

SUBMISSION

TO: MR. D. H. MAKHAYE MINISTER OF
HOUSING KWAZULU-NATAL

SUBJECT: POLICY DIRECTIVE ON INDIVIDUAL SUBSIDIES

1. PURPOSE

The purpose of this submission is to obtain a directive and approval of a policy on granting of individual subsidies.

2. BACKGROUND

- 1) The MEC for Housing, Mr. D. H. Makhaye in his 2000/2001 budget speech to parliament stated "I have instructed that no new individual subsidy must be approved and no further funds be paid to conveyancers until I am convinced that all loopholes in the system have been plugged". This in essence means that all processing and payments of individual subsidies be immediately stopped.
- 2) The department presently has a number of individual subsidy applications which could have legal implications should they not be processed.

These applications are categorised as follows:

-Applications for individual subsidies are already approved but the payment has not been processed or paid as yet. In many of these instances the applicant is aware that the application is approved and payment is awaited.

-In May 1998 a moratorium was placed on individual subsidies. In October 1999 a directive was issued to lift the moratorium and process all individual subsidy applications. This prompted an influx of applications and allowed the department to process applications already in receipt which were lodged by financial institutions. The subsidy section is now being inundated with requests from irate applicants, organisations and estate agents representing applicants after having being informed of the status quo namely that no individual subsidies will be processed. An obligation is felt since a legitimate expectation was created. These applications total to +/- 500.

- 3) The occurrence of fraud with individual subsidies was mainly prevalent in instances where individual applicants fictitiously created properties which they claim to be purchasing, which is more common in the non-credit linked market, where no other organisations or institutions are part of the transaction.
- 4) Applications channelled through financial institutions or employee groups are less likely to be fraudulent since there is a bond or employee loan registered over the property. The property and beneficiary details must be verified by such institution before the transaction occurs. Individual subsidies under such circumstances after a thorough internal check, can be granted without risk.

3. RECOMMENDATION: THAT

- (1) Individual subsidies submitted by financial institutions and employer organisations, already approved but not paid as yet, be processed (+/- 500).
- (2) Individual subsidies be granted in circumstances where the application is channelled through a financial institution or organised employee provided such applications are thoroughly checked and verified.