

# Delivering affordable housing solutions

## MILL PARK – A BREDASDORP CASE STUDY

Meyer de Waal



South Africa must enlarge its middle class and house as many households as possible in formal shelters.

As a contribution to this noble objective, the development of the Rent2buy concept began in 2007. Over the years the concept has been expanded with new services, product development, industry knowledge, experience, FinTech and PropertyTech solutions.

These innovations all form part of the basis of a unique and comprehensive deferred home ownership solution offered in Bredasdorp, namely the Mill Park Development.

### Help me buy a home

The National Department of Human Settlements amended the National Housing Code in October 2021. The update relates to the financial interventions for the existing Finance-Linked Individual Subsidy Programme (FLISP).<sup>1</sup> The Housing Code now reads 'Help Me Buy a Home Scheme'. Previously, the FLISP subsidy was available

only to beneficiaries who qualified for a mortgage bond from a financial institution. With the change in policy, the FLISP subsidy has been extended to non-mortgage housing finance facilities. These include, among others, housing finance facilities other than loans (e.g. instalment sales, and rent-to-own agreements).

The changes in the FLISP policy in the National Housing Code enable the Deferred Ownership concept to be applied as one of the non-mortgage housing finance options. The Deferred Ownership concept is similar to the non-mortgage housing finance solution, this being a "Rent to Own" agreement scheme.

### The stakeholders

The Mill Park Development is a joint initiative between the Cape Agulhas Municipality, which provided the land, and the Western Cape Provincial Department of Human Settlements, which provided the funding from the Integrated Residential Development Programme.

ASLA was appointed as the construction company and implementing agent. SLA appointed a service provider ("My Budget Fitness") to manage the following services:

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<sup>1</sup> First-time home loan **subsidy**

- The marketing, consumer housing education, facilitation and approval of end-user finance;
- Screening of applicants;
- Issuing of FLISP pre-qualification vouchers;
- Preparation of legal documents for conventional sales and Rent-to-Own;
- Receiving, processing and submission of property finance applications;
- Property transfers and mortgage registrations;
- Monthly management of Rent-to-Own buyers;
- Rental collection and distribution;
- Budget and debt scorecard improvement; as well as
- All other processes that are required for beneficiaries to acquire their houses through a "conventional" purchase or a rent-to-own structure.

### **The houses**

A designated segment of 106 houses will be constructed. Some of the houses will be sold directly in combination with a FLISP subsidy when the beneficiaries qualify for the subsidy. Others will be part of the Deferred Ownership project, where beneficiaries will be renting before the transfer to ownership.

Two types of houses are available:

- 2-bedroom houses of 43 m<sup>2</sup> priced at R467 600, and
- 3-bedroom houses of 55 m<sup>2</sup> priced at R590 950.

### **The background**

The Rent2buy concept was developed and refined by conveyancing attorney Meyer De Waal since 2007.

After its commencement in 2006, the strict interpretation of the National Credit Act restricted the approval of new home loans. This led to a steep decline in property transactions and triggered the establishment of the Rent2buy concept.

Soon it was realised that many Rent2buy applicants have low, bad or no credit profiles, and/or had problems with over-indebtedness. The My Budget Fitness concept was developed as a service to help aspiring buyers to improve and build up a good credit score and improve affordability.

Consumer housing education was added, as more than 55% of buyers are first-time buyers who generally lack the knowledge of how to get started and complete the biggest financial transaction of their lives.

The FinTech that was developed to calculate online and in real time an aspiring homebuyer's credit score and affordability is one of the key support tools that has been applied to the Mill Park project.

With more than 11 000 monthly online users of this technology, one can accurately and in real time assist a homebuyer to determine his or her capability to qualify for a home loan.

The aspiring buyer is thereby also able to check online whether he or she can provisionally qualify for a FLISP subsidy as a first-time home buyer.

### **The Mill Park deferred ownership and rent-to-own product**

A buyer will enter into an option agreement to buy the property for which he or she

qualifies, based on his or her credit profile and affordability.

The FLISP subsidy for which the buyer will qualify is then taken into consideration to reduce the home-loan amount or improve the purchase capacity of the buyer.

A lease agreement is concluded as the buyer will first rent the property for a two-year period, with the option to purchase the property once that period has expired. A unique feature of the Mill Park Deferred Ownership concept is that 50% of rental paid monthly will be saved for the buyer to use as a deposit when the property is bought.

The purchase transaction is completed through the "exercise of the option" to purchase, with a deed of sale that forms part of the sales pack.

For the duration of the two-year rental period, the Rent-to-Own buyer is assisted by a My Budget Fitness Personal Trainer. The Personal Trainer assists the buyer to prepare a monthly budget using the FinTech tools, improve the credit profile of the buyer, ensures no further unnecessary debt is incurred and existing debt is settled, where and if possible, and provides general home-ownership education.

Close to the end of the two-year period, the My Budget Fitness Personal Trainer will assist the buyer to apply for a home loan.

#### Resources:

1. **Meyer de Waal:** [meyer@mdwinc.co.za](mailto:meyer@mdwinc.co.za)  
<https://mdwinc.co.za/>  
<https://www.irent2buy.co.za/>  
<https://www.mybondfitness.co.za/>  
FLISP Subsidy Calculator
2. **Michelle Essink:** [michelle.essink@westerncape.gov.za](mailto:michelle.essink@westerncape.gov.za)  
A model for deferred ownership in Cape Agulhas Municipality  
Affordable Housing, Department of Human Settlements
3. **Mill Park Development:** <https://www.millpark.co.za/>

The full deposit saved over two years, as well as the FLISP subsidy for which the buyer will qualify, will be deducted from the purchase price. This means the buyer will be able to apply for a much lower home loan and thereby be able to negotiate the best possible home-loan interest rate and terms.

Once the home loan has been approved, the buyer can take transfer of his or her property. All transfer costs and bond registration fees are included in the purchase price.

End-user finance has already been approved, and six financial institutions are available to provide home loans to approved buyers.

#### Case study

Here is an example of the potential savings for the homeowner who earns R14 000 or more per month:

Purchase price	R467 600
FLISP subsidy	R72 436
Deposit saved	R42 156
Home loan applied for	R353 008
Home loan repayment per month (9%* x 20 years)	R3 176
Savings per month	R1 031