

“Bausparen – a safe way to home ownership”

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“Bausparen – a safe way to home ownership” was the motto of the XV European Congress of the European Federation of Building Societies (EFBS) which took place in the “Golden City” of Prague from October 24th to 26th, 2007.

Well known politicians, bankers, academics, international organizations, government representatives and media used the opportunity to participate in the international congress and listen to top speakers. The EFBS' congress, held every three years, has already become a renowned platform not only for Europeans but also for a steadily growing quantity of interested delegations from all over the world.

It was not by chance that Prague had been chosen as the venue for the congress. During the last few years, the Czech Republic has become the number two market for Bausparen in Europe and consequently stands for the extremely successful establishment of Bausparen in many new EU countries.

The EFBS joins the endeavors of its European member associations and institutions to foster home ownership and support housing finance. It therefore represents its members' interests in the European Union and guarantees that they are kept informed about all relevant developments. It also ensures the mutual exchange of information regarding housing finance issues.

The opening speech was given by the former German Minister for Environment, Nature Conservation and Nuclear Safety and Minister of Housing as well as Undersecretary General with the United Nations Dr. Klaus Töpfer. Mr. Töpfer stressed the importance of generating property for the social and economic development of any country but especially for the developing ones. He further pointed out that only by saving sustainable wealth can be generated and that, hence, the Bauspar system is an ideal tool for development and prosperity. Mr. Töpfer, moreover, expressed his concerns regarding the possible economic and social impact of the U.S. subprime crisis and recalled the spurious criticism the Bauspar

system had been confronted with by exponents of the Anglo-Saxon system. “It cannot be correct [...] accusing us of subsidizing the Bauspar system but at the same time spend no single word on the fact that the [U.S.] taxpayer now has to pay for [...] a failed housing policy [...].”

Mr. Töpfer concluded by again stressing the importance of savings and the sustainability of generating housing proprietary.

Five different sessions delivered insight into the most recent developments and problems of housing finance in Europe and other world regions. The first session dealt with the topics “Savings, inflation and housing property acquisition”. Prof. Dr. Francke (University of Freiburg, Germany) gave a short lecture on the question how investments in the real estate sector of some European countries that featured insufficient saving rates could be financed. He also lectured on the question if house price inflation is a result of increasing money supply or if money supply is increased by the demand for property.

Ms. Cantor-Grable (Genworth Financial) presented the business segment of private mortgage insurance (MI) and how MI can provide the balance between meeting current and prospective housing demands and managing lender risks in the mortgage market. She stressed that MI could deliver protection for lenders and investors from borrower default on residential mortgages; that it also could help to foster home ownership with low down payment. However she made clear that it is not any kind of life insurance or payment protection insurance, nor is it necessarily sub prime.

The second session was dedicated to “risky and less risky types of housing finance, also with a view on foreign currency problems”. Mr. Doug Duncan (Mortgage Bankers Association) provided actual information on the sub prime crisis and pointed out that severe developments, in his view, can only be observed in a couple of U.S. states. Mr. Dübel (Finpolconsult) explained how reflationary monetary policies, mortgage-equity-withdrawal-economics, tax distortions, adjustable rate mortgages and non-traditional credit products, amongst other problematic developments, lead to the current sub prime crisis in the United States.

Mr. Kunert (Austrian Volksbanken-AG) and Dr. Zöllner (Austrian National Bank) elaborated problems concerning foreign currency loans, a loan type that is still prevalent in Austria. Mr. Kunert pointed out that foreign currency loans in Austria originally became popular due to the fact that the Austrian money markets were quite small-sized. Mr. Kunert stressed that “customers who opt for foreign currency loans have to be able to afford it”, alluding to the speculative character and the risks of foreign currency loans. Dr. Zöllner expects the previous Austrian trend to take out foreign currency loans to fade, due to changed interest margins and exchange rates. Insofar, he believes in the Bauspar system’s chance to regain market share.

In the course of the third session, which dealt with the different developments of housing finance in Poland and the Czech Republic, Mr. Furga (Polish Banking Association) illustrated in detail the problems the Polish housing finance sector was faced with during the transformation period in the early 90ies. He explained that, due to continuous governmental reorientations regarding possible housing finance systems, none of them was definitely successful. He further reported that the current situation on the Polish housing market is affected by excess demand for housing, high and increasing price levels and speculative investments in property by foreigners. In view of the developments in the US, the UK and Spain, Mr. Furga takes a restarting discussion on the reimplementation of the Bauspar system in Poland for desirable. Ms. Grabmüllerova (Ministry of Regional Development, Czech Republic) described in detail the Czech housing market and the underlying demographic developments. She also displayed the dynamic expansion of demand for mortgage loans and the impressing development of the Bauspar system in the Czech Republic. Ms. Grabmüllerova also described the Czech subsidy scheme for housing finance, its progress and prospective development.

Session four was dedicated to the demographic changes in Europe and their implications for housing policies. Mr. Gerhardt elucidated the developments of certain population groups and their accompanying changing roles within society. He also alluded to the importance to take measures in order to being able to handle the consequences of reduced labor markets or increased expenditures for social care – costs evolving from demographic change. Dr. Gräf (Deutsche Bank Research) pointed out that, although there are different scenarios regarding demographic

development in Germany, the aging process of society cannot be stopped. He stressed the problems resulting from the disequilibrium between persons fit for work and retirees. In case no counteractive measures are taken, Dr. Gräf predicts a significant decrease of work force and negative effects on economic growth. He further explained that, due to budget restrictions of the state pension insurance, state pensions will decrease. As to housing demand, Dr. Gräf predicts an increase in demand for living space until 2020, however demand will decrease significantly after 2030. Dr. Braun (Empirica) showed that, in spite of a decreasing population, the number of households of elder persons will increase and push demand for housing and, hence, for housing finance.

The last session addressed the growing importance of new media for managing financial affairs. Mr. Gardner (Mortgage Bankers Association) illustrated how electronic documents may be used to streamline the mortgage process and why e-mortgages can result in a competitive advantage for mortgage lenders. Mr. Woloszyn (HP Poland) described the growing importance of new media, especially due to time savings and resulting cost savings.

Ms. Rehm (Quelle Bauspar AG) and Mr. Fleiss (Bausparkasse der österreichischen Sparkassen AG) illustrated the development of new media during the last decades, how especially the internet already has caused immense changes with respect to marketing and sales and to what extent prospective developments will probably influence sales and marketing of Bauspar contracts.

For further information regarding the congress and its program, please visit the EFBS' webpage www.efbs.org or our congress website www.eubv2007.com.