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Integer: Watch this one closely

A new mortgage provider is set to give the banks more competition: Integer has roped in Investec, Bidvest Bank and Purple, and offers a debit card and credit facilities which accompany its home loan product.

Bruce Whitfield:

The man who created SA Home Loans in 1999 in South Africa is forming a new home loan provider. It looks like he is using Richard Branson type confrontational methods, talking about taking on the big banks at their own game and Simon Stockley the chief executive of a new business which is called Integer, he joins us now. Good evening to you Simon.

Simon Stockley:

Good evening Bruce.

Bruce Whitfield:

The basis of the new company?

Simon Stockley:

It is a home loan offering as you correctly point out. It is a slightly more dare I say sophisticated offering than that of SA Home Loans in that allied to the home loan product comes a range of transactional banking services.

Bruce Whitfield:

Online banking, debit cards that sort of thing.

Simon Stockley:

Online banking, debit card and a credit facility so each and every Integer home loan comes with a credit facility at one percent of the value of the home loan but charged for at the home loan rate.

Bruce Whitfield:

Effectively you are creating almost another banking platform.

Simon Stockley:

It is a bank replication. I mean essentially we are leveraging of the capital markets to fund the home loan and we are leveraging off existing bank infrastructure to provide a product offering that we hope is going to be fresh and innovative.

Bruce Whitfield:

But if you are offering a debit card on a product like that you give me a home loan and you give me a transaction ability as well so effectively you are creating a bank account without having to go through the process of getting a banking licence.

Simon Stockley:

Absolutely.

Bruce Whitfield:

Again how does that fit in in terms of the Banks Act?

Simon Stockley:

Well we are not a bank, I mean our transactional banking is run through Bidvest Bank, they are our banking partner, the home loan offering is run through the capital markets so because we don't take deposits from the public we are not a bank and as such we don't require a bank licence.

Bruce Whitfield:

But I would be able to, theoretically, as I can with my own bank, pay my salary into my mortgage account every month and then use the debit card to transact.

Simon Stockley:

Indeed and most importantly obviously the credit balance that is reflected in your transactional account once pushed through your home loan account offsets the debit balance in your home loan account.

Bruce Whitfield:

Now explain the relationship. You are using the Bidvest Bank licence but you have got Purple Capital and Investec behind you as well.

Simon Stockley:

Purple and Investec are our shareholders. Purple brings obviously a wealth of experience in terms of private equity and financial services. Investec, it is a private equity play for them, but they also help us access capital markets so Investec are providing in the first instance a warehouse facility of R500-million in the ramp up phase pre-securitisation and they will also take our pre-securitisation issue to market.

Bruce Whitfield:

Why not use the Investec bank licence, why use Bidvest's?



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Simon Stockley:

This is an offering completely outside of the Investec Private Bank target market. I mean we are positioning this very much at the middle income sector, middle income sector in relation to the bank sector, so it is completely separate and distinct from Investec; theirs is a private bank offering and we really are in the mass retail space.

Bruce Whitfield:

I am assuming and it may sound like a stupid question but it is one that must be asked; you are not doing a sub-prime type scenario as has been unfolding and unravelling dramatically in the United States?

Simon Stockley:

No not at all. You know South Africa to a large extent has been protected up until now in relation to the fallout in the sub-prime market. It obviously presents some challenges in relation to launch, I mean we are not impervious to what is happening in global markets, but our sense is that if you proceed with caution, if you concentrate on the quality of the underlying collateral and you build a sustainable conservative portfolio you will find investors in the capital market to fund it.

Bruce Whitfield:

But is there really appetite right now for mortgage securitisation in the wake of the negativity around that sub-prime mess?

Simon Stockley:

Bruce there has been some widening of credit spreads in the securitisation market but there is still appetite and I really think when a sense of normality returns to the South African market what you're going to find is investors are going to retreat to quality, they are going to be looking for quality assets, and really that is our challenge, to originate only prime real estate assets.

Bruce Whitfield:

The introduction of companies like SA Home Loans shook up the home loan market in South Africa forever, banks would laugh at you if you ever dared ask for one percent below prime, now that is commonplace and some people even get two percent below prime maybe even a bit more. Do you think that the creation of Integer is going to have a similar sort of shake-up effect on the housing market?

Simon Stockley:

Well we certainly hope so. Our initial consideration and offering is really one to be considered. I mean it is really a question of choice and we are saying to customers who really have been badly treated on price, on service, you know here is an offering that comes from outside the banking sector you know try it, consider us and really the proof of the pudding will be if we are able to deliver on our promise.

Bruce Whitfield:

Simon Stockley thank you very much indeed, the chief executive of Integer, the new addition to the financial services market today using the Bidvest banking licence, remember Bidvest Bank used to be the old Rennies Bank and they are increasingly putting their tentacles out as well.

So they are using the Bidvest bank licence in order to provide a transaction facility which is interesting in itself and they are backed by Investec and Purple Capital, Investec putting R500-million behind this thing as well. Simon Stockley he has got a good track record and he has proven that he can make things happen. So watch this one very closely.

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