

RHLF offers loans to South Africa's poor

By Kealeboga Mohajane



The house of Ms Sophie Nyalunga, a sales representative for Avroy Shlain and husband, Steven, who works as a data clerk. The couple stockpiled material and in total borrowed R22 000 to add six rooms to their small house

"Delivering small, unsecured housing loans to low-income households in a financially sustainable manner is a challenging task. Together with our retail partners, we are constantly striving to improve our marketing outreach and to hone our systems and processes, so that we can efficiently serve poor clients at terms they can afford," says Mr Willem van Emmenis, managing director of the Rural Housing Loan Fund (RHLF).

RHLF is a section 21 company, which was established in 1996 by the national Department of Housing in partnership with the German Development Bank, the Kreditanstalt für Wiederaufbau (KfW). KfW contributed R150 million to assist in addressing the housing needs and access to housing finance for low-income earners residing in rural or non-metropolitan areas. According to Mr Jabulani Fakazi, business relations manager for RHLF, the organisation was set up to enable low-income families access to loans on a sustainable basis to build or improve their homes in rural areas. The organisation serves as a fund provider to retail lenders and intermediaries who work with people in non-metropolitan and rural areas.



Johnny Joka is married with four children. Joka took a loan for R5 300 and has added three rooms which are almost complete. "Once I finish paying my current loan, I will take out another so I can add a ceiling to the rooms," said Joka

According to Mr Fakazi, RHLF non-bank lenders reach people who would otherwise not get loans from commercial banks because they are high-risk clients and often reside on communal land and cannot produce security.

"Our mandate is to facilitate access to finance for low-income people who want to improve their living or housing conditions. In terms of our business model, we were established as a wholesale finance institution meaning that we had to identify intermediaries who could retail housing finance. We do not lend to the end-users or the general public directly. We only facilitate loans for rural housing through approved housing lenders who are willing and able to on-lend to people who want to build and improve living conditions in rural areas," says Mr Fakazi.

RHLF works only with intermediaries who are registered with the Micro Finance Regulatory Council, who can observe basic standards, the "Statements of Sound Practice", which cover governance, conduct towards clients, credit risk management and sustainability. "The intermediaries must demonstrate that they have the ability and capacity to make loans into RHLF's target market," he explains.

Since its inception in 1996, RHLF has used 37 intermediaries. Many of these companies merged, bringing the number down to seven, namely:

- Blue Dot Housing with its head office in Gauteng
- Indlu which operates in Mpumalanga, Limpopo and Free State
- Lendcor which operates in KwaZulu-Natal, Eastern Cape and Mpumalanga

- Norufin Housing Finance Company, which operates in the North West, Free State, Limpopo and Northern Cape
- Protea Financial Services Group which operates in the Western Cape.

It has since 1996 disbursed loans to the value of R377 million and financed 22 452 households. It has also made equity investments of R10 million in intermediaries.

Intermediaries have to this point provided loans up to R10 000 per borrower, payable over a period of 36 months. The country is currently undergoing a process of changing all existing credit legislation. "We are expecting changes that will allow for an increase in the loan size and tenor reducing costs to borrowers. RHLF's benchmark for low-income earners will also change from people who earn less than R4 000 to R7 000," says Mr Fakazi.

Ten thousand rand goes a long way

In rural areas R10 000 goes a long way.



Sipho Mateyisi has built a house with three bedrooms, a lounge, a dining room, a bathroom and a kitchen for his wife and four children. The family is currently living in a shack behind the house

This is according to Mr Fakazi. He says people in these areas don't only rely on the loan funds, they save either financially or they engage in

stockpiling building materials over a period of time. "We are talking about people who are not going to hire contractors. They either do the building themselves or they use local builders."



Elaine Carolissen's husband works for the municipality and she's a seasonal worker at a wine farm. They live with their two adult children. "We borrowed R8 800 to extend the house so that it can be big enough for all of us," said Elaine.

In May 2005 RHLF produced a building plan book. The objective of the book is to build the capacity of borrowers so they understand the common problems they need to avoid when building. The book has graphic detail on the layout of a house, what direction it should face to accumulate sunlight and heat, and the various sand, stone and measurements. They have also included a model of a basic budgeting process so the borrowers can enjoy maximum benefits of their loans.

Although RHLF is currently not involved at local government level, there is great potential for a partnership in the provision of houses and loans for poor communities. ■