

HOUSING FINANCE

IT'S A CHOICE!
KEY TERMS, FIGURES
AND WAYS FORWARD

RESILIENCE?
PROPERTY & BUBBLES
SOCIAL & ECOLOGICAL

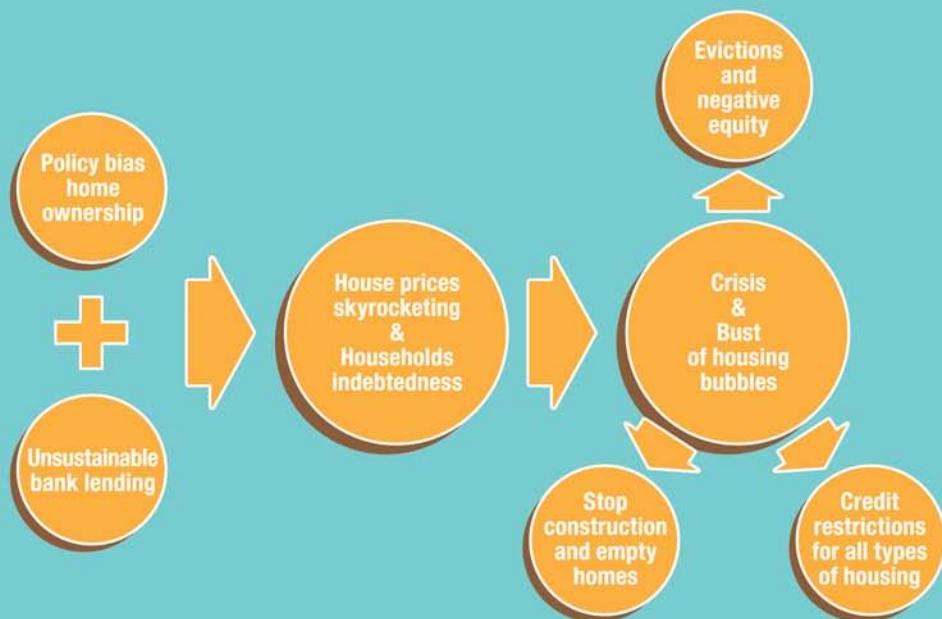
ECONOMY / FINANCE / HOUSING

BASEL (II, III)

Prudential regulation aimed at strengthening banks' solvency and thus reducing the probability that they will default. Basel III is translated into EU law in the latest update of the Capital Requirement Directive (CRD IV).

THE (HOUSING) BUBBLE

Situation where the price of an asset (such as a house) diverges significantly from its intrinsic value.



ECONOMIC RESILIENCE

The ability of a region to recover from an economic downturn within a relatively short period of time.

HOUSING AFFORDABILITY

Affordable housing refers to housing units that are financially accessible for the lower or middle income households, i.e. after covering their housing costs they are also able to meet other basic living costs such as food, clothing, transport, medical care and education. Households that spend more than 40% of disposable income on housing are considered as overburdened according to the EU-SILC database. Today, 11.2% of Europeans are facing housing costs that are too high compared to their incomes.

FINANCIALISATION

A pattern of accumulation in which profit-making occurs increasingly through financial channels rather than through trade and commodity production. In other words an economic system or process that attempts to express all value that is exchanged (whether tangible, intangible, future or present promises etc.) into a financial instrument.

RETAIL BANKING vs. INVESTMENT BANKING

- **Retail banking** involves the traditional banking activities: lending to the economy (credit provision), safe-keeping of deposits (savings) and payment systems (transfers, cards, ...). Clients are typically households, small businesses and larger companies.
- **Investment banking** involves market-related activities: proprietary trading, market making, and other trading activities. Whereas Retail Banking is rather relationship oriented, Investment Banking is transaction based, with a trend towards shorter-term bets rather than investments. Clients are typically large international companies and the financial system itself.

INSTITUTIONAL INVESTORS

An institutional investor is a non-bank person or organization like pension funds and life insurance companies that trades securities in large enough share quantities or currency amounts that they qualify for preferential treatment and lower commissions.

NATIONAL DEBT vs. PRIVATE DEBT

- **The national debt** represents the accumulated total amount of all the government budget deficits of past years, aside from the accumulated total amount of all the government budget surpluses of past years. The national debt, that can also be measured as debt per capita (the amount attributable to each citizen) is broken down into two categories:
 - a. Intergovernmental debt is money that the government basically owes to itself as a debt between the governmental institutions.
 - b. Public debt represents the total financial obligations incurred by all governmental bodies (sometimes including state, provinces and municipalities as well) of a nation to any other entity.
- **Private debt** represents the situation, when individuals and companies are taking personal loans from friends and family, or formal loans from banks and credit unions.

MORTGAGE INDEBTEDNESS

The mortgage indebtedness represents the situation, when the money is borrowed against property value. In other words, it is the money owed on loans using a property, especially a residence, as collateral. The average residential debt compared to GDP in the EU has risen from 32% in 1998 to 52% in 2012.

EU INITIATIVES



30%

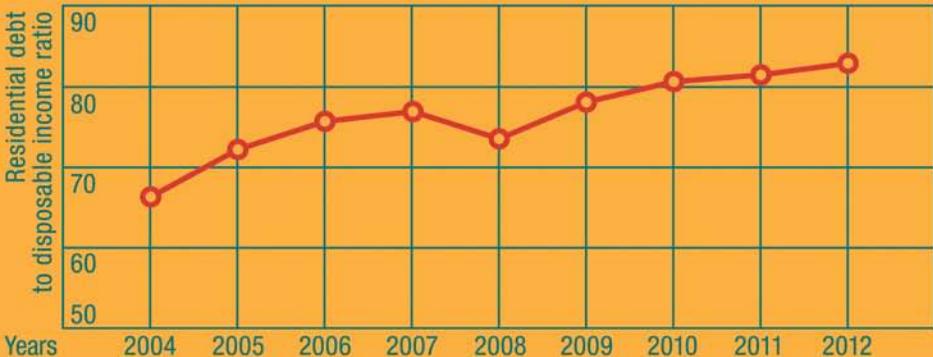
Less than 1/3 of the resources of the European Banking Sector is credit that supports the “real economy”



60%

Over 60% of banking activities are not facing the “real economy” at all.

EU HOUSEHOLDS IN DEBT:



BANKING UNION

In September 2012, the European Council issued a communication entitled ‘Roadmap towards a Banking Union’. The European Banking Union is a political vision for more EU integration with the objective to strengthen and extend the regulation of the banking sector in the Euro area. Its three pillars are:

- a **Deposit Guarantee Scheme (DGS)**
 - **Single Resolution Mechanism (SRM)** - crisis management tools for the Banking Union, mirroring those provided for by the Bank Recovery and Resolution Directive (BRRD) and
 - a **Single Supervisory Mechanism (SSM)** centralising the supervision of Euro area banks.
- One of the main objectives of the Banking Union (and the SSM in particular) is to build up common decision-making and to take collective responsibility for banks, primarily the largest ones.

COMMUNICATION ON LONG-TERM FINANCING

Long term financing (LTF) is the provision of stable funding over “an extended time period” for longer-term assets and projects.

In March 2013, the European Commission published a Green Paper with proposals and questions aimed at encouraging long term financing, looking at how to increase the amount

of long term financing from savings funds, governments and other sources, based on a further development of European capital markets. These proposals aim at improving SMEs' access to financing, attracting private finance to infrastructure to deliver on Europe 2020 and enhancing the wider framework for sustainable finance.

COHESION FUND - EUROPEAN REGIONAL DEVELOPMENT FUND

The Cohesion Fund is aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90% of the EU average. It aims to reduce economic and social disparities among the EU member states and to promote sustainable development. The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions in several key priority areas such as: innovation and research; the digital agenda; support for small and medium-sized enterprises (SMEs) and the low-carbon economy.

EU PROJECT BONDS

The EU project bonds initiative aims to revive and expand capital markets to finance large European infrastructure projects in the fields of transport, energy and information technology. The EU project bonds are supposed to establish an additional source of financing for infrastructure projects as a complementary financial tool to traditional lending by banks. The aim is to attract institutional investors to finance (often cross-border) projects.

SOCIAL INVESTMENT PACKAGE

The Social Investment Package was issued in 2013 by the European Commission and is about investing in people as a reaction to high unemployment, poverty and social exclusion caused by the global financial crisis. It is shaped by policies targeting education, quality childcare, healthcare, training, job-search assistance and rehabilitation.

EUROPEAN SEMESTER

The European Semester is the first phase of the EU's annual cycle of economic policy guidance and surveillance. Each European Semester, the European Commission analyses the fiscal and structural reform policies of every Member State, provides recommendations and monitors their implementation in multiple areas, including housing markets. In the second phase of the annual cycle, known as the National Semester, Member States implement the policies they have agreed.

WAYS FORWARD

- ***Housing policies which promote ecological and social resilience***
- ***Increased sustainable investment in green and affordable homes***
- ***Diversification of housing supply to match changing needs***
- ***A coherent EU approach to housing which considers social impact***



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“If people do not have a degree of certainty about their future, of having a roof over their head, an income, assurance of safety in their neighbourhood, there is no confidence and no sustainable growth. Current trends of reduced employment stability, evictions and ghettoization in our cities are detrimental for our societal development. We must make the link between people’s every day concerns and policy makers at national and EU levels.” - **Marc Calon, Housing Europe President**

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“Finance Watch’s mission is summed up in our motto, ‘making finance serve society’. Our vision is for a sustainable financial system that serves the needs of the real economy, founded on investing and not betting. The commercial real estate sector has traditionally been one where speculation has thrived. Social housing, by contrast, provides investors with returns that are stable and predictable on the long-run, while delivering high societal added value. Financing such vital social infrastructure should be a priority for banks and institutional investors.” - **Benoît Lallemand, Finance Watch Secretary General**

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The European Federation of Public, Cooperative and Social Housing.
www.housingeurope.eu



An independent non-profit Members’ association that acts as a public interest counterweight to the powerful financial lobby.
www.finance-watch.org

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