

RHLF MANDATE & DEVELOPMENT TARGETS

(2014/15-2017/18)

RHLF ANNUAL WORKSHOP

13-14 NOVEMBER 2014



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Outline

- **RHLF mandate**
- **Policy Context**
- **Service delivery model**
- **People who benefit**
- **2015/16 Annual Performance Plan**
 - **Strategic Oriented Outcomes**
 - **Statement of Financial Position**
 - **Statement of Financial Performance**
- **Concluding remarks**

RHLF MANDATE

To provide access to housing credit to low income rural households in order to enable them to improve their housing and living conditions:

- **Loan usage:** new house, extension, fixed improvement to a house, connecting to utilities ; water harvesting, fencing, productive housing; purchasing of land by individuals or groups for residential purposes.
- **Rural areas:** tribal/communal land, farm areas, small towns.
- **Low income** currently set at maximum of R15, 000 p.m. (60% of loans to those under R3, 500 pm)
- To support the implementation of the government's rural development programme—in addition to housing credit, the Voucher Programme will be a key instrument to support rural development

Policy Context

Human
Settlements

Sustainable

Rural

Human
Settlements

Comprehensive
Rural
Development
Programme

Ensuring
funding reach
priority rural
areas

Housing

SMME
development

Finance to on-
lend

Support
entrepreneurs
& job creation

National
Development
Plan

Inclusive rural
economy

Transforming
rural human
settlements

Infrastructure:

Increased utilities

Loans for connections

New construction work

Improved living standards in our impact area

Spatial restructuring:

People in new areas

New intermediary locations – new jobs

New low income home owners in new areas

New jobs for construction industry targeting our market

Job creation:

Increase in low income home owners

Increase in loan demand

Increased need for RHLF funding

Higher impact by RHLF and improved living standards in our market

SERVICE DELIVERY MODEL



RHLF is a Wholesale Development Finance institution

- Provides funds to commercial intermediary lenders:
 - Have branch network in targeted areas
 - Partner building merchants as loans distributing channels
 - Field agents operating in villages in rural areas
- Ring fenced facilities for community based organisations to on lend to members only—reach informally and self employed people
- Plans to target member based organisations such as unions to facilitate housing credit for members (Work with their Special Purpose Vehicles)

People who benefit from RHLF loans

Mrs Moreki lives in Mantsubise, Qwaqwa (Free State) where she works in the public sector. She took a loan to build the house while living in a shack.



**The borrower used the loan to buy bricks in preparation for building a house. She is employed in a private sector earns just below R2,500 per month. She has a family of 5.
The family in Makong, Qwa Qwa (Free State)**



Mrs Mtuyedwa lives in Bholokodlela (Cofimvaba) in the EC Province and the household has 6 members. She took a loan and added it to her own savings to build a new 6 room house.



STAKEHOLDER PERSPECTIVE

Strategic Outcome Orientated Goals



STATEHOLDER PERSPECTIVE:

- Achieve visibility for RHLF and enhance its ability to attract commercial lenders and developmental partners for rural housing delivery:**

	2014/15 Budget	2014/15		2014/15		Commentary	2014/15			Commentary	
		Quarter 1		Quarter 2			Year to date				
		Actual	Actual	Budget	Variance		Actual	Budget	Variance		
Achieve visibility for RHLF and enhance its ability to attract commercial lenders and developmental partners for rural housing delivery	Value of loans in place (R000)	427,568	404,342.9	400,323.1	406,861.2	(6,538.1)	Lower disbursements lead to this. Action being taken to resolve	400,323.1	406,861.2	(6,538.1)	Lower disbursements lead to this. Action being taken to resolve
	Impairment provision (%)	-15.1%	-8.8%	-8.9%	-15.5%	6.6%	Budget exceeded	-8.9%	-15.5%	6.6%	Budget exceeded
	Disbursements to retail intermediaries (R000)	198,000	8,562	17,712	49,500	(31,788)	Disbursements will improve as new applications are processed	26,274	99,000	(72,726)	Slow improvement in disbursements, but mainly mezzanine not cash
	Disbursements to retail intermediaries including mezzanine (R000)	298,000	8,562	91,986	74,500	17,486	Budget exceeded	100,548	149,000	(48,452)	Year to date number is improving

Strategic Outcome Orientated Goals



- **Broaden and deepen the reach of rural housing finance**

	2014/15	2014/15	2014/15			Commentary	2014/15			Commentary
	Budget	Quarter 1	Quarter 2		Year to date					
		Actual	Actual	Budget	Variance		Actual	Budget	Variance	
End user loans disbursed (Units)	49,667	10,210	10,832	12,417	(1,585)	RHLF anticipates improving here during the year	21,042	24,834	(3,792)	Q2 was an improvement on Q1 but more improvement is needed
Average end user loan size (R)	5,454	6,762	6,365	6,000	365	Target exceeded slightly but lower than Q1	6,557	6,000	557	Slowly declining from first quarter
Qualifying housing use target (% of loan instances)	80%	97%	97%	80%	16.9%	Budget exceeded	97%	80%	16.9%	Budget exceeded
Loans to households earning R15,000 or more (%)	13%	18%	2%	20%	18.3%	Budget exceeded	1%	20%	19.0%	Budget exceeded
Loans to households earning R3,500 or less (%)	66%	72%	78%	60%	17.8%	Budget exceeded	75%	60%	15.1%	Budget exceeded

Strategic Outcome Orientated Goals

- Building lending capacity and competitiveness of the retail intermediary network:

	2014/15	2014/15	2014/15			Commentary	2014/15			Commentary
	Budget	Quarter 1	Quarter 2		Year to date					
		Actual	Actual	Budget	Variance		Actual	Budget	Variance	
Number of retail intermediaries (units)	10	11	11	8	3	Budget exceeded	11	8	3	Budget exceeded
Number of community based intermediaries (units)	7	5	5	6	(1)	Community based organisations are difficult to source	5	6	(1)	Community based organisations are difficult to source

PLAN FOR THE 2015/16 YEAR (MTEF PERIOD)

Strategic Outcome Orientated Goals



- Stakeholder perspective

	2012/13	2013/14	2014/15	2014/15	2015/16	2016/17	2017/18
	Actual	Actual	Budget	Forecast	Budget	Budget	Budget
End user loans disbursed	44,812	44,610	49,667	49,667	46,712	48,164	48,307
Qualifying housing use target (% of loan instances)	91.6%	94.0%	80.0%	90.0%	88.0%	88.0%	88.0%
Percentage of loans to households earning R15,000 or more	11.8%	12.7%	20.0%	12.8%	20.0%	20%	20%
Percentage of loans to households earning R3,500 or less	65.8%	72.0%	60.0%	66.0%	60.0%	60.0%	60.0%

Strategic Outcome Orientated Goals



- Financial perspective

	2012/13	2013/14	2014/15	2014/15	2015/16	2016/17	2017/18
	Actual	Actual	Budget	Forecast	Budget	Budget	Budget
	R000	R000	R000	R000	R000	R000	R000
Operating expenditure before bad debts	(13,003)	(14,062)	(17,518)	(15,766)	(20,200)	(21,451)	(23,067)
Operating surplus	19,202	19,947	13,273	11,706	6,533	1,527	4,949

Concluding Remarks



RHLF has a track record of delivering on its mandate and accolades go to our partners



Target market is huge and more needs to be done to significantly increase market coverage—need to go deeper into rural areas



Tough market conditions and high level of indebtedness pose a challenging outlook—RHLF recognises need to grow quality book



RHLF business model resonates with active citizenry advocated in the NDP—people drive their building process and improvement of their living conditions