Housing: move to aid 'missing middle'

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FACED with an escalating housing backlog, the government has renewed its efforts to ease the widening housing gap by enticing banks with state guarantees when providing home loans.

This is the so-called "missing middle class" in the government's provision of housing ownership, and bank home mortgage could soon benefit from this.

The government wants the banks to target at least 10 000 applicants in the housing gap market with home loans, and the state will provide the land and assist developers.

This was revealed yesterday by Ravi Pillay, the KwaZulu-Natal MEC for human settlement and public works.

Pillay said, typically, the gap market refers to households earning between R3 500 and R15 000 a month – citizens who earn above the ceiling to qualify for free government housing, but below the level to secure a bank mortgage.

Pillay said he has started a crusade to get commercial banks to ease up their systems, and take measured risks by providing bank guarantees for those in the housing gap market. "This will be us testing the market by targeting those in the gap market to get property valued between R200 000 and R650 000. The banks will still do proper screening and ideally the applicants will be employed," said Pillay.

His department has a Finance Linked Income Subsidy Programme (FLISP) that provides bank guarantees for citizens in the "gap market".

Pillay's department received a R3.6 billion budget allocation for this year. He said he has sold the idea to the banks and has even held informal talks with Standard Bank in KwaZulu-Natal. "The banks are worried about reckless lending and a crash similar to that of 2008. The government will provide land... developers will relish the opportunity."

The Banking Association of SA said it has done a lot to ease the situation. "The cost of housing and building of houses is expensive," said Cas Coovadia. Pillay said the system would work if all banks were willing to spread the load.

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Pg 2