
GEOFIN Blog #14 - ENHR conference paper: Housing finance beyond individual mortgages – how to finance new forms of affordable housing in Eastern Europe? (by Zsuzsanna Pósfai)

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The paper I presented at the annual (online) conference of the European Network of Housing Researchers (ENHR) explored how the boundaries of the current system of housing finance could be pushed in a way to produce more affordable housing in Eastern Europe generally and in Hungary specifically. An important aspect of this inquiry is to investigate how new institutions of rental housing could be financed in a context of housing markets extremely dominated by homeownership, and where individual mortgage lending – although systematically reaching its limits – is pushed forward by governments.

Crisis periods shed light on the vulnerability of conventional forms of housing finance; especially in (semi)peripheral economies such as Hungary and Eastern Europe more generally. The 2008 crisis led to dramatic housing instability in the region, especially through mortgages denominated in foreign currencies. The housing market effects of the current, Covid-19 induced economic crisis are yet to unfold, but it will surely bring a reorganization in the field of housing finance. As the pool of individuals eligible for a mortgage decreases due to income uncertainties, financial institutions may become more interested in experimenting with new forms of financing organizations engaged in the development of sustainable and affordable housing.

In my paper I explored what potential these new forms of rental housing (and within that, cooperative and collaborative housing) have to even out the volatility and risk of conventional forms of housing finance. My hypothesis was that housing finance can not only be a destabilizing, but also a stabilizing force, if money is invested into forms of housing ownership and tenure that are anti-speculative in their nature, and which aim to secure long-term affordability. In order for this to happen, pioneering financial institutions and new housing organizations need to develop – and also need to meet. Understanding how they can come together and what aspects of housing finance need to change for this to happen is a fundamental question for housing researchers in the near future.

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