

Linking interest banks & vulnerable housing consumers: some ideas...



Contribution FEANTSA

Central European Covered Bond Conference
6/7 Nov in Tallinn

Homelessness

- 4.1 m people/year experience homelessness in EU
 - Estimation of European Commission
 - Chronic vs transitional/episodical homeless
- Number is growing in almost all EU MS
 - Explosion in a few – EL, UK (England)
- Housing problems becoming more important as pathways into homelessness

Housing exclusioun

- Latest Eurostat date
- >1/3 poor (1st income decile) in housing cost overburden in 2013
 - >40% income spent on housing
 - Small decrease compared since 2010
 - Problem of poor
 - Other income deciles together >20%
 - Few countries extremely high
 - EL – 94% of poorest income decile ???
- >1/3 of poor in overcrowding
 - Trigger of forced change of dwelling...
 - Increasing since 2010
 - Coping mechanism to face housing affordability problems

Evictions

- For app ¼ of homeless eviction is cited as major cause
- App ¼ of evictions lead to homelessness
 - Short or longer-term
- Latest Eurostat figures (EU-SILC)
 - 2% poor forced to leave home
 - 3X rate of non-poor
 - 1/3 of ppl forced to leave dwelling cite financial reasons or eviction as main cause
 - Large majority of evictions happen in rental housing market

- Juncker – President
 - Some social elements in list of priorities
 - No poverty...

- Thyssen – Empl & Soc Affairs
 - Homeless is priority
 - No actions/vision proposed
 - Opportunities although no personal link to homelessness...
 - Liberty to act from Juncker (P)/Dombrovsky (VP)
 - Signed Homelessness Resolution as MEP
 - Abstained on 2014 Res against party line EPP (against)

- Timmermans – Human Rights & Better Regulation
 - Strong commitment on human rights
 - ECHR, rev ESC, ...
 - Dutch collecom & criminalisation of homeless as “hooks”...

Evictions of home-owners

- Growing but still limited
- Huge differences in nrs between eviction notices and actual forced evictions
 - Alternative solutions
 - Delayed homelessness??
- Mortgage & rent arrear
 - Sharp increase pre-crisis levels
 - Double in “new” MS to 4.5% of poor
 - 3% increase in Euro-area to 11,9% of poor
 - No change and low for non-poor
 - Some countries to watch
 - IRE – 19% of balance RMBS
 - ES, EL, PT, IT less than 10%

Effect of the ECB stress tests

- Banks forced to book loss of devalued collateral of non performing (residential) mortgages
- Banks more likely to sell non-performing residential real estate loan portfolios
 - How many (occupied and vacant) dwellings?
 - How many vulnerable families?
 - Who will be the buyers?
- Substantial increase in evictions in next years to be expected ...

Potential follow up ECB stress tests

- Is there social alternative?
 - Eviction is expensive for *public purse* / Prevention of eviction is a public saving
 - But public authorities under austerity/pressure of the EU
 - Solution under the EU Banking Union?
 - Allow public investment in non performing loan portfolios
 - Allow banks to add savings of potential evictions to value of mortgage collateral
 - Encouraging conversion of collateral non-performing commercial real estate loans into housing
 - See 300 billion Investment Fund of Juncker Commission

Mortgage directive

- Important step forward to prevent foreclosures and address social problems after eviction BUT
 - Encouragement / NO obligation
 - Not retroactive
 - Focus on restricting additional cost caused by non-payment on mortgage taker
 - Recitals much stronger than text Directive
 - Protection living conditions
 - Prevent overindebteness
 - Lukewarm support for *datio in solutum*
- Key will be transposition into national legislation
 - Minimal or maximalist approach??
 - Common campaign mortgage banks – (vulnerable) housing consumes

Broader picture

- Stable financing/banking system requires stable housing market
 - Balance between rental – home-ownership
 - Investment in rental required for most countries
 - Balance between tenant protection and fair but effective eviction procedures (OECD)
 - Sufficiently big social/public housing sector to enable impact on market stability
 - Counter-cyclical investment
 - Creative housing supply measures
 - Vacant housing, transformation commercial property, CLTs, ...



Thank you for listening

?????Questions ?????

www.feantsa.org

@FREEKSPINNEWIJN

Freek.Spinnewijn@feantsa.org