

**BARRIERS PREVENTING MARGINAL INCOME GROUP FROM  
ACCESSING HOUSING FINANCE.**

**By**

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**Masters in Business Administration**

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ACCESSING HOUSING FINANCE**

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**Supervisor: Mr Peter Raap**

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## DECLARATION

This work has not been previously accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

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Date .....

This dissertation is the result of my own independent work / investigation, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

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This document has been reviewed by the undersigned and hereby permission is granted for final submission.

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**.....**

**DATE**

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## **ABSTRACT**

The marginal and low-income groups face a number of obstacles in their quest to secure housing finance to improve their living conditions.

South Africa has a sophisticated and effective finance system. However, it appears that the only beneficiaries from it are the middle and upper income groups of the housing market. The whole system of accessing housing finance has proven to be problematic for the marginal and lower income groups for various reasons, among others: it is not user friendly and is not easily understood by an illiterate or poorly educated person.

The key challenge for the South African housing finance system is to find ways of bridging the gap between those who have a regular income and those who do not. The credit gap exists because of the relationship between risk and cost which is a standard lending issue across the globe.

The study has unpacked the obstacles by looking at the literature and role players in the housing finance. Information was gathered from respondents by using a self administered questionnaire which was designed to deal with the lack of housing mechanisms as well as lack of education, information and Involvement of intermediaries.

## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of the research

Shelter is one of the most basic human needs. For a developing country like South Africa, the provision of shelter has been of paramount importance to lower income and average income households. Unfortunately, the issue of accessible finance for housing has received very little attention from either the government or the finance sector. In South Africa 43.2% of the population is currently without houses and these people by and large do not have access to housing finance. This study will assist banks and financial institutions to develop new products or to modify their existing products to service this particular market segment. Access to finance is essential in reducing poverty and improving the quality life of people.

The key challenge for the present South Africa housing finance system, is to find ways of bridging the gap between those who have a regular income and those who do not. The credit gap exists because of the relationship between risk and cost which is a standard lending issue across the globe. South Africa has a sophisticated and effective finance system. However, it appears that the only beneficiaries from it are the middle and upper income groups of the housing market.

The whole system of accessing housing finance has proven to be problematic for the marginal and lower income groups for various reasons. The chief reason is that the system is not user friendly and is not easily understood by an illiterate or poorly educated person.

## **1.2 Motivation for the study**

The housing finance system in South Africa has had little impact on the low-income segment of the population. Attempts to expand credit into this market through micro-loans have been characterized by initiatives that have yet to demonstrate any form of success. In October 1994, a record of understanding was signed between the Government and the Associate of Mortgage Lenders. The Government pledged to normalize the low-income housing market and the financial institutions formally agreed to re-enter the market.

The following institutions were established as a result of this agreement:

- The Mortgage Indemnity Fund, was launched in June 1995 as a wholly government - owned company to encourage banks and other financial institutions to lend in areas where they had stopped doing so.
- Servcon was formed in 1995 to stimulate lending in the low-income housing market.



It aimed to deal with the historical problems of non-payments which had become a popular method for the disenfranchised masses to vent their frustrations against the government of the 1980's.

- The National Housing Finance Corporation was formed by the Government in 1996 to increase housing delivery. It was aimed at encouraging increased and sustained involvement of formal financial institutions in the low income housing market through risk sharing ventures with these institutions.
- The National Urban Reconstruction and Housing Agency was established in 1995. Its mission is to focus on releasing finance from lending institutions who regard the low-income housing sector as a high risk area for lending. It does this by offering guarantees to financial institutions or developers through which any risk on loans made to projects is shared.
- The National Home Builders Registration Council was founded in 1995 to protect consumers and to regulate homebuilders, as well as to raise construction standards.

The Minister of Housing of the Republic of South Africa signed a memorandum of understanding in March 2005 with the Banking Association South Africa and the Chief Executive Officer acting on behalf of ABSA, FNB, NEDCOR and STANDARD Bank.

In this document both parties pledged to facilitate the creation of properly functioning housing markets in previously under-served areas and to make home loan finance available and accessible to those previously denied access. Some of the objectives of the memorandum are:

- To develop and support consumer/borrower education initiatives and related capacity building within the sector
- To eliminate the refusal of granting home loans on the basis of geographical area, sometimes known as red-lining
- To support wealth generation and economic empowerment through equitable access to home ownership.
- To introduce transparent and relevant performance measurement of housing finance institutions, housing role players and housing markets to improve transparency and accountability throughout the housing process in line with Home Loan and Mortgage Disclosure Act, 63 of 2000, with respect to home loan lending.

Despite these concerted efforts by the government to try and solve the problems in the low-income housing market, the formal banking sector still perceives that sector as too risky. Instead, many banks embarked on a limited lending strategy, in order to be able to show some records as per the Home Loan and Mortgage Disclosure Act, 2000( act 63 of 2000).

This act compels bank and financial institutions to disclose annual financial statements so that their lending practices in respect of home loans can be monitored. The researcher sees it as important that research is conducted and information is gathered from the consumer perspective so that financial institutions can develop new products that will serve this market segment appropriately.

According to Khan and Thring (2003), the retail finance services sector in South Africa has come a long way since 1994. Significant developments include the now flourishing micro-finance industry and institutions established by the government to serve the low-income housing market. Despite this, end-user finance for affordable housing is still a major problem. The bulk of potential demand is for financing between R10,000 and R60,000 ( translating into payments of between R150 and R600 per month). Yet it is still extremely difficult for people requiring housing in this price ranges to secure loans.

In terms of housing affordability, it is estimated by Banking Council that barely 20 percent of households can obtain access to mortgage loans (generally over R50 000) to buy housing.

According to Khan and Thring (2003), large numbers of housing units have been delivered and sound policy frameworks have been put in place since 1994. There are still, however, a number of areas in the housing finance sector that need attention. These include problems with the housing subsidy scheme, access to housing credit and the narrow focus of the policy.

### **1.3 Value of the study**

A company may define its target market but may fail to correctly understand the customer's needs. Understanding customer's needs and wants is not always simple. Some customers have needs of which they are not fully conscious, or they cannot articulate these needs, or they use words that require some interpretation (Kotler, 2003).

This study will unpack the customer's needs, perceptions and expectations from both the financial institutions and the government so that one is then able to properly and practically address the issue of access to housing finance for low-income group.

#### **1.4 Problem statement**

For various reasons, South Africans who are commonly known as “marginal income groups” experience great difficulty securing housing loans from financial institutions. These people, who often live under unsatisfactory conditions in informal settlements, do not have access to either private or government subsidized housing finance. The obstacles faced by these people in their quest to secure finance to improve their living conditions have not been fully investigated and it is the aim of this researcher to pinpoint them.

#### **1.5 Objectives of the study**

The objectives of the study are to determine whether the following are factors that contribute towards the failure by marginal income group to access or afford housing finance.

- Lack of housing mechanisms
- Lack of education and information
- Involvement of intermediaries such as estate agents and National Home Builders Registration Council.

#### **1.6 Hypothesis**

It is hypothesised that there is a positive relationship between income brackets and access to housing finance.

## **1.7 Research design**

This research study involves a survey which is designed to investigate the barriers which prevent marginal income groups from accessing housing finance. Each sample will be tested for two important variables: income level and access to housing finance. The relationships and correlation between these variables will be analyzed.

### **1.7.1 The Population**

The targeted population is any male or female who can read and write in the English or isiZulu languages, 21 to 50 years old, living within the Durban Metropolitan area, permanently employed earning between R 600 and R 4500 per month.

### **1.7.2 Method of data collection**

The researcher will question the subjects by utilizing a self-administered questionnaire (Hamilton County Survey, 2004), (refer to Appendix A and Appendix B). The questionnaires will be sent to three local community centres ( KwaMashu Christian centre will get 500, Chesterville 500 and Durban Christian Centre 500).

The questionnaires will be distributed through the community leaders and will be accompanied by a letter emphasizing the importance of the study (refer Appendix C). The respondents will return their completed questionnaires to the box provided at their respective centres. A response rate of 30%, or 270 completed questionnaires will be considered acceptable (Sekaran, 2003).

The three geographical areas were chosen because their population reflects (to a high degree) the characteristics of the population targeted for the purposes of this research. The researcher will collect the questionnaires from the authorities of the respective centres. With reference to the questionnaire, the scaling technique utilized is a non-comparative, itemized rating scale, which is a Likert type.

The pilot study was conducted where the researcher selected a small sample of 40 respondents (20 English and 20 Isizulu) to complete a draft questionnaire. The purpose of this exercise was to identify any problems that the respondents might experience with the instructions or items. Respondents indicated their understanding and interpretation of the questionnaire and this enabled the researcher to rectify problem areas and the questionnaire was modified accordingly.

### **1.7.3 Sampling**

The convenience sample method was chosen purely on the basis of the availability of respondents who are accessible and articulate (Struwig and Stead, 2004). The questionnaire will be sent to a convenience sample of 1500 respondents at KwaMashu Christian Centre, Chesterville and Durban Christian Centre. Two hundred and seventy respondents is the required sample to ensure reliability of the study.

### **1.7.4 Statistical Analysis**

The SPSS statistical programme will be used for statistical analysis of the data. Two variables will be tested, the income level of the respondents and their access to housing finance.

All tests will be carried out at the  $\alpha = 0.05$  level of significance and the p-values will be used for decision making. The following tests will be applied as descriptive statistics: central tendency (mean, frequencies and dispersion) and standard deviation. To produce inferential statistics, correlation and Chi-square measure of independence will be applied.



### **1.7.5 Limitations**

Limitations are that the study will only be carried out in the Durban Metropolitan area because of financial constraints. If the study is to be broad based in the whole of KwaZulu Natal province, more time and more resources will be required to collect data and identify sampling population.

### **1.8 Structure of the study**

The study will be divided into distinct chapters.

Chapter 1 has provided a background and rationale for the study and defined the research objectives. Chapter 2 focuses on the previous literature relating to access to housing finance, government role, intermediaries and financial institutions. Chapter 3 details the role of government, financial institutions and impact of intermediaries in the housing finance processes. Chapter 4 explains the methodology adopted in conducting the research and examines the reliability and validity of the study. Chapter 5 explains the analysis of the data and describes the relevant findings as results. Chapter 6 discusses the results and chapter 7 is a conclusion to the study and makes mention of the relevant conclusions which can be made from the research conducted thus makes recommendations for the reader and also for further research.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter focuses on existing literature relating to access to housing finance, the government's role, intermediaries and financial institutions. It elaborates the need for shelter as per the South African constitution which clearly says that every one has the right to housing.

##### **2.1.1 The need for housing finance**

Housing is one of the most important basic needs of a human being, a family and therefore a country. Housing is a real, physical asset. It is easily visible, is a central component in people's daily lives and is vitally important as shelter. Access to housing and secure accommodation is an integral part of Government's commitment to reducing poverty and improving people's quality of life (Bourne,1981).

Housing is a commodity much like any other, in that it can be produced, bought and sold. The production of housing, in other words building a home, requires that building materials are bought and labour is paid to assemble the materials. Someone must provide finance for this process.

The dwellings are then sold through private markets and the purchasers, whether landlords or individuals, will have to pay the supplier for the asset. On the face of it, this is no different to the production of any other item, so why then is finance such an important issue in housing markets? (Harriott and Mathews, 1998)

The government has laid down certain principles governing their Housing Policy and the implementation of it. One of these principles states that housing must be built to quality standards at a price that home seekers can afford. The housing programme cannot build dwellings that last only for the short term and which soon become cracked and uninhabitable. Not only would this undermine the benefit received by the purchaser, it would also undermine the government's plan for a normalized, vibrant housing market in which dwelling units are bought and sold amongst subsidized beneficiaries (Department of Housing, 1995).

Housing units must also have market value. Similarly, housing units must be affordable to the beneficiary in the long term. Affordability is significant in a number of areas, including the cost of the unit upon purchase, access to and payment of long term home finance charges, municipal rates and services payment as well as long term maintenance and other costs. The housing process must be economically, fiscally, socially and politically sustainable in the long term.

This implies balancing end –user affordability, the standard of housing, the number of housing units required, and the fiscal allocations to housing (Department of Housing, 1995).

## **2.2 Access to Housing Finance**

Access to, and the cost of credit is another factor which will enable low-income groups to acquire housing. Commercial providers are reluctant to advance credit to the poorest, who often lack collateral or any other guarantee for their loans. Financiers require a return on their money, and expect building standards to ensure the quality of housing product, so that if a borrower defaults on a loan the bank will be able to sell the house and recoup its investment(Yahya, Agevi, Mugova and Schilderman, 2001).

According to Harriott and Mathews (1998) access to private housing markets whether rented or owner-occupied, depends on the ability to pay the market related rent or purchase price. It is clear that low income households will only be able to afford the most basic housing. Rust and Rubenstein (1996) propose that a combination of housing subsidies and credit is the best way to mobilize public and private sector resources to give people access to affordable housing.

According to Smith (2003) the existing housing finance framework in South Africa has been in place for more than five years and has contributed to significant achievements in housing delivery. State intervention with regards to housing finance is essential to ensure that all households can secure access to adequate housing. Although the housing finance policy framework set out in the housing White Paper of 1994 is fundamentally sound, there still is scope for improvement.

In developed countries, housing conventionally costs three to four times the combined annual incomes of the owners so that virtually all housing is bought or built with the aid of finance. With a typical deposit of between 5 and 20 percent of the total price, finance is needed to cover about 80 percent of costs and is usually repayable over twenty years. For most borrowers this debt burden is manageable because, the finance is repaid at a positive interest rate. By contrast, households in developing countries face a series of problems in attempting to access finance with which to resolve their housing needs. (Jones and Datta, 1999).

Jones and Datta (1999) further argue that in the world of conventional finance, the minimum loan size may be large, whilst the poor require only small loans. The formal loan period may be for many years, whilst the low-income household seeks a short maturity and availability of follow-on funds.

Banks require regular payments of principal, but workers with insecure earnings need flexible loan schedules.

To have a sustainable impact on poverty relief, a co-coordinated, multi-faceted approach towards providing sustainable socio-economic development is necessary. Housing interventions should therefore be part of an integrated approach to resolving poverty. Real and visible progress which responds to issues such as homelessness, racial segregation, poor location, poverty and unemployment is necessary now (Rust and Rubenstein, 1996).

Khan and Thring (2003) acknowledge that South Africa has made great progress since the first democratic government was elected in 1994. Significant developments include the now flourishing micro-finance industry and institutions established by the government to serve the low-income housing market. Despite this, end-user finance for affordable housing is still a major problem. The bulk of potential demand is for financing of houses at prices between R10 000 and R60 000, the typical cost of a starter home. Yet it is still extremely difficult for people requiring such housing to secure housing loans. The key challenge for the South African housing finance system is to find ways of bridging the credit gap for those who have regular incomes and those who do not.

The credit gap exists because of the relationship between risk and cost which is a standard lending issue across the globe. To close the gap, it is necessary for financial institutions to enter the low-value, high-volume credit market rather than thinking in conventional housing mortgage terms (Khan and Thring, 2003).

Constraints in the structure and availability of end-user finance for housing and housing subsidies have exacerbated the housing problem in the following ways because statutory housing funds have been used for other purposes such as the funding of bulk infrastructure, community facilities, interest rate and rental subsidies. This has resulted in a diluted, dispersed and inadequate impact of State expenditure.

Subsidy systems have been duplicated, racially segmented, poorly targeted and often inadequately funded and largely unsuccessful in mobilizing significant levels of non-state investment. There is a lack of end-user finance, especially for low-income households. This is due to a complicated set of constraints, including the lack of appropriate retail lending capacity as well as the reluctance of formal financial institutions to lend finance within certain metropolitan areas and to certain income groups. These restrictions impede the ability of many households to access adequate housing, even though they may be able to afford it (Department of Housing, 1995).

The initial problem statement of the National Housing Finance Working Group on end-user finance and subsidies identified the lack of end – user finance in the low-income housing market as a major constraint to housing delivery. Should finance be available, many households could afford a significant contribution toward purchasing their own house, thereby reducing demand on state resources.

The relationship between housing subsidies and credit means that a combination of the two is the best way to mobilize public and private sector resources to give people access to affordable housing (Rust and Rubeustein, 1996)

### **2.3 Problems in allocating land for low-income groups**

Arrigone (1994) describes land as a critical issue in housing programmes and there is a growing international consensus that government should shift their attention from the delivery of completed housing units to the sector of the economy. The provision of secure tenure of land in suitable locations, inadequate quantities and at affordable prices, is a fundamental requirement to alleviate the housing conditions of low-income families.

In the Durban Metropolitan area, there are several factors that constrain the development of well-located housing developments. Perhaps the most important is access to land.



Most developable vacant land is in and around old black townships, or to the north of the city. Land closer to areas of employment is frequently beset by geotechnical problems related to soil types, steep gradients and the danger of flooding. Well located land is costly, forcing developments onto lower cost land further out. The R1 000 limitation on the amount that can be spent on land in the housing subsidy is also problematic in this regard. (Harrison, Huchzermeyer and Mayekiso, 2003)

Robinson, McCarthy and Forster (2004) highlighted land invasion as one of the major constraints in acquiring land. Land invasion resulted in the establishment of basic principles for a possible future urban policy:

- Housing and development should be open to all people, irrespective of race and gender.
- Housing should take the form of high-density development to cater for a range of income groups and
- Housing should form part of a holistic development approach which provides for mixed land use.

According to Rust and Rubenstein (1996) the identification and delivery of housing and land for low – income earners is at best a slow process. Local authorities hesitate to become involved for fear of upsetting adjacent land owners by building low-cost housing near them. At the same time, little action is being taken against land invaders.

Many projects have floundered because squatters moved in to claim plots already set aside for other poor households before the appropriate allocation had taken place. The subsequent negative publicity created by demolishing the shacks of illegal squatters left local authorities wary of intervening.

Khan and Thring (2003) perceive the current state policies and their implementation as excessively market –oriented. They see them as underfunded, insensitive to poverty, incapable of integrating gender and environmental concerns, unsympathetic to problems associated with public health and worsening geographical segregation, and even inefficient in terms of untapped economic multipliers. They also expressed concern that post – apartheid laws, planning frameworks and regulations are essentially technicist and disempowering. These are generally seen as an inadequate substitute for a transformation in the balance of forces and in residual apartheid-era economic processes. Institutional arrangements are inappropriate in that the newly demarcated municipalities are struggling to meet small-town and rural needs, and this may lead to corporatization and even privatization which will only serve to worsen the situation.

When land has been identified, the formal finance institutions are rarely willing to assist with the purchase of land, especially where the tenure is insecure. (Jones and Datta, 1999).

## **2.4 Government participation**

The government has mandated the Department of Housing from the Constitution of South Africa Act (Act 108 of 1996). In terms of Section 26 of the Constitution everyone has the right to access to adequate housing (Section 26(1). The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of this right (section 26(2). The legislation that the Department of Housing has promulgated and implemented falls squarely within this Constitutional imperative.

Section 2 of the Housing Act, 1997 (Act no. 107 of 1997) compels all three spheres of the government to give priority to the needs of the poor in respect of housing development (Section 2(1)(a). In addition, all three spheres of government must ensure that housing development:

- Provides as wide a choice of housing and tenure options as is reasonably possible;
- Is economically, fiscally, socially and financially affordable and sustainable
- Is based on integrated development planning; and
- Is administered in a transparent, accountable and equitable manner, and upholds the practice of good governance.

Through its legislation, existing and future, and the housing code, the Department of Housing is carrying out its legislative imperative as set out in the Housing Act, 1997.

Appendix F illustrates one of the most important facts about housing in South Africa today: most of the black population falls into an income and employment category that makes them dependent on the state housing subsidy to meet their housing needs, since they are too poor to benefit from policy features intended to improve access to commercial housing finance in the private market.

- The distribution of housing in South Africa is heavily influenced by race, class, and geographical location, as shaped by apartheid;
- Access to housing (both existing and new) and housing finance within the commercial market is also strongly affected by the apartheid legacy;
- Current South African housing policy is based on the twin goals of improving access to housing in the commercial market and providing immediate 'remedial' access to housing for the poorest, via the housing subsidy;

- The majority of the black population is unlikely to benefit from attempts to restructure the private market for new housing, and therefore remain dependent on access to the state housing subsidy.

## **2.5 Financial Institutions**

The banking industry in South Africa is strongly dependent on its competition policy, and motivated by the Competition Commission's concurrent-status with sector specific regulators. Traditionally, the banking sector was solely regulated through the Banks Act and other legislation administered by the Registrar of Banks and Financial Services Board. However, since 1<sup>st</sup> February 2001, the Competition Act (Act 89 of 1998) as amended also became a force in the banking sector (Competition Commission).

Certain housing finance institutions were established as instruments of the national housing policy. Often their declared purpose was to finance housing developments for the lower income groups. In most cases those specialized institutions were excluded from other financial intermediation services, that is, were not able to take deposits, but depended on government funding for their financial resources. Some were able to issue bonds with government guarantees and sometimes with special tax exemption.

In South Africa, housing finance institutions mainly lend to moderate and high-income earners and rarely provide housing finance for low-income earners.

The South African housing finance system is striving to address the very large income gaps between its people. For the 10% of the population (moderate and high-income) that can afford a conventional house, a mortgage finance system based on traditional banking practices operates very successfully. For 20% - 30% of the market which are low-income a range of housing development institutions have been established to facilitate their access to finance, either through the banks or through non-bank lenders. For the bottom 60% of the market, characterized by very low-incomes, informal employment, unemployment and so on, banks are unable to provide financial assistance. Here community and group lending schemes are beginning to fill the need for end user finance (Statistics South Africa, 2000)

## **2.6 Conclusion**

This chapter has given facts from the existing literature about the need for shelter that will be accessible to all. Access to housing finance has been shown as an obstacle for low-income groups to access housing finance. To close the gap, it is necessary for financial institutions to enter the low-value, high-volume credit market rather than thinking in conventional housing mortgage terms. (Khan and Thring, 2003)

When land has been identified, the formal finance institutions are rarely willing to assist with the purchase of land, especially where the tenure is insecure. (Jones and Datta, 1999).

The government has played a crucial role in engaging various financial institutions to sign a memorandum of understanding. However, the lack of implementation strategies is still evident because of the lack of adequate information from the client perspective. If the holistic issue of housing in the country is not addressed now, an informal disaster is eminent. The next Chapter will discuss in detail, the role of government, financial institution and intermediaries when processing housing loan application.

## **CHAPTER 3**

### **THE ROLE OF INTERMEDIARIES**

#### **3.1 Introduction**

This chapter will focus on describing the legal procedure when buying a house, the functions and services rendered by the government, financial institutions, estate agents and National Home Builders Registration Council. The inter-action among all stakeholders in assisting or making sure that the end user is accommodated in accessing housing finance will also be examined.

#### **3.2 Buying a house in South Africa**

When buying a house in South Africa, there are systems that provide the home owner with information about his/her rights to the property, how to protect those rights and how those rights can be transferred to another person. The following process is a brief summary of the stages which need to be followed when buying and transferring a house.



### **3.2.1 Choosing an Estate Agent**

There is a variety of estate agencies within the Ethekewini municipality area, all of them anxious to offer you their services. These agents offer properties for sale on behalf of the owners in whose interest they act. The seller pays the estate agent's commission and in practice it invariably happens that this commission is included in the purchase price, with the buyer effectively paying the commission. Most agents in South Africa, charge 7% plus VAT for selling a house (effectively 7.98%).

The agent will accompany the potential buyer to view any houses which he/she is interested in. If there are any defects in the property known to the agent he/she is ethically obliged to disclose these defects to the buyer. Before signing an offer, the buyer should make sure the house is in the right area, should check for visible defects and be informed of latent defects if there are any. Once the buyer has decided on the house he/she wishes to buy, he/she informs the estate agent that he/she would like to make an offer.

### **3.2.2 Signing an offer to purchase**

South African Law provides that, in order for an offer on a property to be valid, such an offer has to be in writing and signed by the party making the offer. Once the seller signs this offer to purchase,

it becomes a valid sale agreement. Before signing your offer to purchase, read through it carefully. Check in particular for the following:

#### **3.2.2.1 Electrical compliance certificate**

South African Law entitles a purchaser to have a certificate of compliance by an accredited electrician delivered to him at the seller's expense. Should there be any electrical work or repairs required to the property such work or repairs must be effected at the seller's cost.

#### **3.2.2.2 Beetle certificate**

Although not a legal right, some purchasers are electing to insist on the supplying by the seller of a certificate from an entomologist to say that the property is free from borer beetles and other types of infestation.

#### **3.2.2.3 Cooling off clause**

If the purchase price of the property is less than R250 000, there is a period of 5 working days after signing the written offer for the purchaser to reconsider his/her decision. Should he/she wishes, he/she may within that period give written notice of his/her intention to cancel the agreement, in which case no liabilities for damages or agent's commission arises.

#### **3.2.2.4 Voetstoots clause**

The voetstoots clause provides that you take the property as is, with all defects as they exist. The clause does not cover misrepresentations by the seller or a refusal on the seller's side to divulge defects known to him/her at the time of the sale.

#### **3.2.2.5 Due Dates**

The purchaser must be certain that the time allotted to him/herself for the provision of guarantees is enough and occupational interest. This amount is payable pro rata by one party to the other should occupation and registration not coincide.

After acceptance of the offer, the whole process of transferring the property into the purchaser's name commences. This process is handled by a conveyancing attorney.

#### **3.2.3 The transfer process**

The attorney is appointed by the seller (unless the parties negotiate otherwise) but the purchaser pays all the transfer costs. Transfer costs are not included in the purchase price and are determined by the amount of the purchase price as well as the amount of the bond, if any. (see appendix E)

Once the attorney receives his instructions from the seller, he will immediately ascertain whether all suspensive conditions, for example the granting of a loan to be secured by a bond or the linked sale of another property, has been fulfilled. The next step is to check whether a bond is registered over the property. If this is the case the attorney will request the title deed as well as the outstanding figure on the bond from the banking institution holding the bond. These are supplied by the bank about 2-3 weeks after they were requested as such. If no bond exists over the property the seller will provide the attorney with the title deed.

Once the attorney is in possession of the title deed, transfer documents can be drawn. These consist on the purchaser's side of certain declarations which accompany the payment of transfer duty (included in transfer costs) to the Receiver of Revenue, as well as certain affidavits pertaining to marriage status, insolvency and the like.

The attorney then arranges with the parties to sign and collects the transfer costs from the purchaser. Thereafter the attorney ensures that all rates and taxes at the municipality are paid up to date and obtains a confirmatory stamp from the local authority in that regard.

The attorney thereafter pays transfer duty to the Receiver of Revenue, obtains the transfer duty receipt from the Receiver of Revenue, and ensures that the purchaser's guarantees (which can be supplied either by the purchaser directly should he/she be buying in cash, or by the attorneys registering the purchaser's bond) are in order. Thereafter the attorney sends the documents to Pietermaritzburg for lodgement in the Deeds Office.

In Durban, lodgement is handled by the conveyancing attorney's correspondent attorney. The correspondent attorney arranges lodgement with any other simultaneous transactions that may be involved. These may include the cancellation of the seller's bond or the registration by the purchaser of a bond securing a loan from a bank. It is important to note that, should there be a bond over the property, registration is impossible until such time as all existing bonds are cancelled.

After lodgement the documents are examined by the Deeds Office's examiners, and, if they are satisfied with the documents, the transaction can then be registered.

If all goes well, the entire registration process takes about 6-8 weeks.

#### **3.2.4 After registration**

After registration the conveyancing attorney gives the purchaser a final statement, in which the purchaser's funds are accounted for.

The title deed arrives about a month after registration (after it has been microfilmed by the Deeds Office) and the attorney will then send it to the bank that financed and registered mortgage against the property or to the purchaser if it was a cash deal.

#### **3.3 Government**

The government has mandated the Department of Housing from the Constitution of South Africa Act (Act 108 of 1996). In terms of Section 26 of the Constitution everyone has the right to have access to adequate housing (Section 26(1). The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of this right (Section 26(2). The legislation that the Department of Housing has promulgated and implemented falls squarely within this Constitutional imperative.

Section 2 of the Housing Act, 1997 (Act no. 107 of 1997) compels all three spheres of the government to give priority to the needs of the poor in respect of housing development (Section 2(1)(a).

In addition all three spheres of government must ensure that housing development provides as wide a choice of housing and tenure options as is reasonably possible. In addition to this, it must be economically, fiscally, socially and financially affordable and sustainable. The provision of housing should also be based on integrated development planning, and be administered in a transparent, accountable and equitable manner, and upholds the practice of good governance (Section 2(1))

( c ). Though its legislation, existing and future and the housing code, the Department of Housing is carrying out its legislative imperative as set out in the Housing Act, 1997.

### **3.3.1 Problems with Current Policy**

The current policy has a structural tendency to produce small, low-quality houses on the urban periphery, reinforcing the apartheid pattern. Instead, the policy should design and produce quality houses that can accommodate medium size family.

The policy focuses on individual ownership which increases the per-unit cost of land.

Current land use policy is inadequate, and a market-driven system of land allocation is not meeting the needs of housing delivery.

The current system of housing implementation governance has led to a tendency to treat human settlement in an *ad hoc* manner. The lack of coordination between levels of government, and amongst the various programmes affecting urban development, has led to a failure to integrate housing delivery into an holistic framework of spatial and economic development.

As real the value of the housing subsidy has declined, the private sector and local authorities have tended to adapt to changing financial and regulatory circumstances by focusing on infrastructure development and site servicing, avoiding housing construction or leaving it to smaller contractors with less experience and capacity.

A lack of capacity at provincial and local authority level has seriously hampered delivery efforts.

### **3.4 Financial Institutions or Banks**

Home loans were developed to assist in the financing of residential properties. There are various features and options to tailor- make the home loan to suit individual needs.



### **3.4.1 Feature of home loan**

In certain cases, people could qualify for loans up to 110% of the property value and repayment term can be structured up to a maximum of 30 years - note that the general term is usually 20 years. Vacant land, however, is repayable over a maximum of 15 years only. The loan term may be increased/decreased at any time, at no additional cost and a number of Interest rate options are available to choose from. Unfortunately, the above home loan features are accessible to the medium and high income brackets not applicable to low-income groups.

### **3.4.2 Qualifying criteria**

The applicant should produce proof of his/her monthly income and the bank official will then calculate the amount of housing loan that he/she can qualify for. The home loan repayments may not exceed 30% of total monthly income (single or joint). Normal credit criteria apply. Only residential properties may be financed.

### **3.4.3 Costs and repayment**

Once registration of the bond has taken place, the Usury Act provides for certain fees that will be debited to debtor's home loan account.

There is a once-off fee charged for initiating the home loan application in readiness for registration, a monthly fee to cover all administration costs and once-off fee for performing an assessment on the property.

Interest is calculated on the daily outstanding balance and capitalised (debited) monthly on the repayment due date. Unless otherwise requested, the repayments due day will be the first day of each month.

The preferred method of payment is per debit order - although other repayment methods may be utilised to repay home loan and monthly repayments must be met in terms of the mortgage loan agreement. In case of default, normal recovery procedures will apply.

#### **3.4.4 Transacting on the home loan**

Loan repayments are generally structured on a monthly basis. Withdrawals can only be made from your Home Loan if FlexiReserve has been set up on the account and people can transact on their home loan via Internet Banking, Telephone Banking or at any branch. Joint accounts require all signatures to transact, or a general power of attorney for one party to transact on the account.

### **3.4.5 Documentation required when applying for a home loan**

When applying for a home loan, the clients or customers needs to submit fully completed and signed application forms, copy of Identity Document/Passport, proof of income and copy of Offer to Purchase (including property details)

Additional documentation may be required if an Employer Guarantee is offered. This will include a Z572/ 3 form (If you are an employee of the State) or a letter of Guarantee (If you are not an employee of the state)

( Absa Home Loan)

### **3.5 Estate Agents**

The Estate Agents Act 112 of 1976 describes an estate agent as any person who, for the acquisition of gain, on his own account or in partnership, in any manner holds himself out as a person who, either directly advertises that he, on instructions of or on behalf of any other person, performs one or more of the following acts in connection with immovable property, an interest in immovable property or a business enterprise. He/she purchases or sells, negotiates for the purchase or sale, canvases a purchaser or seller and undertakes or offers to canvass a purchaser or seller.

The estate agent is entitled to the ordinary remuneration as set out in the terms and guidelines supplied by The Institute of Estate Agents of South Africa (IEASA) or The South African Property Owners Association (SAPOA)

When the seller instruct an estate agent to find a buyer for his/her property he/she is normally liable for the commission. If a buyer instructs an agent to find a property for him/her, he/she is usually liable for the payment of commission (unless it has been agreed that the agent should make the necessary arrangement for his/her commission with the seller)

There are many estate agent companies practising the above services in different area in South Africa. To name but a few in Ethekewini municipality area: Wakefields, Aida, Homenet, Brinks, James Estates, Max Prop and Remax.

Where there is involvement from an estate agent in the sale of a property, the selling price is as follows:

Seller wants	R 120 000 - 00
Agent's commission is 7%of the asking price	<u>R 8 400 - 00</u>
Purchase price will be	<u>R 128 400 - 00</u>

The very same house would be sold for R 120000 -00 if the sale agreement was direct between the seller and the purchaser. In this case both parties save the agent's commission, and this is known as "Private Sale".

### **3.6 National Home Builders Registration Council**

#### **3.6.1 Background**

The National Home Builders Registration Council was established in terms of the Housing Consumer Protection Measures Act, 1998 (Act No. 95 of 1998). The Council was primarily established to protect the interests of housing consumers, and to regulate the home building industry.

Before the commencement of the Housing Consumer Protection Measures Act, 1998 (Act No. 95 1998) a National Home Builders Registration Council (Pty) Ltd was established as a Section 21 non-profit making company. Its main objective was to promote the common interests of persons occupied in the business or profession of home building, through the regulation of the home building industry. The Section 21 company, placed little emphasis on the housing consumer, but the Act itself explicitly protects housing consumers.

In August 1995 the NHBRC (Pty) Ltd established another company called the National Home Builders Registration Council Fund (Pty) Ltd. The main objective of this company was to establish an indemnity fund to promote the interests of *gratia* basis to finance the rectification of defects in housing units in circumstances where contractors were either unable or unwilling to do so.

On the 26th March 2001 a statutory council was installed, in accordance with the provisions of the Housing Consumers Protection Measures Act, 1998 (Act No. 95 1998). The two former Section 21 companies were consequently dissolved on the said date, and all their assets and liabilities were transferred to the statutory council.

### **3.6.2 Vision and Mission of NHBRC**

NHBRC wants to be a world-class organisation which protects housing consumers and regulates the home building industry and its mission is:

To monitor quality standards in the home building industry, provide assistance to housing consumers in circumstances where major structural defects occur and where home builders fail to meet their obligations in terms of the Act. Build the capacity of the home builders through a national training programme, with specific emphasis on the historically disadvantaged. Provide technical and management support to Provincial Housing Departments and Local Authorities. Grow and sustain the warranty reserve.

Educate the housing consumers and home builders about their rights and obligations thus provide excellent customer care service

### **3.6.3 Statement of values**

In order to achieve the objectives of its mission, the NHBRC must hold the following values: Customer service excellence, Accountability, responsibility, transparency, Honesty, integrity, objectivity and mutual respect. Finally NHBRC should be learning and caring organisation.

### **3.6.4 Valuable Final Products**

A Valuable Final Product (VFP) is defined as a product or service that can be exchanged for the goods and services of the organization. In the NHBRC's case, the following will be applicable:

#### **3.6.4.1 Registration of home builders**

This is a process whereby a home builder is registered and is to meet the obligations of housing consumers in terms of the NHBRC's requirements.

#### **3.6.4.2 Enrolment of new homes**

This is a process whereby homes are enrolled with the necessary engineering input from competent persons to assist the home builders in taking the necessary precautions in foundation design.

#### **3.6.4.3 De-registration of defaulting home builders**

This process is the removal from the NHBRC register of home builders who have failed to meet their obligations in terms of the Act.

#### **3.6.4.4 Inspection of homes**

This is a service to the home builders to assist them to build homes with structural integrity, resulting in reducing complaints from housing consumers.

#### **3.6.4.5 Handling of housing consumers' complaints**

This is a service whereby a complaint is professionally and speedily processed on behalf of the housing consumer with clarity on the home builder's reasonable legal and ethical obligations in relation to specific complaints made by the housing consumer.

#### **3.6.4.6 Conciliation of disputes between housing consumers and home builders.**

This is professional service of conciliation, covering all relevant structural concerns of the housing consumer and clarifying the home builder's responsibility and the housing consumer's obligations.



### 3.6.4.7 Undertaking remedial works

This is the repair by the home builder of structural defects found in enrolled homes or repair by the NHBRC in instances where the home builder is unable to meet their obligation.(National Home Builders Registration Council)

### 3.7 Financial impact on individual consumer

Where the owner applied for a building loan from the bank, that proposed house must be enrolled by NHBRC. The contractor must attach his/her quotation and proof of how much the site was bought for to the application for enrolment to NHBRC. On receipt of the application, NHBRC will charge 1.3% of the total value (price of land and building quotation). This fee is for issuing of unit enrolment, inspections and remedial work where there are severe structural defects.

Building quotation	R 150 000 – 00
Land price	<u>R 50 000 – 00</u>
Total value	<u>R 200 000 – 00</u>

Enrolment fee will be  $(200000 \times 1.3\%) = R 2600 - 00$

Where the owner bought the land sometime ago, he/she has to pay 1.3% of the purchase price to NHBRC otherwise his/her house will not be enrolled. This will force the bank to withdraw the application for that building loan as per the Act 95 of 1998 section 18 (1) which says that “No financial institution shall lend money to a housing consumer against the security of a mortgage bond registered in respect of a home, with a view to enabling the housing consumer to purchase the home from a home builder, unless that institution is satisfied that the home builder is registered in terms of this Act and that the home is or shall be enrolled with the Council and that the prescribed fees have been or shall be paid”.

1.3% of the total is payable towards enrolment fee to NHBRC and about R 3000 – 00 is paid to various professionals involved in the planning and building process. (Geotechnical engineer, structural engineer etc.)

### **3.8 Conclusion**

This chapter has shown the role of government, banks and an impact of the intermediaries. The role of the estate agent can be eliminated by a direct transaction between the seller and the purchaser by signing the agreement of sale. NHBRC role is important but it raises questions especially where the owner has to pay 1.3% of something he/she had paid for it in full and the land need not be enrolled or insured.

The enrolment fee for the structure is essential because nobody can predict how long the structure will last without structural defects. The information discussed in this chapter indicated that when buying a house for R10 000 or R 1 000 000, the process followed is the same. Chapter four will focus on the research methodology used for this study.

## **CHAPTER 4**

### **RESEARCH METHODOLOGY**

#### **4.1 Introduction**

This chapter describes the manner in which this study was executed. The methodology and adaptations used are outlined and reasons for choosing them are given. The chapter expands by discussing the main objectives of the study. Some of the main objectives of the study were to determine whether the lack of housing mechanisms, lack of education and information and involvement of intermediaries contribute towards the failure by marginal income groups to access or afford housing finance.

#### **4.2 Research Design**

Surveys such as attitudinal surveys and public opinion polls are predominantly descriptive (Mouton, 2001). The current research involved a survey research design investigating whether the lack of housing finance mechanisms, lack of education and information, and the involvement of intermediaries such as estate agents and the National Home Builders Registration Council contribute towards the failure by marginal income groups to access or afford housing finance.

Each respondent of the sample was measured on all three variables. The variables measured were housing finance mechanisms, lack of education and information and involvement of intermediaries.

#### **4.3 Qualitative research**

Qualitative research yields descriptive data, the kind of data required to answer the proposed question of the study. According to Clarke (2000) descriptive data emanates from observation, participant observation, interviews and questionnaires. The type of qualitative research carried out for this study was a self-administered questionnaire.

#### **4.4 Sampling and data collection procedure**

Random sampling was used. The researcher identified three community centres( Kwamashu Christian Centre, Chesterville Community Centre and Durban Christian Centre) as the entire sample. Arrangements were made with all three community managers in KwaMashu, Durban Christian Centre and Chesterville and 500 self-administered questionnaires were delivered to each of the three centres. The researcher was given a platform in each centre to explain the reasons for the study and also show respondents how to fill in the questionnaire. Completed questionnaires were collected from all three centres. About three visits were made to each centre where the researcher followed up and encouraged the respondents to please fill in and return completed questionnaires.

#### **4.4.1 Questionnaire Design**

The basis of statistical analysis was the data obtained from the questionnaires. The questionnaire began with categories which served to identify respondents in terms of ownership and income bracket. This was followed by identifying their experiences or knowledge about access to housing finance and it concluded with their knowledge about the intermediaries such as estate agents and NHBRC.

The questions were short, simple and to the point, and followed in a logical order. The terminology used in the questionnaire was simple language so that it could be understood by everyone, especially the targeted group. It took only two minutes to complete.

#### **4.4.2 Data analysis**

Coffey and Artkinsion (1996:7) define data analysis as three linked sub processes:

- Data reduction, which involves the selection and condensation of data where data is summarized, coded and placed in respective categories.

- Data display, data is depicted in diagrammatic, pictorial or visual forms. Data display should be viewed as an organized, compressed assembly of information that permits conclusion drawing.
- Conclusion drawing and verification, this is when data is interpreted and meaning is drawn.

The questionnaire divided respondents into income categories, those who owned property, those who were renting and “other”. Some of the respondents have been involved with access to housing finance through financial institutions.

In determining the level of importance of these factors to respondents, a Likert scale was used where respondents used a given scale of level of agreeing or disagreeing with each statement. Analysis of this data by descriptive graphs and pie charts allowed for relevant findings to be identified as topics for further research.

The data was arranged on a spread sheet using the Microsoft Excel programme and analysis of data was done by using the SPSS data analysis program.

#### **4.4.3 Sample design and size**

According to Kotler (2003), large samples give more reliable results than smaller samples. However, it is not necessary to sample the entire target population or even a substantial portion to achieve reliable results. Samples of less than 1 percent of the population with credible sampling procedure can often provide good reliability

The convenience sample method was chosen purely on the basis of the availability of respondents who are accessible and articulate (Struwig and Stead, 2004). 1500 self-administered questionnaires were distributed at three community centres within the Durban Metropolitan area. These centres attract people from all spheres of the Durban Metropolitan area. A total of 630 were completed and returned to relevant centres. Returned questionnaires represent a 42% response rate which is considered acceptable. According to Sekaran (2003) a response rate of 30% is considered acceptable.

#### **4.4.4 Data collection method**

The method of data collection used an interrogative process rather than observation. This method is suitable for data collection to measure employee attitudes and opinions (Cooper and Schindler, 2001).



The subjects were questioned by means of self-administered questionnaire (see Appendix A)

The researcher eliminated any confusion that might be caused by communication barriers by implementing the questionnaire in both English and isiZulu.

The pilot study was conducted where the researcher selected a small sample of 40 respondents (20 English and 20 isizulu) to complete a draft questionnaire. The purpose of this exercise was to identify any problems that the respondents might experience with the instructions or items. Respondents indicated their understanding and interpretation of the questionnaire and this enabled the researcher to rectify problem areas and the questionnaire was modified accordingly.

The researcher was given an opportunity to verbally explain the questionnaire before distributing it and that afforded an opportunity for each respondent to ask any question or definition in relation to the questionnaire

#### **4.4.5 Data collection instrument**

The questionnaire was adapted from Hamilton County Survey, (2004) and modified in terms of scaling techniques to ensure relevancy to the study. The scaling technique used in the questionnaire was a non-comparative, itemised Likert type rating scale (Welman and Kruger, 2002).

The utilisation of the Likert Scale which ranged from Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4) to Strongly Agree (5), enabled the gathering and evaluation of the interval data. Highest scores reflect higher reported levels of the variable.

#### **4.4.6 Questionnaire design**

The questionnaire was simple and provided for reliability from respondents. The completed questionnaires were answered with a level of accuracy which confirmed a generally good understanding of questions asked.

#### **4.4.7 Measurement Instrument Characteristics**

The SPSS statistical programme was used for statistical analysis of the data. Two variables were tested, the income level of the respondents and their access to housing finance.

All tests were carried out at the  $\alpha = 0.05$  level of significance and the p-values will be used for decision making. The following tests were applied as descriptive statistics: central tendency (mean, frequencies and dispersion) and standard deviation. To produce inferential statistics, correlation and Chi-square measure of independence were applied.

#### **4.5 Respondents characteristics**

The survey was aimed at all people living within the Ethekewini Municipality metropolitan area who are:

- From 21 to 50 years old
- Eligible to have a house or shelter
- Employed or self employed
- Individual income between R600 and R4500 per month
- Can read and write both English and Zulu
- House owner, renter or other
- Have accessed or not accessed housing finance from the Bank or government subsidy
- Have knowledge about housing finance requirements and processes

#### **4.6 Justification of the research design**

The research topic emphasises the importance of identifying the actual barriers that prevent marginal income groups from accessing housing finance. The breadth rather than the depth of issues are important. The self-administered questionnaires ensured access to a large number of respondents.

This is unlike personal interviews, which tend to be more suitable if depth is essential. The questionnaires also guaranteed anonymity for the respondents.

The questionnaire was structured in such a way that achievement of the research objectives was possible. The questionnaire was adapted from Hamilton County Survey, (2004) and modified in terms of scaling techniques to ensure relevance to the study as was indicated in Section 4.2.5. Therefore, the data collection tool has, to a certain extent, been proven valid and reliable.

Survey research was used because it is ranked as the most commonly used primary data collection method in marketing research. Survey research possesses the following characteristics.

It generally involves large samples. Of course, large is a relative term. Although some survey research projects draw samples into the tens of thousands, most use far smaller samples.

The study utilizes “closed-ended” questions. Closed-ended questions provide research participants a limited number of predetermined response options, which introduces a high degree of structure to survey research. In contrast, open-ended questions allow research participants to respond however they choose.

Closed-ended questions may be coded numerically, making statistical analysis a much simpler matter than with open-ended responses.

Participants provide “self-report” responses. This simply means that the participants report their own behaviours, feelings or attitudes. This characteristic contrasts with other research methods such as observation studies in which researchers watch and record the actions of others.

According to Abbot and Sapsford (1998) most research surveys are concerned with the measurement of attitudes, beliefs, opinion and intentions. It is difficult to interpret the sense that respondents have made of the questions and what they meant by their answers and contextual bias is therefore introduced.

Biases basically leaning towards a particular opinion regardless of the available evidence by respondents in general literature is so extensive that attempt at a meaningful discussion of all of them would be beyond the scope of this research. (Kempton, Alani and Chapman, 2002)

#### **4.7 Conclusion**

The research towards accessing housing finance design, is a survey focussing on the opinions and attitudes of the population living within the Ethekewini Municipality area. The measurement variables are lack of housing finance mechanisms, lack of information and involvement of intermediaries. The breadth rather than the depth of issues are relevant and important. Convenience sampling was utilized for the study. A forty two percent response rate ( N = 630) was accomplished. The statistical analysis of data was done using the SPSS 12.0 for Windows Student Version.

## **CHAPTER 5**

### **ANALYSIS OF DATA AND RESULTS**

#### **5.1 Introduction**

The purpose of this chapter is to analyse the field work of the study identify whether the lack of housing mechanisms, lack of education and information, involvement of intermediaries such as estate agents and National Home Builders Registration Council, contribute towards the failure by marginal income groups to access or afford housing finance. The chapter begins with a statement of the hypotheses to highlight the purpose of the research and data analysis.

##### **5.1.1 Hypothesis**

It was hypothesised that there is a positive relationship between income brackets and access to housing finance.

#### **5.2 Description of sample – demographic data**

A total of 630 responses were returned and included in the analysis. This represents a sample size of approximately 42% of the population. The reliability of the study was tested using reliability analysis.

### 5.3 Variables of research

This study presents the findings about identifying to what extent the lack of housing finance mechanisms, lack of education and information and involvement of intermediaries contribute to the failure by marginal income groups to access housing finance. Respondents were asked to rate statements about accessing housing finance, their understanding of documentation required when buying a house and their understanding of intermediaries and their functions.

Participants were requested to score the statements on the following scale:

- 1 = Strongly disagree
- 2 = Disagree
- 3 = Neutral ( neither agree or disagree)
- 4 = Agree
- 5 = Strongly agree

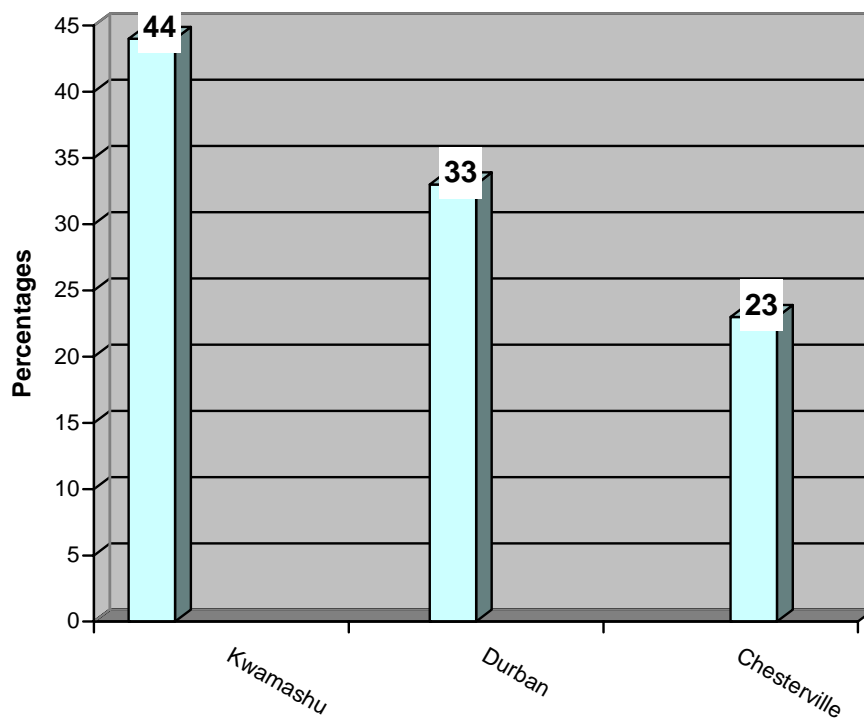
A low rating of (1-2) reflects a low (negative) perception from respondents. A neutral rating (3) reflects that the respondents do not have an opinion and higher rating (4-5) reflects a positive experience in accessing housing finance.



Figure 5.1 below shows the responses from the following community centres that represent different areas within the EtheKwini Metropolitan area:

- Kwamashu with 44% of the respondents covers Kwamashu, Ntuzuma, Inanda, Phoenix and Durban North
- Durban with 33% of the respondents covers Durban, Umlazi, Lamontville, Monclair, Isipingo and Kwamakhutha
- Chesterville with 23% of the respondents covers Chesterville, Cato Manor, Pinetown and Clermont

*Figure 5.1 Results from the respondents recorded per centre.*

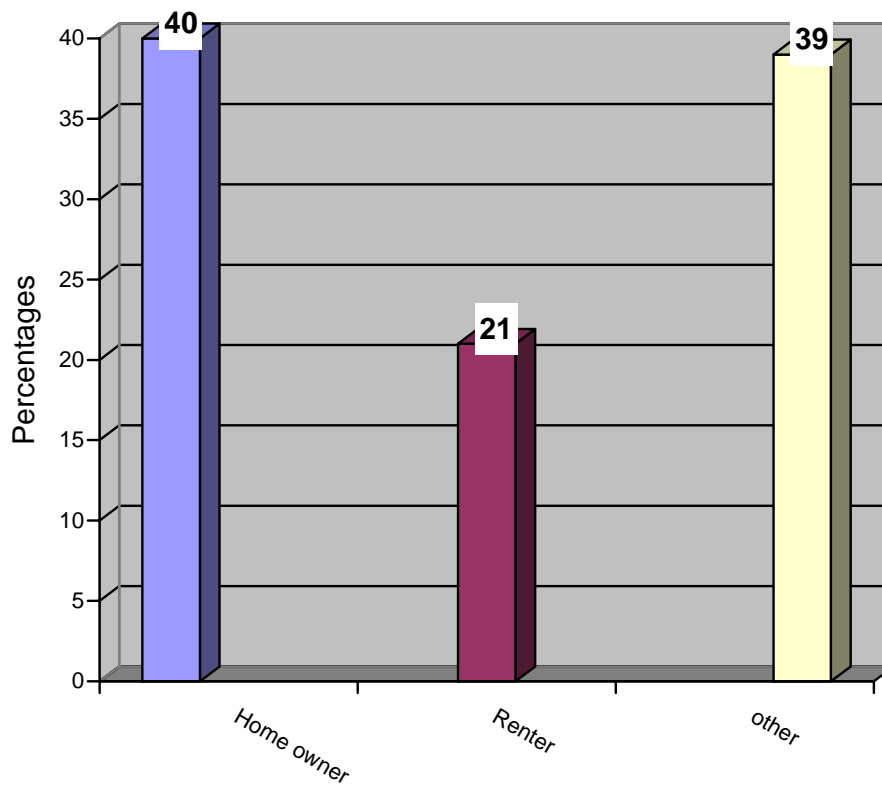


## 5.4 Survey results

### 5.4.1 Ownership

Respondents were asked to tick in the appropriate box if they are home owner, renter or other. The results are 40% homeowners, 21% Renters and 39% other. Other means those respondents who are living with their family members, friends and who cannot acquire property.

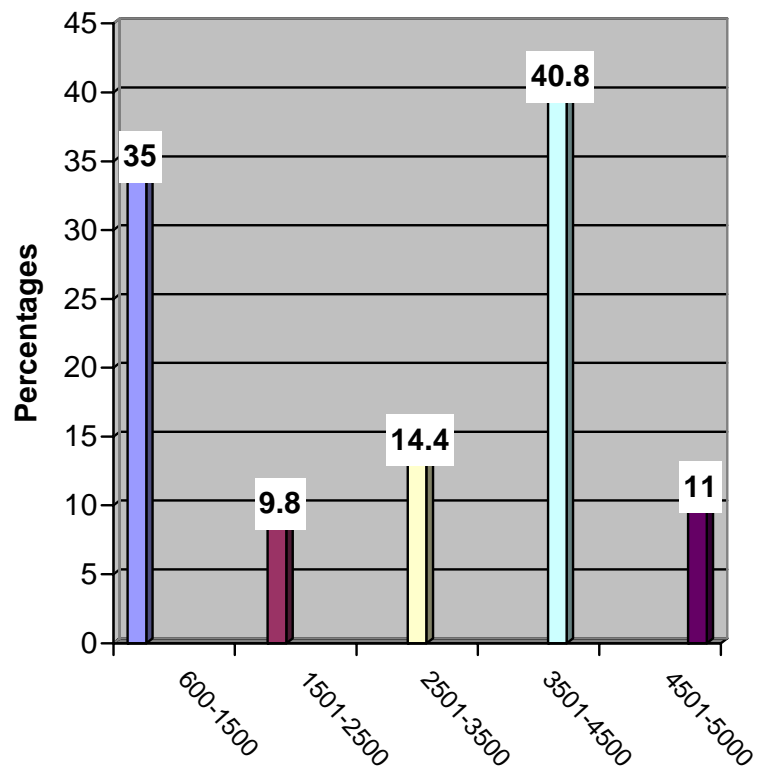
**Figure 5.2 Ownership**



### 5.4.2 Income brackets

Respondents were requested to tick an appropriate box showing their income bracket and the following results were given:

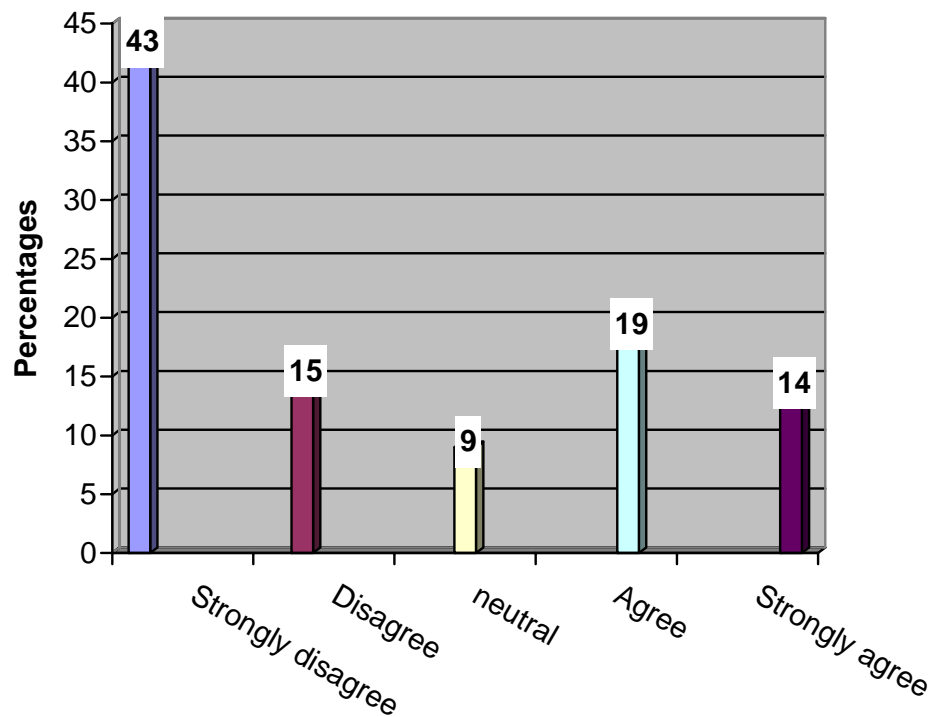
**Figure 5.3 Income brackets**



### 5.4.3 Housing finance mechanisms are accessible to everyone

Respondents were asked to indicate the extent to which they agree or disagree with the above statement about obtaining a loan from the bank. 14% of the respondents strongly agreed, 19% agreed, 9% were neutral, 15% disagreed and the majority 43% strongly disagreed with the statement. These results show that only a small percentage of respondents feel that they can easily access housing finance from the banks but the majority still cannot access it.

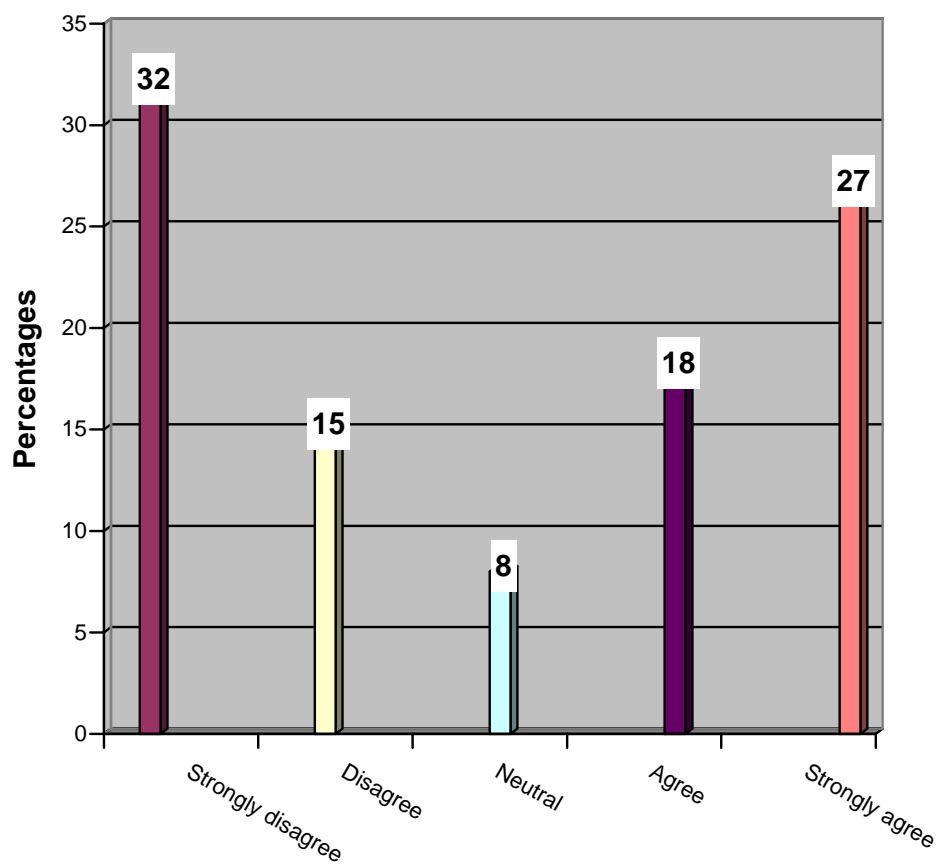
*Figure 5.4 Accessibility of housing finance through banks*



Respondents were asked to indicate the extent to which they agree or disagree that government subsidy is accessible to everyone. 27% strongly agreed, 18% agreed, 8% neutral, 15% disagreed and 32% strongly disagreed.

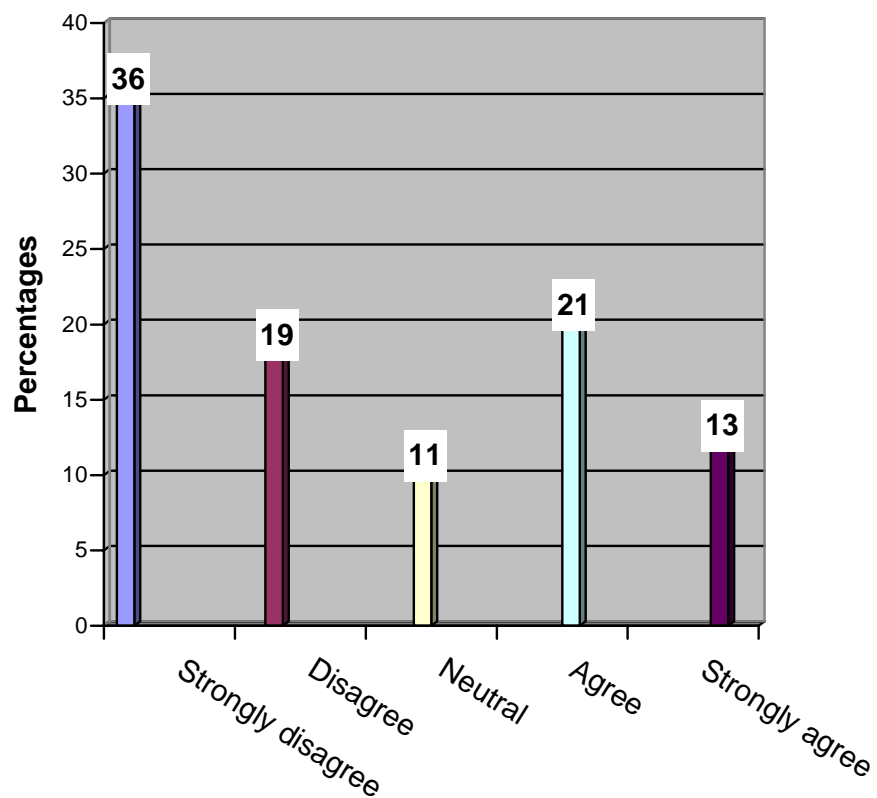
In this question respondents showed that there has been an effort from government officials to make this facility available to people because there is not much difference between 27% who strongly agree and 32% who strongly disagree.

*Figure 5.5 Accessibility of housing finance through government subsidy*



Respondents were asked to indicate the extent to which they agree or disagree that home improvement loan is accessible to everyone. 13% strongly agreed, 21% agreed, 11% neutral, 19% disagree and 36% strongly disagree. The results show that very few people can access home improvement loan from the bank because of the difference between 13% the respondents who strongly agreed and 36% of those who strongly disagreed.

*Figure 5.6 Accessibility of housing finance through banks*



#### 5.4.4 Summary of housing finance mechanisms questions

The table below presents a summary of respondent's responses about the available housing finance mechanisms. Overall, 58% of respondents were very negative about accessing housing finance with the presented mechanisms but 33% respondents were positive (Table 5.1). These results to a large extent reveal the urgent need for all parties to deal with the barriers in accessing housing finance.

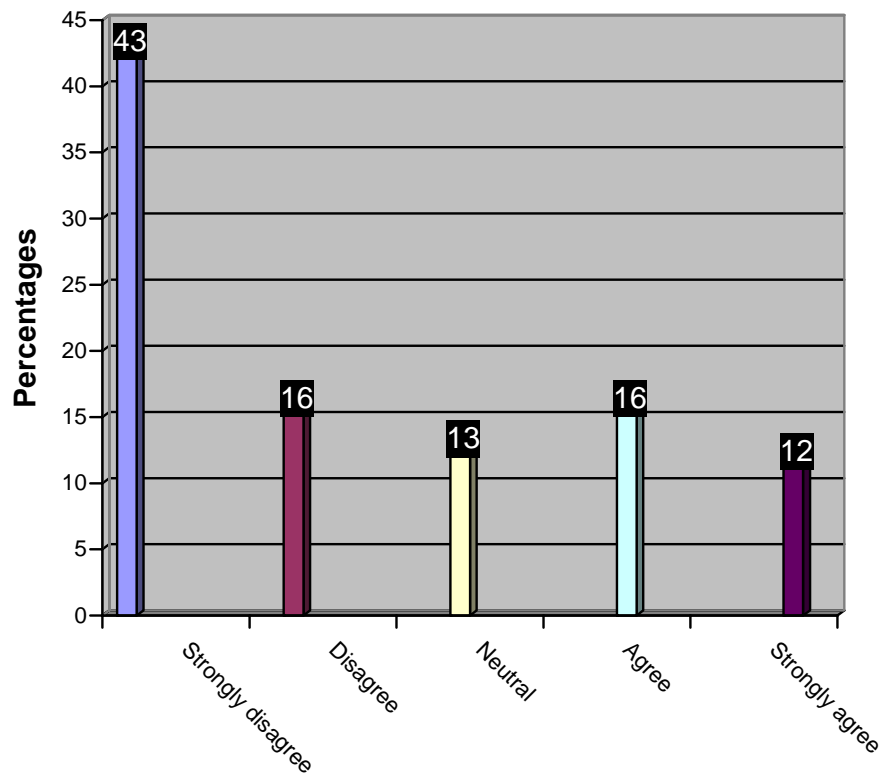
*Table 5.1 Summary of housing finance mechanisms*

Category label	Code	Count	Responses %
Strongly disagree	1	271	43
Disagree	2	95	15
Agree/Disagree	3	57	9
Agree	4	119	19
Strongly agree	5	88	14
Total responses		630	100

#### 5.4.5 Housing loan documents are easy to read and to understand

Respondents were asked to indicate the extent to which they agree or disagree that housing loan and bond documents are easy to read and understand. Majority (43%) strongly disagreed, 16% disagreed, 13% were neutral, 16% agreed and 12% strongly agreed. The results show that the majority of respondents cannot read and understand the required documentation when applying for a housing loan from the bank.

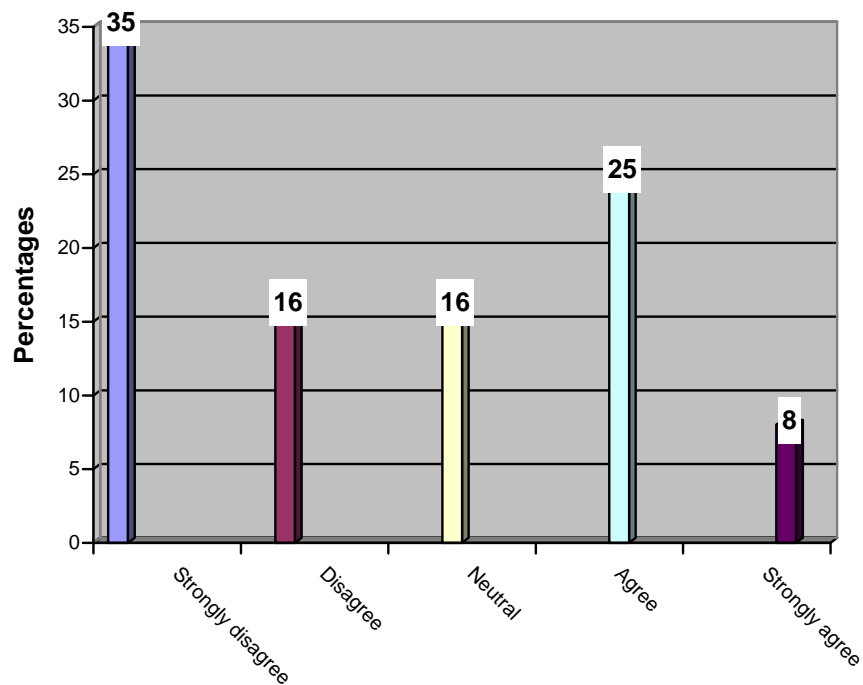
*Figure 5.7 Reading and understanding Housing loan and bond documents.*





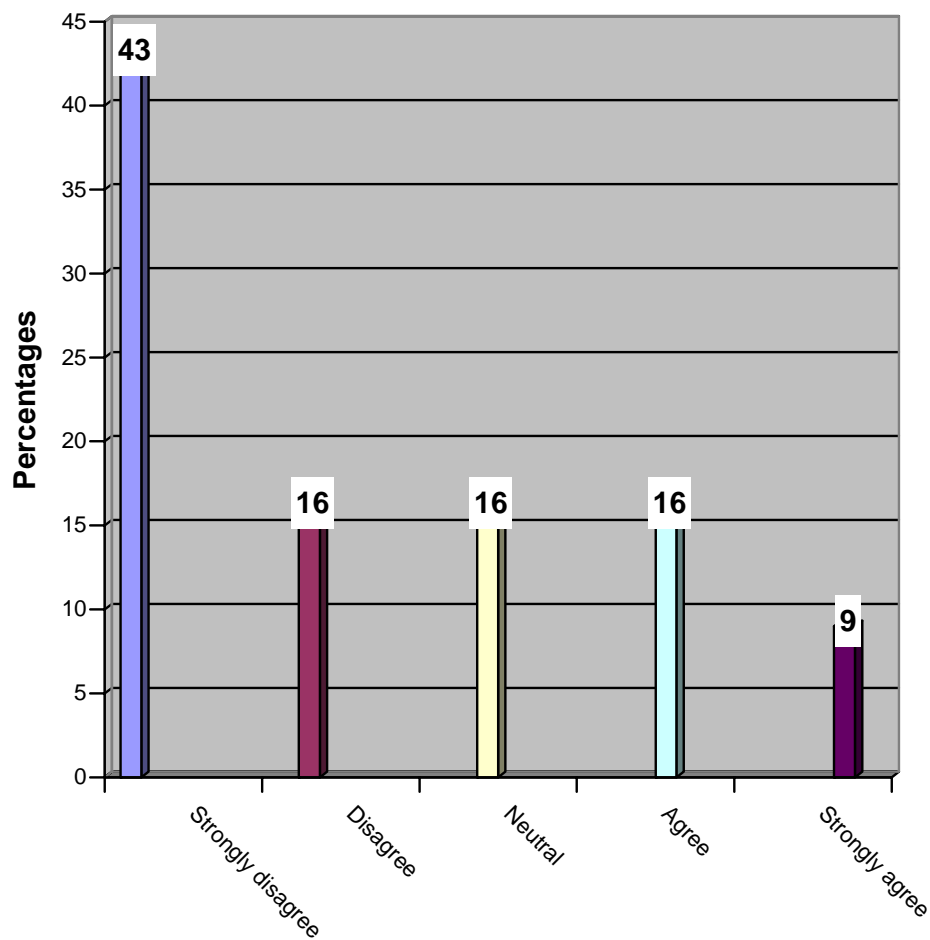
Respondents were asked to indicate the extent to which they agree or disagree that it is easy to fill in the housing loan application form. Majority of respondents (35%) strongly disagreed, 16% disagreed, 16% were neutral, 25% agreed and minority (8%) strongly agreed. Respondents also displayed a lack of basic understanding of something that should be simple and clear to every applicant. The difference between 8% who strongly agree and 35% who strongly disagree means there is a need for educating applicants on how to fill in the application form.

*Figure 5.8 Filling in housing loan application form.*



Respondents were asked to indicate the extent to which they agree or disagree that building contracts and specification are easy to read and understand. Majority (43%) strongly disagreed, 16% disagreed, 16% were neutral, 16% agreed and minority (9%) strongly agreed. This question was aimed at testing the knowledge of respondents when they have to read and sign building contract documents. This is applicable when the applicant is building a new house. Only 9% strongly agree and 43% strongly disagree.

**Figure 5.9 Reading and understanding Building contracts and specification.**



#### 5.4.6 Summary of education and information questions

Table 5.2 below presents an indication of respondent's knowledge, from statements about their level of education, and access to information with regards to housing finance documentation. Overall, a significant number (56%) responded negatively and 27% responded positively (Table 5.2). The results indicate the need for banks to ensure that their clients have all necessary information when being granted or applying for housing finance.

*Table 5.2 Summary of education and information*

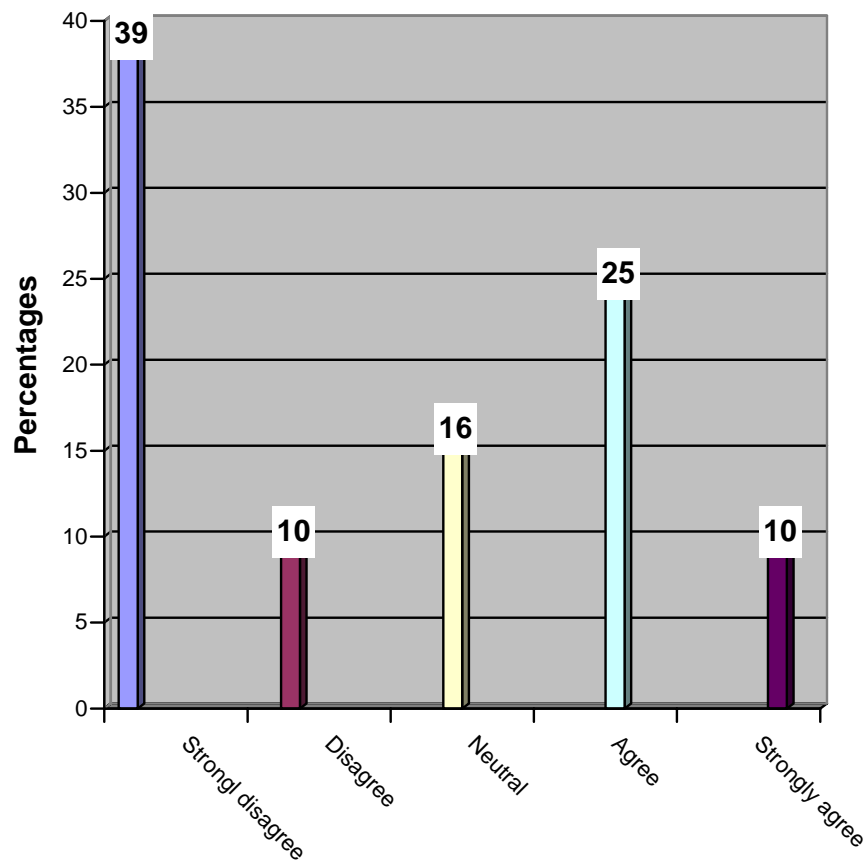
Category label	Code	Count	Responses %
Strongly disagree	1	252	40
Disagree	2	100	16
Agree/Disagree	3	95	15
Agree	4	120	19
Strongly agree	5	63	10
Total responses		630	100

## 5.5 Intermediaries

### 5.5.1 Estate agents

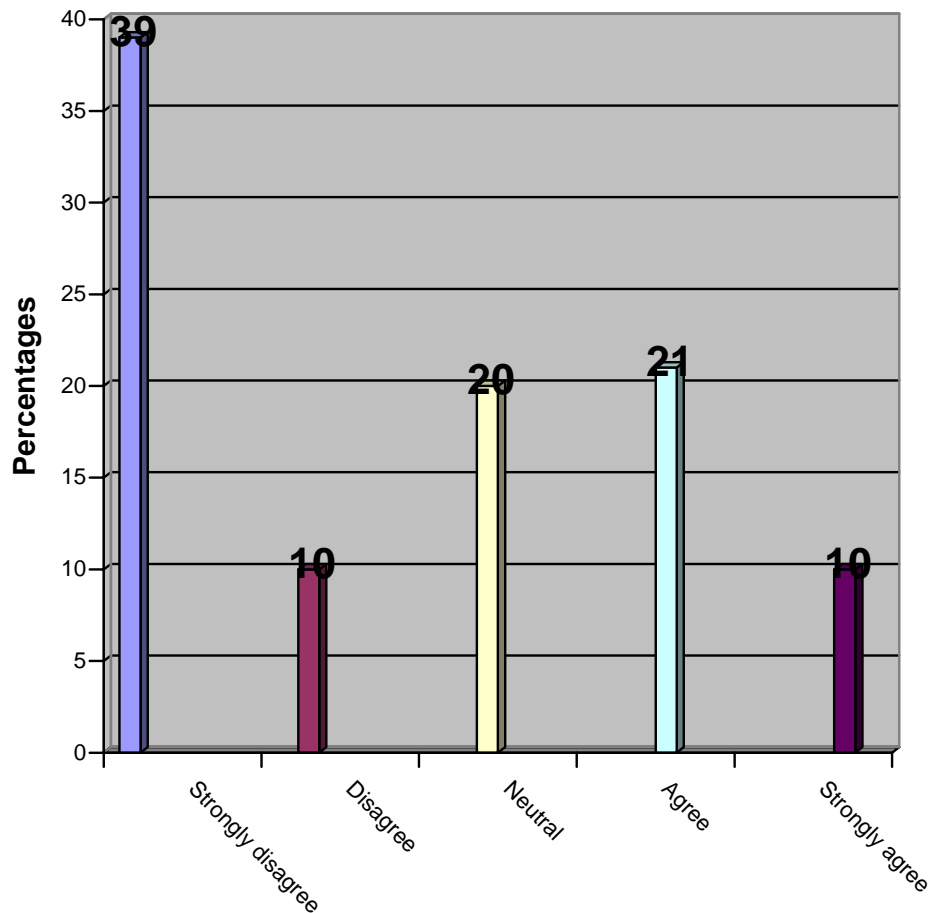
Respondents were asked to indicate the extent to which they agree or disagree that estate agents explain their role in housing finance. Majority (39%) strongly disagreed, 10% disagreed, 16% were neutral, 25% agreed and 10% strongly agreed.

*Figure 5.10 Estate agents explain their role in the housing finance*



Respondents were asked to indicate the extent to which they agree or disagree that estate agents assist clients to understand the sale agreement, special conditions and commission they charge. The results show that majority (39%) strongly disagreed, 10% disagreed, 21% were neutral, 21% agreed and 10% strongly agreed to the statement.

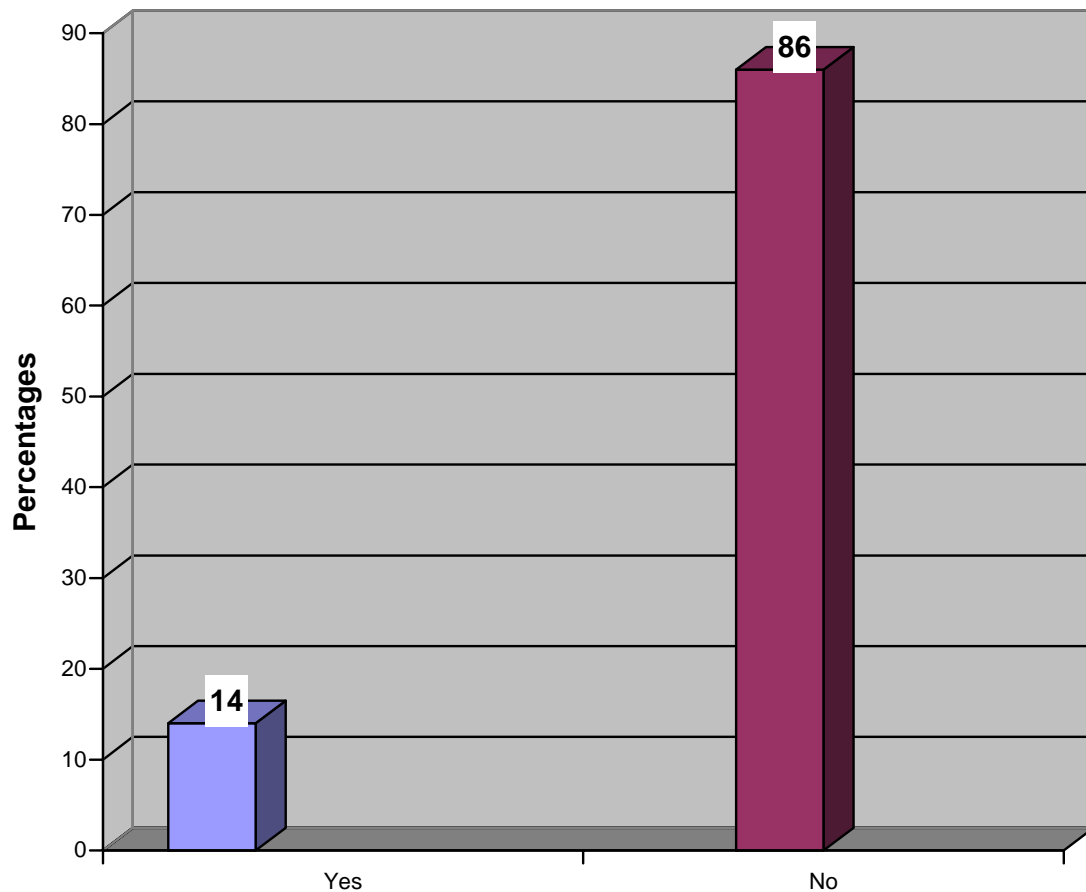
*Figure 5.11 Estate agents assist clients to understand the sale agreement's special conditions and commission charged.*



### 5.5.2 National Home Builders Registration Council

Do you know about National Home Builders Registration Council. Respondents were asked to indicate by yes or no answer. Results show majority (86%) who answered no and only minority (14%) answered yes, they know about NHBRC. The results are a clear indication that NHBRC is not known.

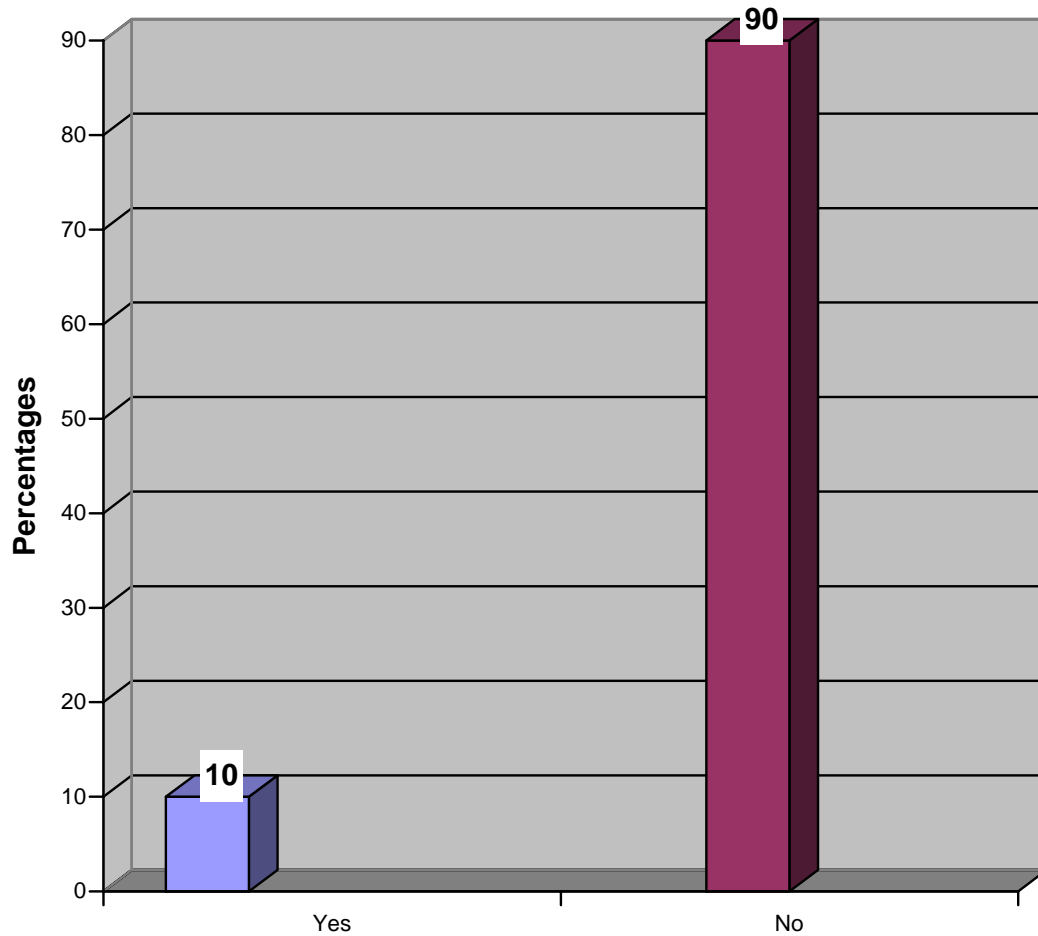
*Figure 5.12 Do you know National Home Builders Council?*



Do you understand the role of NHBRC in the housing finance?

10% responded yes and 90% responded no. This also indicates that NHBRC's services are not known to the public of which they claim to be serving and protecting.

*Figure 5.13 Do you understand the role of National Home Builders Council in housing finance?*



## 5.6 Summary of intermediaries questions

The table below presents respondent knowledge about the services rendered by estate agents and their involvement in housing finance documentation. Overall, a significant number (49%) responded negatively and 33% responded positively (Table 5.3). The results indicate that some information is known about estate agents but that the information is not adequate. The difference between 49% and 33% is significant number and cannot be ignored. A drive to inform people about estate agent's involvement in the housing finance is recommended or essential.

*Table 5.3 Summary of intermediaries*

Category label	Code	Count	Responses %
Strongly disagree	1	245	39
Disagree	2	63	10
Agree/Disagree	3	120	19
Agree	4	138	23
Strongly agree	5	63	10
Total responses		629	100



## 5.7 Testing hypothesis

The testing of hypothesis was done utilising the Pearson correlation statistical tool, which is part of inferential statistics.

The Pearson correlation matrix will indicate the direction, strength and significance of the bivariate relationship between the variables in the study.

The decision rule will be to accept the alternative hypothesis and reject the null hypothesis if  $p < 0.05$  and reject the alternative hypothesis and accept the null hypothesis if  $p > 0.05$ . The null hypothesis and alternative hypothesis are indicated below respectively.

### 5.7.1 Hypothesis

It was hypothesised that there is a positive relationship between income brackets and access to housing finance.

Ho: There is no association between income brackets and access to housing finance (meaning that they are independent)

Hi: There is an association between income bracket and access to housing finance

Since the p value  $>0.01$  (Table 5.4) the decision is to accept the alternative hypothesis and reject the null hypothesis at 1% level of significance.

In other words, the results indicate that 99 times out of 100 sure that there is only a 1% chance that the relationship does not exist.

The direction of the relationship between the variables is positive (Table 5.4).

The strength of the relationship indicates a strong correlation since the correlation coefficient (  $r$  ) is between 0.05 and 1.0 (Table 5.4)

***Table 5.4 Pearson Correlation between income brackets and access to housing finance***

		Income Brackets	Access to housing finance
Income Brackets	Pearson Correlation	1	0.552
	Sig. (2-tailed)	.	0.335
	N	5	5
Access to housing finance	Pearson Correlation	0.552	1
	Sig. (2-tailed)	0.335	.
	N	5	5

\*\* Correlation is significant at the 0.01 level (2-tailed).

### **5.7.2 Qualitative data analysis**

Respondents expressed the following concerns:

- They need more knowledge about housing finance issues
- They find it difficult to secure housing loans from banks
- There should be awareness campaigns through workshops and training.
- Documentation should be translated in both isiZulu and English.
- They wished that buying a house was as easy as buying a car

- They observed that government subsidizes the low-income groups while banks finance the high income groups.
- They generally do not have collateral security available
- They are not registered employees
- They would like to see change in the housing finance qualifying criteria

## **5.8 Conclusion**

There is a high probability that income levels of respondents influenced the percentage of respondents who were able to access housing finance. This conclusion is supported by the overall high percentage of respondents who were negative about obtaining housing finance from banks. The variables used for the hypothesis indicate a strong positive correlation with each other.

A strong positive correlation of 0.552 exists between income brackets and access to housing finance (Table 5.4).

The results that were obtained from the data and presented in the form of tables, figures, graphs and statements will be further discussed in Chapter Six.

## CHAPTER 6

### DISCUSSION OF FINDINGS

#### 6.1 Introduction

The purpose of this chapter is to discuss the results as tabulated in Chapter 5 in form of graphs and statements. The findings will be examined within the context of the literature reviewed. The meaning and implication of the results will be explained in the light of the aims of the study.

It is imperative to re-state the aim of the study to ensure focus in the discussion. The aim and objectives of the study were to determine whether the lack of housing mechanisms, lack of education, information and the involvement of intermediaries such as estate agents and the National Home Builders Registration Council, contribute towards the failure by marginal income groups to access or afford housing finance.

## **6.2 Classification of the discussion**

The discussion will be classified under the following sections:

- Lack of housing mechanisms
- Lack of education and information
- Involvement of intermediaries

### **6.2.1 Lack of housing mechanisms**

There are three types of housing finance that were asked about in the questionnaire. The first question centred around raising a loan from the bank. Respondents showed that 58% disagreed, 9% were neutral and 33% agreed that obtaining a loan from the bank is accessible to everyone. These results show that there are still barriers that prevent marginal and low-income groups from accessing housing finance from the formal banks because of the difference between the 58% negative respondents and the 33% of positive respondents.

The second question centred around obtaining a government housing subsidy, 47% respondents disagreed, 8% were neutral and 45% agreed that it was easy to get government housing subsidy.

These results showed that the government has made a positive impact in housing low-income groups through government subsidy developments. There is only a 2% difference between respondents who disagree and those who agree.

The last question centred around obtaining home improvement loans from the bank. 55% of the respondents disagreed, 11% neutral and 34% agreed that it was easy to obtain these loans. The respondents showed almost same result as the first question. The problem that the respondents have is the bank requirements or criteria used to qualify clients. Based on the results mentioned above, there is still room for improvement in order to serve this market segment and also to create more accessible housing finance mechanisms.

### **6.2.2 Lack of education and information**

A significant number of respondents expressed their inability to read and understand the documents used for home loan applications. Not fully understanding how to complete the forms and what each clause entails could only spell trouble for the person concerned. This means that they more often than not end up signing for something they do not have a full appreciation of.

This makes them vulnerable to unscrupulous agents who could represent themselves during the transaction. Fully understanding a contract is crucial before any signatures are put to it. Specifications also need to be fully understood so that parties enter into an agreement that they both fully understand and appreciate. It is recommended that these clients be given more time to read and understand the documents before making such a commitment. This may contribute to reducing the percentage of properties that are repossessed due to failure by the clients to repay their housing loans.

### **6.2.3 Involvement of intermediaries**

The aim of the involvement of estate agents is to play a role of a middle man who will negotiate with both parties (purchaser and seller) individually, aiming to reach a win-win agreement or situation. However, from the results, it is clear that a large number of respondents do not see the role of estate agents in the housing finance in a positive light. This could contribute to their services not being properly utilized. More or less equal numbers of respondents do not understand the sale agreement's special conditions and the commission charged on each sale. This could play a contributory role in the increase in the number of houses being repossessed because people can no longer fulfil their financial obligations.

No one was available to explain the fine print to them and they find out when it is too late to get out of the debt that they could not afford.

Not having other available options explained before signing the document could have adverse effects on someone who will take years to repay their loan obligation.

National Home Builders Registration Council was established with the main aim of protecting the interests of housing consumers, and to regulate the home building industry. There were two questions asked about NHBRC, each with a Yes and No option. The questions were Do you know NHBRC? Do you know their function?

A very high negative percentage (86%) responded No to the first question and only small positive percentage (14%) responded Yes. Almost same response was found on the second question with 90% who responded No and only 10% who responded Yes. These results show that:

- Benefits are not extended to those who need the most
- The NHBRC's role is not understood and known
- The percentage of people who could have benefited from NHBRC but are not aware of it, is too large to be ignored.



This is a big challenge for NHBRC. They need to go on a drive to educate more people about the role the Council could play in alleviating the housing dilemma.

### **6.3 The Relationship between variables**

The results indicate that the relationship between income brackets and access to housing finance is positive and strongly correlated to each other as is shown in (Table 5.4). The problem is that the lower the income, the harder it is for the client to obtain or access housing finance.

### **6.4 Conclusion**

The results discussed in this chapter have shown that most respondents were ignorant to a certain degree about the intermediaries involved in the housing finance. The client can only be formally financed through government subsidy scheme or by loan from the bank. The commonly used housing finance mechanisms were analyzed based on the responses obtained.

The education and information available to clients have been discussed and results of these issues indicated the need for more ways of communicating to the end user so that they fully understand the housing finance documentation. The last issue was involvement of intermediaries and the results indicated a very high percentage of ignorance from the respondents.

With reference to the relationship between the variables, the implication of the positive, strong correlation is that the lower income bracket shows a high degree of failure to access housing finance. The conclusion and recommendations of the study objectives will be discussed in Chapter Seven.

## **CHAPTER 7**

### **CONCLUSION AND RECOMMENDATIONS**

#### **7.1 Introduction**

This chapter aims to present the conclusions based on the results discussed in Chapter Five and the discussion presented in Chapter Six. It will also draw conclusions about the hypothesis and conclusion about the research problem. Chapter Seven will conclude with recommendations for further research.

#### **7.2 Conclusion about hypothesis**

The finding about the hypothesis is summarized within the context of this research.

It was hypothesized that there is a positive relationship between income brackets and access to housing finance. According to the results stated in Chapter Five, the decision was to accept the hypothesis at 1% level of significance, since the p value is less than 0.01. The direction between the variables is positive and the strength also indicates a strong correlation Coefficient (  $r$  ) is between 0.552 and 1.0.

### 7.3 Conclusion about the research problem

The research problem outlined in Chapter One set out to investigate and pinpoint the obstacles faced by marginal income groups in their quest to secure housing finance to improve their living conditions. The obstacles in accessing housing finance was investigated by asking respondents three questions about obtaining housing loan, three questions about their knowledge of the necessary documentation and questions about estate agents and the National Home Builders Registration Council.

Fifty three percent of respondents disagreed that housing loan finance is accessible to everyone, only thirty seven percent agreed and ten percent had no view. The majority of the respondents (55%) disagreed that they understood housing loan documentation, but the minority (29%) agreed and further (16%) had no view on the statement.

Forty nine percent of respondents disagreed that they knew what the role of estate agents was in the housing process, thirty three percent agreed and eighteen percent had no view. Majority (88%) disagreed that they had knowledge of the NHBRC and understood their role in the area of housing finance. Only 12% agreed that they knew of the existence of the NHBRC and they knew its role in the housing finance.

The overall impression is that people in this market segment are still struggling to access housing finance from financial institutions. The government subsidy has to a certain extent also not been adequately addressing the problem. The obstacles identified are:

- People do not have permanent employment
- Majority do not meet minimum requirements for a loan
- They do not have adequate knowledge about the processes
- They do not know about estate agents and other intermediaries involved
- They cannot sustain a long-term commitment
- No other housing finance mechanisms are readily available for this income group
- People in this income group do not understand legal terminologies used by both banks and attorneys
- They could not get a 100% housing loan because they are not employed and do not have a guarantee or equity from the property
- Lending conditions are mainly for moderate and higher income earners and rarely provide for marginal and low-income earners
- Illiteracy is also one of the major barriers preventing this market segment from accessing housing finance

#### **7.4 Conclusion about housing finance mechanisms**

Respondents clearly indicated that the housing loan from the bank is hardly accessible by majority (58%) who disagreed and the minority (33%) who agreed that housing finance is accessible to everyone. The government subsidy scored an acceptable response when 47% disagreed and 45% agreed and 8% were neutral. These results indicate the need for more housing finance mechanisms that will serve this market segment.

#### **7.5 Conclusion about education and information**

Documents from the government offices, banks and registering or transferring attorneys are usually written in English. These documents take about 15 to 30 minutes for somebody with a good understanding of English to read. In the case of some one who is illiterate or can read but needs interpretation, it is a big challenge for both the banking institutions and the government to tailor make documentation for this market segment.

## **7.6 Conclusion about intermediaries**

Estate agents and the National Home Builders Registration Council were established to perform certain functions within the housing finance market but according to the respondents in this study, estate agents are known but NHBRC is not known.

The majority (88%) disagreed and the minority (12%) agreed that they know the organization and its role in the housing finance. NHBRC has a very serious impact on the client's ability to qualify for finance because of 1.3% additional amount that the clients have to pay for unit enrolment and engineers involved. The researcher cannot dispute the importance of NHBRC but results of this study indicate that this organization needs to work hard to inform clients about their services as well as to justify their charges to individuals.

## **7.7 Conclusion about government**

The government has made certain rules to make sure that everyone is able to access housing finance. They signed a memorandum of understanding with financial institutions requesting these institutions to finance the marginal and low-income groups but so far all these efforts failed to solve the problem of access to housing finance.

The government established companies like the National Home Builders Registration Council to assist in protecting both the consumer and financial institutions. They also increased the housing subsidy amount. These efforts have done very little to assist the marginal and low-income group to access housing finance from the commercial banks.

### **7.8 Limitations**

The opinions of the respondents were consistent regarding the issues raised. However, it must be noted that the study was done within the Ethekewini metropolitan area only. Three community centres were used for the distribution and collection of questionnaires. Questionnaires collected were from townships and areas within Ethekewini metropolitan area. The lack of understanding from some of respondents can be attributed to illiteracy.

### **7.9 Recommendations**

The opinions of the respondents were consistent regarding issues raised. The study did not address the issues of how can access to housing finance for the marginal and low-income groups be solved but only focused on highlighting the barriers that prevent this market segment from realizing their dreams to own property, hence further investigation is necessary.



It is however, important for the government to re-regulate the Housing Act thus accommodating further amendments such as:

- Reducing administration costs, transferring and registering period for properties (houses) that cost below two hundred thousand rand.
- Modifying municipality requirements for this bracket
- Encouraging banks to develop special products for the marginal and low-income groups.
- Allocating funds for housing awareness campaigns so that everyone knows the requirement and processes when applying for a housing loan.
- No estate agents should be involved in this bracket so that every cent goes towards the property or house.

Since there is a strong relationship between income brackets and access to housing finance, the relationship might imply that there are other factors that could be related to the variables of the study, either positively or negatively. Future research on housing finance processes could encourage the involvement of more financial institutions in this market segment.

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**Appendix A**

**Questionnaire** Evaluation of Access to housing finance for marginal income groups.

**Respondent Information**

1. In which area of Durban Metro do you reside?.....

2. Which of the following categories best describes you?

Home owner	<input type="checkbox"/>	Renter	<input type="checkbox"/>	Other	<input type="checkbox"/>
------------	--------------------------	--------	--------------------------	-------	--------------------------

3. What is your income bracket per month? Indicate by X in the appropriate box.

R600 – R1500	R1501 – R2500	R2501 – R3500	R3501 – R4500
--------------	---------------	---------------	---------------

Please indicate the extent to which you agree or disagree with the statements below by a cross sign where appropriate

**SA** = Strongly Agree, **A** = Agree, **N** = Neutral, **D** = Disagree, **SD** = Strongly disagree

**4. The following housing finance mechanisms are accessible to everyone**

	SA	A	N	D	SD
4.1 To obtain housing loan from the Bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.2 To btain Government subsidy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.3 To obtain home improvement loan from the bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**5. Housing loan documents are easy to read and to understand**

	SA	A	N	D	SD
5.1 Housing loan agreements and bond documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.2 Filling loan application form	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.3 Building contracts and specifications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**6. Estate agents are known for their services in assisting clients by:**

	SA	A	N	D	SD
6.1 Explaining their role in the housing finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2 Assisting client to understand the sale agreement’s special conditions and commission charged	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**7. National Home Builders Registration Council**

7.1 Do you know about National Home Builders Council? 

Yes	No
-----	----

7.2 Do you understand its role in the housing finance? 

Yes	No
-----	----

**8. ADDITIONAL COMMENTS**

If you have any additional comments, which you feel are relevant, please write in the space provided.

.....  
 .....

Thank you for co-operation

## Appendix B

### Imibuzo - Inhlolovo ngokuvulelwa kwabantu abahola kancane amathuba Okuthola imali-mboleko uma bethenga izindlu.

#### Imininingwane ngomuntu ophendulayo

1. Indawo ohlala kuyo Ethekwini.....
2. Yiluphi uhlelo kwezilandelayo oluchaza kangcono isimo senhlalo yakho?

Unomuzi		Uqashile		Okunye	
---------	--	----------	--	--------	--

3. Malini iholo lakho ngenyanga? Khomba ngo (X) ebhokisini elifanele.

R600 – R1500	R1501 – R2500	R2501 – R3500	R3501 – R4500
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Yisho izinga ovumelana noma ophikisana ngalo nezitatimende ezingezansi, khomba ngo (X)ebhokisini elifanele. **VK** = NgiVuma Kakhulu, **V** = Ngiyavuma, **N** = Ngiphakathi nendawo, **A** = Angivumi, **AK** = Angivumi kakhulu

#### 4. Lezinhlobo zemali yokuthenga indlu zivulelekile kumuntu wonke

	VK	V	N	A	AK
4.1 Ukubolekwa imali yokuthenga indlu yibhenki					
4.2 Ukuthola umxhaso ka Hulumeni					
4.3 Ukubolekwathola imali yokulungisa indlu yibhenki					

#### 5. Izincwadi zokuthenga indlu zifundeka kalula futhi zicacisekile

	VK	V	N	A	AK
5.1 Isivumelwano sokuthenga indlu					
5.2 Ukuqwalisa ifomu lokuboleka imali					
5.3 Isivumelwano sokwakhelwa nokuhambisana naso					

#### 6. Abadayisi bezindlu baziwa ngemisebenzi abasiza ngayo amakhasimende

	VK	V	N	A	AK
6.1 Bayawuchaza umsebenzi wabo ekudayiseni izindlu					
6.2 Basiza ngokucacisa kahle okubhalwe esivumelwaneni					

#### 7. National Home Builders Registration Council

- 7.1 Uyayazi lenhlangano ebhalwe ngenhla?

Yebo	Qha
------	-----

- 7.2 Uyawuqonda kahle umsebenzi wayo ezindlini ezakhiwayo?

Yebo	Qha
------	-----

#### 8. Ukwengezelela Imibono

Uma kunokunye ofisa ukukunzela, bhala kulesikhala esingenzansi.

.....  
.....  
.....  
.....

Siyabonga ukubambisana



**APPENDIX C**

P.O. BOX 1150  
PINETOWN  
3600  
13<sup>th</sup> February 2006

To: Community Centre Manager

Re: REQUEST FOR DISTRIBUTION OF QUESTIONNAIRES

I am currently registered for my Master's in Business Administration Degree at Durban University of Technology.

My research will investigate the barriers preventing the marginal income groups from accessing housing finance. This problem affects the government, community and financial institutions.

A number of self administered questionnaire are enclosed. Could you please distribute them among the community members who attend services at your centre.

Please give these questionnaires to as many members as possible.

Your co-operation will be appreciated

Thank you

Yours Faithfully

SD Shelembe

## APPENDIX D

P.O. BOX 1150  
PINETOWN  
3600  
13<sup>th</sup> February 2006

### LETTER OF INFORMATION AND CONSENT

I am currently registered for my Master's in Business Administration Degree at Durban University of Technology.

The research will help to provide information for the Government, communities concern and financial institutions.

Please fill in the anonymous questionnaire at your earliest convenience. It will take 10 minutes of your time. Participation is entirely voluntary. The information you provide will be used for research purposes only and your identity and individual answers will be kept totally confidential.

Please return the completed questionnaire by dropping it in the box provided in your centre.

Your co-operation will be appreciated

Thank you

Yours Faithfully

SD Shelembe

## Appendix E

### Table of transfer costs from R 60 000.00 to R 200 000.00

Total Transfer Costs include Transfer Duty, Attorneys' Fees, Postage, Valuation Certificates, Value Added Tax and Deeds Office Levies.

<b>BOND AMOUNT</b>	<b>TRANSFER COSTS</b>
Up to R 60 000.00	R2 136
from R 60 001 to R 70 000	R2 536
from R 70 001 to R 80 000	R3 339
from R 80 001 to R 90 000	R3 762
from R 90 001 to R100 000	R3 990
from R100 001 to R120 000	R4 104
from R120 001 to R150 000	R4 218
from R150 001 to R170 000	R4 506
from R170 001 to R200 000	R4 734

Source: [www.vdv-properties.com](http://www.vdv-properties.com)

### Table of Bond costs from R 60 000.00 to R 200 000.00

Bond Costs include attorneys' fees, stamp duty, postage and Deeds Office Levies.

Bond amount	Bond costs
up to 60 000	R2 663
to 80 000	R2 801
to 90 000	R2 915
to 100 000	R3 029
to 120 000	R3 143
to 150 000	R3 257
to 170 000	R3 431
to 200 000	R3 545

Source: [www.vdv-properties.com](http://www.vdv-properties.com)

## Appendix F

### Demographic monthly income (15-65 Years of age)

	Black	Coloured	Indian/Asian	White	Unspecified /Other	Total
None	67,867	9,154	3,299	22,015	1,018	103,354
R1 - R200	636,718	56,697	5,762	28,561	3,991	731,729
R201 - R500	1,186,478	195,228	12,587	42,558	8,590	1,445,441
R501 - R1 000	1,293,717	216,618	39,445	76,298	11,248	1,637,326
R1 001 - R1 500	1,088,001	231,507	73,339	131,265	12,913	1,537,026
R1 501 - R2 500	667,021	180,879	76,952	253,713	11,944	1,190,508
R2 501 - R3 500	303,914	88,647	49,189	261,581	7,683	711,013
R3 501 - R4 500	154,853	48,656	30,908	228,432	5,309	468,158
R4 501 - R6 000	90,060	33,424	28,238	242,336	4,609	398,666
R6 001 - R8 000	34,873	12,595	13,771	160,617	2,256	224,111
R8 001 - R11 000	19,464	5,596	7,631	118,943	1,387	153,021
R11 001 - R16 000	9,406	2,335	3,857	74,709	719	91,026
R16 001 - R30 000	4,817	1,253	2,078	45,169	395	53,712
R30 001 or more	2,070	465	858	17,677	151	21,221
Unspecified	123,216	46,463	15,573	152,579	9,703	347,533
Total	5,682,476	1,129,515	363,486	1,856,452	81,917	9,113,847

Source: *SA Focus Consumer Survey*, study for ESKOM by Triple C (1999) as cited in

Porteous and Naiker (2000):