

HOUSING FINANCE INTERNATIONAL

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- ➔ **New Zealand: a regulatory bellwether?**
- ➔ **Insolvency protection according to Pfandbrief law, and how it relates to UK cover assets**
- ➔ **Affordable housing: how sustainable is investment in housing REITs?**
- ➔ **The FHA's HECM program: proposal for separation from the MMI fund and conversion to a HUD**

From market forces to strategic planning: a paradigm shift?

The major shifts in dominant social and/or economic thinking have a habit of creeping up on us and are usually recognised only retrospectively. The philosopher Hegel expressed this famously:

“The owl of Minerva begins its flight only with the coming of the dusk”¹

One might also put it that change is too often accepted only after the dust has settled. The paradigm shift from post-war state directed capitalism to the dominance of neo-liberal reliance on the ability of market forces to produce desirable (and supposedly inevitable) social and economic outcomes across the planet can, with hindsight, be recognised as taking off as early as the 1970's but was not recognised by many commentators until the 1990's.

Four major events and the policy reaction to them could lead one to argue that we may have already witnessed the early stages of a new paradigm shift: from acceptance of neo-liberalism and globalisation to a reassertion of the primacy of national and multilateral strategic planning over economic norms. Such a shift would have profound consequences for housing and mortgage markets.

The first event was, of course, the Global Financial Crisis (GFC). The surfeit of credit that lowered lending standards and eventually led to instability across the financial system could have been dealt with by allowing market forces to take their course, leading to the collapse of much of the banking system and (presumably) eventual streamlining and renewal. After a small number of spectacular collapses most governments decided to intervene with substantial financial support measures, with only a very few such as Iceland, following a more orthodox approach. Individual states realised that while markets might be global, the consequences of turbulence in markets were emphatically national. The likely social and political consequences were seen as simply too serious not to strategically intervene.

The fears of the consequences of global warming had been building over several decades, but it was arguably only in the last decade that governments moved beyond paying lip service to environmental sustainability. Ever more strident scientific analysis of the

human consequences of warming the planet finally led governments to seek common aspirational standards, “zero carbon by 2050”, and to take national measures to achieve them. The consequences of undirected and untrammelled expansion in markets were seen as potentially catastrophic and strategic policy intervention has been increasingly invoked to “reset” the trajectory of economic growth, in some cases creating new markets (for renewables) in the process.

Our third global event was Covid. Although there were political differences in terms of the degree of intervention that would be appropriate to mitigate the human consequences, there were few dissenting voices amongst major nation states that millions dead, collapsing health services and disruption of economic activity leading to further human suffering could not be contemplated. Lockdowns were imposed, governments deployed very large financial resources to supporting individuals affected by Covid but also and crucially did the same to provide state support for industry and commerce. In doing so conventional rules of fiscal management were also set aside. Again, the laws of economics and market dynamics were set aside in the interests of strategic goals whose importance was seen as paramount.

The final event is the current Ukraine crisis. One can speculate as to whether Brexit, itself arguably an attempt to wrench markets into the service of a UK national strategic goal, emboldened Russian strategic thinking about a weakened and divided West and contributed to the fateful decision to invade Ukraine in February 2022. What seems undeniable is that NATO, the EU and individual western states have reached a consensus about the imposition of sanctions that is shared more widely across the globe. Those sanctions are explicitly designed to selectively reduce economic activity and damage markets. Insofar as they succeed, they will also curtail and distort growth and markets in the West itself. Strategy has indeed supplanted global neo-liberal thinking in the interests of other goals.

Are we witnessing a progressive shift in social and economic planning away from globalisation and towards a national and multilateral perspective that places strategic planning

ahead of the operation of market forces? Has the owl of Minerva taken off again?

Ironically, our first main article in this issue features New Zealand, a country that has probably been somewhat less directly affected by the above global events than some others. Shamubeel Eaqub, no stranger to these pages, returns with a punchy article *New Zealand: a regulatory bellwether?* Eaqub looks at the role of expanded credit and light touch regulation in fostering a huge rise in house prices in New Zealand over the period of the pandemic and analyses new approaches now adopted by the regulator.

Development of affordable housing remains a policy priority in many countries, including the US and the UK. In his article *Affordable housing: how sustainable is investment in housing REITs?* Shaun Stevens examines the role of the equity markets in providing investment into the affordable housing sectors of those countries and assesses the scale, success and sustainability of that source of investment.

Our third article this time focusses on the US Federal Housing Administration (FHA). In the second of two articles focussing on US housing institutions, Stacey Shindelar, examines the role of the FHA and makes the case for separating the FHA's home equity conversion mortgage (HECM) program from the Mutual Mortgage Insurance Fund (MMIF) and re-inventing it as a social programme of the United States Department of Housing and Urban Development (HUD).

The final main article in this issue is a highly detailed analysis of the implications of Brexit for the contractual arrangements that facilitate effective functioning of covered bonds by ensuring the inclusion of cover assets in cover pools. Although this is a highly focussed forensic article, the importance and durability of covered bonds make this article by Andreas Luckow and Otmar Stöcker essential reading for anyone with an interest in this subject.

All in all, we are proud to present another topical and incisive issue of *Housing Finance International*.

Andrew Heywood, March 2022

¹ Georg Wilhelm Friedrich Hegel: *Preface to the Philosophy of Right*

milestone to position the capital markets as a source of funding to enable economic activities such as the delivery of affordable housing by enabling long-term resources at affordable interest rates. The KMRC Corporate Bond was oversubscribed by about 400% and this will boost investor confidence and attract more investments.

March was packed with the recognition of women in the sector through various events and activities in line with the 2022 International Women's Day theme, #break-thebias. The need to rewrite the narrative of women and housing, awarding women equal opportunity to apply for and buy houses, ensuring more visibility of women in key

discussions and debates in the housing sector was echoed in most events. To break the bias, unconscious efforts to diversify the sector in relation to the workspaces and the need to think about products specific to women and their key role in delivering housing in Africa is vital. Below is a list events and articles shared in relation to women and housing:

- [A discussion with Inspirational Female Leaders in Housing](#), a webinar hosted by Altair International¹⁵.
- [Celebrating women who redefine the housing sector](#), a webinar hosted by International Housing and Construction Show¹⁶.

- [Women and the right to resilient housing](#), an article written by Olivia Nielson, Emma Harwood, Naeem Razwani¹⁷.
- [Breaking the Bias: A conversation with Makhtar Diop and Susan Athey](#), a webinar hosted by IFC¹⁸

As African housing stakeholders continue to embrace the challenges related to affordable and sustainable housing, they are leveraging technological innovation to improve both the quality and the scale of their delivery. Many of the innovators are AUHF members, charting new frontiers in delivering their products and services to lower income people.

¹⁵ Webinar recording "A discussion with inspirational female leaders in housing", (March 2022), <https://www.youtube.com/watch?v=102ap3hoxSI&t=2909s>

¹⁶ Webinar recording "Celebrating women who redefine the housing sector", (March 2022), <https://www.youtube.com/watch?v=8hyKT-Q7no>

¹⁷ Olivia Nielson, Emma Harwood, Naeem Razwani (March 2022), <https://www.preventionweb.net/blog/women-and-right-resilient-housing>

¹⁸ Webinar recording, "Breaking the Bias: A conversation with Makhtar Diop and Susan Athey", (March 2022), <https://www.linkedin.com/video/event/urn:li:ugcPost:6906614759333208064/>