



ANNEXURE A

Programmes and Subsidies

HOUSING PROGRAMMES & SUBSIDIES

1. Legislative Context

To enhance the delivery of housing, the National Department of Housing has enacted the following pieces of legislation:

HOUSING CONSUMER PROTECTION MEASURES ACT, 1998 (Act Number 95 of 1998)

The Act has become operational in phases. It provides for the protection of housing consumers by providing warranty protection against defects in new homes. Importantly, the Act establishes the National Home Builders Registration Council (NHBRC), which regulates the home building industry.

HOME LOAN AND MORTGAGE DISCLOSURE ACT, 2000 (Act Number 63 of 2000)

The Home Loan and Mortgage Disclosure Act, 2000 was promulgated in December 2000 and will come into operation when the regulations have been published. The Act promotes fair lending practices in respect of provision of home loans and requires disclosure of certain information by all financial institutions that are in business of providing home loans. To oversee the disclosure by financial institutions, the Act established the Office of Disclosure, which receives the required information, analyses and interprets such information, and rates financial institutions in accordance with their compliance with the disclosure of information. The office also assists in identifying possible discriminatory lending practices.

RENTAL HOUSING ACT, 1999 (Act Number 50 of 1999)

The Act came into operation on 1 August 2000. It defines the responsibility of Government in respect of the rental housing market. It sets out duties and responsibilities of both landlords and tenants for the establishment of Rental Housing Tribunals in all the Provinces, providing for a speedy and cost effective resolution of disputes between landlords and tenants.

PREVENTION OF ILLEGAL EVICTION FROM AND UNLAWFUL OCCUPATION OF LAND ACT, 1998 (Act Number 19 of 1998)

The Act came into operation on 5 June 1998. It provides for the prohibition of unlawful eviction and sets out in detail procedures for the eviction of unlawful occupiers. It also prohibits the receipt of payment as a fee for arranging the occupation of land without the consent of the owner. Finally, it repeals obsolete laws relating to illegal squatting.

Housing Subsidies

What Is A Subsidy?

It is a grant provided by the Government to qualifying beneficiaries for housing and housing related purposes.

The Government does not give cash to beneficiaries. The grant is only used for the acquisition of housing goods and services for the provision of complete houses that comply with the minimum technical and environmental norms and standards.

Who Qualifies For A Government Subsidy

1. Married or Single or Divorced Persons with Financial Dependents
2. A South African Citizen or a permanent Residence
3. Competent to Contract: A person must be over 21 year of age and be legally competent to contract
4. Adequate Proof of Monthly income must be submitted *The gross monthly household income must not exceed R3 500.00*
5. Not yet Benefited from any Government Funding

An applicant or anyone else in the household must not have received previous housing benefits from the Government. Except in the following:

- (i) An applicant that qualifies for a Consolidation Subsidy
- (ii) An applicant that qualifies for a Relocation Subsidy
- (iii) Disabled persons

First Time Owner

An applicant may not own or has previously owned a house, except for the following:

- (a) Disabled persons
- (b) Persons who:
 - (i) Own a vacant stand that was obtained through the Land Restitution Programme
 - (ii) Have purchased a house / site For The First Time without Government assistance
 - (iii) Qualify for Relocation Subsidy Assistance
 - (iv) Qualify for a Consolidation Subsidy Assistance

Types of subsidies

1. INDIVIDUAL SUBSIDY

It provides qualifying beneficiaries with access to housing subsidies to acquire ownership of serviced stands.

It also allows the beneficiary to enter into house building contracts, or to purchase existing improved residential properties, which are not part of approved housing subsidy projects. This subsidy also helps qualifying beneficiaries who wish to increase their subsidies by accessing credit as well as beneficiaries who do not qualify for credit.

2. PROJECT LINKED SUBSIDY

This subsidy enables a qualifying household to access a complete residential unit which is developed within an approved project- linked housing subsidy project for ownership by the beneficiary.

3. INSTITUTIONAL SUBSIDY

It is available to qualifying institutions to enable them to create affordable housing stock for persons who qualify for housing subsidies.

It also provides R34 049,00 to qualifying beneficiaries whose monthly income may not exceed R3 500. The subsidy is paid to approved institutions to provide subsidized housing on Deed of Sale; Rental or Rent-to-Buy options, on condition that the beneficiaries may not be compelled to pay the full purchase price and take Transfer within the first four years of receipt of the subsidy.

4. CONSOLIDATION SUBSIDY

It has been designed to afford previous beneficiaries of serviced stands, financed by the previous housing dispensation (including the Independent Development Trust's site and serviced schemes), the opportunity to acquire houses. A Top-up Subsidy of R21 499,00 to construct a house is granted to beneficiaries with a household income not exceeding R3 500.00 per month.

5. RELOCATION ASSISTANCE SUBSIDY

It provides an alternative option to defaulting borrowers who were three (3) months in arrears **on 31 August 1997** and where the option of rehabilitating these mortgage loans is not affordable.

The alternative provides an opportunity to obtain affordable housing with the assistance of the housing subsidy. A person who is eligible for relocation

assistance is required to enter into a relocation agreement so as to relocate to affordable housing.

6. DISCOUNT BENEFIT SCHEME

It promotes home ownership among tenants of State-financed Rental Stock including Informal Housing and Serviced Sites.

In terms of this Scheme, tenants receive a maximum of up to R7 500.00 on the selling price of the property. Where the discount amount equals or exceeds the purchase price or loan balance, the property is transferred free of any further capital charges.

7. RURAL SUBSIDY: INFORMAL LAND RIGHTS

It is available to beneficiaries who only enjoy functional tenure rights to the land they occupy. This land belongs to the State and is governed by Traditional Authorities. It provides R34 049,00 to qualifying beneficiaries whose monthly income may not exceed R3 500.

The subsidies are only available on a project basis and where beneficiaries are supported by implementing agents. Beneficiaries also have the right to decide on how to use their subsidies either for service provision or building of houses or a combination thereof.

8. INDIGENT SUBSIDIES

All households with an income of less than R1 500.00 per month will be exempted from making a contribution.

Households with an income exceeding R1 500.00 per month will also be exempted from making a contribution, should any of the following categories be applicable on them:

(a) Beneficiaries classified as Aged

Male beneficiaries who have attained the age of 65 and female beneficiaries who **have** attained the age of 60, including beneficiaries who receive a Social Grant from the State, in respect of their age **and** who do not **earn an** income of more than R3 500.00 per month, will be excluded from making a contribution.

(b) Assistance to the Disabled

Beneficiaries with disabilities who do not earn more than **R3 500.00** per month and who will not be **able** to construct their own houses due to their specific disability, will be **excluded** from making a contribution.

(c) Beneficiaries with Health-stricken problems

Beneficiaries with Health-stricken problems who are permanently or temporarily unable to build their own houses and who do not earn more than **R3 500.00** per month, will be excluded from making a contribution.

9. PEOPLE'S HOUSING PROCESS PROJECTS

The People's Housing Process aims at supporting households that wishes to enhance their housing subsidies by building or organizing the building of their own homes themselves. This process is a method of accessing the Project-Linked; Project-Linked Consolidation; Institutional or Rural Subsidies as well as Technical and other forms of assistance in the house building process.

10. FIRST TIME HOME BUYERS INTEREST SUBSIDY SCHEME (FTHBISS)

This scheme was first implemented on **1 June 1982** to promote home ownership and to stimulate **access to** credit for the purchase of a house and / or the building of new dwellings. The FTHBISS is aimed at subsidizing the interest payable on mortgage loans over the first seven years of the loan period.

Subsidies payable in terms of the FTHBISS are reduced on an annual basis and are therefore phased out after the seven-year period is completed.

With the implementation of the Individual Subsidy scheme on **5 June 1995**, the FTHBISS was closed for any further applications.

The FTHBISS is currently being phased out and the process will continue until the year 2006 when the Government's obligations towards approved participating beneficiaries will end.

11. EMERGENCY SUBSIDY

(a) Temporary Assistance Options

In respect of land and services, an amount of R3005.80 per stand on a shared basis of five (5) households per stand.

(b) Temporary Assistance Options:

In respect of the cases where shelters will be provided, an amount of R24 886.00 per household.

The total amount in worse case scenario for this option amounts to R27 310.00

(c) Damaged permanent Houses:

Services, repair or replacement, an amount of up to R15 029.00 per stand is provided.

The total amount available in worse case scenario for this option amounts to R31 929.00

(d) The Hostels Re-development Programme

In respect of family units, an amount of R34 049,00 is available per unit.

In respect of individual persons, the amount available is R8 512,25 per bed

12. PUBLIC SECTOR HOSTELS RE-DEVELOPMENT SUBSIDY

(a) Family Units

(b) Individual units (per bed)

Subsidy quantum for 30m² houses in the 2006/2007 financial year

Income category	Previous subsidy	New subsidy	Contribution	Product price
Individual, Project linked and Relocation Assistance subsidies				
R0 to R1 500	R31 929,00	R36 528,00	None	R36 528,00
R1 501 to R3 500	R29 450,00	R34 049,00	R2 479,00	R36 528,00
Aged, disabled or health stricken R1 501 to R3 500	R31 929,00	R36 528,00	None	R36 528,00
Institutional subsidies				
R0 to R3 500	R29 450,00	R34 049,00	Institution must add capital	At least R36 528,00
Consolidation Subsidies				
R0 to R1 500	R18 792,00	R21 499,00	None	R21 499,00
R1 501 to R3 500	R16 313,00	R19 020,00	R2 479,00	R21 499,00
Aged, disabled or health stricken R1 501 to R3 500	R18 792,00	R21 499,00	None	R21 499,00
Rural subsidies				
R0 to R3 500	R29 450,00	R34 049,00	None	R34 049,00
People's Housing Process				
R0 to R3 500	R31 929,00	R36 528,00	None	R36 528,00
Emergency Programme				
Temporary assistance*	R26 874,00	R31 952,00	None	R31 952,00
Repair to existing stock:				
Services	R13 137,82	R15 029,00	None	R15 029,00
Houses	R18 792,00	R21,499,00	None	R21,499,00
Informal settlement upgrading programme: Grant funding limits				
R0 to R3 500	See Annexure A.			
Fast Tracking Programme				
Transitional Housing	Up to R12 176,00 per unit			
Public Sector Hostels Redevelopment Programme			Previous grant	New grant
Family units			R 29 450,00	R34 049,00
Individual units (per bed)			R 7 234,00	R8 512,25

Annexure A

The proposed new Informal Settlement Upgrading Programme housing subsidy for the 2006/2007 financial year using BER-BCI index for a 30 sq house

Phase 1	2006/07 grants
Survey, registration, participation facilitation, dispute resolution etc	3% of project cost
Geotechnical investigation	R60.16
Land acquisition	R1 713.00
Pre-Planning	R516.18
Interim engineering services	R1 941.40
Phases 2 and 3	
Detailed town planning	R270.70
Land surveying and pegging	R200.52
Contour survey	R40.11
Land survey examination fee	R62.16
Civil engineer's fee	R601.57
Site supervision fees	R152.39
Permanent engineering services provision	R12 402.29
Project management	8% of total cost
Relocation grants	
Transportation and loading costs for people and household effects	R256.95
Social service support including support for the registration of social benefits, school registration and other welfare support	R194.14
Relocation food support to households	R319.76
Maximum cost per household	R770.85