



## Blog

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### Introduction

Housing finance plays an important role in meeting the demand and need for housing. From an end-user perspective, access to housing finance enables individuals or households to be able to shelter themselves and can be used to acquire a house (new build or existing housing stock), to construct a house at one go (typically within a year) or to build incrementally over time (typically over 3 years or more). Housing finance also provides a means through which houses can be maintained, renovated or reconstructed. End-user finance can be required on both the supply or demand side of the housing value chain, dependent on one's decision to either build or purchase. For either of these options, there are different types of financing that an end user has access to.

## HOUSING FINANCE OPPORTUNITIES FOR END-USERS



### Savings

This can be used as a down payment to access a mortgage or a loan. Adequate savings can be used to purchase a property or build a complete house. It can be used for incremental build as savings accumulate in . Savings can also be used for renovations, maintenance and reconstruction.



### Mortgages

Some form of collateral or security is pledged by the borrower against a loan. This is usually in form of the title or a down payment. As there is security, the risk is lower than an unsecured loan and the interest rate is normally lower than an unsecured loan. These loans have a longer repayment terms (up to 25 years).



### Revolving credit

This can be secured or unsecured and can be offered by a wide range of lenders, not necessarily just banks. This type of credit can be used for incremental build or is suitable for housing renovations, maintenance or reconstruction.



### Overdrafts

This facility is offered by the borrower's banking intuition. The advantage of overdrafts is that there is no set repayment period.

Overdrafts can be used for incremental build, maintenance, renovations and reconstruction.



### Pension backed loan

This loan is made against your retirement savings. It can be used to purchase a property, construct a house or repair, reconstruct or maintain an existing house. An agreement needs to be established the pension fund and the employer.



### Housing microfinance

This is a short-term loan that can be paid back installments over a few months or up to 3 to 5 years. This type of finance is suitable for incremental build, renovation, reconstruction or maintenance.



### Subsidies

Subsidies are provided by the government to enable beneficiaries (either first-time home owners, home buyers or renters) to access housing, subject to specific qualifying criteria.



### Building loan

This loan is specifically used to kick start, construct and complete a house. It is a shorter term loan (usually a year), with higher interest compared to a mortgage. Once the house is complete, it can be converted into a mortgage loan.



### Property backed loan

Security in the form of property can be used to secure a loan and allows the borrower to free up equity that is locked up in unbonded property to secure it.



### Rent-to-own

Rent-to-own provides an option for end users who need time to build up their credit history, improve track record or to save up for a deposit to purchase a property. With such an agreement, the renter has the option to buy the property at the end of the agreed lease period.