European Federation of Building Societies
Fédération Européenne d'Epargne et de Crédit pour le Logement
Europäische Bausparkassenvereinigung

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Bausparkassen: EU-vote for long-term savings products

Brussels – The European Federation of Building Societies welcomes the support for long-term savings products in today's presented green paper. So far, the European Commission has consistently supported in a number of studies the financing of short-term consumption by credit. Now, the European Commission explicitly states that long-term savings products can support the European economy on a sustainable basis. Existing rules in the field of banking supervision as well as taxation law should now be adapted in order to stimulate the use of long-term savings products. "This shift in direction is overdue", commented the Managing Director of the EFBS, Andreas J. Zehnder.

How important a stability-oriented approach is also for the financing of construction of immobile property has been demonstrated by the "Bauspar"-contract, which has proved its resistance in the crisis and which is offered in six EU Member States by Bausparkassen as specialised credit institutions. The "Bauspar"-contract combines a savings phase in which consumers build up own equity trough target orientated savings with a housing loan at reduced rates of interest. Zehnder: „This leads to a lower consumer indebtedness and protects him from a financial overload." The European Commission has explicitly acknowledged this for the first time, referring to "Bausparen", the French "Livret A" and the Italian "libretti postali".

The European Federation of Building Societies shares the opinion of the European Commission that the interest rate deductibility as applied in some Member States promotes the excessive indebtedness of the consumers. This one-sided support of the purchase of immovable property has not proved itself to be sustainable for private households and has abetted the generating of price bubbles, said Zehnder. Therefore, he expects concrete proposals from the European Commission.

Unfortunately, the Green Paper does not mention the role of the European Central Bank (ECB). As long as the ECB keeps the interest rates artificially low as currently, there will hardly be any incentive for the consumer to invest his money in long-term savings products. The side effects of such a monetary policy should be addressed more intensively.

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