



European Responsible Housing
Finance Working Group

AN INITIATIVE OF HOUSING EUROPE

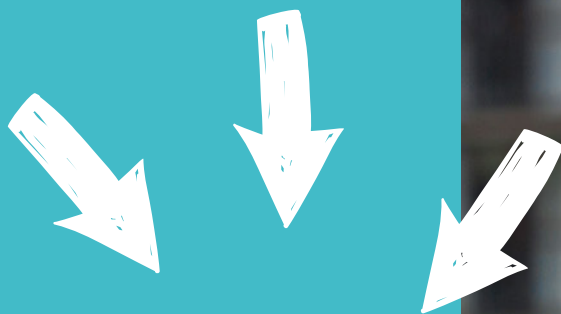


OPTIMAL USE OF PRIVATE FINANCE FOR SOCIAL AND AFFORDABLE HOUSING

5 FACTSHEETS ON BEST PRACTICES



NOVEMBER 2025



This publication has been drafted in the context of the **European Responsible Housing Finance Working Group**. Beyond the Annual European Responsible Housing Finance Summit, the Working Group also carries out pitching sessions, local workshops, and desk research, such as this study on the use of private finance for funding social housing.

About the European Responsible Housing Finance Working Group: In order to create our Next Generation Neighbourhoods, where people can truly thrive, an intensive exchange on innovative financing schemes and governance models is essential. That is why, in June 2023, Housing Europe launched the Housing Finance Working Group, aimed at building capacity across Europe to develop healthy housing ecosystems capable of delivering sustainable, long-term solutions. Among its key activities are the identification of investment needs, peer-to-peer learning, local workshops, and mentoring. The Annual Social and Affordable Housing Finance Summit forms a central part of this initiative, also contributing to the implementation of the Liège Declaration, adopted in March 2024, which called for the establishment of a European platform for exchange on housing systems.

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INTRODUCTION

The term “private finance” is often misunderstood in the context of investment in social and public housing. For many, it is taken to mean the involvement of equity funds, investment trusts, or other types of funding vehicles favoured by active private investors. This could be, for example, in the context of meeting objectives around ESG targets. However, this is not the case in practice.





When examining the sources of finance for new social housing developments in Europe today, it appears that the majority of projects are funded through “private finance”. However, a closer analysis shows that while funds may not come from the state, much of the so-called “private” capital for investment is in fact heavily supported, incentivised, or guaranteed by public funds or institutions. In other words, the term “private” requires significant qualification.

In reality, nominally private sources of finance that are so essential in many countries in Europe often flow from institutions that are private in name only. One of the best examples is the [Caisse des Dépôts \(CDC\)](#), which at the end of August 2025 had €610 billion of “private” funds to potentially invest, with the origin of these funds being primarily the savings of private households in France. The CDC is a private institution, using private financing. However, it is highly constrained in its lending activities and is in reality a publicly-owned institution that invests in social housing (€10.5bn for new construction and €3bn for renovations in 2024), in addition to other vital public infrastructure and developments.

Very similar “private” financiers of public housing can be found across Europe, such as MuniFin in Finland—which provides 95% of the funding for the typical new social housing development—or the [Nederlandse Waterschapsbank \(NWB Bank\)](#) in the Netherlands, which raises capital on private bond markets and then lends it at low rates of interest to Dutch social housing providers. The Dutch providers in turn benefit from their own sectoral guarantee fund—*Waarborgfonds Sociale Woningbouw* (WSW)—which pools risk amongst the country’s housing associations, and helps to de-risk the lending of NWB Bank; helping to ensure low rates of interest for social housing development.

In conclusion, it is not common in Europe for truly “private” finance to directly invest in social housing, at least in part due to the better lending conditions social providers can benefit from elsewhere. Rather, many Member States have established specialised “private” financial intermediaries to gather capital from diverse sources—including private investors via bond markets—and then allocate that capital to social housing providers who are in need of it. This is a very favourable situation for the social housing providers, as it means that they do not have to go through the process of raising capital themselves from non-governmental sources, which could be costly both in terms of the time and additional expertise and staff costs required. At the same time, social housing providers may **benefit from pooling of risk** across the entire sector and (in many cases) **implicit government guarantees** of the financial intermediaries, which means that they can borrow at far more favourable terms than what would be possible if each individual social housing provider was required to raise debt and assume all associated risks themselves.

This is, therefore, the model that will be discussed in the European Responsible Housing Finance Working Group, as **the optimal approach to leveraging in private investment to the social housing sector.**

FACTSHEET I



**Transforming household savings into
social and affordable housing in France
– the role of regulated saving schemes
and the Caisse des Dépôts (CDC)**



1. Overview and context



In France, it is very common for households to hold state-guaranteed savings accounts that produce tax-free interests such as the common 'Livret A¹', the 'Livret de développement durable et solidaire²' (LDDS), and the 'Livret d'épargne populaire' (LEP). For 2024, it was estimated by the French Central Bank that 83% of the population held a Livret A³. Thus, these historic savings products are ubiquitous and a cornerstone in France, offering a secure and highly liquid savings option, and have become a core part of the management of personal finances by French households.

The Livret A is a tax-free way of saving money, up to a maximum of €22,950, which is available through any retail bank and offers savers a more attractive interest rate than their usual current account. The latest figures⁴ show that total savings in these schemes, including LDDS and Livret d'épargne Populaire (LEP), amount to **€687.4 billion**.

The Caisse des Dépôts (CDC), a special public financial institution founded in 1816 serving the public interest, centralizes and manages nearly 60% of these regulated savings accounts (livret A, LDDS or LEP). Under the supervision of the Parliament, CDC transforms these savings via its Savings Fund into long-term loans (with maturities of up to 80 years) for projects of general interest, such as the provision of social and affordable housing or the renovation of existing housing stock. In fact, the CDC via its *Banque des Territoires* is the leading lender for social and affordable housing in France, providing approximately 70–75% of the sector's financing. This support allows for the construction of around 100,000 new housing units on average each year⁵. All of this activity is implemented via CDC's network of 37 regional offices all over France, where local needs are addressed and tailor-made solutions are provided.

One of the strongest features of the CDC's regulated savings model is its countercyclical role. This means that even as an economy enters a period of decline or recession, as was the case during the recent pandemic, **CDC can maintain or even increase its long-term financing -providing constant access to liquidity**. This is possible thanks to its stable and secure resource. During periods of economic uncertainty or recession, households tend to save more. This increase in savings flows into the CDC-managed accounts. Indeed, growth in savings by French households into their CDC managed regulated accounts actually increased in 2020,⁶ despite the impact of the pandemic. This means that, whether there is a recession or not, loans can be made available to support jobs in the construction sector and, thus, the wider economy. It also means that those who have lost their own job or seen a fall in their income can be helped to find suitable housing that meets their needs more quickly.

In addition, financing affordable and social housing by means of regulated savings allows for the loan pricing to be based solely on the social and environmental nature of the project. The fact that there is no interest rate discrimination between credit borrowers, helping to reduce social inequalities, territorial divisions and to meet environmental goals.

¹ Service Public, (2025). Livret A. [French Saving Booklet]. <https://www.service-public.fr/particuliers/vosdroits/F2365>

² Service Public, (2025). Livret de développement durable et solidaire (LDDS) [Sustainable and solidarity development booklet (LDDS)]. <https://www.service-public.fr/particuliers/vosdroits/F2368>

³ Banque de France, (2024) Rapport sur l'épargne réglementée 2024 [Report on regulated savings 2024]. <https://www.banque-france.fr/fr/publications-et-statistiques/publications/rapport-sur-lepargne-reglementee-2024>

⁴ Caisse des Dépôts et Consignations, (2025). Epargne réglementée : collecte mensuelle en août 2025 du Livret A et du LDDS ainsi que du LEP [Regulated savings: monthly collection in August 2025 of the Livret A and LDDS as well as the LEP]. <https://www.caissedesdepots.fr/sites/default/files/2025-09/2025%2009%2023%20-%20Communiqu%C3%A9%20Collecte%20mensuelle%20LA-LDDS%20-%20LEP%20ao%C3%BBt%202025.pdf>

⁵ Caisse des Dépôts et Consignations, (2025). Nos missions au service de l'intérêt général [Our missions in the service of the general interest]. <https://www.caissedesdepots.fr/modele-unique/nos-missions#:~:text=La%20Caisse%20des%20D%C3%A9p%C3%B4ts%20est,de%20la%20cha%C3%Aene%20de%20production>

⁶ French Central Bank (2021). L'épargne réglementée : Rapport annuel 2020 [Regulated savings : 2020 annual report]. https://publications.banque-france.fr/sites/default/files/medias/documents/rapport_er_2020.pdf

2. Governance and ownership



The CDC is a public financial institution, defined in the French Monetary and Financial Code as a “public group serving the public interest” and a “long-term investor”, operating under private-law status. It manages funds that originate from household deposits, operating under a strong public-interest mandate and within strict lending constraints. This makes it a unique publicly oriented institution. The CDC’s governance framework ensures its public service mission while maintaining financial stability and promoting long-term investments for the benefit of the community.

3. Funding model



The core of CDC’s funding model is the mobilisation of household savings via the before mentioned Livret A, LDDS, and LEP regulated savings accounts. CDC manages approximately 60% of these regulated savings, transforming them into long-term loans—sometimes extending up to 80 years of maturity—for projects of general interest defined by public authorities. Priority areas include social housing, urban policy, and local development projects, providing a mechanism to finance significant public initiatives without cost to taxpayers⁷.

The savings model offers social and affordable housing providers a stable and low-cost source of capital. They benefit from pooled risk, preferential interest rates well below commercial rates⁸, long maturities (20–40 years depending on the loan type, e.g., **PLAI, PLS, PLS Plus, PLI and even up to 80 years for the GAIA land loans**), and implicit public backing—meaning that, when a social landlord requests a loan from the CDC for a construction or rehabilitation project, the local authority where the project is located is required to provide a guarantee. Although the funds are technically private, the state’s oversight and support reduce risk for investors and indirectly guarantee the continuity and stability of financing, and interest rates far below those available on commercial markets.

4. Loan and investment conditions



Caisse des Dépôts (CDC) is the leading financier of social and intermediate housing in France, contributing to over 70% of the funding for new housing operations—around 100,000 units per year⁹. Through its Banque des Territoires (BdT), it offers a comprehensive range of loans that cover the entire housing production chain. CDC finances public interest housing in the broadest sense, from emergency housing to middle-income housing, as well as housing for students and the elderly, providing a diversified range of loan products, quasi-equity instruments, including intermediated loans on EIB resource, which complement the traditional offer. In addition to

⁷ Caisse des Dépôts et Consignations Habitat, (2024). *Au rendez-vous : Rapport d’activité 2024 [On the agenda: 2024 Activity Report]*, p.7. <https://www.caissedesdepots.fr/sites/default/files/2025-07/CDC%20RA24%20eaccess.pdf>

⁸ While preferential compared to market conditions, these rates remain indexed to the Livret A, meaning that fluctuations in regulated savings rates directly affect the borrowing conditions of social housing providers. With an outstanding debt of around €150 billion tied to the Livret A in 2023, Hlm organisations are therefore highly exposed to changes in interest rate trends. L’Union Sociale pour l’Habitat, (2023, January 13). *Hausse de 3 % du taux du Livret A : le Mouvement Hlm prend acte d’une décision équilibrée [3% increase in the Livret A rate: the Hlm Movement takes note of a balanced decision]*. [Press release]. <https://www.union-habitat.org/hausse-de-3-du-taux-du-livret-le-mouvement-hlm-prend-acte-d-une-decision-equilibree>

⁹ Caisse des Dépôts et Consignations Habitat, (n.d.). *Nos missions au service de l’intérêt général [Our missions in the service of the general interest]*. <https://www.caissedesdepots.fr/modele-unique/nos-missions>

its lending activities, through its subsidiary CDC Habitat, the Group is one of France's largest social and affordable housing operator, managing a portfolio of more than 560,000 housing units nationwide¹⁰. CDC Group is also an investor in the sector through its Banque des Territoires (BdT), which provides capital to companies that develop innovative building schemes allowing for synergies with social housing provider clients.

BdT loans offer highly advantageous conditions compared with commercial lending, thanks to the low cost of funds and the pooling of risks across the sector. While their relative competitiveness can fluctuate with broader interest rate trends, they have historically provided significantly lower rates and longer maturities, ensuring stable financing conditions for social housing providers. Loan rates are indexed to the *Livret A*—France's regulated savings rate— so fluctuations in this rate directly affect borrowing costs¹¹.

CDC financing is structurally secure and well-suited to the long-term investment horizons of social and affordable housing providers, thanks to its countercyclical role, fixed-rate stability, alignment with public policy objectives, and sector-wide risk pooling.

5. Impact and performance



The CDC's impact is visible both in the scale of housing delivery it supports and in its stabilising effect on the housing finance ecosystem. By sustaining production during downturns, it helps safeguard construction-sector jobs and mitigate housing shortages.

Thanks to its very long-term loan offerings, the Banque des Territoires achieved a record year in 2024, with €20.9 billion in loans dedicated to social housing and urban policy. This financing supported the construction of 115,000 new social and intermediate housing units and the renovation of 108,000 others¹². €2.9 billion in loans were also allocated to renovation operations, enabling the thermal renovation of 39,000 existing social housing units. Given the large existing stock of social housing units in France, and in line with the requirements of the French Climate and Resilience Law, one of the key challenges today is renovating nearly 1.8 million social and affordable housing units without compromising the high levels of new construction of the sector. Today's financial model of social housing providers relies therefore on balancing construction efforts and renovation ambitions within a constrained budgetary framework.¹³ In financing these efforts, CDC loans are often combined with EU grants for energy efficiency rehabilitation of social housing units provided through the ERDF.



¹⁰ Caisse des Dépôts et Consignations Habitat, (2024). *Au rendez-vous : Rapport d'activité 2024* [On the agenda: 2024 Activity Report], p.7. <https://www.caissedesdepots.fr/sites/default/files/2025-07/CDC%20RA24%20eaccess.pdf>

¹¹ French Ministry in charge of Housing, (2024). *Les aides financières au logement* [Financial assistance for housing], p. 10. <https://www.ecologie.gouv.fr/sites/default/files/documents/Les%20aides%20financieres%20au%20logement%202024.pdf>

¹² Caisse des Dépôts et Consignations Habitat, (2024). *Au rendez-vous : Rapport d'activité 2024* [On the agenda: 2024 Activity Report], p.7. <https://www.caissedesdepots.fr/sites/default/files/2025-07/CDC%20RA24%20eaccess.pdf>

¹³ Banque des Territoires (2025), *Perspectives 2025 : l'étude économique et financière sur le logement social*. <https://www.banquedesterritoires.fr/perspectives-2025-etude-economique-financiere-logement-social>

6. Cooperation with EU/International Institutions



PROJECT EXAMPLE: FRENCH ALLIANCE FOR SOCIAL HOUSING

The French system of financing social and affordable housing is well established, long-standing, and well-integrated in the European sphere, thanks to the catalytic role played by CDC and its Banque des Territoires. CDC is ensuring the link to European resources. The “European Alliance for Sustainable and Inclusive Social Housing”, launched in September 2020 embodies its cooperation with international financial institutions. This initiative brings together the Union Sociale pour l’Habitat (USH), the Banque des Territoires (CDC group), the European Investment Bank (EIB), and the Council of Europe Development Bank (CEB). The Alliance was formalised through a joint declaration signed during the event “Les Hlm, acteurs de la relance” (“Social Housing: Drivers of Recovery”), held in Paris on 15 September 2020.

The Alliance is part of the implementation of the Investment Pact, signed on 25 April 2019 by all French social housing stakeholders. Its core objective is to facilitate access for French social housing organisations to long-term European financing, ensuring the continuity and predictability of funding for the sector. Through this Alliance, **CDC (Banque des Territoires) distributes the resources of the EIB (social and affordable housing, energy efficiency of housing) and the CEB (specific housing) and combines these European resources with the national ones (stemming from popular savings). This platform provides a one-stop shop for social housing organisations seeking national and European funding for their projects – making these resources available also for smaller projects.** The partnership aims to leverage the combined resources and expertise of national and European actors to meet ambitious housing production and renovation targets. This intermediation logic has just recently been extended to the segment of affordable housing, via the signing of a new credit line between EIB and CDC to bolster the financing of affordable housing projects, ensuring that more individuals and families have access to quality housing at reasonable costs.

In the longer term, similar agreements could be replicated in other countries, provided that a dedicated financial institution is in place with sufficient capacity, financial viability, and a strong public-interest mandate. In such cases, cooperation with institutions like the EIB and CEB could secure a stable flow of long-term investment capital for social housing.

The Alliance also offers a replicable framework at national, regional, or municipal level through the **Investment Platform model (see Box 1)**. This approach aggregates local projects to reach sufficient scale for attracting private investors, municipalities, and other intermediaries. It allows the use of risk-sharing mechanisms, guarantees, and blended financing from EU sources, enabling long-term, fixed-rate financing under favourable terms — a critical factor for sustaining housing affordability over decades.



THE FINANCING SCHEME OF THE FRENCH ALLIANCE



Source: Housing Evolutions, (n.d.). <https://www.housingevolutions.eu/project/alliance-for-sustainable-and-inclusive-social-housing/>



7. Advantages and disadvantages

OVERVIEW OF THE ADVANTAGES AND DISADVANTAGES OF THE CDC MODEL



ADVANTAGES



DISADVANTAGES

Stable and counter-cyclical funding: Household savings in Livret A LDDS, and LEP accounts increase in economic uncertainty, ensuring steady capital for housing projects.	Dependence on regulated savings flows ¹⁴ .
Low-cost, very long-term loans: Implicit state guarantee and pooled sector risk allow lending below commercial rates. Loan pricing based on the social and environmental nature of projects, no interest rate discrimination between credit borrowers.	Limited flexibility in loan conditions: Statutory lending criteria, in alignment with public policy objectives, may not suit all projects.
Large-scale investment capacity: CDC (via the Banque des Territoires) finances the majority of social housing projects in France, enabling delivery at scale.	Centralisation at the Savings Fund: National pooling of funds requires the necessary administrative capacity and the decentralised distribution requires regional offices to respond to local needs.
Strong social mandate: CDC aligns investments with national housing policy objectives.	Potential political influence: Strategic priorities can shift with changes in government policy.
Integrated role in sector development: Supports construction, renovation, energy efficiency, and regional development	—

Source: Own compilation. Housing Europe, (2025).

Note: This table is based on a qualitative synthesis of available literature and policy analysis, notably Housing Europe (2025), as well as the author's own interpretation of the Caisse des Dépôts et Consignations (CDC) model. The criteria for advantages and disadvantages were selected to reflect financial, operational, and policy dimensions relevant to the housing finance sector.

¹⁴ It is however important to note that the underlying rate of the Livret A is strictly speaking not a political variable, as it is fixed twice a year by the Treasury after proposal of the French Central Bank applying a formula. This formula-based approach provides a level of stability and predictability.

8. Replicability and key success factors



Replicating the CDC model in other countries requires a combination of regulated household savings schemes, a **strong public financial intermediary**, and a clear statutory framework to ensure funds are used for social purposes. Implicit or explicit state backing is necessary to maintain confidence and enable low-cost lending, while alignment with national housing policy ensures that investments support affordable housing, energy transition, and urban regeneration goals. Additionally, the cultural acceptance of regulated savings products and the willingness of households to deposit funds in such accounts are crucial. Although the CDC benefits from France's long-standing savings culture and institutional history, its core principles — regulated savings, public-interest lending, and counter-cyclical investment — can be transferred to contexts with strong public trust and financial infrastructure.

THE FUNDING MODEL OF SOCIAL HOUSING IN FRANCE

The financing of social housing in France relies on several sources. Private loans represent 77% of total funding. Social housing providers secure most of their loans from private bodies, primarily through the Caisse des Dépôts et Consignations (CDC), which offers variable interest rates. In some cases, commercial banks provide loans with fixed interest rates. Own equity accounts for 16% of funding. Social housing providers are required to reinvest any surpluses they generate, including in new construction. Local subventions represent 4% of funding. Local authorities have autonomy to dedicate funds from their budgets to support social housing construction in their area. National subventions make up 2% of funding. The national government can provide financial support, for example to support the housing of people with particular difficulties, such as those experiencing homelessness. This support can include the National Fund for Housing Assistance for People in Difficulty (FNAP). Other sources, such as Action Logement, represent 1% of funding. In France, a social insurance contribution is specifically earmarked to support the construction of social housing for low-income workers. This fund co-finances new social housing projects in return for allocation rights.



THE FINANCING OF SOCIAL HOUSING, AND PUBLIC HOUSING SUPPORTS

TYPE OF FUNDING	% OF TOTAL	GENERAL COMMENTS
Private loans	75.9%	● Social providers secure most of their investment capital from private bodies
→ Of which: CDC loans	70.2%	● This includes primarily (accounting for around 70%) loans from CDC (<i>variable interest rates</i>)
→ Of which: other loans (Action Logement, commercial banks)	5.7%	● There exists in France a social insurance contribution that is specifically earmarked to support the construction of social housing for low-income workers ● This fund (Action Logement) will co-finance new social housing projects, in return for allocation rights ● Can also include commercial banks (<i>fixed interest rates</i>)
Own equity	15.9%	● Social providers are required to reinvest any surpluses they may generate, including in new construction
Subventions (national and local)	8.2%	● Local authorities have autonomy to dedicate funds from their own budgets to support the construction of social housing in their area ● The national government can also provide financial support, for example to support the housing of people with particular difficulties, such as those experiencing homelessness ● Can make use of a national fund FNAP (National Fund for Housing Assistance for People in Difficulty)
Average living area (m²)	65	
Rental price upon commissioning (including annexes)	7.1/m²/month	

Source: Own compilation based on Banque des Territoires, (2024). *Perspectives L'étude sur le logement social – Edition 2025* [Banque des Territoires, (2024). *Perspectives: The study on social housing – 2025 edition*]. And L'Union Sociale pour l'Habitat, (2023). *Les Hlm en chiffres – 2023* [Social housing in figures – 2023.]. https://www.union-habitat.org/sites/default/files/articles/pdf/2023-09/reperes_ndeg_119_web.pdf





FACTSHEET II



The “private” financiers’ model of public housing: MuniFin in Finland



1. Overview and context



MuniFin (*Municipality Finance Plc*) is Finland's leading provider of financial services to the municipal sector, wellbeing services counties (self-governing regions that took over the responsibility for organising healthcare, social welfare and rescue services as of 1 January 2023), and affordable social housing organisations. It plays a pivotal role in financing social and affordable housing, ensuring that municipalities and non-profit housing companies can access cost-efficient, long-term funding.

MuniFin's activities are closely aligned with the objectives of the Finnish welfare state. Approximately 95% of the capital required to develop new social housing developments comes from private financial institutions. In reality, MuniFin is the only private lender providing these loans to Finnish social housing providers. It operates under a cost-rent model, ensuring that housing rents reflect only the actual cost of provision, and it supports housing for a range of target groups, including low-income households, the elderly, and people with disabilities.

2. Governance and ownership



MuniFin is a credit institution 100% owned by the Finnish public sector:

- ➔ **53%** by Finnish municipalities and wellbeing services counties¹⁵,
- ➔ **31%** by the public sector pension provider Keva,
- ➔ **16%** by the State of Finland¹⁶.

It is guaranteed by the *Municipal Guarantee Board* (MGB)¹⁷, a public-law institution whose members include all municipalities in mainland Finland. MuniFin's credit ratings match those of the Finnish government, reflecting its low credit risk.

As a significant credit institution in the Finnish financial system, it is supervised jointly by the European Central Bank and the Finnish Financial Supervisory Authority.

3. Funding model



MuniFin is the main financier of affordable social housing production in Finland. It raises most of its funding on the international capital markets, issuing Green Bonds, Social Bonds, and conventional bonds. Its programmes are guaranteed by the Finnish Municipal Guarantee Board (MGB), which covers all MuniFin funding. Combined with Finland's sovereign AA/Aa1 ratings, this allows MuniFin to borrow at highly competitive terms and transfer the benefit to end-borrowers.

¹⁵ Self-governing regions that took over the responsibility for organising healthcare, social welfare and rescue services as of 1 January 2023.

¹⁶ MuniFin, (2025). *Get to know MuniFin*. <https://www.kuntarahoitus.fi/en/about-us/get-to-know-munifin>

¹⁷ MuniFin, (n.d.). *The Municipal Guarantee Board (the MGB) guarantees MuniFin's funding*. https://www.kuntarahoitus.fi/wp-content/uploads/2024/06/MGB-Guarantee-and-Finnish-municipalities_v2.pdf

Affordable housing is financed through two channels¹⁸:

- ➔ **Interest-subsidy loans**, granted by commercial banks or financial institutions (including MuniFin). These loans are guaranteed by the State of Finland and subsidised through the **Centre for State-Subsidised Housing Construction (Varke)**, which since March 2025 has taken over the functions of ARA. Varke nominates eligible non-profit housing providers, approves state guarantees, and supervises the housing stock.
- ➔ **Loans with municipal guarantees**, where municipally owned companies borrow directly from MuniFin without state interest subsidies. These loans benefit from a 100% municipal guarantee under the Local Government Act.

The use of both state and municipal guarantees significantly reduces funding costs. Since MuniFin operates on a commercial basis and borrowers remain liable for repayment, its debt is not consolidated into Finland's general government debt under the European System of Accounts. Guarantees are treated as contingent liabilities unless called.

4. Loan and investment conditions



Loans for affordable housing projects in Finland are typically granted with very long maturities — up to 41 years — reflecting the life cycle of residential buildings.

The security and guarantee arrangements depend on the borrower and loan type:

- ➔ Interest-subsidy loans are guaranteed by the State of Finland through the Centre for State-Subsidised Housing Construction (Varke), which also pays the interest subsidy.
- ➔ Loans taken directly by municipally owned housing companies from MuniFin do not benefit from a state interest subsidy but are backed by a 100% municipal guarantee under the Local Government Act.
- ➔ Collateral in the form of real estate securities may be required in certain lending arrangements, particularly where municipal guarantees are not available¹⁹.

Beyond borrower-level guarantees, all of MuniFin's funding is secured by the Municipal Guarantee Board (MGB), a joint municipal institution through which every Finnish municipality is jointly liable for MuniFin's obligations. This framework provides strong assurance to international investors, ensures continued market access at low cost, and allows MuniFin to pass on favourable loan terms to housing providers²⁰.

Loan terms — including repayment schedules, grace periods and other features — are tailored to the needs of individual housing projects. This flexibility enables both municipal housing companies and non-profit developers to secure long-term, sustainable financing for affordable housing.

¹⁸ MuniFin, (n.d.). *Affordable social housing sector*. <https://www.kuntarahoitus.fi/en/who-we-finance/affordable-social-housing>

¹⁹ MuniFin, (n.d.). *Affordable social housing sector*. <https://www.kuntarahoitus.fi/en/who-we-finance/affordable-social-housing>

²⁰ MuniFin, (n.d.). *MuniFin's guarantee and the Finnish public sector structure*. <https://www.kuntarahoitus.fi/en/for-investors/guarantee-and-the-finnish-public-sector>

5. Impact and performance



MuniFin finances nearly all state-subsidised housing in Finland, enabling the delivery of high-quality, affordable housing at stable rents.

By integrating sustainability objectives into its lending (via Green and Social Bonds), it also supports energy-efficient construction and renovation, as well as broader municipal infrastructure development. This aligns its activities with the EU Green Deal, the EU Taxonomy for Sustainable Finance, and the UN Sustainable Development Goals (SDGs).

6. Cooperation with EU/International Institutions



MuniFin's model is well aligned with EU policy priorities, particularly in promoting affordable housing, green investment, and municipal development.

While MuniFin primarily operates within Finland, its structure — publicly owned, municipally guaranteed, and capital-market funded — offers a model that could be replicated in other EU countries. Its framework also allows for potential partnerships with the European Investment Bank (EIB) or Council of Europe Development Bank (CEB) for blended financing packages or targeted investment programmes.

7. Advantages and disadvantages

OVERVIEW OF THE ADVANTAGES AND DISADVANTAGES OF MUNIFIN'S MODEL



ADVANTAGES



DISADVANTAGES

Legal nature: private credit institution with a singularly public purpose;

Prerequisite of **governmental priority and guarantee;**

Publicly guaranteed and underwritten by municipalities.

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Source: Own compilation. Housing Europe, (2025).

Note: This table is based on a synthesis of official documentation, financial reports, secondary analysis, including Housing Europe (2025). The identification of advantages and disadvantages reflects the institutional, legal, and financial characteristics of MuniFin as a municipally guaranteed credit institution. The evaluation is interpretative and focuses on the model's relevance for public investment in housing and infrastructure.

The success of MuniFin as a credit institution lies in the key public support (public guarantee); long-term vision; and reduced risk. Key considerations for another country in developing the model include the identification of an appropriate supervisory authority, such as the former Housing and Development Centre of Finland (ARA) whose responsibilities have been transferred to Varke/the Ministry of Finance or a National Promotional Bank, to monitor the institution's operations and ensure financial stability.

Challenges for implementation include the investment in capacity and skills, the development of clear regulation and transparency mechanisms, and the establishment of an ARA-type institution to provide supervision and support. Success factors are strong public support and guarantees, a long-term vision, reduced financial risk, and high levels of transparency.

8. Replicability and key success factors



Replicating the MuniFin model would require:

- ➔ A well-developed municipal governance framework.
- ➔ Legal capacity for municipalities to provide guarantees.
- ➔ An intermediary institution with the authority and technical expertise to raise funds on international markets.
- ➔ A regulatory and supervisory body similar to ARA to oversee state-subsidised housing.

THE FUNDING MODEL OF SOCIAL HOUSING IN FINLAND

At present, about 95% of the funding required for a new social housing project is derived from a private loan*. These loans are then guaranteed by the state, de-risking them, and affording lower interest rates to Finnish social providers. In practice, though, there is only one financial institution in Finland that provides loans for new social housing; a publicly-owned 'private' bank called MuniFin. It raises capital for investment in social housing and other municipal projects by issuing bonds on financial markets. These bonds are given a guarantee by another organisation called the 'Municipal Guarantee Board' (Kuntien takauskeskus, KT), which means that MuniFin can borrow at very low rates. The KT uses the loans from MuniFin as collateral and can only guarantee loans issued by MuniFin. It has as a backstop the ability of local municipalities to raise taxes, meaning the KT has an AA+ credit rating. According to a 2023 review by the National Audit Office, the probability of the loan guarantee being invoked is low overall**.

At the same time, the ARA also provides an interest rate subsidy to help support the cost of repaying the loans from MuniFin. If the interest rate exceeds a given threshold (currently 2.3%), then the ARA will pay a subsidy. This is equal to 90% of the excess above 2.3% in the first year. However, this subsidy does decline over time, by 2.25 percentage points each year.

MuniFin does not regularly publish figures on its annual lending for the purpose of developing social housing, though data for 2020 showed that it lent €827m for new social housing, plus €195m in financing for new housing for people with special needs. While we cannot be sure how much MuniFin has invested in subsequent years, new social housing completions have held broadly stable since 2020, averaging around 8,000-9,000 units. This would imply that MuniFin's annual lending each year could also have remained close to the €1 billion mark. However, construction prices have also increased in the intervening years.

In terms of the interest rate subsidy. In the event that the interest rate on borrowing exceeds 2.3%***, then Ara also provided a subsidy in order to reduce repayment costs****. Ara managed the dispersal of funds, though they in fact originate from a separate state institution – *Valtion asuntorahasto* (VAR) – which was established in the 1990s to ensure that social providers could borrow at affordable rates of interest.

* The content of this section describing the use of private loans by social providers is a summary of the more detailed description included in: Housing Europe (2025). Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union.

** Lahtinen, M., Eerola, E., Kuronen, M., and Ruonavaara, H. (2024). *Julkisesti tuetun asuntotuotannon merkitys ja kehittäminen 2020-luvulla [Role and Development of State-subsidized Housing Production in the 2020s]*. Publications of the Ministry of the Environment 2024:8.

*** MuniFin lending rates are tied to 12 or 6 month Euribor rates, plus the company-specific margin set by MuniFin. On aggregate, their margin is around 0.8%. In 2023, the aggregate interest rate offered by MuniFin to MHCs was around 3.8%. In other words, 2.3 percentage points was paid by the social housing provider, and 1.5 percentage points was covered by the Finnish state in the form of its interest rate subsidy, the dispersal of which was managed by Ara.

**** Until the 1st January, 2024 the threshold above which the subsidy was paid was 1.7%. However, the increase in rates as a result of the ECB meant that the threshold also had to increase. As a practical example, if the interest rate on a loan was 3%, then from the point of view of the social housing provider the interest rate is only 2.3%, with the excess 0.7 percentage points of the interest being covered by Ara, via the VAR fund.

THE FINANCING OF SOCIAL HOUSING, AND PUBLIC HOUSING SUPPORTS

TYPE OF FUNDING	% OF TOTAL	GENERAL COMMENTS
Private loans	95%	The state provides an interest rate subsidy; A public guarantee can also be applied
Own equity	5%	Reinvestments of surpluses by social providers
Other	Undefined	- In certain, mostly urban, areas so-called 'start-up grants', which provides €3,000–€10,000 per new social dwelling built can be provided. - Bonus grants are also available for meeting certain extra criteria, such as using more sustainable forms of construction²⁴

Source: KOVA.

The research project which generated the findings and knowledge was funded by the Department of Housing, Local Government and Heritage in the frame of the Request for Tenders dated 30/07/2024 for the provision of research on social housing systems in the European Union.

Note: The above figures are for 'standard' social housing projects. As outlined below, grants are available for the development of homes for people with specialised needs, such as those with disabilities or other on-site care needs.



FACTSHEET III



**The “private” financiers’ model of
the Nederlandse Waterschapsbank
(NWB Bank) in the Netherlands**



1. Overview and context



The Nederlandse Waterschapsbank (NWB Bank) is a national promotional bank serving the Dutch public sector. Originally founded by and for the Dutch water authorities, it has since expanded its financing activities to the wider Dutch public sector, which includes among others, municipalities, drinking water companies, healthcare institutions, and housing associations.

NWB Bank raises its funds on international capital markets, including by issuing Environmental, Social, and Governance (ESG) bonds. Housing associations are primarily financed through SDG Housing Bonds. Since its first ESG bond in 2014, NWB Bank has raised over €31 billion, making it a market leader in the Netherlands. This financing helps keep social rents affordable while supporting sustainability improvements in the housing stock²¹.

The bank's loan portfolio is predominantly composed of loans to (local) governments or institutions guaranteed by (local) governments, contributing to its strong credit rating (AAA/Aaa) and its position as one of the world's safest banks. Owing to this high creditworthiness, financial expertise, and efficient organisation, NWB Bank can respond to financing needs even in challenging circumstances. As a significant bank, it is directly supervised by the European Central Bank²².

In 2024, NWB Bank provided €6.8 billion in loans to housing associations (2023: €5.3 billion), and outstanding loans to housing associations stood at nearly €35 billion²³.

2. Governance and ownership



NWB Bank is publicly owned, with its shareholders being Dutch public entities, primarily the water authorities (81%). It operates under a public-interest mandate, with its lending activities confined to activities within or related to the Dutch public sector. Its designation as a national promotional bank reflects its mission to serve collective needs rather than profit maximisation.

The bank is subject to direct supervision by the European Central Bank, ensuring compliance with EU banking regulations and prudential safeguards²⁴.

3. Funding model



NWB Bank raises funds almost exclusively on the international money and capital markets, relying on its AAA/Aaa credit ratings to borrow at very low cost. A large share of its issuances are ESG-labelled, through Water Bonds and SDG Housing Bonds²⁵.

Housing associations provide for social housing. The Social Housing Guarantee Fund

²¹ NWB BANK, (2024). *Annual Report*, p. 21. https://nwbbank.com/application/files/5817/4781/3487/NWB_Bank_Annual_Report_2024.pdf

²² NWB BANK, (2024). *Annual Report*, pp. 12-13. https://nwbbank.com/application/files/5817/4781/3487/NWB_Bank_Annual_Report_2024.pdf

²³ NWB BANK, (2024). *Annual Report*, p. 42. https://nwbbank.com/application/files/5817/4781/3487/NWB_Bank_Annual_Report_2024.pdf

²⁴ NWB BANK, (2024). *Annual Report*, pp. 12-13. https://nwbbank.com/application/files/5817/4781/3487/NWB_Bank_Annual_Report_2024.pdf

²⁵ NWB BANK, (2024). *Annual Report*, pp. 21. https://nwbbank.com/application/files/5817/4781/3487/NWB_Bank_Annual_Report_2024.pdf

(Waarborgfonds Sociale Woningbouw – WSW) guarantees loans issued by housing associations to provide for social housing. The WSW guarantee reduces the credit risk for lenders and underpins the affordability of borrowing conditions²⁶.

Dutch housing associations finance new development and renovation from a portfolio approach. Debt is issued at the corporate level and distributed across projects, rather than on a project-by-project basis. Financing comes primarily from two sources:

- ➔ Own equity (operating surpluses and asset sales).
- ➔ Private loans, mostly from NWB Bank and BNG Bank, guaranteed by WSW.

Together, NWB Bank and BNG Bank provide around 90% of private loans to Dutch housing associations.

As of 2024, the WSW guaranteed €92.2 billion in loans to housing associations, of which NWB Bank financed around 37%²⁷.

4. Loan and investment conditions



NWB Bank provides long-term loans to housing associations, usually with maturities aligned to the depreciation periods of housing assets (40–50 years).

In 2024, the bank also issued its first Sustainability-Linked Loan (SLL) to Domijn, a housing association in the city of Enschede which is the **first housing association in the Netherlands to publish a CSRD report**²⁸. NWB Bank and Domijn agreed on a number of sustainability targets for the next five years. If Domijn meets these targets, it will get a discount on the interest rate and saves over €80,000 in the coming years²⁹.

Thanks to the WSW guarantee, for housing associations loan terms are highly attractive compared to commercial markets. Most loans are provided at fixed rates, with the remainder variable³⁰.

5. Impact and performance



Housing associations own around 30% of the housing stock in the Netherlands, and NWB Bank finances over one-third of their needs.

In 2024, NWB BANK provided €6.8 billion in loans to housing associations, reflecting both new demand and revisions of existing spreads. At the end of 2024, the bank had nearly €35 billion in outstanding loans to the sector.

²⁶ WSW, (2024). *About WSW – Who are we ?*. <https://www.wsw.nl/over-wsw/over-ons/wie-zijn-wij>

²⁷ NWB BANK, (2024). *Annual Report*, p. 42. https://nwbbank.com/application/files/5817/4781/3487/NWB_Bank_Annual_Report_2024.pdf

²⁸ Domijn (2024, August 6). We receive a sustainable loan and save €80,000. <https://www.domijn.nl/over-ons/actueel/nieuws/we-krijgen-een-duurzame-lening-en-besparen-zo-80000/>

²⁹ NWB, (2024). *Annual Report*, p. 42. https://nwbbank.com/application/files/5817/4781/3487/NWB_Bank_Annual_Report_2024.pdf

³⁰ WSW, (2024). *Jaarverslag WSW 2024 [WSW Annual Report 2024]*. <https://storage-customers.zig365.nl/wsw-ksp-web-hupo-portal-p-pub/20250424%20Jaarverslag%20WSW%202024.pdf>

Borrowing by housing associations is expected to increase significantly in the coming years. They plan to invest more than €50 billion over the next decade, including insulation, making homes gas-free, and upgrades of poorly performing homes (E, F, G labels). At the same time, they are committed to building yearly 30,000 new social homes starting from at the latest 2029 and ending 2035.

6. Cooperation with EU/International Institutions



Although NWB Bank’s model is firmly rooted in Dutch public-sector finance, it cooperates with European institutions through capital market standards and joint initiatives. Its ESG-labelled bond issuances align with EU sustainability frameworks and attract international institutional investors.

The WSW guarantee system is widely recognised as a model of good practice in Europe. NWB Bank’s close cooperation with the WSW, combined with the oversight of the Dutch Authority for Housing (Aw), provides a robust governance system that underpins its credibility with European and global investors.

NWB Bank also cooperates with the EIB Bank. NWB Bank acts as a financial intermediary for the EIB in the Netherlands, channelling EIB funds to its clients, including housing associations.

7. Advantages and disadvantages

OVERVIEW OF THE ADVANTAGES AND DISADVANTAGES OF NWB BANK

 ADVANTAGES	 DISADVANTAGES
Access to low-cost funding on international markets due to AAA rating.	Dependence on capital markets—potential vulnerability to volatility. Mitigated by spreading the funding in terms of geography, currency, tenors and investor type.
Significant role in financing housing associations, covering over one-third of their needs.	Limited flexibility outside of its narrow public-sector mandate.
Pioneering ESG bonds, aligning with sustainability targets and attracting global investors.	Exposure to changes in regulation (EU state aid, DAEB/SGEI rules).
Long maturities (up to 50 years), aligned with housing assets.	—

Source: Own compilation. Housing Europe, (2025).

Note: This table is based on a qualitative review of NWB Bank’s institutional model, drawing on financial reports and policy analysis, and Housing Europe (2025). The advantages and disadvantages reflect key dimensions such as funding structure, regulatory environment, and alignment with housing sector needs.

8. Replicability and key success factors



The NWB Bank model demonstrates how a public-sector promotional bank can mobilise capital markets for affordable housing when combined with strong guarantees and supervision. **Key factors for replication include:**

- ➔ Existence of a dedicated promotional bank with high credit quality.
- ➔ A guarantee fund (similar to WSW) that mutualises credit risks across housing associations.
- ➔ Rigorous supervision and transparency mechanisms.
- ➔ A supportive policy framework that provides certainty for long-term investments.
- ➔ The ability to issue ESG-labelled bonds, creating international investor appetite.

THE FINANCING OF SOCIAL HOUSING, AND PUBLIC HOUSING SUPPORTS IN THE NETHERLANDS

TYPE OF FUNDING	% OF TOTAL	GENERAL COMMENTS
Bilateral loans	37%*	● Loans from financial institutions ● Receive a guarantee from a risk-sharing fund owned by the housing associations
Own equity	63%*	● Equity reinvested from the 'profits'/savings of the housing associations; or the sale of assets

Dutch housing associations use **portfolio financing** (balance sheet model), unlike the project-based approach common in most of Europe. They borrow at scale and then allocate funds across projects.

Their financing comes from two main sources:

- ➔ **OWN EQUITY:** operating surpluses and asset sales, which they are legally obliged to reinvest in social housing.
- ➔ **BILATERAL LOANS:** primarily from BNG and NWB Bank. These loans are made affordable through the **guarantee of the WSW**, which underpins confidence in the sector and allows borrowing on favourable terms.

*Recent research suggests a **37% loans / 63% equity split**, but investment targets mean the share of loan financing will increase in the coming years. However, the way that equity is calculated will change too by 2026, from market value to policy value.

THE GUARANTEE FUND FOR SOCIAL HOUSING (WSW)

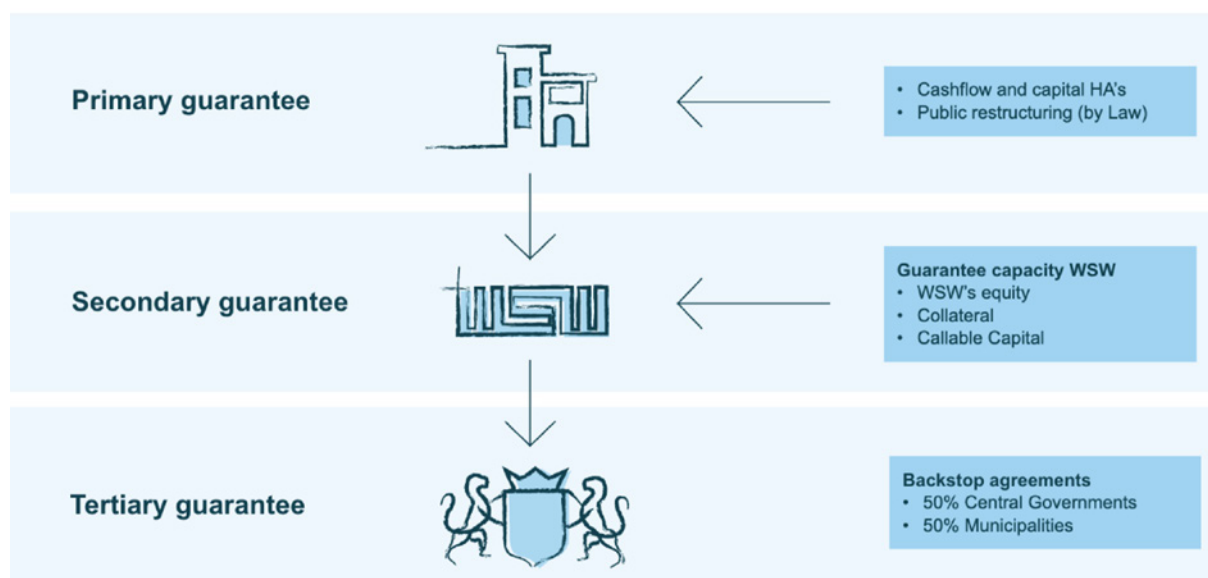
The WSW was created after the 1995 reforms to guarantee housing associations' loans. It enables low-cost borrowing (avg. 2.79% across the loan book in 2023; 3.15% for new lending).

- ➔ **COVERAGE:** 268 associations (98% of sector), guaranteeing ~€94.9 bn loans³¹.
- ➔ **RISK:** Only €40m (0.05%) of these loans are high-risk.
- ➔ **RATING:** Aaa/AAA (Moody's, S&P).
- ➔ **FUNDING:** Housing associations pay a variable guarantee fee on outstanding loans (0.0297% in 2023), adjusted to maintain adequate risk capital (€575.6m in 2024).

THREE-TIER RISK SYSTEM:

- ➔ **1. WSW risk capital** – first buffer; may liquidate collateral of distressed associations.
- ➔ **2. Mutual guarantee ("Obligo")** – healthy associations collectively absorb first losses on outstanding loans up to the size of the Obligo.
- ➔ **3. State and municipalities** – guarantors of last resort through interest-free loans (never used) on 50/50 basis.

WSW THREE LAYERS SECURITY SYSTEM



Source: WSW, (2025).

This three-tier backstop ensures stability of the Dutch social housing sector and keeps borrowing affordable.

³¹ WSW, (2024). Jaarverslag WSW 2024 [Annual Report 2024]. <https://storage-customers.zig365.nl/wws-ksp-web-hupo-portal-p-pub/20250424%20Jaarverslag%20WSW%202024.pdf>

FACTSHEET IV



**The “private” financiers’ model of
the Danish National Building Fund
(Landsbyggefonden, LBF)**



1. Overview and context



The Danish National Building Fund (Landsbyggefonden, LBF) was founded in 1967 through a broad political agreement as a solidarity-based revolving fund for the non-profit housing sector³². Although regulated by the state, the Fund is collectively owned by housing organizations and is not a public entity. Its resources come from the sector itself—primarily contributions from debt-free housing estates—meaning that the tax-paying public is not directly involved³³.

The Fund redistributes these contributions to finance renovation and maintenance works, while also stabilizing rent levels between older and newly built homes. Since 2002, it has additionally co-financed interest rate subsidies for social housing development, covering half of the cost alongside the government³⁴. Today, the Fund supports a sector of about 600,000 dwellings, housing more than one million Danes, spread across all municipalities³⁵.

Beyond this redistributive function, the LBF has historically played a counter-cyclical role, sustaining housing investment and construction jobs during economic downturns, including during the COVID-19 crisis³⁶. As more mortgages on non-profit housing are repaid in the coming years, the Fund's capital base will grow, further reinforcing the sector's financial independence and its ability to self-finance future investment.

2. Governance and ownership



LBF is collectively owned by Denmark's non-profit housing providers, making it a private entity within a framework defined by the Danish government. While the government sets the limits for multi-annual funding programmes, it does not directly manage daily operations. This governance model seeks to balance sector autonomy with public oversight, ensuring the long-term sustainability of the system³⁷. Housing associations contribute to the Fund and play a role in decisions on the allocation of resources, particularly in equalising surpluses and financing renovation and new development projects.

The Fund is led by a nine-member board, supported by an independent administration and secretariat. Of the nine board members, two are elected by the Danish Tenants' National Organisation, one by the Danish Association of Local Authorities, and one jointly by the municipalities of Copenhagen and Frederiksberg; all serve four-year terms³⁸. The Fund's structure also includes three departments: Special Operating Aid, Administration, and Analysis, which together manage financial support schemes, oversee operations, and provide evidence-based insights to support decision-making³⁹.

³² Larsen, H. G. and Lund Hansen, A. (2015). *Commodifying Danish Housing Commons*, *Geografiska Annaler: Series B, Human Geography*. 97(3), pp. 263–274. <https://doi.org/10.1111/geob.12080>

³³ LBF, (2024). *Årsberetning 2024 [Annual report]*, p. 4. https://lbf.dk/media/gnqeddq0/lbf_aarsberetning24.pdf

³⁴ Larsen, H. G. and Lund Hansen, A. (2015). *Commodifying Danish Housing Commons*, *Geografiska Annaler: Series B, Human Geography*. 97(3), pp. 263–274. <https://doi.org/10.1111/geob.12080>

³⁵ LBF, (2024). *Årsberetning 2024 [Annual report]*, p. 4. https://lbf.dk/media/gnqeddq0/lbf_aarsberetning24.pdf

³⁶ LBF, (2024). *Årsberetning 2024 [Annual report]*, p. 4. https://lbf.dk/media/gnqeddq0/lbf_aarsberetning24.pdf

³⁷ LBF, (2024). *Årsberetning 2024 [Annual report]*, p. 11. https://lbf.dk/media/gnqeddq0/lbf_aarsberetning24.pdf

³⁸ LBF, (2024). *Årsberetning 2024 [Annual report]*, p. 11. https://lbf.dk/media/gnqeddq0/lbf_aarsberetning24.pdf

³⁹ LBF, (n.d.). *About The National Building Fund*. <https://lbf.dk/om-lbf/english-read-more-about-us/>

3. Funding model



LBF is financed directly through tenant rents from the social and affordable housing stock owned by non-profit housing providers. Once mortgages on dwellings are fully repaid, tenants continue to pay the same rent level, with the surplus redirected into the Fund as savings. These resources are then recycled back into the sector to finance new construction, renovation, and modernisation of existing properties. Investments cover a wide range of improvements, from building upgrades and accessibility adaptations for older and disabled residents to energy efficiency measures, outdoor enhancements, and even demolition costs in vulnerable housing areas⁴⁰.

Through this mechanism, the LBF creates a closed financial circuit: savings generated within the sector are reinvested into it. This ensures long-term self-financing, reduces reliance on direct state funding, and supports more predictable planning for the future. The Fund also plays an equalising role, smoothing differences between housing providers with varying financial capacities and ensuring more uniform rent levels across estates with different development costs⁴¹.

In addition to these functions, the Fund operates under a financial framework set by political agreements in the Danish Parliament. It manages renovation support schemes, social housing initiatives, and a series of earmarked support pools, such as those established under the Green Housing Agreement (2020) and the Mixed Cities Fund (2022)⁴². In this way, the LBF combines sector-based self-financing with politically defined priorities, reinforcing its role as both a stabiliser and a driver of long-term investment in Denmark's social housing.

4. Loan and investment conditions



The Fund's mechanism is designed to ensure stability and financial prudence:

- ➔ Surpluses from debt-free housing estates are redistributed to older estates in need of renovation or investment.
- ➔ Funds generated today remain within the sector, supporting long-term sustainability.
- ➔ Mortgage-backed loans are contingent upon a combination of tenant contributions, available public loans, and state guarantees.
- ➔ The system enforces repayment discipline, contributing to low default rates.
- ➔ Counter-cyclical investment is encouraged during economic downturns, reducing the sector's vulnerability to market fluctuations.

⁴⁰ UNECE & Housing Europe, (2021). #Housing2030 Effective policies for affordable housing in the UNECE region, pp. 61-62. https://unece.org/sites/default/files/2021-10/Housing2030%20study_E_web.pdf

⁴¹ UNECE & Housing Europe, (2021). #Housing2030 Effective policies for affordable housing in the UNECE region, p. 72. https://unece.org/sites/default/files/2021-10/Housing2030%20study_E_web.pdf

⁴² LBF, (2024). Årsberetning 2024 [Annual report], p. 12. https://lbf.dk/media/gnqddq0/lbf_aarsberetning24.pdf

5. Impact and performance



LBF has had a significant impact on Denmark’s non-profit housing sector. By providing a reliable source of funding independent of the economic cycle, it ensures continuous investment in both renovation and new construction. The system has maintained affordable rents across the sector while enabling housing providers to accumulate capital for future projects. Additionally, the Fund supports the wider economy by stabilizing construction sector employment and ensuring that housing providers remain financially robust.

6. Cooperation with EU/International Institutions



While primarily a national mechanism, LBF provides a model of private-public hybrid financing that is of interest to international institutions and EU-level housing policy discussions. Its use of earmarked mortgage bonds combined with state guarantees illustrates a system that leverages private finance while mitigating public risk. This hybrid approach aligns with EU objectives for sustainable, self-financing social housing and serves as a reference for countries exploring similar counter-cyclical financing mechanisms.

7. Advantages and disadvantages

OVERVIEW OF THE ADVANTAGES AND DISADVANTAGES OF THE LANDSBYGGFONDEN MODEL

 ADVANTAGES	 DISADVANTAGES
Provides a self-financing model for social housing, reducing reliance on public financing.	Limited flexibility in funding allocation due to political agreements and regulations.
Supports large-scale renovations and the development of new social housing units.	Dependency on tenant contributions, which may fluctuate with changes in tenant demographics ⁴³ .
Focuses on energy efficiency and social initiatives, contributing to sustainable communities.	Requires continuous political support and alignment with national housing policies.
Operates as a closed-loop system, ensuring long-term sustainability and fiscal stability.	—

Source: Own compilation. Housing Europe, (2025).

Note: This table was designed based on a qualitative synthesis of available literature and policy analysis, notably Housing Europe (2025), complemented by the author’s own interpretation of the Landsbyggefonden model. The criteria for advantages and disadvantages were selected to reflect financial sustainability, governance, and social policy dimensions relevant to the housing finance system.

⁴³ The welfare system is however quite generous and there are housing benefits for municipalities.

8. Replicability and key success factors



The Danish model demonstrates several key factors for successful replication:

- ➔ Collective ownership and governance by housing associations ensure that decisions reflect sector needs.
- ➔ A hybrid funding approach leveraging private loans with state guarantees balances efficiency with risk mitigation.
- ➔ Tenant contributions create a self-sustaining capital base while maintaining sector autonomy.
- ➔ Counter-cyclical investment capability ensures long-term stability and continuous development.
- ➔ Strong regulatory oversight and disciplined repayment culture are essential to maintaining financial sustainability.

Countries with well-developed mortgage markets and strong institutional governance could adapt aspects of the Danish Fund, particularly its equalisation mechanism and use of tenant contributions to finance renovation and new development.

THE FUNDING MODEL OF SOCIAL HOUSING IN DENMARK

Danish non-profit housing is financed through a mix of public loans, private loans, and tenant contributions, with strong state involvement to ensure affordability and financial stability.



THE FINANCING OF NON-PROFIT HOUSING, AND PUBLIC HOUSING SUPPORTS

TYPE OF FUNDING	% OF TOTAL	GENERAL COMMENTS
Private loans	8-12%	● The municipality pays a portion of the cost up front in the form of an interest-free and instalment-free, 50-year loan; though it will be repaid after 50 years. ● The exact percentage of costs paid by the municipality depends on the size of the individual social housing unit being constructed¹⁷.
Private loan	86-90%	● Loan from a mortgage institution. Lending is currently primarily based on a 30-year adjustable-rate mortgage loan ● State subsidies can be given to aid with the payment of these loans, ● Although, the National Building Fund and tenants refund these state subsidies ● The state also guarantees the bonds behind the mortgage loans used to finance social housing. This reduces the costs for both providers (repayments) and tenants (rents).
Tenant contribution	2%	● They are paid by tenants upon taking up residence ● Repaid to the tenants at the end of their tenancy, minus expenses for normal repairs and any violation of their rental agreement.

The bulk of financing for new non-profit housing comes from private loans, but the state plays a key role in ensuring affordability and mitigating risk. Housing associations pay an annual amount equal to 2.8% of the initial capital cost, adjusted for inflation, while the state covers any additional debt-servicing costs. When interest rates are low, the state may even generate a surplus; when rates are high, the state effectively provides a subsidy.

Moreover, the Danish system includes a reimbursement mechanism: once the Danish National Building Fund has paid 75% of the forecast subsidy for a project, it begins reimbursing the state. This layered structure ensures long-term financial stability while maintaining affordability for tenants, illustrating the complex yet carefully managed interaction between private finance, public support, and tenant contributions in Denmark’s non-profit housing sector.

Source: The research project which generated the findings and knowledge was funded by the Department of Housing, Local Government and Heritage in the frame of the Request for Tenders dated 30/07/2024 for the provision of research on social housing systems in the European Union.



FACTSHEET V



The German Bausparkassen model



1. Overview and context



Bausparkassen are credit institutions whose objective is to accept deposits (Bauspareinlagen) from customers (Bausparer) and to grant loans (Bauspardarlehen) from these aggregate savings to other customers for housing finance activities. Only these building societies are authorised to conduct the business (Bauspargeschäft)⁴⁴. The bausparkassen are so-called **specialised institutions since they deal exclusively with financing of housing**.

Unlike in many other countries where building societies have declined, the Bausparkassen remain central to housing finance in Germany and Austria, where they provide a significant share of residential mortgage loans. Housing cooperatives in Germany often establish their own Bausparkassen within their institutions, thus functioning as savings schemes for members.

The system is characterised by fixed, below-market rates on both savings and loans. This closed circuit of savings and loans insulates members from financial market volatility and guarantees predictable financing conditions.

Special regulation and close supervision are essential to their success. In Germany, Bausparkassen are defined under the German Banking Act and the Bausparkassen Act as specialised credit institutions, operating under strong prudential oversight to build trust among savers and secure long-term resources for housing loans.

Comparable systems exist in Austria, Croatia, Czechia, Hungary, Slovakia, and Kazakhstan⁴⁵.

2. Governance and ownership



In Germany, *bausparkassen* are either **privately owned, or publicly owned by federal or provincial governments**. German Landesbausparkassen⁴⁶ are public savings and loans banks which operate at the sub-national level and focus on low-interest residential mortgage loans. All Bausparkassen operate under banking law and require a license from BaFin, Germany's federal financial supervisory authority⁴⁷.

3. Funding model



Their system involves closed-contract savings and loan circuits, where **loans are funded by long term savings and amortisation payments**. Bauspar loans are funded by contractual savings schemes, typically of **seven years, which can be complemented by government savings and tax incentives**. Such loans are **long term, have fixed predictable interest rates** and typically complement other loans financing home purchase⁴⁸.

⁴⁴ Bausparkassen Act, 18/6903 § 1 (2015). https://www.bausparkassen.de/wp-content/uploads/2025/04/Bausparkassen_Act_20160613.pdf

⁴⁵ UNECE & Housing Europe, (2021). #Housing2030 Effective policies for affordable housing in the UNECE region, p. 72. https://unece.org/sites/default/files/2021-10/Housing2030%20study_E_web.pdf

⁴⁶ LBS website: <https://www.lbs.de/>

⁴⁷ Association of Private Bausparkassen, (2025). Legal background. <https://www.bausparkassen.de/en/bauspar-system/legal-background/>

⁴⁸ UNECE & Housing Europe, (2021). #Housing2030 Effective policies for affordable housing in the UNECE region, p. 72. https://unece.org/sites/default/files/2021-10/Housing2030%20study_E_web.pdf

RATIONALE FOR USING SAVINGS SCHEMES TO PROVIDE FINANCE FOR HOUSING



ARGUMENTS IN FAVOUR



ARGUMENTS AGAINST

Provides a **source of mortgage finance for low and middle-income home buyers** who may not be able to secure this finance elsewhere

This measure **does not benefit the lowest income households** which cannot afford to save and service mortgages.

The requirement to save prior to borrowing is a good indicator of the **ability to successfully repay debt**. Therefore, the rate of default on contract savings schemes funded mortgages is low.

This measure may precipitate credit rationing because **new mortgages can only be granted when sufficient savings are available to fund them**.

Enables **counter cyclical provision of housing finance** when the ability of the banks and governments to provide this funding is limited. This proved to be particularly useful during the credit crunch.

Contract savings schemes are **likely to require government subsidies to generate adequate funding** for mortgages. This accentuates the regressive tendencies in this model.

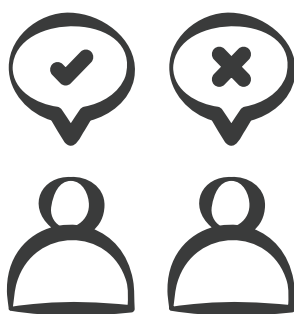
This model is **particularly useful in countries where the banking system and mortgage finance market is underdeveloped**.

Contract savings mortgages may be insufficient to cover the full costs of home purchase and borrowers **may need to secure an additional "top up" loan**.

Savings schemes can provide a **low-cost source of funding for social housing which is not on the government balance sheet**.

The contract savings model of using short-term funds from savings to fund long-term mortgages has inherent risks and therefore **requires strong regulation to ensure its long-term stability**.

Source: UNECE & Housing Europe, (2021)⁴⁹.



⁴⁹ UNECE & Housing Europe, (2021). #Housing2030 Effective policies for affordable housing in the UNECE region, p. 60. https://unece.org/sites/default/files/2021-10/Housing2030%20study_E_web.pdf

4. Loan and investment conditions



Bauspar loans are financed exclusively through contractual savings and amortisation payments, creating a closed-circuit system in which savers later become borrowers and repay with interest and principal.

Interest rates on deposits and loans are generally below market levels. Low interest in the savings phase acts as an *option premium* for securing a guaranteed, fixed and affordable loan rate later. This feature makes Bauspar loans “sticky,” ensuring stability regardless of market fluctuations⁵⁰.

Contracts usually last around seven years in the savings phase, after which borrowers access long-term, fixed-rate loans. These are often combined with other instruments, such as KfW promotional loans or commercial mortgages, to finance home purchases.

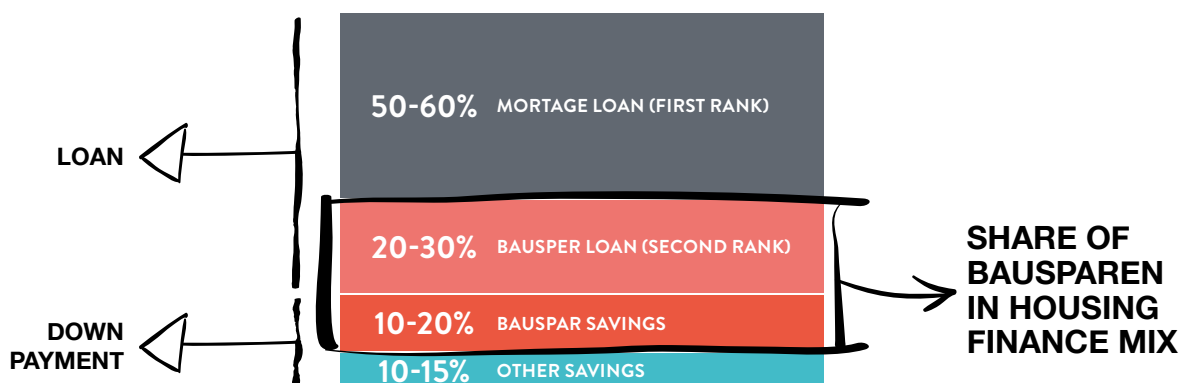
Advantages include:

- ➔ Increased equity through regular savings, reducing loan risk;
- ➔ Flexibility, with no prepayment penalties;
- ➔ Suitability for small, second-lien loans;
- ➔ Early homeownership, as Bauspar savers accumulate more than non-participants⁵¹

Overall, the model offers predictable, low-cost finance, complementing broader housing policies and supporting financial stability for households⁵².

BAUSPAREN: A COMPLEMENTARY PRODUCT

Housing finance in Germany usually consists of three tiers. Bauspar loans are in the second rank.



Source: Weinrich, M. (2020)⁵³.

⁵⁰ Weinrich, M. (2020). Contractual Savings for Housing „Bausparen“: A Proven System of Housing Finance. [PowerPoint Slides]. https://www.housingfinance.org/wp-content/uploads/2020/04/6_1_Weinrich.pdf

⁵¹ Weinrich, M. (2020). Contractual Savings for Housing „Bausparen“: A Proven System of Housing Finance. [PowerPoint Slides]. https://www.housingfinance.org/wp-content/uploads/2020/04/6_1_Weinrich.pdf

⁵² UNECE & Housing Europe, (2021). #Housing2030 Effective policies for affordable housing in the UNECE region, p. 72. https://unece.org/sites/default/files/2021-10/Housing2030%20study_E_web.pdf

⁵³ Weinrich, M. (2020). Contractual Savings for Housing „Bausparen“: A Proven System of Housing Finance. [PowerPoint Slides]. https://www.housingfinance.org/wp-content/uploads/2020/04/6_1_Weinrich.pdf

5. Impact and performance



Bausparkassen remain a central pillar of Germany's housing finance system, providing a **counter-cyclical and stable source of capital** that has proven especially valuable during periods of crisis, such as the 2008 financial downturn.

A good example is the **Spar- und Bauverein Dortmund⁵⁴**, a cooperative that manages around **11,700 dwellings for 20,000 members**, supported by a **savings volume of €93 million**. Members contribute through cooperative shares (currently €1,278), and the institution operates under full banking regulation, requiring a licence from BaFin.

Beyond Dortmund, **47 housing cooperatives across Germany run their own savings institutions**. Together, they manage long-term savings contracts amounting to **€1.68 billion**, with an average of **€5,032 saved per member**. These deposits serve as a reliable financial resource for construction, modernisation, and maintenance projects, reducing dependence on capital markets and commercial banks.

For members, the benefits are twofold: stable and affordable rents thanks to favourable loan conditions, and improved housing quality supported by a steady flow of cooperative investment.

6. Cooperation with EU/International Institutions



Although primarily national in scope, the German Bausparkassen system is relevant in a wider European context:

- ➔ Similar contractual savings models exist in Central and Eastern Europe (e.g., Czechia, Hungary, Slovakia).
- ➔ In Germany, Bausparkassen often collaborate with promotional banks (e.g., KfW) and benefit indirectly from EU-backed funding streams supporting climate and housing objectives.



⁵⁴ Große-Wilde, F.B. (2019). *Spar- und Bauverein Dortmund*. [PowerPoint slides].

7. Advantages and disadvantages

OVERVIEW OF THE ADVANTAGES AND DISADVANTAGES OF SAVING INSTITUTIONS

 ADVANTAGES	 DISADVANTAGES
This is a closed-contract savings and loan circuit model.	They are defined as specialised credit institutions and should comply with the German Banking Act and the Bausparkassen Act.
Enables counter cyclical provision of housing finance when the ability of banks and governments to provide this is limited.	This model does not benefit the lowest income households which cannot afford to save and service mortgages. Other types of housing (such as municipal housing) should be developed in parallel.
This model is particularly useful in countries where the banking system and mortgage finance market is underdeveloped.	—

Source: Own compilation. Housing Europe, (2025).

Note: This table was designed based on a qualitative synthesis of literature and policy analysis, notably *Housing Europe* (2025). The assessment criteria for advantages and disadvantages were selected to capture financial, operational, and social policy dimensions relevant to housing finance.

One of the main implementation challenges lies in the need to establish dedicated regulations and robust supervisory mechanisms to ensure the model's long-term stability. Its success relies on maintaining a closed-circuit housing finance system that limits risk and operates under a clear and reliable regulatory framework. Consistent oversight is essential to build and sustain savers' trust, encouraging long-term savings that will ultimately enable participants to access affordable housing loans.

8. Replicability and key success factors



Replication of the German model requires:

- Introduction of **closed-circuit savings and loan finance**, with strict regulation.
- Establishment of **special legislation** (e.g. Bausparkassen Act in Czechia).
- **Strong supervisory capacity** (e.g. BaFin oversight in Germany).
- Long-term incentives (e.g., tax advantages) to attract savers.
- Parallel development of other housing types (e.g., municipal housing) to serve those excluded from Bauspar loans.

Key success factors:

- ➔ Closed-circuit funding with reduced risk.
- ➔ Strong public trust in the system.
- ➔ Clear social mandate and complementary role alongside promotional banks like KfW

THE FINANCING OF SOCIAL HOUSING, AND PUBLIC HOUSING SUPPORTS IN GERMANY

TYPE OF FUNDING	% OF TOTAL		GENERAL COMMENTS
	MUNICIPAL HOUSING COMPANIES	COOPERATIVES	
Promotional Banks	50-70%	50-70%	50-70% e.g., Landesförderbanken; KfW
Own Equity	~ 20 %	Undefined	Both MHCs and Cooperatives should build up surpluses over time to help support investments in new construction (and renovations)
Direct Grants	~ 5-10%	~ 5-10%	One-off regional subsidies or land contributions
Commercial Banks	Undefined	Undefined	Typical mortgage loan from a commercial bank. Cooperatives usually prefer to use funds from their own credit institutions
Members' Savings (Spareinrichtung)	N/A	~ 25%	Capital provided at low rates of interest from special savings institutions attached to the cooperative housing sector
Sale of cooperative shares (tenant equity)	N/A	~ 25%	It is standard practice for cooperatives to seek an equity contribution from their tenants to co-finance development

Source: The research project which generated the findings and knowledge was funded by the Department of Housing, Local Government and Heritage in the frame of the Request for Tenders dated 30/07/2024 for the provision of research on social housing systems in the European Union.

Note: These figures are quite approximative, and it must be taken into account that the level and forms of public subsidies vary from region to region²⁹.



In Germany, a complex system has been put in place, diversifying public and private sources for housing policy.

Firstly, in the case of public funds being used, different rules for ‘housing with a public task’ are applicable. In the case of replication of this public support, the given country should take into consideration that in Germany there is a difference introduced between **rental tenures with and without a public task**.⁵⁵

Secondly, as seen through the case of Bausparkassen, housing cooperatives can act as finance institutions and use their respective **cash reserves which are sustained by rent collection, or turn to independent credit institutions** that offer different products:

- ➔ **Fixed loans:** loans with fixed interest periods of 5, 10 or a maximum of 25 years. The entire term of the loan secured by a land charge normally amounts to 25 or 30 years.
- ➔ **Flexible/referenced loans:** these loans are much less popular, and the interests are adjusted either according to the discretion of the financial institution or according to the Euro Interbank Offered Rate (EURIBOR) Index.
- ➔ **Mixed products:** i.e. combinations of life insurance and final maturity loan.
- ➔ **Building loan contract (Bausparvertrag):** the customer and the building society agree on a savings agreement, by which the customer is obliged to pay instalments in part (or in total) into the savings programme at a fixed rate for an average period of 8 years. After that time the customer has the right to receive the balance from the savings programme if its amount cannot cover the financing costs for a building, the building society grants the customer a building loan (by using the money from other building loan contracts which are still in progress).⁵⁶
- ➔ **Hire and purchase plan (Mietkauf):** it could be of interest, particularly for those whose creditworthiness does not convince the banks and for those who are not able to come up with the 20% to 30% of their own equity. According to the respective tenancy contract, the tenant has a right to purchase the rented dwelling after a decided period of time, usually 5 to 20 years. This contractual solution can apply both to already existing dwellings and to prospective dwellings yet to be built. However, this model is considered, to be controversial, especially the consumer protection associations. In general, the following arguments are being raised: According to financial figures, the option of a hire and purchase plan is normally more expensive than a regular loan from a bank. Moreover, it is necessary to be very cautious, as far as the contractual obligations of the tenant are concerned, because very often the landlords seek, in advance of the purchase, to transfer all the ownership-obligations onto the tenant.

Finally, KfW (public institution) offers **state supported low-interest loans for housing and energy** programmes and is connected to the Federal Ministry of Finance.⁵⁷

KfW **provided funds totalling EUR 111.3 billion in 2023 alone**. Of this amount, 33% was used for climate and environmental protection. Its financing and promotional services are aligned with the United Nations' Agenda 2030 and contribute to the achievement of the 17 Sustainable Development Goals (SDGs).

As a national promotional bank, KfW is **able to fund itself** for very good conditions on the capital market and then pass these loans on to private customers, businesses, non-profit organisations and local authorities at an affordable rate. This is partly **due to the guarantee from the German Federal Government**, but also due to the good reputation that KfW has established in our more than 60 years of reliable work on the capital markets.

Source: The research project which generated the findings and knowledge was funded by the Department of Housing, Local Government and Heritage in the frame of the Request for Tenders dated 30/07/2024 for the provision of research on social housing systems in the European Union.

⁵⁵ Regulated by Housing Subsidy Law (Wohnraumförderungsgesetz, WoFG); Basic Law (Grundgesetz, GG) Article 14, Article 28; Regional (State) Housing Laws and Municipal regulations such as zoning regulations, building permits for affordable housing, and exercise of the right of first refusal (Vorkaufsrecht) on property sales.

⁵⁶ Corenlius, J. and Rzezniak, J., (2014). *TENLAW project: National Report for Germany*, p. 11. https://www.uni-bremen.de/fileadmin/user_upload/fachbereiche/fb6/fb6/Forschung/ZERP/TENLAW/Reports/GermanyReport_09052014.pdf

⁵⁷ Fördermittel Deutschland, (2024). *Development banks -- Kreditanstalt für Wiederaufbau*. <https://www.foerdermittel-deutschland.de/foerderbanken/>

CONCLUSION



The five models presented in this collection of factsheets illustrate that the optimal use of private finance for social and affordable housing in Europe relies on carefully designed institutional mechanisms rather than on the direct involvement of profit-driven private investors. Despite their diverse institutional forms, the cases of the CDC, MuniFin, NWB Bank, the Danish Landsbyggefonden, and the German Bausparkassen share a number of fundamental characteristics: they mobilise large pools of private capital, they channel this capital towards the housing sector under conditions shaped by public oversight, and they reduce risks for both lenders and borrowers through guarantees, regulation, and solidarity mechanisms.

Taken together, these examples highlight that what is often labelled as “private finance” is in practice embedded in frameworks of public responsibility. The resulting structures provide long-term stability, low-cost financing, and predictable conditions for social housing providers, ensuring that financial flows are aligned with broader social goals rather than with short-term returns. They also demonstrate the critical role of governments and public authorities in setting up the institutional and regulatory

conditions that make such financing possible.

As housing needs continue to grow across Europe, these models provide valuable lessons on how to combine the efficiency of capital markets with the safeguards of public interest. By replicating and adapting these approaches, Member States can ensure that private finance serves as a reliable and sustainable tool in addressing the challenge of affordable housing provision.



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