

BAUSPAREN IN EUROPE



A sustainable savings and finance
system and its benefits

Many people dream of owning their own home but worry about how to finance it.

Of course, if your income is high enough, you can easily save towards a down payment for a house or flat, and getting a loan from a bank is usually not a problem. But those with modest incomes find it difficult to pay rent and save towards homeownership at the same time. Or they worry about being able to repay a mortgage. How can it be made easier for people to cross the threshold to their very own four walls?

Bausparen is a popular saving scheme in many European countries that gives people greater flexibility and a way to help themselves to become homeowners.

Bausparen can be an effective supplement to existing credit products. It has many advantages for customers and credit institutions, as well as, for the economy, the sustainable agenda, the state and for society.



Bausparen – what does it mean?

Bausparen is based on the idea of “help for self-help”. Put simply, a number of people join together and agree to pay a monthly amount into a common savings fund. By pooling their money, individuals can amplify their own resources. When one out of the group is ready to build or modernize a dwelling, she or he gets a loan from this fund. The repayments made on this loan flow back into the fund. Savers and borrowers have a lot of flexibility in tailoring their payments to suit their ability to make monthly instalments. This means that Bausparkassen are also pioneers in modern crowdfunding, albeit with strong protection through specific regulations. Moreover, since this is a closed system, it is independent from capital markets and their fluctuations.

How does bausparen work?

Customers agree with their bauspar credit institution on a contract sum which is known as the bauspar sum. Once they have saved 40 to 50 percent of the required sum, the contract is considered ready for allocation or payout. Customers can receive their paid in savings plus the remaining 50 to 60 percent of the contract sum as a loan for real estate financing at a favourable rate of interest.

Benefits for customers

- **Customers build up savings**, this means that less credit is required for a building or modernization project. Thus, the interest and repayment burdens are lower. When the customer’s risk is lower, investing in one’s own home becomes more tangible.
- Customers plan with **greater certainty**. The interest rate on the loan portion of the bauspar sum is fixed from the outset. It remains at the fixed level, even if the capital market interest rates should rise significantly in the meantime.

- Bausparen is **very flexible**. For example, a bauspar loan can be repaid anytime — even in full — without incurring any fees or damages.
- The favourable interest rate also applies to **smaller modernization projects** — in a borrower's own home, as well as a rented one.

Benefits for credit institutions

- The bauspar loan is typically **part of an overall financing package**. Credit institutions have greater certainty that a borrower is creditworthy when they have already fulfilled a bauspar contract. Such a borrower brings two advantages. The first is the bauspar sum can be used towards lowering the overall amount to finance, thereby lowering the risk. The second advantage is that the borrower has a proven track record as someone capable of servicing a loan. Moreover, credit institutions can reach new customers who are able to access financial products for the first time thanks to fulfilling a bauspar contract.
- Customers who save money consistently over a period of years are usually **loyal customers**.



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Benefits for the sustainable agenda

- Bauspar contracts and the collective of savers are specifically regulated. The deposits are used to build up long-term wealth through the creation of residential property as the largest anchor of private wealth.
- Bausparkassen are major financiers of private housing, while renovation loans for energy efficiency measures are playing an increasingly important role. The same applies to the financing of new buildings with higher energy efficiency standards.
- Bausparkassen support the increase of renovation rates within the EU and thus make a significant contribution to the goals of the European Green Deal.

Benefits for the economy

- **More security leads to greater investments** from both credit institutions and borrowers. More orders for the local construction industry benefit the national economy as a whole.
- Bausparen has a **stabilizing effect on the economy**. Low interest bauspar loans are particularly in demand when funds from the capital markets are scarce and or expensive. The construction

industry lacks orders when capital markets are tight, but because baupar loans are uncoupled from the financial / capital markets these loans have an anti-cyclical effect.

Benefits for the state and society

- By empowering new customer groups who would not otherwise have been able to finance their own property, the state will have access to **additional sources of revenue**. This benefits society.
- Bauparen helps **stabilize financial markets**. The accumulation of equity and fixed-rate loans in local currency buffer a variety of risks



Bausparen in Europe

European citizens already benefit from the advantages of bausparen in eight EU Member States: Austria, Croatia, the Czech Republic, Germany, Hungary, Luxemburg, Romania, and Slovakia.

In total, there are almost 40 million bauspar contracts in these countries amounting to a contract sum of more than one trillion euro. Countries in which bausparen is well established have a more resilient housing finance system, which has been impressively shown again in the global financial crisis.



In **Austria** about one out of two Austrian citizens is a bauspar customer. With a financing volume of about 3 billion euro per year, the bauspar institutions contribute a significant proportion of the total housing finance in Austria.



Bausparen was introduced to **Croatia** in 1998. Since then, bauspar institutions have established themselves as important providers of housing finance in the country. About every tenth inhabitant has a bauspar contract.



Bauspar products were first introduced to the **Czech Republic** in 1992. Today, about every third Czech citizen has a bauspar contract. The bauspar institutions are a central pillar of private housing finance in the Czech Republic. Every year they provide new housing loans for a total value of about 2 billion euro.



Germany has the largest number of baupar customers with a total of approximately 25 million contracts. The baupar system can look back on a long success story in Germany. Every year, baupar institutions pay out about 35 billion to finance housing. This makes baupar institutions a key player in the German market for housing finance.



Hungarians have been able to conclude baupar contracts since 1997. The importance of bauparen has significantly increased in Hungary since the global financial crisis. Today, baupar institutions play a major role in private housing finance and about every tenth inhabitant has a baupar contract.



Bauparen has been possible in **Luxemburg** since 1977. Today every fourth citizen of Luxemburg is a customer of a Bauparkasse. The baupar system is an important contributor to housing finance in the country.



Romania is the latest country in Europe to offer bauparen. First introduced in 2004, bauparen needs time to build on the successes found in other countries. Nevertheless, there is great potential for bauparen in Romania, and it can certainly play an important role in housing finance in the future.



Bauparen has been available in **Slovakia** since 1992. Today about every fifth Slovak citizen has a baupar contract. With a financing volume of about 600 million euro annually, bauparen is a central pillar of housing finance in the country.

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