



## **KZN Housing**

**uMnyango:  
wezeZindlu  
ISIFUNDAZWE SAKWAZULU-NATAL**

# ***HOUSING POLICY COMMUNIQUÉ***

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***KZN Housing  
Private Bag X54367  
DURBAN  
4 000***

***Tel : (031) 336 5363/5366  
Fax : (031) 336 5358  
Website: [www.kznhousing.gov.za](http://www.kznhousing.gov.za)***

Department of Housing, uMnyango wezeZindlu, Departement van Behuising

***Umuntu ngumuntu ngekhaya – Houses, Security & Comfort***

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## **NEW DEVELOPMENTS**

The following new developments in terms of the qualifying age for beneficiaries and the issue of Military veterans needs to be noted:

### **Age**

The age in terms of the qualification criteria as contained in the code has been reduced from 21years to 18years. This came to effect with the Children's Act 38 of 2005 (Section 17) 2which was approved for implementation on 1 July 2007.

### **Military Veterans**

After conducting research the National Department of Housing has approved that military veterans qualify for housing assistance.

## **INTEGRATED RESIDENTIAL DEVELOPMENT PROGRAMME**

The integrated Residential Development Programme is not a subsidy instrument, but a programme. The difference being that the IRDP provides much scope for area wide settlement planning and the integration of a range of housing types and price categories whereas the subsidy instrument focuses primarily on the development of subsidized housing.

The Comprehensive Plan for the Development of Sustainable Human Settlements approved on 1 September 2004, represents a paradigm shift for the national housing programme. Having achieved the initial housing delivery targets, Government shifted its development focus towards addressing settlement inefficiencies through the development of integrated human settlements which will contribute towards more compact settlement form and provide a range of housing and social economic opportunities.

The existing housing policy programmes focus primarily on the development of subsidized housing and do not provide much scope for area wide settlement planning and the integration of a range of housing types and price categories, together with commercial and social amenities in a project. As the name suggests, this programme provides a tool to plan and develop integrated settlements that include all the necessary land uses and housing types and price categories to become a truly integrated community.

The Programme in particular provides for planning and developing an integrated project, providing for the housing, social and economic needs of different income categories. It does away with the requirement found in other policy programmes to identify subsidized housing recipients up front and provides for both subsidized, as well as finance linked housing, social and rental housing, commercial, institutional and other land uses to be developed.

Owing to the holistic planning and development approach, the instrument also provides for substantial economies of scale to be realized. Integration is achieved through the provision of both bonded and subsidized housing in a mix appropriate to the projects location, which in turn lends itself to facilitating inclusionary housing development (which requires a certain number of affordable housing units to be delivered in any residential development).

Projects can be planned and developed in two phases. The first phase encompassing planning, land acquisition, township establishment and providing serviced residential stands in a variety of price categories as well as stands for other land uses to ensure a holistic and sustainable community. In the second phase houses are constructed for qualifying housing beneficiaries and the sale of stands to non qualifying beneficiaries and to commercial interests etc. is undertaken. In summary, the Integrated Residential Development Programme (IRDP) provides for a phased approach to provide for:

- a)** Land acquisition where required;
- b)** Township planning and municipal engineering services design;
- c)** The provision of municipal engineering services to all the stands where no alternative funds are available;
- d)** Township establishment;
- e)** The sale of the stands not identified for subsidized housing created in the township; and
- f)** The construction of houses by registered contractors for housing subsidy beneficiaries who chose contractor built houses. This can be achieved through a variety of contracting options. Where the need has been identified for the construction of rental housing on the stands created through the IRDP and or where beneficiaries elect to construct their own houses through the People's Housing Process, the rules applicable to those specific programmes will apply to projects to be undertaken in the township.

The Policy Framework for the Integrated Residential Development Programme may be accessed on the Department's Provincial website at [www.kznhousing.gov.za](http://www.kznhousing.gov.za)

## QUALIFICATION CRITERIA FOR IRDP

The following general qualification criteria applies in terms of the Integrated Residential Development Programme.

- a) Resident:** he or she is lawfully resident in South Africa (i.e. citizen of the Republic of South Africa or in possession of a permanent residence permit). Certified copies of the relevant documents must be submitted with the application.
- b) Competent to contract:** he or she is legally competent to contract (i.e. over 18 years of age or legally married or legally divorced and of sound mind).
- c) Not yet benefited from government assistance:** neither that person nor his or her spouse has previously derived benefits from the housing subsidy scheme, or any other state funded or assisted housing subsidy scheme which conferred benefits of ownership, leasehold or deed of grant or the right to convert the title obtained to either ownership, leasehold or deed of grant. Such previous beneficiaries may, however, qualify for the purchase of a vacant serviced site.

In the event of a divorce involving a person who previously derived benefits, the terms of the divorce order will determine such a person's eligibility for benefits under this Programme.

- d) Not yet owned a fixed residential property:** such a person may qualify for the purchase of a vacant serviced site and/or a housing subsidy for the construction of a top structure.
- e) Previously owned a fixed residential property:** such a person may only qualify for the purchase of a vacant serviced site. The MEC will have discretionary authority to approve such applications on the merits of each case.

In addition to the above requirements, any applicant must also satisfy the following general criteria, as linked to the benefits of the Programme:

- f) Married or Co habiting:** he or she is married (in terms of the Civil Law or in terms of a Customary Marriage) or habitually cohabits with any other person. The word "spouse" includes any partner with whom a prospective beneficiary habitually cohabits.

Where an application is made for a subsidy on the basis of a legal marriage or cohabitation arrangement, it is required that the property must be registered in the names of both spouses in the Deeds Office. Documentary proof of the marriage and affidavits from both spouses in respect of cohabiting arrangements and customary marriages must be provided.

Applicants who satisfy the above criteria may qualify for the purchase of a serviced site and/or a housing subsidy for the construction of a top structure.

**g) Single with Financial Dependents:** he or she has proven financial dependents. A financial dependent refers to any person who is financially dependent on the subsidy applicant and who resides permanently with the housing subsidy applicant. Financial dependents include any or a combination of the following proven financially dependent persons of, and residing permanently with, the subsidy applicant:

- Biological parents or parents-in-law;
- Biological grandparents or grandparents-in-law;
- Brothers/sisters under the age of eighteen [18] years or, if older, who are proven financially dependent on the applicant;
- Children under the age of eighteen [18] years, i.e.
  - Grand children;
  - Adopted children;
  - Foster children;
  - Biological children;
  - Any of the above persons over the age of eighteen [18] years who are still studying and who are financially dependent on the applicant; and
- extended family members who are permanently residing with the applicant due, for example, to health problems and who are therefore proven financially dependent on the housing subsidy applicant;

**Special Provision:** it is a requirement that in cases where housing subsidy applications are submitted by single persons with financial dependents, that the particulars from the identification document of such dependents must be recorded on the application form and the information must be captured in the Housing Subsidy System. The following documents must accompany an application for a housing subsidy:

### **Certified copies of:**

- Birth certificates, bearing the thirteen digit identity number for children who do not have a bar coded identity document;
- Bar coded identity documents of all persons who are claimed as part of the household;
- Divorce settlement documentation (to prove custody of children) where relevant;
- Affidavits for unions solemnised in terms of SA Civil Law and accompanied by sworn statements to prove the authenticity of the relationship to the applicants, where applicable; and
- Court orders or, orders issued by the Commissioner of Child Welfare to prove guardianship for foster children, where relevant.

Applicants who satisfy the above criteria may qualify for the purchase of a serviced site and/or a housing subsidy for the construction of a top structure.

**h) Single persons without financial dependents:** Applicants falling within this category may apply for the purchase of a serviced site. Once this person satisfies the other qualification criteria of this Programme, he or she may apply for a housing subsidy for the construction of a top structure.

**i) Monthly household income:** in cases where the gross monthly household income of his or her household:

- Does not exceed the provisions of the programme funding schedule as annually approved by MINMEC, he or she may qualify for the purchase of a serviced site and/or a housing subsidy for the construction of a top structure;
- Exceeds the amount of the provisions of the programme funding schedule as annually approved by MINMEC but is less than the maximum amount determined by MINMEC, he or she may qualify for the purchase of a serviced site and/or apply for a Finance Linked Individual Subsidy for the construction of a house; and



- Exceeds the provisions of the programme funding schedule as annually approved by MINMEC, he or she may apply for the purchase of a serviced site. The purchase price of the stand must be equal to the fair market value, which may not be less than the per stand input cost.

A prospective beneficiary will be required to submit adequate proof of income, and, in the case of income received through self-employment, must sign an affidavit stating the amount earned.

For the purposes of assessing whether any particular person is entitled to receive a housing subsidy, the income of his or her spouse (if any) shall be added to that person's income, and "income" shall include:

- Basic salary and/or wages;
- Any allowances paid on a regular, monthly or seasonal basis as part of an employment contract;
- Any loan interest subsidy, or other remuneration payable regularly on a monthly basis to the individual (and/or to his or her spouse) by his or her employer;
- Any financial obligations met on behalf of the individual (or his or her spouse) by his or her employer on a regular monthly basis;
- Any commission payable to the individual (and/or to his or her spouse) on a monthly basis (an average of the most recent 12 (twelve) months will be determined for eligibility assessment purposes);
- Income received through self employment; and
- Any retirement or disability benefits received on a regular (monthly) basis.

**j) Persons who are beneficiaries of the Land Restitution Programme:** beneficiaries of the Land Restitution Programme (LRP) should they comply with other qualification criteria, may apply for housing subsidies in the following manner:

- In cases where a serviced site has been provided in terms of the LRP, such beneficiaries may qualify for a housing construction subsidy.

- In cases where an unserviced site has been provided in terms of the LRP, such beneficiaries may qualify for a housing subsidy to service the site and for the construction of a top structure.
- In cases where the beneficiary did not receive any residential property, such beneficiaries may qualify for a full housing subsidy.

**(k) Persons classified as military veterans:** South African Military Veterans who are single without financial dependants may also apply for subsidization. Military veterans can be classified as South Africans who served under any previous military dispensation including those persons involved in military operations during the liberation movement. Veterans must submit the following documents with their application:

- Proof of service; and
- Details of social services received.

**N.B.** The income criteria are applicable to Military Veterans who wish to apply for housing subsidies.

**l) Persons classified as aged:** Aged persons who are single without financial dependants may also apply for housing subsidies. Aged persons are classified as male and female persons who have attained the minimum age set to qualify for Government's old age social grant.

## **DIFFERENCES AND SIMILARITIES BETWEEN IRDP AND PLS**

The PLS and the IRDP differ in the following manner:

- The PLS required beneficiaries to be identified before commencement of the project whereas the IRDP does not require beneficiaries to be identified before commencement of the project.
- The PLS only catered for qualifying beneficiaries whereas the IRDP caters for both qualifying and non-qualifying beneficiaries.
- The PLS did not provide for a mix of both bonded and subsidised housing whereas the IRDP provides for a range of house opportunities including a mix of bonded and subsidised housing units.
- The PLS provided for the use of only one subsidy instrument per project whereas the IRDP provides for a range of housing types and price categories, commercial sites and social amenities sites.

## **SIMILARITIES BETWEEN IRDP AND PLS QUALIFICATION CRITERIA**

The following similarities exist between the IRDP qualification criteria and the General Qualification Criteria as contained in the National Housing Code:

- **South African Resident**
- **Competent to Contract**
- **Married or Cohabit**
- **Monthly household income could not exceed R3500**
- **Not yet benefited from Government Assistance**
- **First time Property owner**

## **DIFFERENCES BETWEEN THE IRDP AND THE PLS QUALIFICATION CRITERIA**

The following differences exist between the IRDP qualification criteria and the General Qualification Criteria as contained in the National Housing Code:

- **Previously owned a fixed Residential Property**
- **Single Persons without financial Dependents**
- **Persons who are beneficiaries of Land Restitution Programme**
- **Persons classified as military Veterans**
- **Persons classified as Aged**
- **A persons income can exceed R3500**

## **NON-RESIDENTIAL SITES**

When packaging projects non-residential sites should be identified, these include sites for commercial use and social amenity sites.

## **FINANCE LINKED INDIVIDUAL SUBSIDY PROGRAMME**

The Finance Linked Individual Subsidy Programme (FLISP) was approved by Housing: MINMEC for implementation with effect from 1 October 2005. The broad implementation of FLISP was subject to further development of the implementation details and guidelines. The implementation details were developed in collaboration with the Banking Association of South Africa (BASA).

The policy provisions and guidelines have recently been agreed upon by Technical Housing: MINMEC. It was furthermore agreed with BASA to proceed with the implementation of the Programme and to inform the relevant parties accordingly. It was also agreed that further development work will be undertaken during the remainder of 2008 which may result in further adjustments that may take effect on 1 April 2009. This will in no way affect the immediate implementation of the Programme.

The salient features of the Programme are as follows:

- The Programme is based on mortgage finance for the acquisition of a residential property and/or a serviced stand linked to a house building contract;
- Only accredited financial institutions participate in the Programme;
- The Programme targets qualifying beneficiaries earning R3 501 to R7 000 per month;
- Subsidy beneficiaries must contribute either 10% of the prevailing maximum subsidy amount of the Housing Subsidy Scheme or 5% of the purchase price, whichever is the higher.
- The Government housing subsidy represents a down payment assistance scheme to realise an affordable loan balance to be repaid over the agreed redemption term;
- Subsidy payments will be deposited into an operating account upon lodgement of transfer. All payments will be subject to legal and financial prescripts;

- A pre-emptive right to the benefit of Government must be registered in terms of the Housing Act, 1997;(as amended)
- Should a subsidised property being sold within the first three years following the allocation of the subsidy, the lender must repay the pro-rated amount of the subsidy amount to the provincial housing department.
- To facilitate implementation, the programme funding limits will be announced annually by the MEC for Housing in his/her budget speech.

The Policy Framework for the Financed Linked Individual Subsidy Programme and Implementation Guidelines may be accessed on the Department's Provincial website at [www.kznhousing.gov.za](http://www.kznhousing.gov.za)

***The subsidy quantum applicable to the Financed Linked Individual Subsidy Programme (FLISP) is attached as Annexure A and the Policy Framework is attached as Annexure B***

## **QUALIFICATION CRITERIA FOR FLISP**

The following criteria in terms of Financed Linked Individual Subsidy Programme will apply:

- a)** The gross household income of the household must be between R3 501 and R7 000
- b)** Applicant must either be married or, living with a long-term partner in a customary union or, co-habiting with a long term partner or, if he/she is single, have a proven financial dependant or dependants
- c)** Applicant and his or her wife/husband/partner must never have owned any improved fixed residential property, other than the property for which the subsidy is being applied for
- d)** Applicant must be a South African citizen with a bar-coded identity document or, the holder of a permanent bar-coded residence permit
- e)** Applicant must have the competency to contract and;
- f)** Applicant must make the prescribed financial contribution towards the deposit for the mortgage bond. The contribution will either be a minimum of 10% (ten) of the prevailing maximum subsidy amount of the Housing Subsidy Scheme or, 5% (five) of the purchase price of the residential dwelling, whichever is the higher. The required contribution could take the form of a third party guarantee approved by the accredited lender which must exclude any guarantees that are supported by the applicants' pension funds.

# ANNEXURE A

## Finance-linked Individual Subsidy Programme:

### 2008/2009 subsidy amounts

#### Subsidy parameters

Full Subsidy Amount	R	43,506.00
Upper limit	R	28,090
Lower Limit	R	4,013
Increment	R	708.18

Step	Increment Band		Subsidy	
Number	Lower	Higher	Amount	
1	R 3,501	R 3,600	R 28,090.00	
2	R 3,601	R 3,700	R 27,381.82	
3	R 3,701	R 3,800	R 26,673.65	
4	R 3,801	R 3,900	R 25,965.47	
5	R 3,901	R 4,000	R 25,257.29	
6	R 4,001	R 4,100	R 24,549.12	
7	R 4,101	R 4,200	R 23,840.94	
8	R 4,201	R 4,300	R 23,132.76	
9	R 4,301	R 4,400	R 22,424.59	
10	R 4,401	R 4,500	R 21,716.41	
11	R 4,501	R 4,600	R 21,008.24	
12	R 4,601	R 4,700	R 20,300.06	
13	R 4,701	R 4,800	R 19,591.88	
14	R 4,801	R 4,900	R 18,883.71	
15	R 4,901	R 5,000	R 18,175.53	
16	R 5,001	R 5,100	R 17,467.35	
17	R 5,101	R 5,200	R 16,759.18	
18	R 5,201	R 5,300	R 16,051.00	
19	R 5,301	R 5,400	R 15,342.82	
20	R 5,401	R 5,500	R 14,634.65	
21	R 5,501	R 5,600	R 13,926.47	
22	R 5,601	R 5,700	R 13,218.29	
23	R 5,701	R 5,800	R 12,510.12	
24	R 5,801	R 5,900	R 11,801.94	
25	R 5,901	R 6,000	R 11,093.76	
26	R 6,001	R 6,100	R 10,385.59	
27	R 6,101	R 6,200	R 9,677.41	
28	R 6,201	R 6,300	R 8,969.24	
29	R 6,301	R 6,400	R 8,261.06	
30	R 6,401	R 6,500	R 7,552.88	
31	R 6,501	R 6,600	R 6,844.71	
32	R 6,601	R 6,700	R 6,136.53	
33	R 6,701	R 6,800	R 5,428.35	
34	R 6,801	R 6,900	R 4,720.18	
35	R 6,901	R 7,000	R 4,013.00	



**ANNEXURE B**

**POLICY FRAMEWORK**

**AND**

**IMPLEMENTATION GUIDELINES**

**FOR THE HOUSING FINANCE-LINKED  
INDIVIDUAL SUBSIDY PROGRAMME  
(FLISP)**

**National Department of Housing**

**January 2008**

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# **POLICY FRAMEWORK AND IMPLEMENTATION GUIDELINES FOR THE HOUSING FINANCE-LINKED INDIVIDUAL SUBSIDY PROGRAMME (FLISP)**

## **1. INTRODUCTION**

1.1 Following Cabinet's approval of the *Comprehensive Plan for the Development of Sustainable Human Settlements*, the Minister of Housing and the Banking Association of South Africa (BASA), signed a Memorandum of Understanding (MOU), which detailed the alignment of the Comprehensive Plan and the Financial Services Charter, on 31 March 2005.

1.2 The rolling out of the MOU required the establishment of five working teams, consisting of representatives from Government and the financial sector and reporting to the Joint Negotiating Team, who were tasked with investigating how to achieve and implement the objectives of the MOU. The Housing Finance-Linked Individual Subsidy Programme (FLISP) was one of the issues identified for investigation.

1.3 It is anticipated that the introduction of FLISP into the target market will contribute to the development of a vibrant residential property market and enhance the linkages between the primary and secondary (resale) residential property markets.

## **2. THE HOUSING FINANCE LINKED INDIVIDUAL SUBSIDY POLICY**

### **2.1 POLICY INTENT**

2.1.1 The FLISP is intended to assist qualifying beneficiaries who wish to obtain mortgage finance from a lender to:

- a) acquire ownership of existing improved residential property;
- b) obtain vacant serviced residential stands which are linked to house-building contracts with home builders registered with the National Home Builders Registration Council (NHBRC); or
- c) construct a new residential dwelling assisted by a homebuilder registered with the NHBRC, on a serviced residential stand, that is already owned by the beneficiary.

## **3. POLICY PRESCRIPTS**

The FLISP is underpinned by the following policy prescripts:

3.1 Only applicants who can afford mortgage finance, linked to a subsidy can benefit from FLISP. Households falling within the R3 501 to R7 000 gross monthly household income category may qualify for subsidisation, as set out in the Table setting out the **Breakdown of the**

**Quantum of the Subsidy applicable to FLISP Beneficiaries** and attached hereto as **Annexure A.**

- 3.2 Persons who benefited from Government's housing assistance programmes previously do not qualify for any further assistance in terms of FLISP.
- 3.3 The subsidy for FLISP will be disbursed as a once-off subsidy, subject to the availability of funds from the respective Provincial Allocations, to qualifying beneficiaries who will not qualify again for another state-assisted housing subsidy as subsidy beneficiaries may benefit only once in his/her lifetime from Government's assistance to access housing.
- 3.4 Qualifying beneficiaries of FLISP will always be first time home owners.
- 3.5 Beneficiaries who previously accessed a housing subsidy that did not result in ownership may qualify for subsidisation in terms of FLISP (this exception relates to the Institutional Subsidy where beneficiaries did not exercise their option to purchase the Institutional Unit).
- 3.6 Beneficiaries who received state assistance that resulted in land ownership, for example from the IDT Subsidy, may also qualify for FLISP, in respect of the same site.
- 3.7 The subsidy available in terms of FLISP will not be utilized to make payments towards any transfer costs, legal fees, bond registration fees, etc. and is only applicable for the purpose of decreasing the principle mortgage bond amount payable by the approved borrower. Installments payable by the applicant must be calculated on the total bond amount less the subsidisation received and the cash contribution paid.
- 3.8 Subsidisation for FLISP will attach to the beneficiary and not to the property.
- 3.9 To ensure efficient and effective administration for the implementation of FLISP, a Memorandum of Agreement between the Provincial Housing Departments (PHDs) and the lenders must be entered into. (Please see **Annexure B** for a **Pro Forma Memorandum of Agreement for the implementation of the Housing Finance Linked Individual Subsidy Programme**)
- 3.10 Based on the performance of the previous financial year, financial institutions must provide the Member of Executive Council (MEC) for Housing of the relevant Province, with a Business Plan to cover the current Medium Term Expenditure Framework (MTEF) period and be supported by an Operational Plan. The preliminary estimates must be made available by not

later than the end of August of each year. The final figures must be submitted on or before the end of January each year.

3.11 Financial commitments for this Programme will be determined and announced annually, by the MEC for Housing of the relevant Province in his/her budget speech to avoid stop/start lending;

3.12 Financial institutions must report, at intervals, as agreed with the relevant PHDs on:

- i. the financial aspects linked to the subsidy payment;
- ii. the status of the loans and the constancy of repayments;
- iii. various other issues detailed in paragraph 11 of the attached Memorandum of Agreement between the financial institutions and the relevant PHD's; and
- iv. to submit reconciled consolidation statements to the relevant PHDs, in terms of the Operating Account, as agreed.

#### **4. QUALIFICATION CRITERIA**

4.1 The following criteria, to determine whether an applicant qualifies for subsidisation in terms of FLISP, will apply:

- a) the gross household income of the household must be between R3 501 and R7 000;
- b) the applicant must either be married or, living with a long-term partner in a customary union or, co-habiting with a long term partner or, if he/she is single, have a proven financial dependant or dependants;
- c) the applicant and his or her wife/husband/partner must never have owned any improved fixed residential property, other than the property for which the subsidy is being applied for, save for the provision made in par 3.6 above;
- d) the applicant must be a South African citizen with a bar-coded identity document or, the holder of a permanent bar-coded residence permit;
- e) the applicant must have the competency to contract and;
- f) the applicant must make the prescribed financial contribution towards the deposit for the mortgage bond. The contribution will either be a minimum of 10% (ten) of the prevailing maximum subsidy amount of the Housing Subsidy Scheme or, 5% (five) of the purchase price of the residential dwelling, whichever is the higher. The required contribution could take the form of a third party guarantee approved by the accredited lender which must exclude any guarantees that are supported by the applicants' pension funds. Please see **Annexure C for a Pro Forma of the Guarantee / Irrevocable Undertaking issued by a PHD.**

## 5. QUANTUM OF THE SUBSIDY

5.1 The quantum of the subsidy for the FLISP will be based on the annually reviewed Table which outlines the **Breakdown of the Quantum of the Subsidy applicable to FLISP Beneficiaries** and is directly linked to the gross household income category of the applicant.

## 6. LENDERS

6.1 Lenders are defined as financial institutions, as provided for in terms of the Banks Act, 1990 (Act No 94 of 1990) or other financial institutions accredited by the relevant PHDs.

6.2 In order to become accredited, a lender must enter into a Memorandum of Agreement with the relevant PHD, as referred to in paragraph 3.8 above.

## 7. AFFORDABILITY ISSUES

Lenders must:

7.1 Determine the applicant's ability to afford the mortgage bond and, in so doing, avoid reckless lending which implies the failure of the lender to take reasonable steps to assess the applicant's repayment history and existing financial means, prospects and obligations; and extending mortgage finance to the applicant where the applicant will be unable to satisfy, in a timely manner all the financial commitments to which the applicant is already a party;

7.2 Inform qualifying beneficiaries of possible fluctuations in the interest rate and the effect that an increase in the interest rate will have on the amount of the mortgage bond installments. Only once borrowers understand and accept the impact of these fluctuations on their financial responsibilities, should mortgage finance be granted; and

7.3 comply with the prescripts of the National Credit Act, Act No 34 of 2005. ([http://www.ncr.org.za/pdfs/NATIONAL\\_CREDIT\\_ACT.pdf](http://www.ncr.org.za/pdfs/NATIONAL_CREDIT_ACT.pdf))

## 8. APPLICATION PROCEDURES

8.1 The application for a subsidy in respect of FLISP must be made with the accredited financial institution. The lender must also obtain, from the applicant, all the supporting documentation required in the **Application Form**. Please see **Annexure D** for the Application Form

8.2 The lender or its intermediaries must conduct the initial interview, where the lender will advise the applicant whether he/she potentially qualifies for a subsidy and the mortgage finance.

Should the lender be prepared to grant mortgage finance, it must approve the applicant's application for mortgage finance, in principle, subject to the approval of a subsidy for the applicant. The lender must inform the applicant of the subsidy amount that he or she may qualify for including the financial contribution to be made by the applicant, the total mortgage finance amount, plus all fees payable, such as transfer and bond registration fees, which are payable over and above the mortgage and contribution amount.

8.3 The lender must inform the applicant that approval for mortgage finance is subject to an assessment of the value of the property by the lender and the applicant's attendance of a homeownership course/consumer education programme, that will detail the rights and obligations of the homeowner and borrower in compliance with the National Credit Act together with various insurance options available as it relates to the mortgage loan and the property.

8.4 After in-principle approval by the lender for mortgage finance, the lender must, as soon as possible, submit the original application form and relevant supporting documentation to the relevant PHD where it will be captured directly on the Housing Subsidy System. The lender may also submit electronically captured application forms and supporting documents to the relevant PHD to facilitate the effective and efficient flow of information, if desired, but the original documentation must be submitted to the relevant PHD before payment of the subsidy can be made.

## **9. CALCULATION OF INSTALLMENTS PAYABLE**

9.1 Both the subsidy, in respect of this Programme, and the beneficiary's cash contribution will be deducted from the total loan amount, where after the installments payable by the applicant will be calculated.

9.2 Applicants should be informed about the duration of the repayment period as some applicants may prefer to repay the mortgage loan over a shorter period of time.

## **10. EVALUATION OF THE APPLICATIONS**

10.1 As indicated in 8.2, 8.3, and 8.4 above, lenders must, inter alia, undertake a pre-screening of the applications received, complete the application form, capture the information and export the required scanned information for in-principle approval by the relevant PHD. The duly completed hard copy of the application form including all supporting documentation must then be forwarded to the relevant PHD for approval of the payout of the subsidisation.

10.2 Upon receipt of the scanned application form from the lender, the relevant PHD must ascertain whether:

- a) The application is procedurally correct and also whether the applicant has met all the qualification criteria. If not, the PHD must inform the lender that the application is rejected and provide the reasons for such rejection; and
- b) sufficient funds are available from the budget allocation for the specific budget period, if not, the relevant PHD must advise the lender accordingly, in which case the application will be declined pending the availability of funds.

10.3 Once it has been determined, that the applicant has satisfied all qualification criteria and that adequate funds are available, the relevant PHD must inform the lender that the applicant qualifies for subsidisation.

10.4 A PHD must ensure that the evaluation of the application and submission to the MEC or, his/her delegated officer is undertaken within a period, not exceeding 15 (fifteen) working days, as from the date of submission of the application form by the lender. If a PHD fails to conform with the allocated time frame of 15 (fifteen) working days, the PHD is obliged to give the MEC and the lender full details regarding its inability to perform within the allocated time frame. It is important that all administrative delays be eliminated.

10.5 No administration fee will be charged by the accredited financial institutions for processing beneficiary applications.

## **11. OPERATING ACCOUNT**

11.1 Payments must be made into a bank account hereinafter referred to as an **Operating Account** upon lodgment of a request for transfer in accordance with the Memorandum of Agreement between the respective lenders and the PHDs and the conditions of the confirmation. Upon registration of transfer, the lender will transfer these funds to the sellers nominated account.

11.2 All funds standing to the credit of that account shall not accrue interest.

11.3 Processes must be developed and implemented by all parties to ensure better cash flow management of subsidy funds and the minimizing of the risk of fraud and mal-administration of subsidy funds

## **12. PAYMENT OF THE SUBSIDY**

12.1 Once a PHD has informed the lender that the applicant qualifies for subsidisation, and having received the relevant original documentation, the PHD must:



- a) Ensure the reservation of the funds by the MEC is initiated; and
- b) Issue the formal guarantee per approved beneficiary (as per Annexure C).

12.2 Payments must be made into an operating account upon receipt of proof of lodgment from the lender of a request for transfer in accordance with the Memorandum of Agreement between the respective lenders and the PHDs and the conditions of the confirmation. Upon registration of transfer the lender will transfer these funds to the sellers nominated account.

12.3 The PHD must cancel this guarantee should any of the terms and conditions, as stipulated in the conditions of the confirmation in Annexure C, have not been complied with.

12.4 All payments must be made in line with the prescripts contained in the Public Finance Management Act, 1999 (Act No. 1 of 1999).

12.5 In the case of a new housing unit, a certified copy of the original certificate issued by the NHBRC to confirm that the housing product of the beneficiary mentioned in the confirmatory letter, has been successfully enrolled with the NHBRC, must be submitted to the PHD before payment is effected.

12.6 Subsidy funds will only be paid over to the lender, if the subsidy was approved by the MEC or his /her delegated officer and upon receipt of proof that the:

- a) balance of the deposit and all costs has been paid by the borrower;
- b) borrower has made the financial contribution or submitted the third party guarantee as approved by the lender; and
- c) application for registration of transfer has been lodged in the name of the individual at the Deeds Office.

### **13. RESERVATION OF FUNDS**

13.1 The MEC must, based on the annual housing allocation, earmark a portion of the PHD's budget for the implementation of this Programme.

13.2 By no earlier than 3 months before the end of a financial year, the MEC may decide to reprioritise a portion of the ring-fenced amount to be allocated to other Housing Subsidy Scheme programmes, if he/she so desires.

13.3 The funding for this Programme will be made available to financial institutions on a first come, first served basis.

#### **14. REGISTRATION AND TRANSFER**

- 14.1 The property must be registered in the name of both the applicant and his/her spouse/partner.
- 14.2 Should, for any reason, the property not be registered in the name of the applicant within a period of 6 (six) months from the date on which the application has been approved, an application for extension must be submitted. Should it become evident that transfer will not occur; the approval will be withdrawn by the PHD.
- 14.3 In the event of the death of the borrower, prior to transfer, the confirmation of subsidy must be returned to a PHD.
- 14.4 The restraint of sale clause, relating to the restriction of 36 months, must be included in the Conveyancers Power of Attorney to transfer.

#### **15. SALE OF PROPERTY**

- 15.1 The sale of the subsidised property is prohibited within a three (3) years (36 months) period commencing on the date of transfer, subject to the provisions of par 15.2.
- 15.2 In the event of the property being sold subsequent to the allocation of the subsidy, for whatsoever reason, within the first three (3) years (36 months) period, the lender must repay the pro-rated amount of the subsidy amount to the PHD.

#### **16. CAPACITY BUILDING PROGRAMMES**

- 16.1 The National Department of Housing and Provincial Housing Departments must undertake capacity building workshops to inform provincial and municipal officials in respect of FLISP.

#### **17. COMMUNICATION CAMPAIGN**

- 17.1 The National Department of Housing, Provincial Housing Departments and lenders must undertake consumer education, borrower education and communication campaigns, to make the public aware of, *inter alia*, issues such as the cash contribution, the need to save by qualifying income groups, how this subsidy will apply, the application procedures, the roles and responsibilities of borrowers, together with various insurance options available as it relates to the mortgage loan and the property.

**18 IMPLEMENTATION DATE**

18.1 The implementation date for the programme is 1 October 2005.

**NATIONAL DEPARTMENT OF HOUSING**





