Umkhaya

Home Loans

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The Eswatini Context

Over 60% of Land is Eswatini is SNL.

Population is about 1.2 million

A majority of the population lives on SNL

SNL has no title deed attached to it

Land area is 17.3km^2 – You can travel from one end of the country to the next within a single day.

What this means is that a majority of emaswati's homes could not be finance by traditional mortgage products.

What we did?

Mortgage defaults are driven more by negative life events than by negative equity (Ganong and Noel, 2022)

Strategic default without a liquidity trigger is much less common (Low, 2022)

Understanding our society, we tested an assumption that there is an emotional attachment to a home and that whether "secured" by a title or not people were likely to meet obligations relating to their home than not

We premised that by understanding the purpose of the lending and ensuring that funds are used for that specific purpose we could be able to solution for SNL home ownership issue using analytics and process controls

Introducing Umkhaya Home Loan

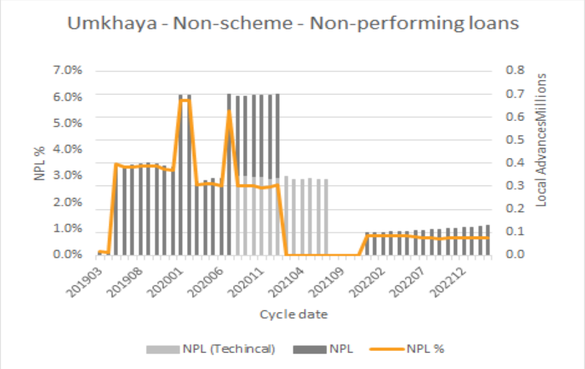
- A limit of up to E500 000 can be offered subject to affordability profile
- Individuals over 21 years
- Individuals must be employed/ have a regular income, and amounts are deposited into their transactional Account
- Must have a transactional account for at least 6 months – Data build up
- Copy of plan, with Bill of quantities, Schedule of payments, quotation, valid CIC registration certificate for Contractor
- Discounted interest rates to account for “purposed” lending – up to 500bps vs traditional personal loan
- Repayable by monthly debit order/ scheduled payment from transactional account
- Maximum term 120 months
- Letter from Chief/Umphakatsi confirming land/property allocation
- Payment is made direct to Contractor/Supplier
- Maximum of 4 stage payments
- At each pay-out stage ,a visit from Home loans department is made to ensure progress

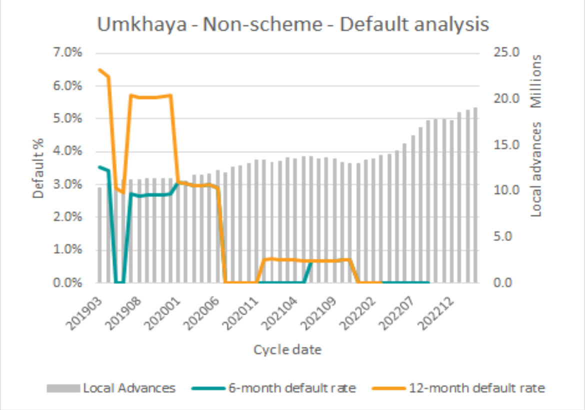
Umkhaya Rural Home Loan- Performance

Very low default rates and Non Performing loans

Noted a spike in defaults during Covid Lockdown periods- Negative events

Steady growth in product uptake





Umkhaya Rural Home Loan - Conclusion

We have managed to provide access to housing on SNL without a reliance on people's pension

Steady growth in product uptake coupled by very low defaults

Purposed unsecured lending with controls allows for interest rate benefit

31% paid out to "youth" people under 35

53% paid out to women