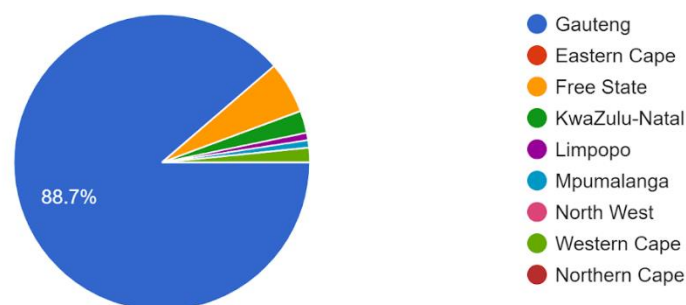


Figure 2 shows that 86.3% of the respondents are employed full-time. 10.5% of the respondents are self-employed and the remaining 3.2% are employed part-time.

Figure 3: Summary of the province in which respondents reside

3. In which province do you reside?
124 responses

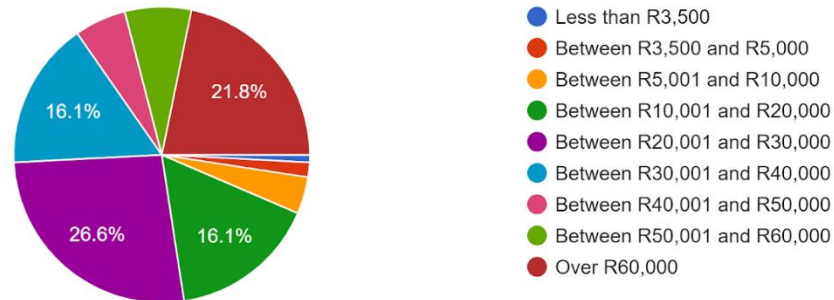


Over 80% of the respondents reside in Gauteng which was the initial geographical scope of the study however since the survey was online, it enabled accessibility to respondents from all the provinces. Free State made up 5.6% of the respondents. KZN accounted for 2.4% and the Western Cape accounted for 1.6%. Mpumalanga and Limpopo both accounted for 0.9% each. There were no respondents from the North West, Eastern Cape and the Northern Cape provinces.

Figure 4: Summary of respondents' household gross monthly

4. What is your household gross monthly income?

124 responses



From the 124 respondents, 33 of them earn a household gross monthly salary of between R20,001 and R30,000. 21.8% of the respondents earn a gross monthly income of over R60,000. 16.1% of the respondents earn a gross monthly income ranging between R30,001 and R40,000 with an additional 16,1% of the respondents earning between R10,001 and R20,000 monthly. 7.3% of the respondents earn a gross monthly salary of between R50,001 and R60,000. Those earning between R40,001 and R50,000 account for 5.6% of the respondents. 4% of the respondents earn between R5,001 and R10,000 gross monthly income. 1.6% earn between R3,500 and R5,000 and the remaining 1% accounts for those earning less than R3,500 gross monthly income.

Figure 5: Summary of respondents' indebtedness

5. What percentage of your monthly salary goes towards paying off debt?

124 responses

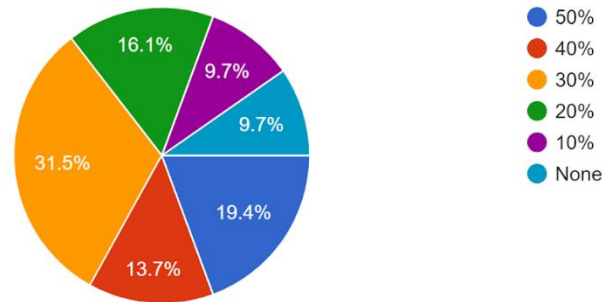


Figure 6: Summary of respondents' expenses

6. What percentage of your monthly salary goes towards general expenses (electricity, groceries, fuel etc.)?

124 responses

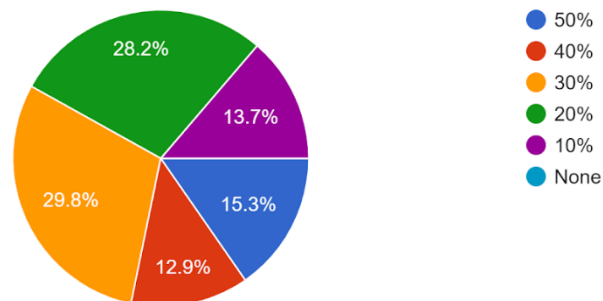


Figure 7: Summary of disposable income as a percentage of gross monthly income

7. What percentage of your monthly salary is disposable?

123 responses

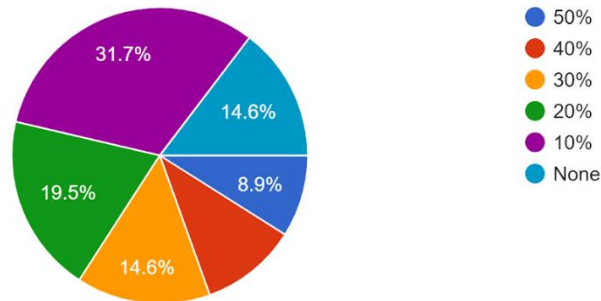
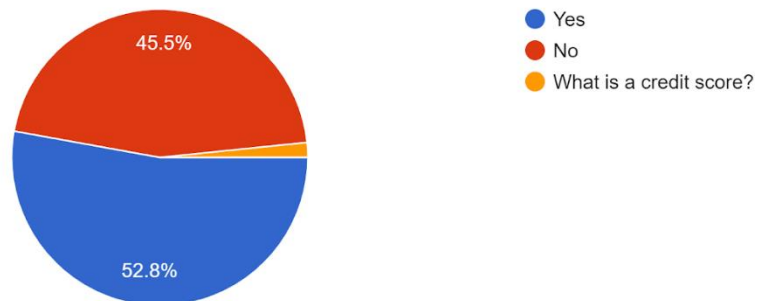


Figure 8: Summary of respondents' credit score awareness

8. Do you know your credit score?

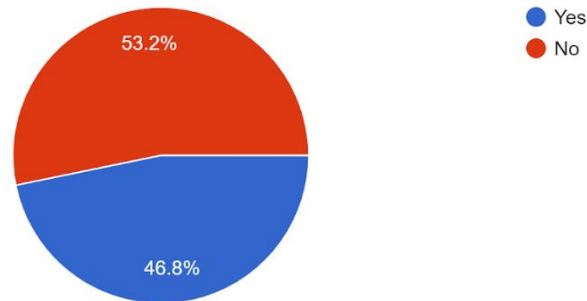
123 responses



Out of 124 responses, only 2 respondents are not aware of what a credit score is. And over half of the respondents know their credit score.

Figure 9: Proportion of respondents who have tried to ascertain their credit score

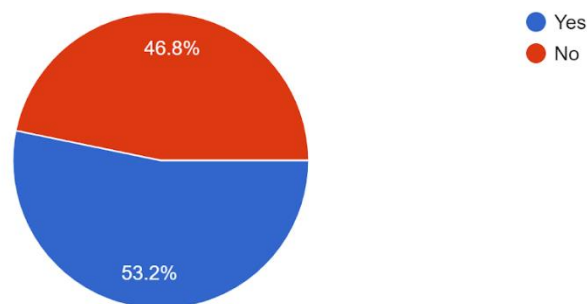
9. Have you ever tried to ascertain your credit score for the purposes of applying for a loan?
124 responses



Just over 50% of the respondents said they have not tried to ascertain their credit score to apply for a loan. The assumption can, therefore, be that of the 52.8% who said they are aware of their credit score, not all ascertained it to apply for a loan but for other reasons.

Figure 10: Percentage of respondents who have applied for a mortgage loan

10. Have you ever applied for a real-estate mortgage loan also known as a bond or home loan?
124 responses

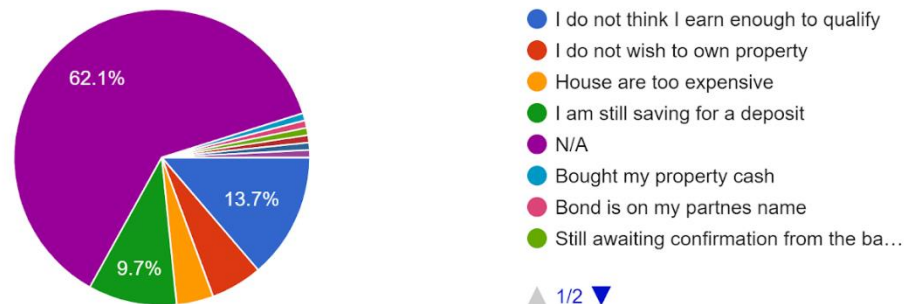


Just over half of the respondents have applied for a mortgage loan.

Figure 11: Graph showing respondents' reasons for not applying for a mortgage loan

12. If your response to question 10 is 'no', please specify why?

124 responses

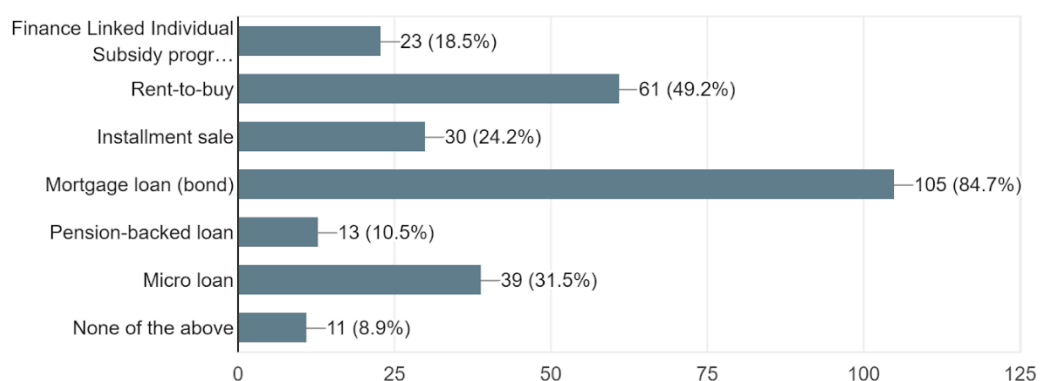


13.7% of the respondents believe they do not earn enough money to qualify for a mortgage loan whilst 9.7% of the respondents are still saving up for a deposit. 7 of the respondents do not wish to own property and 5 consider houses to be too expensive. Some of the respondents bought their property cash, some have applied for a loan and are awaiting a response from the bank whilst others have not yet decided whether or not they want to buy a property.

Figure 12: Respondents' awareness of real-estate financing methods

13. Which of these are you familiar with?

124 responses

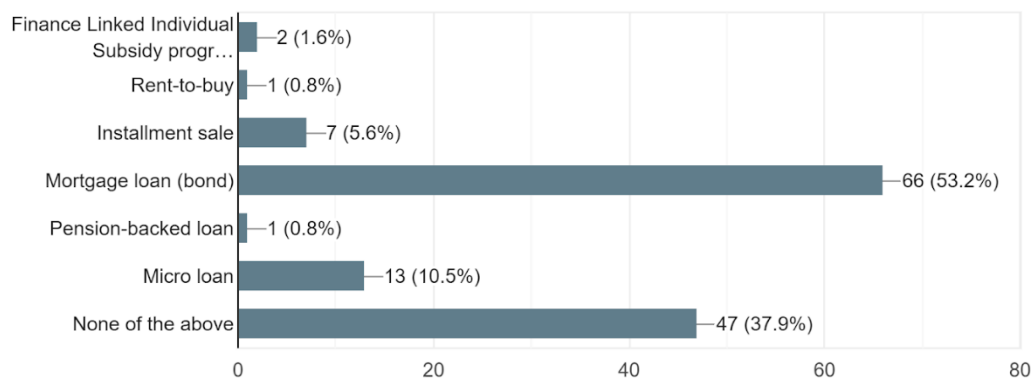


The above bar graph indicates that the most commonly known real estate financing vehicle is the traditional mortgage loan, followed by rent-to-buy and microloan. 11 of the 124 respondents indicated that they are not aware of any of the tools listed above.

Figure 13: Respondents' use of real-estate financing methods

14. Which of these have you applied for?

124 responses



In keeping with the number of mortgage loan recipients in graph 10, over 50% of the respondents have applied for a mortgage loan. 37.9% of the respondents have not applied for any of the financing products.

Table 4: Income Categories of Mortgage Loan Holders

| Income Category | Code | Frequency of mortgage loan holders | Percentage of mortgage loan holders |
|-----------------------------|------|------------------------------------|-------------------------------------|
| Less than R3500 | 1 | 0 | 0% |
| Between R3500 and R5000 | 2 | 0 | 0% |
| Between R5001 and R10 000 | 3 | 1 | 2% |
| Between R10 001 and R20 000 | 4 | 6 | 9% |
| Between R20 001 and R30 000 | 5 | 13 | 20% |
| Between R30 001 and R40 000 | 6 | 14 | 21% |
| Between R40 001 and R50 000 | 7 | 5 | 8% |
| Between R50 001 and R60 000 | 8 | 5 | 8% |
| Over R60 000 | 9 | 22 | 33% |
| Total | N/A | 66 | 100% |

The table above indicates that the majority of respondents that have applied for a mortgage loan have a monthly gross household income of over R60 000. Those who earn between R30 001 and R40 000 are the next highest percentage, closely followed by those earning between R20 001 and R30 000. None of the respondents that earn R5000 and less have mortgage loans.

Table 5: Income categories of respondents who believe they do not earn enough to qualify for a mortgage loan.

| Income Category | Code | Frequency of respondents | Percentage of respondents |
|-----------------------------|------------|--------------------------|---------------------------|
| Less than R3500 | 1 | 1 | 6% |
| Between R3500 and R5000 | 2 | 1 | 6% |
| Between R5001 and R10 000 | 3 | 4 | 24% |
| Between R10 001 and R20 000 | 4 | 4 | 24% |
| Between R20 001 and R30 000 | 5 | 6 | 35% |
| Between R30 001 and R40 000 | 6 | 1 | 6% |
| Between R40 001 and R50 000 | 7 | 0 | 0% |
| Between R50 001 and R60 000 | 8 | 0 | 0% |
| Over R60 000 | 9 | 0 | 0% |
| Total | N/A | 17 | 100% |

The table above indicates that amongst those who do not think they earn enough to qualify for a mortgage loan, 35% belong to the Between R20 001 and R30 000 income category. Table 4 indicates that 13 respondents in the same category have mortgage loans therefore there is a lack of awareness of what determines eligibility. 4 of these respondents also indicated that 50% of their monthly income goes towards paying off debt. 3 indicated that 40% of their income goes towards debt and 2 have said that 30% of their income goes towards paying a debt. None of these debts are related to homeownership.

CHAPTER 5: Discussion and Conclusion

The purpose of this study was to identify the determinants of real-estate mortgage loan accessibility in South Africa and, thus, gain a deeper understanding of individuals' levels of awareness of factors that determine the accessibility of real-estate mortgage in South Africa and their relative significance by reviewing relevant literature and obtaining primary data through an online survey.

As reported in the literature review, only a small percentage of the households that have mortgage loans belong to the low-income category (gross monthly income \geq R15 0000). Only 23% of the respondents to the survey fall under this category. Therefore, the data does not provide an accurate image of the demographics of South Africa. It does, however, enable us to gauge participants' awareness of real-estate financing tools and what determines accessibility to real-estate mortgage financing.

Household income plays a vital role in the accessibility of mortgage loan financing. Moreover, banks look at applicants' disposable income and overall credit risk to determine whether or not a mortgage loan should be granted. The results obtained from the survey indicate that the majority of the respondents have less than 10% of their gross monthly income left over after paying for monthly living expenses as well as debts. This may be a contributing factor to the low levels of mortgage loan financing, even amongst those households that fall into income categories that suggest they are eligible.

Furthermore, many of the respondents that have withheld from applying for mortgage loan financing do not think they earn enough income to qualify for a loan. However, upon looking at their gross monthly income category, it is clear that they are unaware of the requirements as they all belong to income categories that they may be eligible for mortgage loan financing.

Borrower education focuses on those who have already been granted mortgage loans; whereas, not much is done to educate potential borrowers about what commercial banks consider when assessing a mortgage loan application. The survey results indicated an overall limited awareness of other available housing financing tools. Increased awareness would

result in an increase in potential borrowers; and thus potentially aiding in housing more individuals. .

As previously stated, the purpose of this study was to establish a deeper understanding of individuals' levels of awareness of factors that determine the accessibility of real estate mortgage in South Africa and their relative significance by:

1. Examining the relationship between real-estate mortgage uptake and household income and,
2. Examining the relationship between real-estate mortgage uptake and individuals' level of awareness of available housing finance vehicles.

The research results suggest that there is a need for better education to help increase people's awareness. Policy-makers and commercial banks can be the key role-players in this regard. Furthermore, the results have shown that individuals are under the impression that they need to earn more than they currently do in order to qualify for a mortgage loan even though in some cases this is not so. This study did not focus solely on low-income earners even though these individuals make up majority of the country's population. A closer look at this category of the population would give significant information to policy-makers as well as commercial banks to enable the design and implementation of better financial instruments that are tailored to everybody.

Another useful study would be to investigate the implementation and promotion of the alternative available housing finance instruments as listed in this study i.e., FLISP, rent-to-own, instalment sales and so on. This would reveal the areas that can be improved regarding these instruments to increase accessibility.

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APPENDIX 1: Copy of Survey Instrument

MM Finance and Investment Survey: Real-estate Mortgage Loan Accessibility in South Africa

I am a student at Wits Business School, completing the Master of Management in Finance and Investment degree. As a requirement for the partial fulfillment of my degree, I need to complete a dissertation. I am therefore conducting a study on the determinants of real-estate mortgage loan accessibility in South Africa, focusing on the knowledge and awareness of the general public. Kindly please assist by completing the survey. It should not take more than 10 minutes and all responses are completely anonymous.

***Required**

1. 1. What is your age? *

Mark only one oval.

- 18 - 24 years old
- 25 - 34 years old
- 35 - 44 years old
- 45 - 54 years old
- Over 54 years old

2. 2. What is your current employment status? *

Mark only one oval.

- Employed full time (40 or more hours per week)
- Employed part time (up to 39 hours per week)
- Self-employed

3. 3. In which province do you reside? *

Mark only one oval.

- Gauteng
- Eastern Cape
- Free State
- KwaZulu-Natal
- Limpopo
- Mpumalanga
- North West
- Western Cape
- Northern Cape

4. 4. What is your household gross monthly income? **Mark only one oval.*

- Less than R3,500
- Between R3,500 and R5,000
- Between R5,001 and R10,000
- Between R10,001 and R20,000
- Between R20,001 and R30,000
- Between R30,001 and R40,000
- Between R40,001 and R50,000
- Between R50,001 and R60,000
- Over R60,000

5. 5. What percentage of your monthly salary goes towards paying off debt?*Mark only one oval.*

- 50%
- 40%
- 30%
- 20%
- 10%
- None

6. 6. What percentage of your monthly salary goes towards general expenses (electricity, groceries, fuel etc.)?*Mark only one oval.*

- 50%
- 40%
- 30%
- 20%
- 10%
- None

7. 7. What percentage of your monthly salary is disposable?*Mark only one oval.*

- 50%
- 40%
- 30%
- 20%
- 10%
- None

8. Do you know your credit score?

Mark only one oval.

- Yes
- No
- What is a credit score?

9. Have you ever tried to ascertain your credit score for the purposes of applying for a loan?

Mark only one oval.

- Yes
- No

10. Have you ever applied for a real-estate mortgage loan also known as a bond or home loan? *

Mark only one oval.

- Yes
- No

11. 11a. If your response to question 10 is 'yes' please state the amount**12. 11b. If your response to question 10 is 'yes', was the application approved? ***

Mark only one oval.

- Yes
- No
- N/A

13. 11c. If your response to question 10 is 'yes', what was your gross monthly income at the time of your application?**14. 12. If your response to question 10 is 'no', please specify why? ***

Mark only one oval.

- I do not think I earn enough to qualify
- I do not wish to own property
- House are too expensive
- I am still saving for a deposit
- N/A
- Other:

15. 13. Which of these are you familiar with? *

Tick all that apply.

- Finance Linked Individual Subsidy programme (FLISP)
- Rent-to-buy
- Installment sale
- Mortgage loan (bond)
- Pension-backed loan
- Micro loan
- None of the above

16. 14. Which of these have you applied for? *

Tick all that apply.

- Finance Linked Individual Subsidy programme (FLISP)
- Rent-to-buy
- Installment sale
- Mortgage loan (bond)
- Pension-backed loan
- Micro loan
- None of the above

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