

# Bausparen in Germany



SENAT  
RZECZYPOSPOLITEJ  
POLSKIEJ

Kasy oszczędnościowo-budowlane  
filarem długoterminowej  
polityki mieszkaniowej państwa

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Chairman of the Board of the  
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Warsaw, 10th July 2013



ZWIĄZEK BANKÓW POLSKICH



Verband der Privaten  
Bausparkassen e.V.

# Bausparkassen in Germany

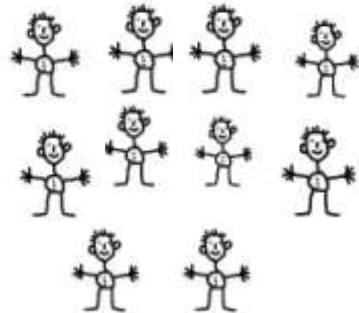
- long tradition in Germany
- first Bausparkasse founded 1885
- Bauspar „boom“ started in 1924
- since 1948 more than € 1,000 billion have been disbursed for housing purposes
- Bauspar funds have been involved in the financing of more than 13 million dwellings
- currently 33 million contracts worth € 803 billion
- 25 million customers
- every second household has a bauspar contract
- 13 private Bausparkassen, 10 publicly-owned Bausparkassen



# How does a Bauspar contract work?



he wants to buy a home, but no loan is available for him, house costs 100, but he can save only 10 per year  
=> he will need 10 years until he has saved enough for his home



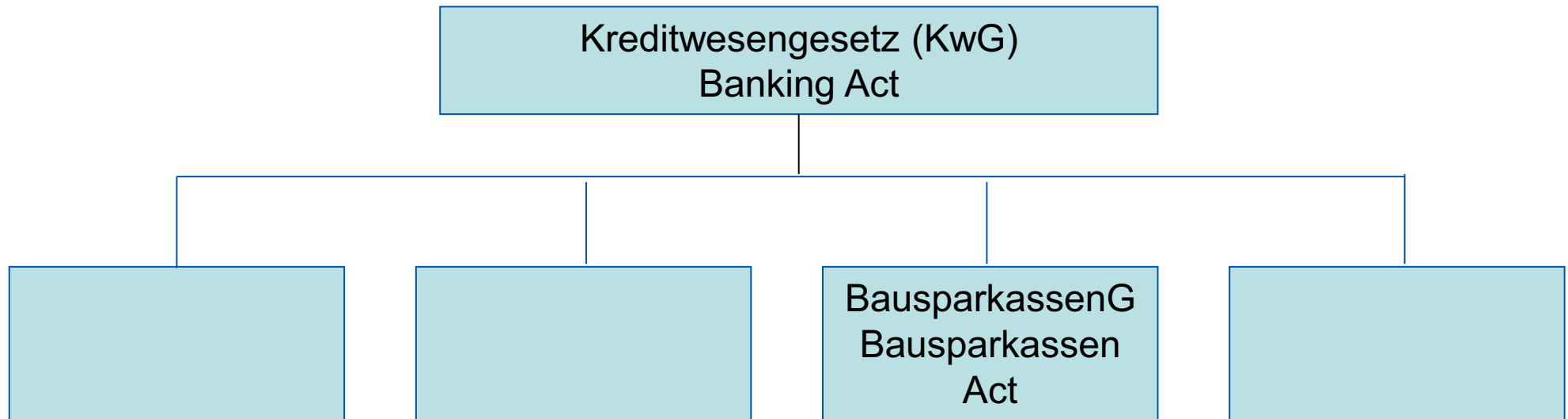
with the idea of bausparen (collective savings)

he looks for others who also want to save and buy a house and finds nine friends, together now everybody saves 10 per year and together they have saved 100 at the end of the first year this 100 can be given to one of the savers in order to buy the house after 1 year instead of 10 years, only 1 person has to wait for 10 years

**Waiting and saving together is much shorter than saving alone!**



# Legal framework



- Bausparkassen are credit institutions and fall under the German Banking Act
- the Bausparkassen Act defines Bausparkassen as specialised credit institutions



# Content of the Bausparkassen Act

## **§ 1 Bausparkassen Act**

(1) Bausparkassen are credit institutions, whose business objective is to accept bauspar deposits (Bauspareinlagen) from bauspar customers (Bausparer) and to grant bauspar loans (Bauspardarlehen) from these aggregate savings to bauspar customers for housing finance activities. Only Bausparkassen are authorized to conduct this aforementioned bauspar business (Bauspargeschäft).

**Bauspar contracts can only be offered by Bausparkassen as specialised credit institutions !**

**Reason:**

- trust and consumer confidence, consumer protection
- guarantee for a sustainable business
- to keep the promise to obtain a loan

**Controlled by specific supervision of the German Banking Supervisor**

# Content of the Bausparkassen Act

## **Bausparkassen Act regulates permissible business;**

- collecting savings
- financing residential housing only, etc.
  - granting bauspar loans,
  - bridge loans,
  - loans for renovation,
  - loans for maintenance (with a strict definition of housing purpose, e.g. in general no commercial housing loans, if commercial than quota limits)
- obligation to check the housing purpose
- management of the closed collective fund scheme
- obligation to secure housing loans with a mortgage, exemption for loans under 30.000 €
- possibility to register a mortgage on second rank



# Content of the Bausparkassen Act

- minimum content of the General Contract Conditions,
- which need the approval of the supervisor, guaranteeing equal treatment of bauspar customers
- supervisor also approves tariffs and their sustainability
- acquire equity holdings in enterprises, if liabilities are limited and these investments promote the bausparkassen business
- transfer of portfolio to other Bausparkassen



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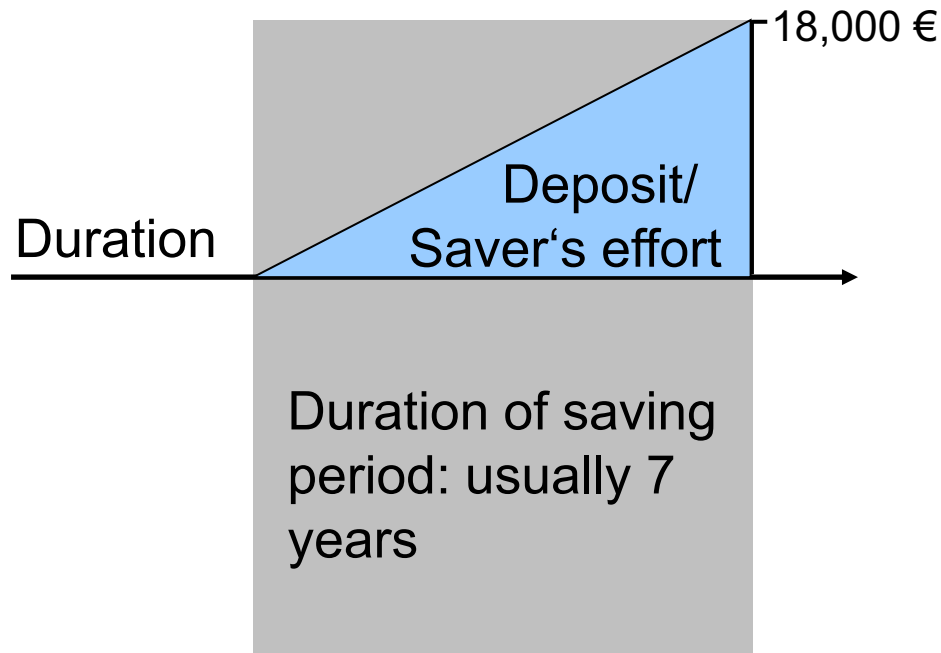
# Content of the Bausparkassen Regulation

- rules on large-scale bauspar contracts (> 225.000 €)
- quota for loans granted to finance construction projects of a commercial character
- quota for loans with alternative security
- threshold for uncollateralised loans
- share of all uncollateralised loans
- rules concerning the technical security reserve

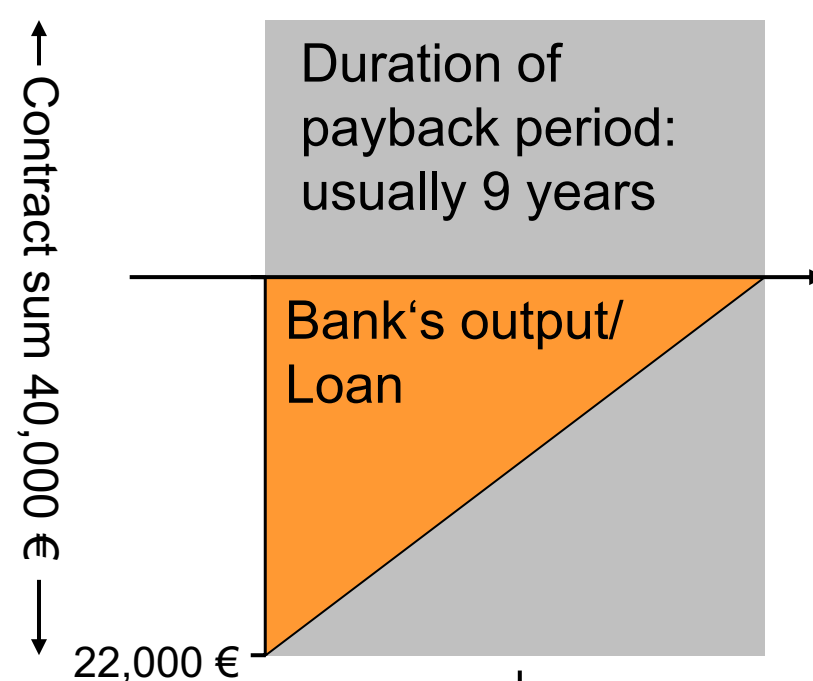


# Bausparen – how does it work?

Example: Contract sum 40,000 €



Monthly savings: 200 €  
Interest on deposit: 1%

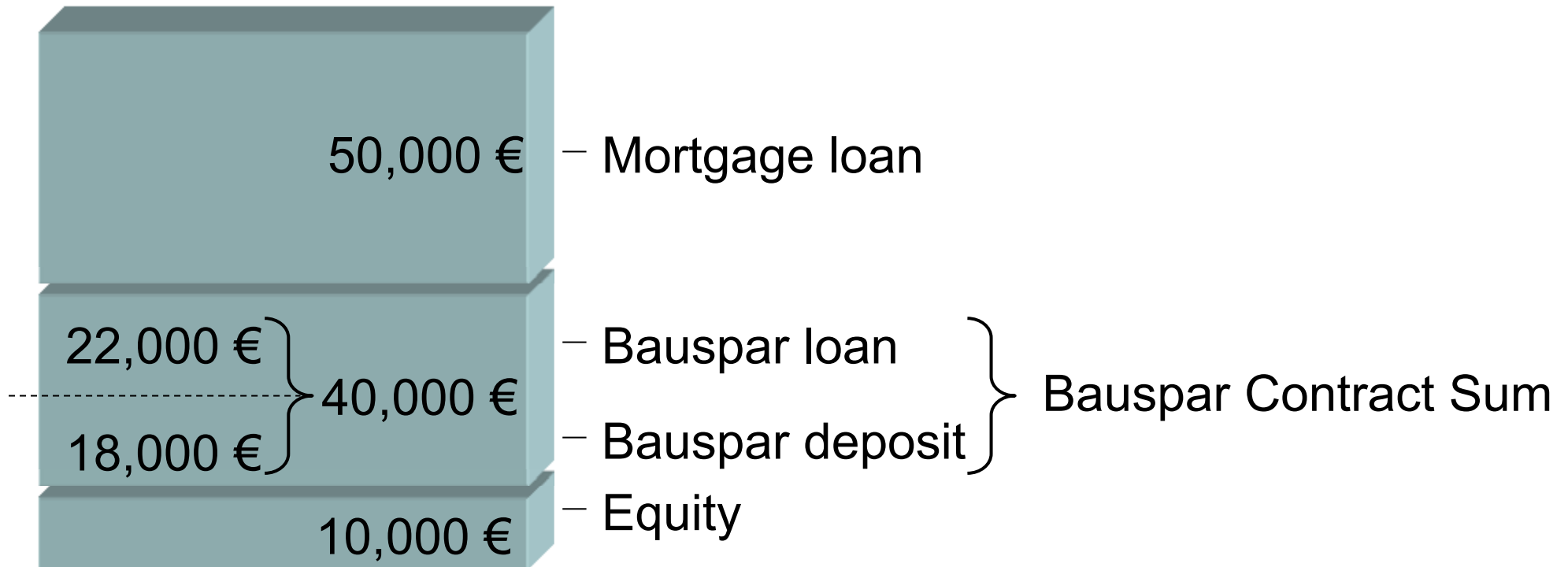


Monthly redemption: 240 €  
Interest on loan: 3.5%  
No early repayment fee

# Bausparen – how does it work?

**Typical purchase scenario for a 2 room apartment in Germany:**

Price of the apartment: 100,000 €



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# Microeconomic effects of Bausparen

- Saving rate 5 %-points higher among Bauspar-customers than non-Bauspar-savers
- Bausparen reduces inflationary pressures by reducing private consumption
- Homeownership considered as the “fourth column” within the system of old age provisions



# How to support citizens to get in their home?

Three basic options for public support to homeownership

1. Support and encourage citizens to save
  - Real estate considered as consumer good, public funds granted depending on amount of private savings
2. Interest rate deductibility
  - Real estate considered as capital good, depreciation deductible
3. +100 % LTV loans available for nearly all customers
  - Bail out mortgage finance agencies and banks like in the US

# Effects of Bauspar-saving incentives

- Incentives to save can be aligned accurately to meet goals of social and economic policy and
- Interest rate deductability hard to control, more likely to exceed public budgets
- Public incentives trigger private savings 11 times higher than initial incentive
- Bauspar-incentives thus enhance efficiency of public funding for housing, since more private funding is involved
- Public incentives Bauspar-savers move in their own homes, leaving a dwelling that is then available for new tenants – incentives lead to 2-2,5 relocations instead of just 1-1,5 if social housing is funded directly

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# Any further questions?

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