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Help at hand for home buyers

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Low- and middle-income earners may just be able to buy their own homes if a partnership between government and the banking sector is formed.

Photograph by:

Human Settlements Minister Tokyo Sexwale said this after a meeting with the chief executives of some of the country's major banks and the Banking Association of South Africa at Johannesburg's Constitution Hill yesterday.

The government is proposing to put aside R1-billion in a guarantee fund that will help those who cannot secure home loans to buy houses. This market includes nurses, teachers, police officers and lower-level managers.

"This R1-billion fund proposed by government is intended to put some kind of guarantee as a floor under the feet of the financial institutions so they can put their feet forward and not fall into a hole," said Sexwale.

He said those who earn less than R3000 a month qualified for housing subsidies and housing grants from the government, but those who earn between R3500 and R9000 did not qualify for housing grants, nor for bonds from banks.

The fund will also help should a bond holder lose their job and be unable to continue paying their bond.

"The fund will give banks the confidence to take risks," Sexwale said.

He warned banks not to give credit to those who could not afford to pay loans. "Banks shouldn't be reckless when they give credit."

Sexwale said he had discussions with President Jacob Zuma on the issue, and through the presidential hotline they were able to see which areas needed improvement.

"The numbers indicated human settlement was a key area of concern," he said.

Cas Coovadia, managing director of the Banking Association of South Africa, said: "We have committed to the minister that we are more than willing to put on the table the experience and expertise of banks in helping to structure the guarantee fund to be efficient and achieve its objectives."