

CECODHAS HOUSING EUROPE

The federation of public, cooperatives and social housing

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Brussels, Thursday 16th January 2014

To the attention of

M. Olli Rehn, Vice-President of the European Commission,
Commissioner for Economic and Monetary Affairs and the EURO
M. Michel Barnier, Commissioner for Internal Market and Services
M. Neven Mimica, Commissioner for Consumer protection

Re: Housing market, financial and social stability in Europe: evicting households not able to pay off their mortgage is no solution!

Dear Mr. Vice-President Olli Rehn, Dear Commissioner Barnier, Dear Commissioner Mimica,

12.3% of mortgage holders in Ireland were in arrears for more than 90 days; representing almost 100.000 households; 400.000 mortgages are in negative equity. 500.000 Spanish households are under eviction threat and the European Court of justice has condemned these mortgage contracts as abusive. In Greece, households are currently waiting for the Damocles sword to fall on their head as the Troika and the government agreed to take action to clean bank balance sheets. According to the Bank of Greece, if the home foreclosure ban is lifted 500.000 households might face eviction. Will repossession be the only solution that the European Commission will propose to the banking sector in affected countries?

As affordable housing providers, Members of CECODHAS Housing Europe are delivering more than 25 million homes to EU families and we believe that, in some countries, part of the unpaid mortgage can be turned into "mortgage to rent" and that part of the unsold housing stock of banks can be transferred as social rental stock to be managed by housing bodies of general interest. These are economically sustainable solutions, much more than repossessing homes to be left empty or sold at a hypothetical value. More importantly, these are fair solutions, showing some respect to the society who has paid for a bank bail out with no social obligation and no social return on investment.

Besides, the extreme situation of more than a million households in these three countries in either eviction process or dramatic negative equity, the housing prices are a major constraint all over Europe with the exception of very few countries where the bubble has already burst.

The International Union of Tenants (IUT) kept alerting for the need of a U-turn in housing policies. Large subsidies and subprime loans to home-owners together with an excessive and unregulated financial market have caused the present financial crisis.

It has to be recalled that housing markets are different in each country but that the most extreme situations are caused by massive incentives to home ownership and mortgage debt via low interest rates combined with a lack of provision of public affordable social housing. This policy produced an unbalanced housing market unable to answer the diversity of needs of the population. Not everybody can afford to become a home-owner. Decades of policies to incentivise more home ownership were implemented in almost all EU countries at the cost of public/social rental stock. The stable supply of affordable rental housing allows a protection of the most vulnerable households as well as affordability and access to social rental housing for the key-workers, the low-to medium income households. Especially the last group has massive problems to find affordable rental alternatives in the booming regions.

Substantial rental markets counteract price volatility and promote labour mobility and economic development. Tenure-neutral housing policies will contribute to more stable housing markets and counteract housing price bubbles. We call therefore for a shift of housing policies including mortgage law, tax and economic policies and banking sector reform which are under your shared responsibility:

To protect mortgage consumers, we believe that the recently adopted Mortgage directive will not solve much of the current problems. More information, more time for lenders to react is not of any help if you have no choice. In most of the countries where you have to become home-owner as there is not enough affordable rental supply, households accept a mortgage debt at any condition. Therefore, we demand:

- The Commission to **launch a non-compliance procedure against Spanish mortgage law** following the ruling of the Court of Justice. The latest Spanish law is not answering adequately the decision. Banks should allow the payment of the outstanding debt in case of repossession. Why? Because the European Court of Justice clearly stated that it is against EU Consumer protection rules. Additionally, because it is an absolute necessity to ask banks' lending mortgages to be responsible and to do so, to be sure that they are sharing the risks.
- The Commission to **support Consumers organizations and NGO's to be able to give legal advice** to financial services consumers in all EU countries. Most of the biggest banks are acting in more than one EU country; joining forces of consumers will help in better protection of them, hold banks accountable, will indeed/ actually implement the EU law and create an EU added-value.
- The Commission to recast the Mortgage directive just agreed as it fails to protect effectively consumers, an addendum should clearly set the principle of sharing the risks between lenders and borrowers and support the creation of a minimum **services (of general interest) to access social mortgage**. Some not-for profit mortgage bodies exist in EU, providing an adequate answer to vulnerable households in housing market highly dominated by homeownership. They ensure a social follow-up of mortgage lender, and offer very low interest rate to make the mortgage sustainable.

To revise tax policies to ensure diversified housing supply by:

- **De-commodify housing:** housing is first and foremost a fundamental right recognized by both the UN and the EU institutions. Due to the financial sector and its securitization practice it has however become a tradable and speculative good. Making the difference between home-owners, non-for profit landlords and real estate's investors: In the Annual Growth Survey 2013, the Commission advised to increase tax on real estates as a way to increase fiscal consolidation. We call for a 'tenure-neutral' tax system, not special fiscal measures added burden on social housing providers or home-owners (in Greece and Ireland for example, this measure is at the core of the rise of poverty and the Netherlands has seen rent increases and a special tax on social rental dwellings)

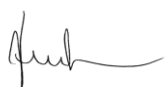
To reform the banking sector so that it answers the need of the society by:

- **Prevent home foreclosures for unpaid mortgage** when households are not objectively in position to pay back and it is the home they live in across the EU. Facing the threat of mass evictions like in Greece, banks should propose to mortgage holders unable to repay to become shared-owners (Ireland and UK may well serve as examples). Who will buy the houses repossessed in Greece? How can the Greek economy benefit from that? It is possible to transfer the corresponding housing stock, empty or under unpaid mortgage into a social rental sector. Social rent will ensure the financial sustainability if the model is designed in the very long-term. We are urging you to find alternative solutions before the new law is passed at the end of 2014 in Greece.
- **Transferring part of the unsold housing stock** in countries where the banking sector is still 'housing sick' to not-for profit housing managers transforming thus this unused stock **into a social rental**. Part of it has no value and will be demolished. But part of it can answer the needs. It requires from the EU leaders to accept a solution, economically and socially positive, but longer term than the instant sale to major investors at a ridiculous price.
- **Making a difference between "sustainable housing investment" and real-estate bubbles/betting (either bubbles or betting) industry.** The housing market is under-supplied, in particular regarding affordable rental solution. It is a constraint for the EU economy (economic and financial stability, labour mobility, unemployment, social inequality) and it has to be solved as too many EU citizens are living in indecent conditions and spending too much of their income on housing costs. These will not happen without an adaptation of financial regulation, for example, by adapting BASEL III to make distinction between high yield investments and investments in affordable real estate as a service of general interest.

We need more affordable homes and we strongly believe that alternative policies are possible that can solve the banking crisis by providing adequate answer to housing needs.

We would appreciate very much to have a meeting with you to explain more in depth our proposals and start a productive dialogue.

Yours sincerely,



Kurt Eliasson
CECODHAS Housing Europe President



Sven Bergenstråhle
International Union of Tenants President

CECODHAS Housing Europe ‘ The Federation of public, cooperative and social housing’, is the network of national and regional social housing federations gathering 4.500 public, voluntary housing organisations and 28.000 cooperatives housing. Together the 43 members in 18 EU members States **manage 25 million dwellings**. CECODHAS members work together **for a Europe that provides access to decent and affordable housing for all in communities which are socially, economically and environmentally sustainable and where all are enabled to reach their full potential**.

Since its foundation in 1926, the INTERNATIONAL UNION of TENANTS (IUT) has been dedicated at safeguarding tenant’s rights, as well as promoting construction and access to affordable rental housing. IUT believes that every well-functioning society is better off with a mix of rentals and ownership housing. IUT is a membership based organisation, with 62 members in 43 countries in the world.

Note: data for Ireland are from the Bank of Ireland, December 2013; for Greece : Bank of Greece, December 2013; for Spain: <http://afectadosporlahipoteca.com/2013/12/17/informe-emergencia-habitacional/> December 2013; more information on date on our website: <http://www.housingeurope.eu>