Foreword by Chairperson
Introduction

In presenting the Annual Report for 2014, I am pleased to report that RHLF has performed well in meeting the housing development challenges of rural people. Housing microfinance is a sector of unsecured credit and while the growth of unsecured lending in South Africa declined during the period, as evidenced in the National Credit Regulator’s Market Report, RHLF was able to exceed its annual target both in the value of disbursements and the number of loans granted.

High level overview of RHLF’s performance

The mandate of RHLF is to facilitate access to incremental housing loans for low income borrowers in order to enable them to improve their housing and living conditions in rural areas. In our mandate, rural areas include tribal land, farm areas and small towns. This is a huge market that RHLF is mandated to serve.

RHLF’s main strategic objective is to broaden and deepen its reach into the rural housing market. This year, the company delivered 44 610 loans (44 814: 2013) compared to the 34 231 loans that were budgeted. 94% of the loans were used for a housing related purpose, which is substantially better than the budgeted 80%.

The underlying reason for the improvement in performance was a direct outcome of the favourable negotiations on the DBSA/KFW loan which resulted in the release of additional funds to intermediaries. This enabled RHLF to increase loans advanced from a budgeted R104million to R146 million.

Since inception in 1996, RHLF has disbursed R1.2 billion resulting in 415 132 housing opportunities being delivered to rural South Africans. This has been accomplished with limited grant capital of R285.7 million provided by NDoHS and KFW and supplemented by the abovementioned loan of R133.2 million from DBSA/KFW. While there is a demand for incremental housing finance in rural areas and borrowers who have the ability to repay, RHLF will continue to deliver to the market it serves, albeit at a scale that at present reaches less than 1% of the possible market. Further inroads could be made into the market with further capital injection into RHLF.

Strategic Relationships

RHLF’s key strategic partner is its sole shareholder—the South African government represented by the NDoHS. While the NDoHS transferred an amount close to R32m in 2012/2013 financial year, no new capital was allocated to RHLF during the year under review. RHLF Board and management have made requests for additional funds from the NDoHS budget but unfortunately without success. It is our fervent hope and belief that the role that RHLF plays in meeting the housing development needs of the low income earners and the size of the largely underserved market will result in the company being adequately funded in future years. The relationship with the German Development Bank, KFW, has existed since...
the inception of RHLF, and still continues to be the most beneficial in terms of funding injected in the form of capital grants and the loan supported by DBSA. As this Report is being finalised, discussions are being held with KFW and DBSA on the possibility of obtaining further funding. RHLF has been unable to borrow from other agencies due to its modest balance sheet. The continuing support from KFW is really appreciated and has made a notable difference in the lives of many rural homeowners.

The importance of the network of intermediary partners operating in all Provinces, who access loan facilities from us and on-lend to individual borrowers who want to improve their housing conditions, cannot be underestimated as they form the interface between RHLF and its target market. Through them, we are able to efficiently and effectively deliver to the rural market. It is the individual borrowers who define the need for the existence of RHLF. The on-going demand for the housing finance provided through RHLF supports the continued existence of RHLF.

We consider the Parliamentary Housing Portfolio Committee as another important strategic partner as the oversight role that this Committee plays is critical in sharpening our focus on the mandate that defines RHLF’s existence.

Challenges faced by the Board

It is with regret that I have to emphasise the concerning issue of limited available funding sources as the major challenge we face. As a Board, we would prefer to focus on ensuring that RHLF delivers on its housing mandate rather than the continuing distraction of trying to obtain the capital necessary to support its given mandate. The Board is certain that once RHLF is successful in securing a significant and regular capital injection from government, it can in turn aggressively continue with its efforts to increase the number of housing loans, at competitive cost, to the rural homeowners and therefore meet the wishes of both the NDoHS and the Portfolio Committee on Human Settlements.
The year ahead

The 2014/15 financial year will be another tough year for RHLF and the industry in general given the economic headwinds. Inflation is expected to breach the upper limit of 6% and the concern is that this will further erode the quantum of disposable income of the people in our target market. Rising interest rates and the risk of unemployment are major concerns in the market in which RHLF operates and yet the demand for improved living conditions continues to grow. RHLF aims to be an important provider into a difficult market and will continue to look for innovations that will result in better accommodation of the housing needs of the widely dispersed rural market.

The company will continue to rely on the goodwill and support of all its strategic partners to ensure a better life for the people it is mandated to serve.

Appreciation

As RHLF, we are highly indebted to our intermediary partners who continue to enable RHLF to fulfil its mandate. They are a critical link between us and the people we serve. I am grateful that during borrower verification visits conducted by our staff throughout the year, we continue to receive positive feedback from the borrowers about the service they receive from our intermediaries.

We acknowledge the oversight and support role that the Department and the Ministry of Human Settlements play in the successes achieved by RHLF. On this note we recognise that when we present this Annual Report, the Portfolio Committee of the fourth democratic Parliament would have disbanded and new members appointed. We wish all members who are not returning to Parliament or to the Portfolio Committee all the best in their future endeavours. At the same time, we wish to convey our warm welcome to the Portfolio Committee of the fifth Parliament and look forward to the interactions that encourage and support the efforts of all at RHLF.

I also would like to thank our funding partners, DBSA and KFW for their continued support resulting in RHLF exceeding its budget for loans disbursed by 10 379 loans.

During the course of the year Ms Asmita Thakor, one of the Directors, resigned. Her contribution to both the Board and the Board Credit and Development Committee will be missed.

To the other members of the Board, my deep appreciation for your support and your dedication to achieving the targets set for the company.

Lastly, as the Board we are grateful to the whole RHLF team for its dedication and the role that each member of staff plays in ensuring that RHLF achieves its mandate.

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Ms Thembi Chiliza
Chairperson: RHLF Board