

Economic Commission for Europe:

Housing Finance Systems for Countries in Transition

Principles and Examples

ABSTRACT OF THE UNITED NATIONS STUDY ECE/HBP/138, INITIATED IN THE COURSE OF THE 61ST SESSION OF THE UNECE COMMITTEE ON HUMAN SETTLEMENTS IN 2000 AND PUBLISHED IN 2005

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Preface

Within the scope of its study „Housing Finance Systems for Countries in Transition“ the Economic Commission for Europe (ECE) intends to provide a widespread survey with the goal to “assist Governments of countries in transition in designing working housing finance markets”, advising politicians, authorities, the banking community and other partners regarding the implementation and improvement of housing financing policies as well as the application of housing finance systems.

The ECE’s study therefore deploys the experiences that were made with financing systems used by economically advanced countries. The authors state¹ that most advanced economies dispose of quite a variety of different systems existing side by side, complementing one another, whereas none of them could be considered the “best”.

The authors attach importance to underline² in advance that in order to develop a functioning housing finance system, countries must show stable economic conditions and a legal and fiscal environment that makes efficient allocation of capital possible.

The study points out that the emergence of finance systems may be accompanied by government interventions. These may provoke “ill-advised steps leading to inefficient institutional arrangements and ongoing political haggling over privileges and subsidies”³. To minimize risks arising from “policies at hand” the study includes an analytical tool illustrating the interests of lenders, borrowers and regulatory bodies. With this tool the authors aim at helping decision makers in countries in transition to evaluate different systems regarding their “suitability in particular circumstances”⁴. The study presents three financing systems, serving as examples for the invented evaluation process, stressing that the chosen systems should not be considered “an official bias towards any of these schemes”.

Chapter I: Present state of housing finance in countries in transition

In the course of their presentation of the current circumstances concerning housing finance in countries in transition the authors concentrate on the developments in the former communist countries of Eastern Europe. The authors find that the transformation of a completely centrally planned system into a market based one has been accompanied by many problems and that several of these problems still can be found in our days⁵. It is highlighted that more restrictive housing financing, housing privatization and liberalization of construction and utility prices had negative effects on affordability as well as on the scale of new housing construction in these countries⁶.

In addition, most of these countries have had to struggle with macroeconomic instability and inflation or at least high price volatility. In some countries GDP has even reached the level of 1990. Unemployment and deep inequalities in wealth distribution are still worrying.

During communist times the banking sector wasn't profit motivated and underdeveloped. Privatization had been a protracted process that in many cases led to bank crisis. In several ex-communist countries the State still has "considerable influence in the banking sector"⁷.

The authors also declare⁸ that the absence of much-needed legislation or the unacceptable length of time such a process takes in several countries presents a great handicap.

The authors assert⁹ that in countries in transition the availability of attractive housing loans is often limited. Due to macroeconomic instability and inflation, in some countries special instruments like dual-index mortgages, deferred payment mortgages and lease-purchase were introduced.

Several of the Eastern European countries have introduced a legislative framework for mortgage securitization whereas this kind of mortgage banking not always is performed by specialized institutions.

The study also notes¹⁰ the increasing popularity of contractual saving schemes geared to the German Bausparkassen system, which has been introduced one-to-one but also in altered forms in several of the contemplated countries.

As respects the demand for market-based housing finance, the authors show that even if the basic macroeconomic situation and the banking sector have been stabilized, growth in mortgage loan volume does not always increase. Other factors such as uncertain property titling, illegal housing construction that cannot be mortgaged, a so called cash-economy or the “reluctance to pay a large percentage of income on mortgage repayments combined with specific consumption preferences for other durable goods”¹¹ may avoid demand.

Considering the above mentioned problems, the authors subsume the following aspects as the five main obstacles for the development of a genuine housing market:

- Economic obstacles such as inflation, slow economic growth and demand-side handicaps
- Socio-economic obstacles such as unemployment, slow increase of real wages, poor affordability of housing finance
- Legislative obstacles such as a poor legal framework
- Cultural obstacles such as clientelism, corruption and others
- Institutional obstacles such as low competition between banks, incomplete capital markets or banking control.¹²

Chapter II: Major elements of housing finance

As major elements of housing finance the study identifies three aspects: asymmetric information, the major ways of providing housing finance and the risks aligned with housing financing.

As the borrower normally knows more about his or her repayment possibilities, finance is linked with “extensive efforts”¹³ regarding the collection of data about potential borrowers and the supervision of current loans taken out by clients. The authors show that, depending on the grade of informational transparency, there is a difference in the source of finance with which the borrowers are matched¹⁴.

Eight different ways of providing housing finance are listed by the study:

- Owner self-finance (through prior savings)
- Seller finance (seller originates loan, receives payments in stretched-out schedule)
- Third-party finance: through family or friend
- Third-party finance: through bank or depository (bank originates, funds and services the loan; funding is carried out via deposits)
- Third-party finance: through insurance company (funds and services mortgage loans originated by a mortgage banker; funding occurs via the premiums of clients)
- Third-party finance: through a finance company (funds and services mortgage loans originated by a mortgage banker; funding is based on borrowings in capital markets)
- Third-party finance: through the Government (funding by taxes/ taxpayers)
- Third-party finance: through securitization (issuance of Mortgage Backed Securities)¹⁵

As main risks that are aligned with mortgage lending, the authors mention:

- Legal/regulatory risks (pertaining titling, property rights and regulations on foreclosure and its enforcement)
- Macroeconomic risks (such as inflation)
- Volatility of the property price
- Informational risks (such as asymmetric information)
- Credit risk (stoppage of repayments)
- Operational risks (inefficiency, corruption, fraud)¹⁶

Chapter III: Main financing instruments in the UNECE region

The study distinguishes between deposit-based housing finance systems, financing through bond market-based mortgage institutions, securitization, state-run finance and other financial sources.

Within the category of deposit-based finance systems two kinds of institutions, namely universal banks and specialized housing banks vary in some aspects. Although both of them use deposits to fund loans, specialized housing banks are exclusively limited to housing finance through contractual saving schemes which link a saving period at a below-market interest rate to a housing loan at favourable terms. In this context the authors bring up¹⁷ the German Bausparkassen system, a closed collective system.

In contrast to financing via deposits bond market-based mortgage institutions do their funding by issuing bonds. These bonds are “securities which have as collateral the corresponding bundle of mortgage loans”¹⁸. It is placed emphasis on the fact that they represent guaranteed claims against the issuer and do therefore imply a “special degree of security”¹⁹. The study states that, even though the issuance of mortgage bonds is highly regulated, there’s no common definition of a mortgage bond yet. However, Article 22 § 4 of the European Commission Directive on Undertakings for Collective Investment in Transferable Securities foresees that only mortgage bonds with certain characteristics may benefit from increased investment possibilities and favourable solvency ratio weighting. The following characteristics are cited:

- The bonds must have been issued on the basis of legal provisions to protect their holders
- They must be subject to special supervision by public authorities
- The sums deriving from the issue of these bonds must, according to the legal provisions, be placed in assets which provide sufficient cover for the liabilities deriving from the bonds during their entire duration
- In the event of the bankruptcy of the issuer, the sums deriving from the issue of these bonds are intended as a priority to repay the capital and the interest becoming due.²⁰

Although the use of securitization isn't yet that common in Europe as it is in the US, the study shows that, in several European countries, banking establishments do apply this type of funding, normally in addition to other methods. It is explained that banks mainly are motivated to having securitized their claims by the possibility of "true sales", that is, off-balance-sheet treatment. Even so, securitization in Europe remains comparably costly. The authors find²¹ two main reasons for that: First of all, there is no national government or EU-sponsored agency like the Government Sponsored Enterprises (GSEs) in the US; second: Within the EU, harmonized legislation, e.g. for the transfer of assets does not exist.

As an example for state housing finance the study instances the activity of the Norwegian State Housing Bank which uses the means accruing from interest and repayments of previous debts to award new loans, likewise it is done in the Bausparkassen system. The authors consider this scheme being useful especially to find financing for social rental housing projects.²²

The authors observe an increasing competition and the upcoming of new financial service providers in the mortgage market. They take it for foreseeable that technological development continues to "reduce the barriers to entry [to the mortgage market] even further"²³. It is also pointed out that, since insurance companies have started combining endowment policies with the granting of mortgage loans, the role of insurance companies seems to expand to the mortgage market.

Chapter IV: Selected three private housing finance instruments

The ECE's study presents three finance systems it deems to be the most running for appliance in countries in transition: The German Bausparkassen system, the Danish mortgage bond technique and the US mortgage-backed securities. The illustration of the finance instruments is being structured in the manner that it is distinguished between their historical development, their legal framework, their relevance for the housing finance and credit sector, the assets and liabilities side of the business, the state's influence on them and their possible further development in the future.

Having their origin in the United Kingdom 300 years ago, the Bausparkassen evolved into specialized institutions that established a "division of labour"²⁴ between commercial banks and themselves offering second-ranked mortgages and making it possible to ensure a safe and favourable financing structure of homes.

Legally the Bausparkassen are regulated by the regular German banking legislation and the Act on Contractual Savings Banks, the so called Bausparkassengesetz. In addition the Bausparkassen are supervised by the German Federal Financial Supervisory Agency (BAFIN) and the central bank. However, as is stated by the authors, the central normative principle is the Bauspar contract, regulating the relationship between the Bausparkasse and its customers in details.

With a market share of almost 37%²⁵ Bausparkassen represent one of the most important providers of housing funds. Usually, Bausparkassen loans are used in combination with another loan given by a mortgage bank or other institutions.

Having completed the contractual obligations, the Bausparkasse grants the loan which is redeemed through regular instalments. The borrower may make prepayments at any time and free of charge. The sequence of the individual loan allocations is determined by an assessment figure benchmarking the saving's performance incorporating the amount of funds and the period of time the Bausparer made his savings available to the other savers.

Bausparkassen refinance loans mainly through savings of their clients. Though, they can issue bonds and are allowed to sell claims in the secondary market.

As regards its prospective development, the Bausparkassen system has been faced with strong competition because of quite low and stable interest rates in the capital markets. As is explained by the authors²⁶, the Bausparkassen have compensated this by introducing new tariffs with lower interest rates and longer maturities. In the meantime, Bausparkassen exist in several Eastern European countries.

The mortgage credit technique that is used in Denmark was copied from Germany 200 years ago to eliminate the lack of capital for long-term loans needed for housing. The Danish mortgage system links individual debtors with creditors by mortgage banks serving as an intermediary. In short, this system works according to the principle of a balanced book, matching each loan by bonds of the same amount, the same maturity, the same rate of interest and in the same currency.

As for the legal framework, Danish mortgage banks - as well as German Bausparkassen - are liable to EC directives on supervision of banking. The study points out that, in addition, a Guarantee Fund for depositors and investors was created in order to protect them from losses. Also, a minimum of 60%²⁷ of the bank's funds must be invested in bonds quoted on the stock exchange.

The importance of the Danish mortgage banks is stressed by the fact that they apparently account for more than 90%²⁸ of all credits in the Danish housing sector. It is argued that this may be due to the comparatively higher costs of bank credits.

Regarding the loan products, Danish mortgage banks offer a great variety of combinations in terms of maturity, interest rates and currencies. The authors mention²⁹ that prepayment is possible at any time. According to the balanced book principle, (p) repayments just result in the calling of the corresponding volume of bonds that were issued.

According to the ECE's study, the Danish mortgage system's prospects are quite promising for its market share is pretty remarkable and since the Danish mortgage banks are also allowed to do business abroad within the OECD-territory.

About 30 years ago, secondary intermediation was introduced in the US, creating a secondary market for securities backed by receivables from mortgage loans. In the US, securitization has considerably been influenced by so called Government Sponsored Enterprises (GSEs) that benefit explicitly (Ginnie Mae) or implicitly (Fannie Mae and Freddie Mac) from a governmental patronage and that purchase mortgage loans from commercial banks and therefore issue Mortgage Backed Securities (MBS). As is pointed out, today the GSEs Fannie Mae and Freddie Mac unambiguously dominate its industry.

The GSEs are supervised by the Office of Federal Housing Enterprise Oversight (OFHEO) and thus are not accountable to standard financial supervision and regulation. The GSEs are granted several fiscal advantages by Congress but they also are expected to promote affordable housing especially for low-income families.

The study shows³⁰ that the securitization technique has been gaining importance during the last three decades, especially due to the GSEs Fannie Mae and Freddie Mac. However, the authors allude³¹ to the fact that research on the consequences of securitization regarding mortgage loan supply and interest rates has shown ambiguous results.

The authors mention³² that securitization is disadvantaged by asymmetric information given that securities' packagers have to rely on the quality of the mortgages delivered by the originator and likewise the securities' buyer has to rely on the packagers' ability to pool the mortgages and so deliver good securities.

Associated with MBS bond holders are confronted with the following risks:

- Credit risk (the risk that the borrower does not repay the loan)
- Interest risk (associated with fixed-rate mortgages)
- Prepayment risk³³

As regards to the role of the state in the securitization industry, the authors remind³⁴ the readers of the mentioned implicit guarantee granted to GSEs. Insofar, the level of influence of the US state may be considered high.

Chapter V: Evaluation of private housing finance systems

In order to being able to make a decision between different finance systems for housing, decision makers are in need of an evaluation method. Such is presented in this chapter. The study proceeds in the manner that it first analyzes the ambitions of the **THREE PLAYERS** that participate in the process of financing, namely **THE BORROWER (1), THE LENDER (2) AND THE GOVERNMENT (3)**. Then, it determines to which extend these ambitions are fulfilled by the three presented finance systems, the German Bausparkassen system, the Danish mortgage bond system and the US-MBS system.

(1)

FOR BORROWERS the authors identify³⁵ three main aspects that are important: the **supply of credit products, availability of loans and their affordability**.

With respect to the **supply of credit** products, the authors also distinguish between the housing credit portfolio, the continuity of lending, the market share and the loan amounts and periods of redemption.

It is pointed out that Bausparkassen provide credit for all kinds of private housing investment. Danish mortgage banks also offer credits for business properties. Only the US secondary intermediaries almost exclusively grant credits to owner-occupied housing and not for multi-family mortgages, second homes or condominiums.

In terms of continuity, the study lauds³⁶ the German Bausparkassen system because it continues to work properly even under difficult macroeconomic conditions.

National market shares of the three systems differ remarkably. Whereas the German Bausparkassen system covers about 37%, the Danish mortgage banks provide 90% of all housing finance. Fannie Mae and Freddie Mac purchased mortgages accounting for 39% of residential mortgages³⁷.

With regards to the loan amounts, Bauspar loans show a much lower amount than do loans Danish mortgage banks normally provide. Loan amounts are also much higher in the US. This is due to the additional usage of Bauspar loans as a lower ranked second loan, contributing towards the financing of the purchase or the construction of a home because German banks usually lend up to 60%³⁸. It is common to finance the missing sum by a Bauspar loan. As higher loan amounts lead to longer redemption periods, Bauspar loans normally are redeemed in quite a shorter time.

As to the **availability of credit**, the authors differentiate the aspects collateral requirements, the number of customers and third-party lending.

In the Danish as well as in the US system a first-ranked mortgage with the individual loan amount is required to be registered. Additionally, Danish mortgage banks have a lending limit of 80% of the loan value. In the US, loans exceeding a Loan-to-Value-rate of 80% need to be insured by a Private Mortgage Insurance (PMI). Considering the terms and conditions in Denmark and in the US, in the range of collateral, the German Bausparkassen system also adopts an exceptional position. Bausparkassen do not oblige credit enhancements nor do they require a first-ranked mortgage. Usually a second-ranked mortgage is sufficient. Credit history and creditworthiness are built up by the necessary savings phase. The authors emphasize this fact to be advantageous in countries in which “credit bureaux do not exist” or the “legal framework is incomplete”³⁹.

In terms of opening up new markets, the Danish mortgage banks and the German Bausparkassen come out on top compared with Fannie Mae and Freddie Mac. Whereas Danish mortgage banks got through to 35% of the population and in Germany more than 30% of the population had concluded a Bauspar contract, Fannie Mae and Freddie Mac had reached only one percent of the US population, as to the authors⁴⁰.

The variety of distribution channels also has influence on the availability of credit. Fannie Mae and Freddie Mac have no direct contact with customers as they purchase mortgages from primary lenders. German Bausparkassen, besides relying

on their own sales staff, also work closely together with partner institutions like commercial banks or savings banks. Danish mortgage banks even conclude contracts via phone and the internet.

As respects the **affordability of credit**, mortgage rates, mortgage fees and interest rate risk play a role.

Rates and fees vary between the three systems. For fixed-rate mortgages Bausparkassen charge nominal interest rates from about 4% to 5% per annum plus relatively low fees for administration and service.

In the US, average nominal interest rates for fixed-rate mortgages reached 6% per annum but borrowers actually face gross borrowing costs that are substantially higher because they normally have to pay for additional mortgage insurance.

Danish mortgage banks charge 6% nominal interest rates either. Additionally borrowers have to pay a relatively low risk and administration fee and an acquisition fee.

Interest rate risk is not evident in the Bausparkassen system due to contract design. Danish and US borrowers in contrast do bear interest rate risk, “especially in the case of floating-rate mortgages”⁴¹, that have become more important in these countries during the last years. As to prepayments, Danish mortgage banks and German Bausparkassen offer the possibility to make prepayments at any time and free of charge. In the US, prepayment costs are already included in the spread calculations. Insofar, crabwise, US borrowers have to pay prepayment penalties.

(2)

FOR LENDERS the authors consider the following aspects to be of importance: **investment attractiveness, security of funds and profitability of the lending business for shareholders of the financial institution.**

One indicator for the **attractiveness for lenders** of the three systems may be the share of institutional investors. According to the study⁴², the main investors in US

MBS are insurance companies, pension funds, investment funds and central banks. It is explained by the authors⁴³ that this is due to the advantageous capital coverage requirements for MBS bonds. Thus, originating mortgages, having them purchased and securitized by Fannie Mae or Freddie Mac and buying these MBS, commercial banks boost their return on equity.

Danish mortgage bonds also enjoy great popularity among institutional investors as they are considered securities of high quality and therefore benefit from special legislative advantages backed by EU regulations.

Because refinancing through the deposits of their clients is normally sufficient, German Bausparkassen rarely issue bonds. Though, they are allowed to do so.

Other aspects that influence the investment attractiveness of the presented systems are spreads and interest rates. According to the authors⁴⁴, the option-adjusted spread for Danish mortgage bonds compared to government bonds is about 0.35 per cent. Spreads between MBS of Fannie Mae or Freddie Mac are also quite low, due to the implicit federal guarantee. Regarding real interest rates, Danish mortgage bonds, US MBS and Bauspar savings resulted in positive rates for a long time, as inflation has been low in all three countries.

Security of funds is influenced by inflation, the reinvestment risk, the solvency of the institutions, credit risk and the adequacy of capital.

In the case of fixed interest rates, in all three systems inflation risk has to be borne by the investors (holders of Danish mortgage bonds and MBS) and by Bauspar savers.

The authors portend⁴⁵ to the fact that interest rates nowadays tend to fall and cause a specific reinvestment risk for investors as borrowers tend to prepay their mortgages. This is especially what happens in Denmark.

As the authors point out⁴⁶, credit risk is of great importance for the quantification of the security of funds. Credit risk may be measured by the percentage of delinquency rates. In this context, excluding pre- and intermediate financing,

Bausparkassen show a remarkably low rate of about 0.01%, even though Bausparkassen accept second-ranked mortgages. Danish mortgage banks show comparable rates. Subject to the condition that US institutions limit the loan-to-value-rate to 80%, they also may realize delinquency rates akin to those of the German Bausparkassen.

The authors stress that not only delinquency rate “but also the regular publication of information is necessary to assess the quality of the underlying mortgages.”⁴⁷ Both the Danish mortgage banks and especially the US Government Sponsored Enterprises Fannie Mae and Freddie Mac foster the distribution of information about their issued bonds.

Further more, equity adequacy is critical for the evaluation of the security of funds as it contributes to the institutions’ stability, which is crucial for investors. Due to legal regulations, Danish mortgage banks show relatively high equity percentages. German Bausparkassen also have reported comparatively high rates. In comparison with German Bausparkassen and Danish mortgage banks, US GSEs show lower equity rates, although the study notes that, according to US regulations, this rate is still sufficient.

“**Profitability for shareholders** can be achieved by high cost efficiency as well as high net incomes and margins of the institution. They can both lead to an appropriate return on equity/assets [...]”⁴⁸.

The authors concede that Danish mortgage banks, US intermediaries and German Bausparkassen - all of them may be considered as very cost efficient operating entities. However, they are faced with different administrative costs that are due to their different designs. German Bausparkassen, for example, administer a large number of small accounts. They are only able to provide this service spending more money on human resources.

According to the study, net interest margins of Danish mortgage banks, US secondary intermediaries’ and German Bausparkassen fluctuate at relatively low levels.

In terms of return on equity (ROE), Fannie Mae outclasses Danish mortgage banks and German Bausparkassen because capital and liquidity reserve requirements are lower in the US.

(3)

FOR THE GOVERNMENT, it is important to make the right decision regarding housing finance policies in order to ensure stimulation of supply, rehabilitation and the improvement of the national housing situation respectively. This is why the government needs to know the influence different housing finance systems may have on the national housing situation but also on the economy as a whole. In this context the authors recognise a study of Angel⁴⁹ who found a positive causality between an efficient housing finance system and socio-economic key data. The authors underline that the achievable benefits from efficient housing finance policies “depend on the prevailing conditions in specific countries.”⁵⁰ They conclude that, as a consequence, political decision makers have to know the economic, institutional and sector-specific **prerequisites** for the mentioned benefits to come out and they also have to know the **costs** that result from the implementation of an adequate financial system.

With regards to the economical prerequisites, macro- and micro economical aspects have to be distinguished. On the macro economical level it is important that interest rates and all other prices are market driven. Macro economic stability is also very important as it leads to a higher level of predictability. On the micro economical level the financial situation of investors has to be considered. For any housing finance system it is important that borrowers are able to afford savings and repayments.

The authors also emphasise⁵¹ the importance of well functioning institutions that guarantee property rights and titling, contractual freedom and rapid foreclosure procedures. A working institutional framework is necessary to create a stable financial sector in general.

Moreover, the authors bring up the importance of an adequate infrastructure. Additionally, they support the opinion that the government should foster the fiscal indifference between renting and buying homes.

The study underlines the difficulty of the discussion on governmental housing subsidies. However, if subsidies are considered necessary to support a housing finance system, the subsidies “have to be cost-efficient, well targeted and transparent. In addition, they should improve fund access and should be simple for the Government to administer.”⁵² The study states that all three of the examined finance systems can be combined with some sort of subsidy.

Concluding the evaluation, the study offers a simple overall checklist into which possible implementation costs “should be included [...] if appropriate means of technical development assistance from other countries or supranational organizations are not available”⁵³.

Table 7: Checklist for sub-goals and criteria in the evaluation of housing finance systems

Efficient Housing Finance System	Borrowers	Supply of credit	Housing credit portfolio
			Continuity of new lending
			Market shares
			Loan amounts+periods of redemption
		Credit availability	Collateral requirements
			Income ratios (PTI and LTI)
			Number of customers
			Third party lending
		Credit affordability	Mortgage rates and fees
			Spreads and real interest rates
			Liquidity
			Interest rate risks
	Lenders	Investment attractiveness	Maturity of investment
			Share of institutional investors
			Yields
			Spreads and real interest rates
		Security of funds	Inflation and reinvestment risk
			Solvency
			Credit risks
			Capital adequacy
		Profitability for shareholders	Cost efficiency
			Net income and margins
			Return on equity assets
			Cost-income ratios
Government	Achievable indirect benefits	Housing outcomes and national income	
		Financial depth	
	(Costs of) economic prerequisites	Macro-economic stability	
		Savings ability and willingness	
	(Costs of) institutional prerequisites	Legislation	
		Regulation and supervision	
	(Costs of) sector specific prerequisites	Degree of financial development	
		Quality of residential infrastructure, construction sector and rent level	
Home-ownership promotions			

Conclusions

The study remarks⁵⁴ that, obviously, there is no universally applicable model of a housing finance system. However, the introduction of functioning housing finance markets provides large external benefits to the national economy in terms of employment, property development, labour mobility, capital market development, efficient resources allocation and lower macro economic volatility.

The authors stress that there are several prerequisites that have to be fulfilled. Macro economic stability may be the most important condition for efficient and functioning housing finance systems to emerge and work. Also, a sound institutional framework needs to be developed, guaranteeing a legal system that makes the rule of law possible. Sound institutions also bring forward a stable banking sector that is able to provide long-term investments. According to the authors, the implementation of a two-tier banking system supports the development of the private market.

It is pointed out that the role of the government should be defined clearly. Subsidies should only be employed knowing that they both have to support the emergence of a private market and improve the nation's social goals.

Last but not least the study recommends the combination of several housing finance systems at a time to guarantee healthy competition among lenders and to maximise the outcome for the borrower and the economy in general.

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The original document ECE/HBP/138 that was initiated in the course of the 61st session of the UNECE Committee on Human Settlements in 2000 may be ordered at the price of \$ 25,- completing the order form at the UNECE's internet presentation: http://www.unece.org/pub_cat/topics/order_form.htm

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 - 6 Page 4, line 4 et seqq.
 - 7 Page 5, line 29
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 - 9 Page 6, line 8 et seqq.
 - 10 Page 7, line 20 et seqq.
 - 11 Page 8, line 9 et seqq.
 - 12 Page 9, lines 10 et seqq.
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 - 19 Page 17, line 23
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 - 21 Page 18, line 23 et seqq.
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 - 25 Page 23, line 42; the percentage rate refers to the year 2002
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