



Home Finance Guarantors Africa - Reinsurance (HFGARe)

"Facilitating access to housing finance and home ownership in Africa"

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Brief background



- HFGA-Re was established in Mauritius as a Limited by Guarantee Company, is appropriately licensed, regulated and rated (A+).*
- HFGA-RE BUILDS ON THE EXPERIENCE OF THE HOME LOAN GUARANTEE COMPANY (HLGC), A SOUTH AFRICAN NON-PROFIT, LICENCED, RATED INSURER*
- HLGC has for the past 25 years successfully facilitated more than ZAR4 billion in housing finance to lower income South Africans through provision of guarantees of last resort to lenders, and housed more than 300 000 people*

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What we do

- HFGA-Re facilitates access to housing through the mobilisation of guarantees and the provision of reinsurance or retrocession cover, into countries in Africa
- We work with existing local registered and licensed insurance companies and
- Manage our risk for as long as we remain on risk

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What we do (cont)

-  Assist local insurers to finalise and negotiate Collateral Replacement Indemnities (CRI) with local lenders that will provide home loans to lower and middle income borrowers.
-  Use a Guarantee Management System (GMS), to manage and administer the CRI , and train insurers and lenders on its use.
-  Provide training at all levels – including product training to lenders and insurers, train the trainer courses, and borrower home finance education.

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Status in African Countries

The CRI has been approved by Insurance Regulators and is available in:

- 🏠 Ghana
- 🏠 Rwanda
- 🏠 Zambia
- 🏠 Uganda
- 🏠 Kenya
- 🏠 Tanzania
- 🏠 Botswana
- 🏠 Nigeria

Insurers in these countries are engaging with lenders who want to make use of CRI cover

Challenges encountered

- 🏠 Lengthy regulatory approval process of CRI in most countries.
- 🏠 Unfavourable economic conditions and high interest rates a constraint to mortgage lending.
- 🏠 Lack of project finance and serviced land impacts on development of affordable housing units.
- 🏠 Income level limit accessibility of mortgage loans to low to middle income earners.

Challenges we can respond to

Shortage of funding at two levels:

1. End-user finance - borrower cannot save for a deposit → CRI
2. Developer finance - cash deposit required by developer is funded by cash deposit from purchaser/borrower → Blockage

What is causing the blockage

-  Lenders ordinarily fund creditworthy developers in the affordable housing market but mostly do not exceed 60/70 per cent of the value of the project.
-  Land component is usually between 10 to 15 per cent of the value of the project.

Cause of Blockage ctd.

- 🏠 Developers now take “securing deposits” from end-users to bridge the 20 to 30% equity gap.
- 🏠 End-users in affordable housing market usually need an unsecured loan to do this, affecting creditworthiness,
- 🏠 or the wealthy buy and rent houses to low and middle income market.

Completing the Value Chain

- The value chain from infrastructure, through construction, to end user finance, can be completed by addressing the working capital/liquidity obstacle.
- HFGARe can assist in this process through a financial guarantee to Lenders, for the initial working capital component of the required infrastructure and development finance.

Financial guarantee pilot

- 🏠 The guarantee replaces the security deposit from buyers.
- 🏠 Developers will be required to provide non-cash equity and collateral components ordinarily required by the Lender, and fulfil all the other usual criteria and conditions for infrastructure and construction finance.

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Benefits of the Financial Guarantee

- 🏠 **Stimulates the housing value chain as residential housing developers know that a more predictable housing demand is available and end user finance is available.**
- 🏠 **Reduces speculative practices artificially increasing prices of completed units.**

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Way forward

Unlocking the value chain:

100% home loans available to the affordable housing market; engagement of lenders and developers in infrastructure and development projects in a way that doesn't affect the risk, affordability and credit-worthiness of buyers.

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Thank you

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