

The mobilisation of savings and pension assets for housing



29th ANNUAL CONFERENCE

MOBILISING CAPITAL FOR HOUSING FINANCE

11-12 September 2013

Sugar Beach Resort, Mauritius

Andreas J. Zehnder

President

of the

International Union for Housing Finance

Brussels, Belgium

1. The International Union for Housing Finance

- Established 99 years ago
- 112 members from 46 different countries
- Fosters cooperation and the exchange of information among its members
- Offers its members great networking opportunities



2. Saving – a source of wealth

- Saving supports the creation of wealth for individuals and nations
- People save for different reasons; e.g. for emergencies, retirement, down payment
- Especially developing countries and poor households benefit from saving



3. China – emergence through private saving

Exports not main driver of growth in China but investments. The investments have primarily been funded by internally generated saving of which household saving is the most important component.

Current Account		Investment share of GDP		
Percentage of GDP		Average of previous 5 years		
Year	China	USA	China	
1985	-3.75	20.8	39.2	
1989	-0.96	19.8	37.3	
1990	3.07	17.8	40.4	
1995	0.22	20.1	37.4	
2000	1.71	19.3	40.1	
2004	3.55	20.1	37.4	
2005	7.13	17.8	45.2	
2006	9.34			
2007	10.64			
2008	9.65			
2009	5.95			
2010	5.21			



Composition of China's saving. Source: Ma and Yang, 2009.

	Percentage share of GDP	Percentage share of National Saving			Percent Household
	Gross Saving	Government	Corporate	Household	Saving Rate
1995	38	7	42	51	17
2000	37	9	44	49	23
2001	38	11	46	43	24
2002	40	13	45	43	23
2003	44	16	42	42	24
2004	47	10	50	40	24
2005	48	13	42	45	23
2006	50	18	38	44	25
2007	52	21	36	43	26
2008	53	21	35	44	27

4. The mobilisation of savings

Prerequisite for stable deposits: savings mobilisation

- Many different reasons why people save
- Wealth of households and wealth of nations interlinked
 - ➔ saving plays an important role in this connection

BUT: savings mobilisation not a self-propelling business:

- Overabundance of consumption options, debt culture
- Easy monetary policy, record low interest rates

Governments can help to create a savings culture:

- In general: support of a savings culture, moral backing
- Encourage the financial industry to adopt a vigorous savings mobilisation policy
- Support the development of products that link savings with housing credit
- Government bonus paid on savings is a good instrument

5. Saving, deposits and affordable housing

- Deposits – especially retail deposits of small savers – is one of the major sources for funding mortgages
- Deposits have proven to be a liquid and comparatively stable funding source in the global financial crisis; but only if both level and composition are coherent
- Saving up equity for a down payment supports housing affordability for poor households considerably and reduces household vulnerability at the same time

6. Mobilisation of pension assets

Savings often exist – in the form of pension assets.

Using pension assets for housing



End-user models:

- Full or partial withdrawal of pension savings
- Assets as guarantee for third party lender
- Pension funds as mortgage lenders

Investment models:

- Direct investment in housing developments by the funds
- Acquisition of equity
- Purchase of debt or other investment vehicles

Role of governments:

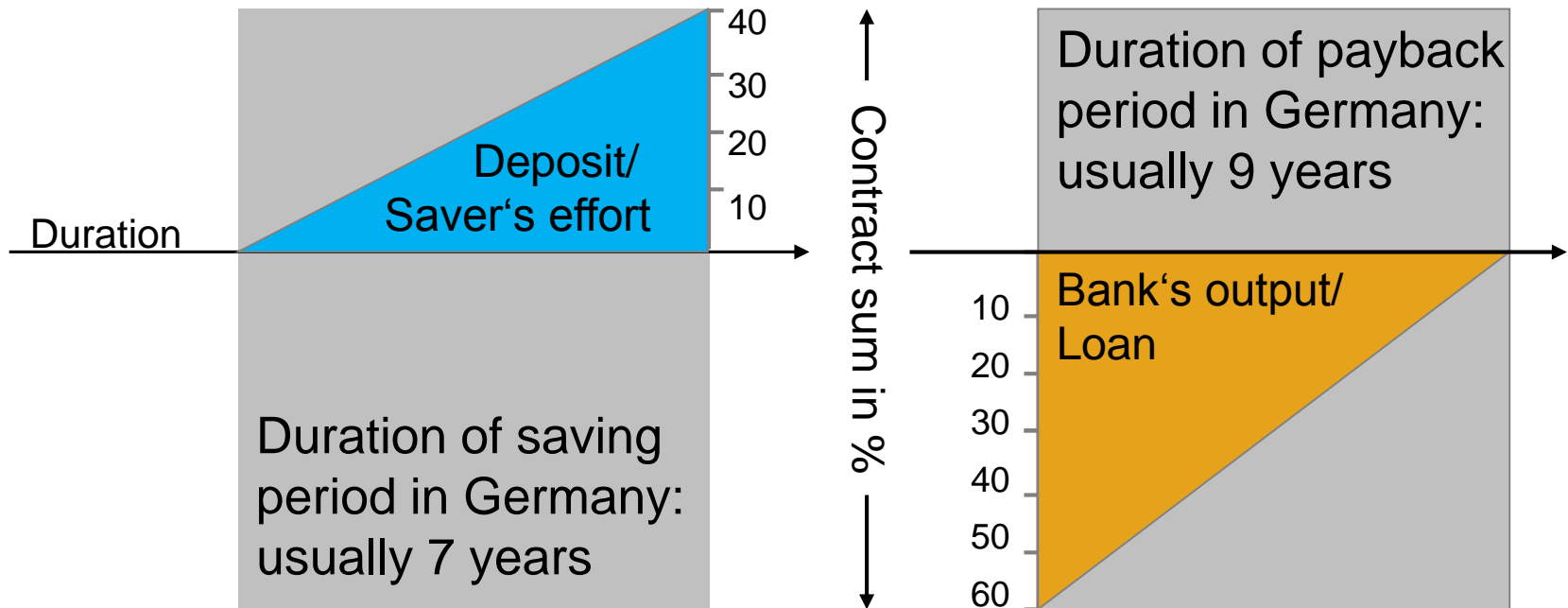
Supporting the development of products; putting policies in place that care for the stability of housing markets; creating a “core asset” that channels funding to the housing market (e.g. Covered Bond)...

7. Bausparen – a product for saving for housing

Bausparen links a saving phase to the right to receive a housing loan:

- Interest rates for deposit and loan predetermined at the time of conclusion of the contract – years in advance!
- Loans are with fixed interest rates and in local currency
- Basic principles of Bausparen are based on cooperative values: self-help, self-responsibility, and solidarity

8. Bausparen – how it works



Conclusion of contract

Customer saves and receives interest on deposit

Right of payoff of contract sum (deposit + loan)

Payback of loan

9. Success through cooperation

Design of working and stable housing finance systems is a challenging task:

- Many financing techniques, variety of distinct systems. Which particular techniques serve specific needs best? Is there a “best” system?
- Not all governments have an adequate policy or strategy considering the the importance of stable housing and housing finance markets.
- Regulatory changes pose a continuous challenge to established and emerging housing finance systems.



Questions?



**Thank you for
your attention!**

Contact details

**International Union for
Housing Finance
President**

Andreas J. Zehnder
Rue Jacques de Lalaing 28
B- 1040 Brussels
Tel.: +32/2/231.03.71

Email:
zehnder@housingfinance.org