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Press Information

Vienna: "Sound housing finance around the world" – this is the motto of the second joint congress of the European Federation of Building Societies with the International Union for Housing Finance on 5/6 June 2013 in Vienna. As the reason for the current financial crisis is a housing crisis it is focusing on how to avoid a price bubble in housing markets and how to build up a sustainable financial system. Over 170 participants from more than 40 countries in five continents show great interest in this topic.

In this regard, the European Federation of Building Societies brought back into mind the housing bubble burst in the US. There, banks had given a large quantity of credits to financially weak consumers who, in effect, could not afford these credits.

Unsound funding practices existed also in the UK, Ireland, Spain, Portugal, Denmark and the Netherlands. Countries like Austria, Germany and France would have been spared of such price bubbles. They had not relied on a debt-driven, but on an equity-based financing system.

The European Commission unfortunately also followed for a long time the wrong model of highly innovative financial products. The European Commission would have chosen the same approach as the World Bank which still recommends the Anglo-Saxon system for emerging and developing countries.

In response to the bursting of the price bubble, European politics had activated a huge wave of regulation. It should be ensured that high-risk and low-risk businesses are not treated in the same way. There was a huge difference between gambling halls and Bausparkassen.

The ideas for collectivization of liability and deposits had not been off the table yet. It would be completely incomprehensible, if low-risk Bausparkassen, regulated by special law, were supervised twice – by the ECB and the national supervisory authority – only

because they held more than 30 billion Euros in total assets. The ECB would still have the opportunity to adjust this. She should make use of it.

However, the recent vote by the European Commission for long-term savings in the lately released Green Paper is positive. With the reference to "Bausparen" the Commission recognizes its role in protecting consumers from financial overload. However, a critical view on the ECB policy is missing. As long as the ECB keeps the interests as low as at present, depositors would be disappropriated and discouraged. The ECB should quickly develop an exit-strategy out of this dilemma and convince not only citizens but also win the capital markets.

The "Bauspar"- model does also not only function in more than seven European countries and in China. There was a growing interest in Russia, Poland, the Netherlands, Nigeria, Vietnam and Chile. Especially in emerging and developing countries, "Bausparen" could be an approach to secure affordable housing through sustainable financing instruments.